# FINANCIAL STATEMENTS
2008/9

UNIVERSITY OF
OXFORD

# University of Oxford

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OXFORD

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**Cover photograph:** Phil Sayer

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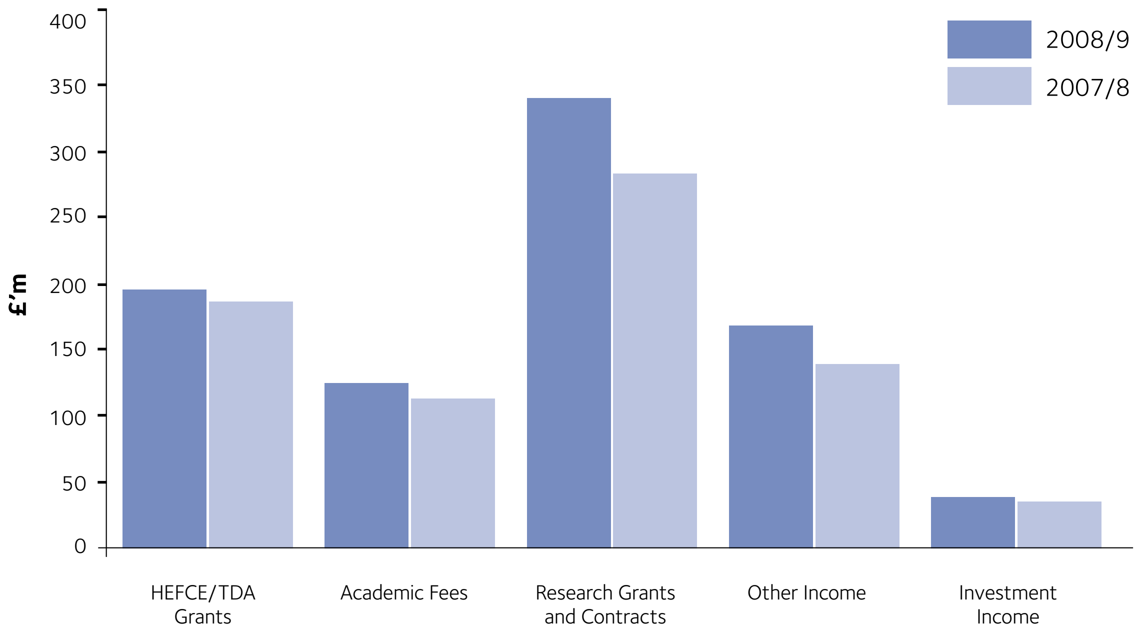
# Financial Highlights

### Results for the Year

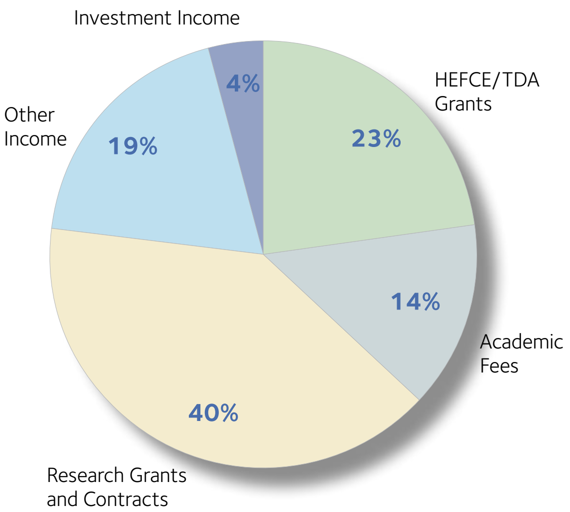
- Total income increased by 13.0% to £862.5m (2008: £763.4m)
- The largest source of income continued to be research grants and contracts at 39.5% (2008: 37.8%)

### Year-on-Year Income

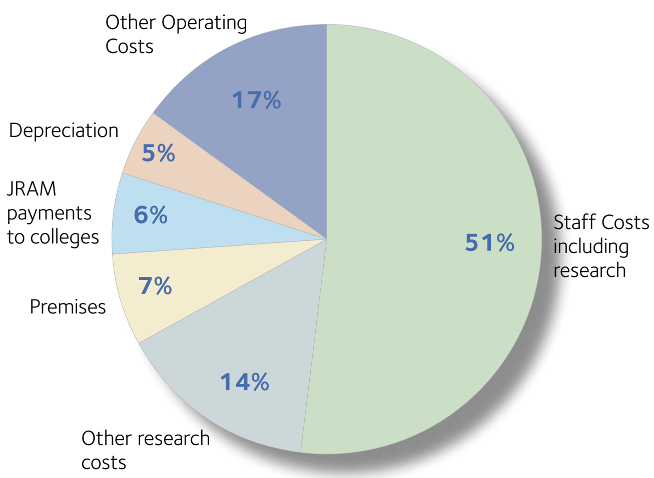



- Total expenditure increased by 15.8% to £866.8m (2008: £748.8m). This figure includes £14.7m relating to the impairment of Icelandic bank deposits.
- Staff costs increased by 8.6% to £437.6m (2008: £403.0m) and were equivalent to 50.5% of total expenditure (2008: 53.8%)
- The deficit on continuing operations before donation of heritage assets was £4.3m (2008: £14.6m surplus).
- The surplus for the year retained within general reserves was £1.2m (2008: £23.8m)

**University Income 2008/9**




**University Expenditure 2008/9**



# Operating and Financial Review

## Introduction

As the oldest English-speaking University in the world, Oxford has a rich and exciting history. Over the past nine centuries the University has grown and developed, and has an international reputation for the excellent standard of its teaching and research, and for its unparalleled facilities. Today more than 20,000 students, from a diverse range of backgrounds and nationalities, benefit from Oxford's resources.

## University Objectives

In June 2008 the University agreed a new strategic plan for 2008–13. The University's commitment to excellence is reflected in six over-arching long term objectives:

- To lead the international research agenda across the University's disciplinary spectrum and through interdisciplinary initiatives.
- To provide an exceptional education for both undergraduates and graduates, characterised by the close contact of students with distinguished scholars in supportive collegiate and departmental communities.
- To attract, develop and retain academic staff of the highest international calibre and make the University of Oxford and its Colleges, employers of choice for all staff in the international, national, and local environments.
- To recruit the very best students nationally and internationally through an equitable process based on achievement and potential.
- To make further significant contributions to society, regionally, nationally and internationally, through the fruits of its research and the skills of its alumni, its academic and educational publishing activities, its entrepreneurial and cultural activities and policy leadership, and its work in continuing education.
- To deliver outstanding facilities and services and manage them effectively and responsibly for the benefit of staff and students.

Significant progress has already been made against a number of these objectives, outlined in the relevant sections.

## Research

The scale of research activity at Oxford is substantial, involving more than 70 departments, the colleges, over 1,600 academic staff, more than 3,500 contract researchers, and around 3,600 graduate research students.

| Research | 2009 | 2008 |
|---|---|---|
| Revenue in year (£m) | 340.5 | 285.3 |
| Growth in revenue (%) | 19.3 | 15.0 |
| *Value of new grants and contracts awarded in the year (£m) | 467.2 | 386.9 |
| Number of new awards received (grants and contracts) | 1,920 | 1,776 |

* This is the total value of the award at announcement and reflects the value over the duration of the award (which typically ranges from one to five years). The majority of the corresponding revenue will be accounted for in future years.

In the 2008 Research Assessment Exercise by the Higher Education Funding Council for England (HEFCE), Oxford was judged to have the largest submission of world-leading research (4* rated by HEFCE) in the UK. Oxford also had the largest submission of world-leading or internationally excellent research (4* or 3* rated) in the UK. With the University having submitted work by more than 85% of its academics, this result underscored the breadth and depth of Oxford's research activity. Much of this activity depends on external funding.

The two single largest sources of support are the Research Councils and UK medical research charities. Research Council funding is extremely important in facilitating a wide range of projects, major research programmes and interdisciplinary initiatives, research training and international collaboration. The Councils' support for fundamental, curiosity-driven research is especially valued; as such research is often the basis for discovery, invention and long-term impact. The University receives substantial support from across the UK charity sector, from the largest funders, such as the Wellcome Trust, Cancer Research UK, British Heart Foundation and the Leverhulme Trust, as well as a large number of smaller charities whose support is also very important and highly valued.

In terms of the University's other sources of support, research funding from overseas, especially from the European Commission and various public agencies and foundations in the USA, is the fastest-growing part of the University's research portfolio. In addition, Oxford also receives significant research funding from business and from government departments from both within the UK and overseas (often to support collaborative research). We warmly acknowledge the role of our funders, both public and private, in supporting our research efforts and the contributions made by our collaborators.

Oxford's researchers make a major impact on the world through their academic publications and conference presentations. The University also takes pride in its record of transforming invention into commercial ventures, which in turn create innovative products, new skills, jobs and wealth, in particular through Isis Innovation Ltd, the University's wholly-owned technology transfer company.

The frequent take-up by industry of new technologies developed by the University's researchers is testament to the effectiveness of our technology transfer activities. Isis Innovation Ltd supports the exploitation of intellectual property created by the University's researchers for the benefit of society and the economy, both in the UK and internationally, while ensuring a reasonable proportion of the financial rewards flow back to the University and its researchers. Isis Innovation Ltd has been a considerable success story. In the last year alone to 31 March 2009, trading turnover increased from £4.8m to £5.8m, distributions to the University were up from £2.6m to £2.9m, four new spinout companies were created and the number of new consultancy agreements grew by 48% to 151.

## Teaching and Students

Each year, the University of Oxford welcomes talented students at both undergraduate and graduate level from all over the globe. Our students are attracted by the chance to study at an internationally renowned seat of learning with a centuries-old reputation for outstanding academic achievement and innovation.

The figures below show student numbers (both full-time and part-time) broken down by fee status:

| As at 1 December | 2008 | 2007 |
|---|---|---|
| Full-time equivalent students – undergraduate | 11,734 | 11,917 |
| Full-time equivalent students – postgraduate | 8,101 | 7,580 |
| Visiting Students/Other | 495 | 517 |
| **Total Students as at 1 December** | **20,330** | **20,014** |
| % of students (excluding Visiting Students) with overseas fee status | 21.4 | 21.7 |

In 2008/9 the higher-level fees for UK/EU undergraduate students provided an additional £16.1m of income, of which £4.5m was distributed to students in bursaries and scholarships through the Oxford Opportunities Bursaries Scheme, one of the most generous bursary schemes in the UK.

The University is committed to recruiting the most able students, regardless of their social, educational, regional or ethnic background. The University has a number of widening participation schemes to assist students from state schools with low levels of applications to the University. The regional teachers' conferences, developed as a trial this year, attracted 382 participants, while the twice termly e-newsletter for teachers and guidance counsellors now has 2,000 subscribers. Overall undergraduate admission applications were up 12.5% on 2007/8.

## Staff

| | 2009 | 2008 |
|---|---|---|
| Average number of staff | 8,921 | 8,427 |
| Staff costs as a % of expenditure | 50.5 | 53.8 |

Staff are the major resource of the University, representing 50.5% of expenditure. Staff numbers have increased as a result of new research centres and departments and to support the growth in activity in the University.

The University is committed to attracting, developing, rewarding and retaining academic staff of the highest international calibre, and to making the University of Oxford and its colleges employers of choice for all staff. A key element of University Human Resources strategy is the work of a task force which is reviewing the terms and conditions of academic employment. During the year the University introduced new measures aimed at ensuring the careful management of staffing costs, through a mobility incentive scheme and enhanced scrutiny of recruitment.

The University is committed to equal opportunities for both staff and students, ensuring that individuals are treated fairly and with respect at all times, and are given equality of opportunity in all activities. The University is working towards the development of a single equality scheme.

## Investment in facilities

In recent years, the significant growth in academic activity has necessitated a period of rapid expansion of the University's estate. This has only been made possible with the support of capital funds from government, charities, benefactions and other sources. The estate has grown by 36% over the last 10 years and now comprises over 542,000 square metres of space. The University has developed a detailed estates strategy to make the best use of space and physical resources across the University, seeking to ensure that infrastructure is maintained and developed in a sustainable way.

| | 2009 | 2008 |
|---|---|---|
| Building and Equipment additions (£m) | 126.9 | 114.0 |
| Capital grants received (£m) | 143.9 | 89.2 |
| Building repairs and maintenance (£m) | 14.3 | 13.0 |
| Repairs and maintenance as % of building insurance value | 0.5 | 0.5 |
| Buildings square metres (000's) | 542 | 530 |

The University has made progress against the key objectives of delivering outstanding facilities and services and managing them effectively and responsively for the benefit of staff and students. Some recent developments are described below:

- The major redevelopment of facilities in the Science Area, to meet the demands of current scientific research, has continued: a widely praised new building for Biochemistry has been opened, and follows the provision of new facilities for Chemistry and e-Science. Further investment in this area includes a new £37m facility for Earth Sciences, currently under construction, and the redevelopment of the Leslie Martin building to form the £25m Oxford Molecular Pathology Institute (OMPI). Incorporated in the basement level of the OMPI will be a major new state of the art machine room thereby providing better resilience for the University's computing systems.

- Refurbishment of the University Offices at Wellington Square has continued and the redevelopment of Queen Elizabeth House will provide better facilities for the activities of the International Development Department.

- Refurbishment of the Ashmolean is supported by the Heritage Lottery Fund. The Ashmolean is currently undergoing a £61m redevelopment. A new building has been designed to replace all but the Grade I listed Cockerell building. The design will double the existing gallery space, allow environmental control, and create a dedicated Education Centre and conservation facilities. The Ashmolean will, at long last, have a world-class building to match its world-class collections.

- Initial construction work was begun on a number of libraries projects as part of the strategy to improve access to the University's unique collections. The initial works include refurbishment of the Radcliffe Science Library and construction of the new £27m book storage facility at Swindon.

- During the year the University also completed the Biomedical Sciences building at a cost of £29.8m.

- Detailed planning, demolition, and site clearance has started of the Radcliffe Observatory Quarter, the University's unique site in the heart of Oxford intended to meet the University's requirements for non-laboratory research and teaching space for the next 20 years or more.

The University has approved a long-term capital plan that could involve over £800m of investment over the next five to ten years. Significant projects included in the capital plan are new facilities for Mathematics and Humanities as part of the development of the Radcliffe Observatory Quarter (ROQ), the next phase of the libraries investment strategy and various projects designed to upgrade and update the University's Science Area. Whilst the University continues to carry out detailed planning activities in connection with its capital plan, it is acutely aware of the uncertain outlook for the public and private funding of higher education. The University will therefore carefully reconsider each element of the plan before making significant new capital commitments.

The heritage assets held by the University are substantial and include collections of books, art, historical antiquities, and major museums. The value of new heritage asset acquisitions in 2008/9 was £2.0m (2008 £4.1m), with the major item being Titian's painting the "*The Triumph of Love*".

## Corporate and Social Responsibilty

The University is committed to making significant contributions to society at a regional, national and international level. At a local level, the collegiate University is the second largest employer in Oxfordshire and plays an integral role in the social, cultural and economic life of the city of Oxford and the surrounding area. The University's research and innovation helps to attract investment to Oxfordshire's economy and many of the county's 1,500 high-tech companies have links to the University. More than nine million tourists visit the Oxford area each year, spending £589m and supporting 13,700 jobs. Surveys identifying top tourist attractions in the city consistently highlight buildings, gardens and parks belonging to the collegiate University.

The University contributes to society through engagement with the local community and the wider public in many ways:

- Over 1 million people visit the University's six museums and collections every year, including over 78,000 children on school visits.
- Over 40 per cent of users of the Bodleian Library are from outside the University.
- The Oxford University Science Roadshow takes scientists to schools around the county as part of National Science week.
- Around 15,000 students annually take up lifelong learning opportunities at the Department for Continuing Education.

On a global level, there are more than 46,000 Oxford alumni resident in 188 countries outside the UK. Oxford is one of the leading centres for the study of globalisation, through the James Martin 21st Century School, the Programme on Global Economic Governance, and the Oxford Department of International Development (which created the world's first refugee studies programme). University departments, including the Centre for Tropical Medicine, which has laboratories in Kenya, Vietnam and Thailand, conduct 'cutting edge' research around the world.

## Environmental Policy

The University remains committed to improving its environmental performance and reducing its negative impact on both the local and global environment. The University's Environmental Sustainability Policy sets out policy in areas including the reduction of emissions, waste and water usage, the construction of sustainable buildings, the promotion of sustainable travel and the preservation of wildlife habitats.

The University has a target to reduce carbon emissions by 80% by 2050 (based on 1990 levels) with an interim target of a 34% reduction by 2020. This is in line with government targets.

The University has a Sustainable Travel Plan covering the period 2008-12 which contains a package of measures aimed at reducing the impact of staff travel on the environment. Included within the Plan is a commitment to discourage unnecessary use of private motor transport and to promote walking, cycling and public transport as suitable alternatives. The University has adopted a target to reduce the percentage of staff usually travelling to and from work by car from 23% in 2007 to 18% in 2012. Other recent initiatives include:

- Energy surveys for the 23 most energy intensive buildings, which account for 50% of the University's total energy use.
- Development of energy-management strategies for individual departments.
- Regular electricity demand exception reports in order to alert building managers to potential causes of increased electricity use.
- The new Biochemistry building, opened in October 2008, is the first University building to have photovoltaic panels integrated into the structure. It also has a green roof to provide a habitat for wildlife, reduce rainfall run-off and provide additional insulation.
- Rainwater harvesting in new buildings, including the new Biochemistry building, where rainwater from the roof is collected in four huge underground tanks in the Parks for use in the irrigation of sports turf and the borders.
- Establishment of a £500k HEFCE Salix revolving green fund in energy and carbon reduction projects in existing buildings.

## Financial Summary

The key financial objectives of the University are to provide the long-term resources to strengthen and further its pre-eminent position nationally and internationally as a place of outstanding learning, teaching, and research; and to enable it to provide additional support to its three core priorities of students, academic posts, and buildings. To achieve this the University is seeking to increase its endowment, through the Oxford Thinking campaign.

Whilst income has grown, the upward pressure on costs continues to be significant and the University has an operating deficit for 2008/9 of £4.3m. Operating expenditure for 2008/9 includes £14.7m relating to the impairment of the University's deposits with Icelandic banks. The deficit is calculated before a profit attributable to minority interests of £0.3m and donations of heritage assets of £1.1m. After accounting for these items and the transfer from accumulated specific endowment return the surplus for the year is £1.2m (2007/8 £23.8m).

| **Financial Summary** | **2009 £'m** | **2008 £'m** |
|---|---|---|
| Income | 862.5 | 763.4 |
| Expenditure | (852.1) | (748.8) |
| Impairment of Icelandic bank deposits | (14.7) | - |
| Operating (deficit) / surplus on continuing operations before donation of heritage assets and minority interests | **(4.3)** | **14.6** |
| Donation of Heritage Assets | 1.1 | 4.1 |
| Minority Interest | 0.3 | 0.6 |
| Transfer from accumulated endowment return | 4.1 | 4.5 |
| **Surplus for the year** | **1.2** | **23.8** |

## Income

Compared with the previous year, income to the University rose by 13.0%, from £763.4m to £862.5m. The main reasons for the increase are:

- Research grants and contracts continue to be the largest source of income to the University and increased by 19.3% to £340.5m, most of which was matched by related expenditure.

- Grants from the Higher Education Funding Council for England (HEFCE) represent the second largest source of University income and amounted to £195.3m, up by 4.9%. This figure includes income from HEFCE's new matched funding scheme for voluntary giving.

- Academic fees and support grants amounted to £122.7m, up by 11.1%. The increase is driven largely by the arrival of a third cohort of UK/EU undergraduates paying the current higher fee rate.

- Donations increased from £12.6m to £28.3m in 2008/9. Included in the 2008/9 figure is an £8.3m release to income relating to the re-classification of The Higher Studies Fund from a restricted to an unrestricted endowment. Further investigation of the terms of the endowment have led management to conclude that there is no outside restriction on how the funds can be used. This is a one-off gain within the year. Donations in support of the refurbishment of the Ashmolean Museum and new research centres, including the Smith School of Enterprise and the Environment, also contributed to this rise. Donations received during the year for capital projects including that for the refurbishment of the new Bodleian Library are included in Deferred Capital Grants and are therefore not part of donation income.

- The Income and Expenditure account included gains on translating and realising US Dollar and Euro balances arising from research activity of £7.2m. This arose primarily from the favourable movement in the Euro and Dollar rates.

- The increase in donation income and the gain on foreign exchange both contributed to the 20.2% rise in other operating income to £166.9m. The other main contributory factor was increased subsidiary company trading activity in Isis Innovation Ltd and OSBS Ltd.

- Endowment and investment income decreased by 12.9% to £37.1m. This reduction was due to interest receivable falling over the period due to lower bank interest rates and lower profits from the realisation of investments in spinout companies. This reduction was partly offset by a one off investment gain arising from the sale of University owned investments as part of the change in investment strategy due to the introduction of total return accounting.

- Included within income in 2008/9 is £38.3m from the Press (2007/8 £36.6m). The increase is largely due to additional funding by the Press of the Clarendon Scholarship Fund, which supports international postgraduate students.

## Expenditure

The University's expenditure of £866.8m was 15.8% higher than in 2007/8.

Staff costs totalled £437.6m and increased by 8.6%. This resulted from an annual negotiated pay settlement of 5.0% in October 2008 and an increase in staff numbers. The increase in staff costs has more than been matched by related income, with staff costs as a percentage of total expenditure falling from 53.8% in 2007/8 to 50.5% in 2008/9.

Other operating expenses amounted to £367.8m and increased by 22.4%. Major factors explaining the increase include additional expenditure on research contracts, a rise in energy prices and increased bursary and scholarship costs. Expenditure also included £6m of non-capital costs relating to the refurbishment of the Ashmolean Museum and initial feasibility studies for the Mathematics Building and Radcliffe Observatory Quarter.

## Impairment of Icelandic Bank Deposits

In the autumn of 2008, a number of Icelandic banks went into administration including three with which the University held deposits. The University has £29.0m of fixed-term deposits with these banks, and debtors include a further £3.6m of accrued interest in relation to these deposits. The University is working together with other affected public bodies and with HEFCE to recover these amounts. The current situation regarding recovery of the sums deposited varies between institutions. Based on the latest information available the University considers that it is appropriate to take an impairment adjustment for the deposits. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators, it is likely that further adjustments will be made to the accounts in future years. The impairment included in the 2008/9 financial statements is £14.7m (See additional information in note 8 of the Financial Statements).

## Cash Flow and Financing

Net cash outflow, before use of liquid resources and financing for the year, was £52.4m compared to a £39.0m inflow the previous year. Net cash inflow from operating activities of £4.4m is lower than the previous year inflow of £24.5m principally because of the impairment of Icelandic bank deposits of £14.7m. Capital expenditure at £124.2m is slightly higher than the previous year and capital grants received have increased following the receipt of new external capital donations and the government programme to accelerate capital infrastructure grant payments. The net acquisition of fixed asset investments of £158.5m largely explains the overall cash outflow of £52.4m. This follows the decision of the University Finance Committee to transfer the management of surplus cash balances to Oxford University Endowment Management Limited.

## Cash flow and financing

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Net cash inflow from operating activities | 4.4 | 24.5 |
| Net returns on investments and servicing of finance | 21.9 | 26.9 |
| Capital expenditure | (124.2) | (113.5) |
| Capital grants | 96.3 | 92.4 |
| Net (realisation)/acquisition of fixed asset investments | (158.5) | 22.4 |
| Net acquisition of endowment asset investments | 85.6 | (28.2) |
| Other inflows | 22.1 | 14.5 |
| Net cash (outflow)/Inflow before management of liquid resources and financing | (52.4) | 39.0 |
| Net realization/(acquisition) of current asset investments less loans repaid | 202.5 | (44.9) |
| **Increase / (Decrease) Cash** | **150.1** | **(5.9)** |

The University has bank loans outstanding totalling £46.8m. Interest is fixed and the loans will mature in 2019 and 2047.

Borrowing as a percentage of net assets was 2.9 % (2007/8 3.1%).

## Prior Year restatement

The prior year figures have been restated for the introduction of total return accounting. The prior year endowment and investment income, net of transfer from accumulated endowment return, has been increased by £7.5m and there has also been a re-analysis of opening reserves. (see note 21).

The increase in prior year endowment income represents the difference between income previously recognised on a receivable basis and income now recognised at the long term forecast return rate of 4% under total return accounting.

## Investment Performance

The University's investments are managed as the Oxford Endowment Fund, the Capital Fund, the Deposit Pool, and equity in spinout companies and venture capital funds. For accounting purposes these investments are allocated to the appropriate category in the balance sheet; Endowment Assets, Fixed Asset Investments, Current Asset Investments or Cash.

During the year the University made significant changes to the management of its investments.

- **Oxford Endowment Fund (OEF)**

  The Oxford Endowment Fund was established by the University on 1 January 2009, under the provisions of the Universities and Colleges (Trusts) Act 1943. The purpose of the fund is to administer collectively the assets of trusts administered both by the University itself, and by other trustees for purposes related to the University. It is managed by Oxford University Endowment Management Ltd (OUEM) under investment and distribution policies set by the Investment Committee and Council. The Fund is open to the University and to colleges, funds and societies connected to the University. The University has operated a total return investment policy since 2001 and has now agreed the associated policy of total return accounting under which income from endowment is transferred to the Income and Expenditure account under a forecast return rate, determined to be 4.0% of the value of the endowment.

  The Investment Committee has established an investment policy and related asset allocation strategy that is designed to achieve a target 5% real rate of return over the long term with an expected maximum level of volatility of the MSCI World Index. A spending rate of 4% is designed to provide for as much spending as possible without depleting the fund's real value. This represents our best estimate of the long-term real rate of return on endowments and will be kept under review.

  Income earned by the endowed assets and revaluation gains or losses are thus credited directly to the endowment. Expenses incurred in the management of the endowment are charged to the endowment.

The Trusts Pool still exists within the University as the unitised pool of individual endowments but is now a part of the Oxford Endowment Fund. The Capital Fund represents the University's funds set aside for capital projects. This will be expanded in 2010 with a "New" Capital Fund with shorter term liquidity options to encourage further aggregation for those with more immediate liquidity requirements across the University. The remaining University cash is managed in the Deposit Pool by the University's Treasury team under the supervision of the Finance Committee.

The University is the Trustee of the Trusts Pool and the University's Investment Committee is responsible for setting the Investment Policy and Distribution Policy, and for overseeing the investment manager, OUEM.

### Investment Performance

At 31 July 2009, the market value of the Oxford Endowment Fund was £595.8m and the Capital Fund was £348.2m.

For the 12 months to 31 July 2009, the Oxford Endowment Fund returned -5.8% (-4.7% for the Trusts Pool in 2007/8) and the Capital Fund -3.9% (-7.7% in 2007/8). While the absolute returns are disappointing, these were achieved against an unprecedented period of turbulence in the financial markets. Both funds are invested globally and for total return, across a diversified set of assets, currencies and countries. The funds benefited from being diversified and relatively defensive. Exposure to equities was relatively low in the second half of 2008/9, protecting the funds from the worst of the fall-out from the banking crises. The 12-month period to 31 July 2009 saw rapid declines and sharp rebounds across global stock markets. The MSCI World Index returned -6.3%, the FTSE All Share -10.9% and the S&P 500 -4.4%. The best performing markets were also the most volatile with the MSCI Emerging Market index returning -0.3% after recovering from the -50% lows. In sterling terms, the highest returns were from global bonds, dominated by Japan and the US, the Citigroup World Government Bond Index rose 26.2% mainly due to currency movements. UK bonds as represented by the FTSE British Government All Stocks rose 9.44%.

### University share of Oxford Endowment Fund (OEF)

The University share of Oxford Endowment Fund represents the collective endowments of approximately 720 individual trusts. The Pool is unitised, and in return for cash subscriptions each Trust receives a percentage interest in the whole portfolio.

The decline in investment returns has caused a number of Trust Funds in the short term to have market values less than their original capital. Expenditure reductions for these Trust Funds may be required to return them back to their original capital position in the medium term. A review is being carried out of the regulations of each trust to see whether this is required.

### Other Investments

The investments held by the James Martin 21st Century Foundation, totaling £41.4m, are not included in the Trusts Pool or the Deposit Pool, and are managed externally to the University, not by the Investment Committee. These are shown in the balance sheet as part of Endowment Asset Investments.

Fixed Asset investments of £295.1m (£94.2m 2007/8) comprise primarily equities and other pooled investments and have increased as the University has moved out of cash investments.

## Treasury Policy and risk

The University has implemented a series of policies designed to manage treasury risks including liquidity risk, exchange rate risk and credit and counter party risk. These policies are contained in the Treasury Management Code of Practice prepared in accordance with HEFCE and CIPFA guidelines and annually reviewed by the Finance Committee. In recent years the Finance Committee has paid particular attention to the policies designed to manage counter-party risk and exchange rate risk.

During 2007/8, as the global banking market deteriorated and general credit conditions worsened, the University revised its counter-party risk policy to be more conservative, and Icelandic banks were amongst a number of banks removed from the approved list. However, because the deposits were for fixed terms, it was not possible to withdraw the funds deposited with Icelandic banks prior to maturity without the agreement of the counter-party. The counter-party risk policy was further revised in October 2008 to seek to take account of the significantly heightened treasury risk and currently provides for cash to be on deposit for a maximum period of 24 hours.

The University has an increasing volume of transactions in foreign currencies primarily related to grants and contracts awarded by overseas bodies. Policies established to manage exchange risk include:

- Ensuring (as far as is possible) that the University protects itself adequately against the risk of fluctuations in foreign exchange rates.
- The University will not trade in currencies.
- All currency transactions will be in accordance with the standard International Swap Dealers Association (ISDA) form of contract.
- The University will enter into certain forward exchange contracts to cover specific foreign currency receipts from research sponsors only with the agreement of the sponsor. Only contracted foreign currency receipts or expenditures will be sold forward.

## Oxford Thinking: The Campaign for the University of Oxford

Since its successful launch in May 2008, the Campaign for the University of Oxford has advanced to an overall total of £730m at the close of July 2009, including all philanthropic income to the University and colleges (college figures to the end of March 2009 only). This represents approximately £155m of additional income in the period since the launch, with some £62.7m of cash recorded in the University only for the financial year ended 31 July 2009.

The Campaign is now well past the halfway mark towards its minimum target of £1.25 billion. The income received for the academic priorities at the heart of the Campaign are for all parts of the collegiate University including the colleges, academic divisions and departments, museums, libraries, students, new and existing buildings, and academic posts and programmes.

The remarkable generosity of Oxford's many alumni, friends and benefactors, even in difficult economic times, continues to give great encouragement that the ultimate goals of the Campaign will be achieved. The involvement and support of colleagues across the University and colleges remains critical to the success of the Campaign.

## Oxford University Press ('the Press')

The Press is the largest university press in the world. As a department of the University, it furthers the University's objectives of excellence in research, scholarship and education by publishing worldwide, and contributes substantially to the University's reputation and income.

The activities of the Press can broadly be divided into Trading Operations and the Delegates Property and Reserve Fund (DPRF). Cash generated from the Trading Operations is used to fund those operations and also as a source of transfers to the DPRF. The DPRF was established in order to distinguish more clearly the reserve assets of the Press from the assets and liabilities relating to the Trading Operations. The DPRF also holds and manages the properties of the Press together with the income arising from them.

In accordance with the Financial Regulations of the University, these financial statements do not consolidate the accounts of the Press, although extracts from the separate accounts of the Trading Operations and DPRF for the year ended 31 March 2009 are set out on pages 55 to 59.

During the year "the Press" transferred £101.3m (2008 £56.6m) to the rest of the University, of which £38.3m (2008 £36.6m) was available as income, and the rest in support of capital projects.

## Vice-Chancellor

On 1 October 2009, Professor Andrew Hamilton was appointed Vice-Chancellor succeeding Dr John Hood. Professor Hamilton was Provost of Yale University from 2004 until 2008.

## Future Financial Challenges

Although experiencing continued rapid growth in 2008/9, the University faces some significant risks to its long-term sustainability. Whilst the balance sheet remains sound and net assets are growing steadily, the University is expecting a deficit on the Income and Expenditure account in 2009/10 because of reduced government funding, the cost of maintaining vulnerable science subjects and the tutorial system, lower investment returns and major commitments to developments to improve the Libraries and the Estate generally. The financial challenges facing the University are significant and include:

- **Pressure on Government funding**
  A significant proportion of our income is received as a grant from HEFCE to cover teaching, quality research, capital and specific activities. With Government warnings of lower levels of future public spending we will need to manage our resources efficiently.

- **Sustaining our research activities**
  There is also increasing uncertainty over the likely future levels of Research Council and charity grants. In addition, failure by the University to maximize recovery of full costs of research could lead to significant financial problems.

- **Attracting the best and brightest students**
  Competition with the top international universities remains strong. Fortunately student demand to study at Oxford remains high and undergraduate applications are rising. The weakness of sterling has also allowed international student applications to remain strong. This good news is offset by the reduction in the HEFCE teaching grant for 2009/10 and the limited scope for growth in student numbers.

- **Securing an adequate level of student fee income**
  The ability to significantly increase student fees is uncertain with any decision delayed until after the next general election. The approaching review of fees therefore assumes critical importance.

- **Improving investment returns**
  Investment returns have deteriorated in 2008/9 and the current market uncertainties and economic recession will almost certainly reduce investment income and investment gains further in 2009/10.

  Income from activities such as those of the Press in the academic and educational publishing arena, and those related to other forms of intellectual property, generated by Isis Innovation and Oxford Spinout Equity Management may encounter more difficult conditions.

- **Encouraging donations**
  The weaker financial environment could also put additional pressure on other major funding sources, such as donors. Never before has the University's future been so dependent on the success of the current campaign – Oxford Thinking.

- **Active management of the cost base, particularly pay and pensions**
  Over 50% of the University's costs are staff-related. Measures have been introduced to manage staff costs whilst funding remains uncertain.

  The significant falls in the value of financial markets is also of concern when considering the position of pension schemes. Note 34 to the accounts highlights an actuarial funding deficit of £43m (March 2007 valuation) for the Oxford Staff Pension Scheme (OSPS) and a surplus of £707m (March 2008 valuation) for the Universities Superannuation Scheme (USS). Both schemes are multi-employer schemes and any deficits are attributable to all member institutions. The general funding environment has deteriorated markedly since these valuations were carried out and the employers are actively seeking changes to the governance and rules of the USS scheme to mitigate liabilities. A similar review is being carried out for OSPS.

- **Investing in our infrastructure**
  There has been considerable progress during the past decade in rejuvenating both the estate and related research infrastructure. Nonetheless, across the disciplines, many of the University's facilities remain poorly suited to the current and projected levels of research undertakings and graduate study. The investment required to bring the University's estate up to 'world-class' standards would be considerable.

- **Ensuring financial sustainability**
  The University will actively seek to manage its sources of revenue effectively and its costs efficiently in order to generate the positive long-term cashflow needed to fund the future teaching and research aspirations of the University.

## Five Year Summary of Key Statistics

| | | | Year Ended 31 July | | |
|---|---|---|---|---|---|
| | 2009 | 2008 restated | 2007 | 2006 | 2005 |
| | £m | £m | £m | £m | £m |
| Funding body grants | 195.3 | 186.2 | 179.8 | 166.8 | 159.5 |
| Academic fees and support grants | 122.7 | 110.4 | 94.0 | 87.3 | 67.8 |
| Research grants and contracts | 340.5 | 285.3 | 248.2 | 213.4 | 183.6 |
| Other income | 166.9 | 138.9 | 126.2 | 113.0 | 95.4 |
| Endowment and investment income | 37.1 | 42.6 | 28.3 | 28.2 | 23.9 |
| **Total Income** | **862.5** | **763.4** | **676.5** | **608.7** | **530.2** |
| **Total Expenditure** | **866.8** | **748.8** | **674.2** | **606.2** | **524.0** |
| **(Deficit)/Surplus on Continuing Operations before donation of heritage assets** | **(4.3)** | **14.6** | **2.3** | **2.5** | **6.2** |
| Net cash (outflow) / inflow before management of liquid resources and financing | (52.4) | 39.0 | 24.8 | 81.7 | (68.2) |
| Fixed assets | 1,128.6 | 844.0 | 824.0 | 710.8 | 645.3 |
| Endowment assets | 585.1 | 653.5 | 688.6 | 628.8 | 558.3 |
| Net current (liabilities) / assets | (22.6) | 161.5 | 135.8 | 61.7 | 65.5 |
| Long term creditors/provisions and minority interests | (77.2) | (80.8) | (78.2) | (68.2) | (65.4) |
| **Net Assets** | **1,613.9** | **1,578.2** | **1,570.2** | **1,333.1** | **1,203.7** |
| **Student Key Statistics** | | | | | |
| Full-time equivalent students – undergraduates | 11,734 | 11,917 | 12,106 | 11,185 | 11,225 |
| Full-time equivalent students – graduates | 8,101 | 7,580 | 7,382 | 6,768 | 6,491 |
| Visiting Students /Other | 495 | 517 | 507 | 478 | 397 |
| **Total students at 1st December** | **20,330** | **20,014** | **19,995** | **18,431** | **18,113** |
| **Average number of staff** | **8,921** | **8,427** | **7,977** | **7,573** | **7,308** |
| Staff costs as a % of expenditure | 50.5 | 53.8 | 52.1 | 48.8 | 51.0 |
| **Size of Estate** | | | | | |
| Buildings (square metres, thousands) | 542 | 530 | 519 | 518 | 510 |

2008 figures have been restated following a change in accounting policy to total return accounting for endowments in 2009.
The 2005 to 2007 figures have not been restated.

# Governance Statement

The University has a clear governance structure that comprises both Congregation and Council. Congregation, the ultimate legislative body of the University, is composed of virtually all academic staff and certain research support staff, administrators and librarians. It has responsibility for considering major policy issues submitted to it by Council or members of Congregation; elects members to certain University bodies, including Council and the Audit & Scrutiny Committee; and approves changes or additions to the University's Statutes and Regulations, which define the governance structure.

Council, composed of members of Congregation elected by Congregation, ex officio members and lay members, is (subject to the provisions of the Statutes) responsible for the administration of the University and for the management of its finances and assets. It is also responsible to the Higher Education Funding Council for England (HEFCE), for meeting the conditions of the Financial Memorandum between the Funding Council and the University. Council meets regularly and is chaired by the Vice-Chancellor.

The University's principles of governance are: defining policies and setting objectives for securing resources, the appointment of senior staff sufficient to meet the objectives and monitoring of progress towards those objectives. Council has stewardship, under Congregation, of the University's affairs and ensures that suitable processes are in place for the management of the University's business.

Council is advised by a range of committees, including the General Purposes Committee, the Planning and Resource Allocation Committee, the Finance Committee, the Investment Committee, the Audit and Scrutiny Committee, and the Research Committee. Non-financial committees reporting directly to Council include the Personnel Committee and the Education Committee.

The General Purposes Committee advises Council on policy in respect of issues or activities which are university-wide and transcend the remit of the other main committees of Council or other specialist committees as appropriate. Its remit includes responsibility for strategic issues relating to risk management.

The Planning and Resource Allocation Committee advises Council on planning, budgets and forecasts, resource allocation and other financial arrangements, and monitors performance against plans and budgets.

The Finance Committee is responsible, under Council, for the review of the annual financial statements of the University and of the Press, for banking arrangements and for the review and publication of financial regulations and procedures.

The Investment Committee is responsible, under Council, for the management of the University's investment portfolio.

The remit of the Audit and Scrutiny Committee includes responsibility for the appointment of the external auditors and internal audit service, agreeing the nature and scope of their work and their fees. The committee reviews the effectiveness of the risk management, internal control and governance arrangements, considers the annual financial statements and oversees the policy on fraud and irregularity. The committee also receives reports from the Value for Money Committee and the Audit Committee of the Press. Whilst senior officers attend meetings of the Audit and Scrutiny Committee as necessary, they are not members of the committee.

The Research Committee advises Council on policy and planning issues relating to research – in particular, those aspects of the Strategic Plan that relate to the University's research activities, and reviews the progress made against the Plan. The committee facilitates the preparation for external reviews of the University's research, and co-ordinates the gathering of data for such reviews. The committee is responsible for the University's policies and procedures for costing and pricing of research, including full economic cost recovery, risks associated with research, and maintains a register of international research collaboration agreements to which the University is a party.

The Personnel Committee has oversight of the development and review of employment policies, staff relations and all personnel matters.

The Education Committee is responsible for defining and keeping under review the educational philosophy, policy and standards of the collegiate University, and for the oversight of activities relating to teaching, learning and assessment.

## Statement of Internal Control and Risk Management

Council is responsible for determining the system of internal controls operated by the University and for monitoring the adequacy and effectiveness of the control environment.

The University has adopted a risk-based approach to internal control and accepts that it is neither possible nor desirable to build a control environment that is risk free. Accordingly the system of internal controls in place is designed to manage rather than to eliminate risk. The system of internal control is 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.

Council has agreed on the major strategic risks to the University's activities. These are reviewed on a regular basis to identify developments and to consider any additional matters, which need to be addressed. Risk registers are established in each of the University's academic divisions and within the Academic Services and University Collections sector, further embedding risk management processes across the University. The University's planning and budgeting framework ensures that risk management is also effectively embedded in all elements of five year planning.

The Audit and Scrutiny Committee is satisfied that there is a satisfactory risk management process in place to achieve the agreed objectives, and that it has operated as intended during the year. A regular review is undertaken by the Committee to ensure its effectiveness is maintained.

The University operates a highly devolved system of management and control and, through its financial regulations, sets out a series of processes designed to safeguard assets and to ensure effective controls over the way in which liabilities are incurred and managed. The Committee is satisfied that, a satisfactory framework of control has applied during the year.

Grant Thornton LLP provided internal audit services for the year. PricewaterhouseCoopers LLP have been appointed to provide internal audit services from 1st August 2009. The internal auditors' reporting line is directly to the Audit and Scrutiny Committee and they provide an independent assessment of the adequacy of the controls operated across the University using standards defined in 'Accountability and Audit: HEFCE Code of Practice'.

The Audit and Scrutiny Committee met four times during the financial year, with the University's external and internal auditors in attendance, to agree a programme of work for the internal audit function, to receive reports from Internal Audit, external auditors and other management committees, and to agree the actions necessary to implement recommended improvements. In addition the Committee met frequently to continue its work preparing answers to HEFCE's questions concerning governance. This work was delivered to HEFCE in January 2009.

Annually, Internal Audit provide the Audit and Scrutiny Committee with an assessment of the adequacy of the internal control environment and the Audit and Scrutiny Committee in turn provides Council with its considered opinion on the status of internal controls.

# Membership of Council

**Membership of Council during the year ended 31 July 2009 was as follows:**

| Name | Position |
|---|---|
| ***Ex officio Members:*** | |
| Dr J A Hood | Vice-Chancellor |
| Mr G I Henderson, Master of Pembroke | Chairman of the Conference of Colleges |
| Dr J Landers, Principal of Hertford *(until 30 Sep 2008)* | Conference of Colleges appointment |
| Dr F Lannon, Principal of Lady Margaret Hall | Conference of Colleges appointment |
| Professor D G Fraser *(until 17 Mar 2009)* | Senior Proctor |
| Professor M Williams *(from 18 Mar 2009)* | Senior Proctor |
| Dr D A Harris *(until 17 Mar 2009)* | Junior Proctor |
| Dr P Robins *(from 18 Mar 2009)* | Junior Proctor |
| Dr J B W Nightingale *(until 17 Mar 2009)* | Assessor |
| The Rev'd Dr J Muddiman *(from 18 Mar 2009)* | Assessor |
| Professor S Shuttleworth | Head of Humanities Division |
| Professor A Halliday | Head of Mathematical, Physical and Life Sciences Division |
| Dr K A Fleming *(until 30 Sep 2008)* | Head of Medical Sciences Division |
| Professor A M Buchan *(from 1 Oct 2008)* | Head of Medical Sciences Division |
| Professor R Goodman | Head of Social Sciences Division |
| ***Members elected by Congregation:*** | |
| Professor P A Slack *(until 30 Sep 2008)* | |
| Dr M B Gregory *(until 30 Sep 2008)* | |
| Professor D J Womersley *(until 30 Sep 2008)* | |
| Professor T P Softley | |
| Professor S Cooper | |
| Professor P England | |
| Dr A Graham | |
| Mr N C Bamforth | |
| Professor Bernard W Silverman | |
| Professor P A Robbins | |
| The Rev'd Dr C P Thompson | |
| Dr E J Garnett *(from 1 Oct 2008)* | |
| The Very Rev'd Dr C A Lewis *(from 1 Oct 2008)* | |
| Dr J A Forder *(from 1 Oct 2008)* | |
| ***External Members:*** | |
| Ms A Perkins | |
| Mr B J Taylor | |
| Sir Crispin Davis *(from 1 January 2009)* | |
| ***Co-opted Members:*** | |
| Dame Fiona Caldicott | |
| Professor E Fallaize *(until 31 Oct 2008)* | |
| Professor E McKendrick *(from 1 Nov 2008)* | |
| Professor E Y Jones | |

# Responsibilities of Council

Under the University's statutes and regulations, Council is responsible for the advancement of the University's objects, for its administration and for the management of its finances and property. It is responsible for keeping accounts and records of all funds administered by Council and for prescribing the form in which institutions, departments, boards, committees and delegacies of the University shall keep their accounts. Council is also required to take such other steps as it may consider necessary for the efficient and prudent conduct of the University's financial business, and accordingly to take reasonable steps:

- to safeguard the assets of the University and prevent and detect fraud and other irregularities;
- to ensure that income has been applied in accordance with the University's statutes and its Financial Memorandum with the Higher Education Funding Council for England (HEFCE) and its funding agreement with the Training and Development Agency for Schools (TDA);
- to ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- to secure the economic, efficient and effective management of the University's resources and expenditure.

The statutes and regulations require Council to prepare financial statements, which include the accounts relating to the teaching and research activities of the University and the accounts of the University's subsidiary undertakings. However, the Financial Regulations do not apply to the Press, as the Press has its own financial regulations and procedures, so that the accounts of the Press are not consolidated in these financial statements. An auditor appointed annually by Council separately audits the Press's accounts.

The financial statements are required to give a true and fair view of the assets and liabilities of the University (other than the Press) and its subsidiary undertakings at the end of the financial year and of their income and expenditure for the year under review. They must also comply with the requirements of HEFCE. In preparing the financial statements, Council is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the University will continue to operate.

Council are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditors' report to the members of the Council of the University of Oxford

We have audited the financial statements of the University of Oxford for the year ended 31 July 2009 which comprise the statement of principal accounting policies, the consolidated income and expenditure account, the consolidated and entity balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, and the related notes 1 to 35. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council of the University of Oxford, as a body, in accordance with the Financial Memorandum effective August 2008. Our audit work has been undertaken so that we might state to the Council's members 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Council and auditors

The Council's responsibilities for preparing the Annual Report and the financial statements in accordance with the University's Statutes and Regulations, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of Council.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University of Oxford 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 Regulations and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the information given in the Annual Report on the Financial Statements 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 Annual Report on the Financial Statements, as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the University and Group, consistently applied and adequately disclosed.

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

## Qualified Audit Opinion

As explained in note 1 to the Statement of Accounting Policies, the University has not included the results of the Press in its financial statements because the Financial Regulations of Council do not apply to the Press. The Press has its own financial regulations and procedures. In this respect, the financial statements do not comply with applicable United Kingdom accounting standards.

In our opinion:

(a) except for the exclusion of the Press, the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2009 and of the surplus of the Group for the year then ended;

(b) except for the exclusion of the Press, the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education;

(c) in all material respects, income from the Higher Education Funding Council for England and from the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received; and

(d) in all material respects, income has been applied in accordance with the University's Statutes and, where appropriate, with the Financial Memorandum, effective from August 2008 with the Higher Education Funding Council for England.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading
13th November 2009

# Statement of Accounting Polices

## 1. Scope of the financial statements

The financial statements (apart from the University's own balance sheet and related notes) consolidate the accounts of the University and of its subsidiary undertakings.

After making enquiries, Council 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.

The financial statements do not include the accounts of the Press: this is a departure from FRS2 "Accounting for subsidiary undertakings". The Delegacy of the Press is responsible under the University's Statutes and Regulations for preparing separate accounts relating to the Press for submission to Council. The Financial Regulations of Council do not apply to the Press as the Press has its own financial regulations and procedures.

In accordance with FRS7 "Fair values in acquisition accounting", acquisitions are accounted for as business combinations from the date of acquisition.

The financial statements do not consolidate the accounts of the Oxford University Student Union and its subsidiary company, as they are separate bodies in which the University has no financial interest and it does not exercise direct control over their policy decisions.

The financial statements do not consolidate the accounts of those colleges of the University that are separate and independent legal entities. The accounts of Green College, Kellogg College and St Cross College are included as they are part of the University itself.

The consolidated financial statements include the University's share of the profits and net assets of material associated undertakings over which the University has a significant but not a dominant influence.

The consolidated financial statements include the Oxford University Challenge Seed Fund. This Fund is included within Restricted Expendable Endowment Funds.

## 2. Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, and in accordance with both applicable Accounting Standards and the Statement of Recommended Practice on Accounting in Further and Higher Education 2007 (SORP), except for the non-inclusion of the Press.

## 3. Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates of exchange or, where there are related forward foreign exchange contracts, at contract rates. The resultant exchange differences are included in the income and expenditure account for the year.

The results and balance sheets of overseas operations are translated at the closing rates of exchange.

## 4. Income

Funding Council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts, and other services rendered is accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Other restricted income, including research grants and contracts, is credited to the income and expenditure account to the extent of the related expenditure incurred during the year, including related contributions towards overhead costs.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations, which are to be retained for the benefit of the University, are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

The Press transfers are credited to the income and expenditure account as if they were a donation to the operational funding of the University. Where the Press transfers are given as a specific contribution to new building costs they are credited to deferred capital grants.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants, and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or to the extent that the terms of the contract have been satisfied.

Income from fixed asset investments, cash and current asset investments is brought into the income and expenditure account on a receivable basis.

Income from expendable endowments and other restricted income is included in the income and expenditure account to the extent of the relevant expenditure incurred during the year.

Income from permanent restricted endowments is included to the extent of the relevant expenditure incurred during the year.

Income from permanent unrestricted endowments is included in the income and expenditure account on the basis of the sustainable return (4.0%) on the underlying investments. This is based on the estimated long term real rate of return from endowment asset investments.

Any realised gains or losses from dealing in the related endowment assets are retained within the endowment in the balance sheet as part of the unapplied return fund.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account to the extent that it is not covered by a previous revaluation surplus.

## 5. Pension costs

The University contributes to the Universities Superannuation Scheme and the University of Oxford Staff Pension Scheme at rates set by the scheme actuaries and advised to the University by the scheme administrators. The University contributes to the NHS Pension Scheme at rates in accordance with the Government's actuary's report on the scheme. These schemes are all multi-employer schemes, and it is not possible to identify the assets of the scheme which are attributable to the University. In accordance with FRS17 these schemes are accounted for on a defined contribution basis, and contributions to these schemes are included as expenditure in the period in which they are payable.

The University continues to make a small and diminishing number of supplementary payments to retired members and dependants of former members of the Federated Superannuation System for Universities (FSSU) and Employees Pension Scheme (EPS) pension schemes. The liabilities of these schemes can be estimated under FRS17 and are included in the Financial Statements.

## 6. Leases

Assets acquired under finance leases are capitalised, and the outstanding future lease obligations are shown in creditors.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

## 7. Intangible fixed assets: goodwill

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired, and the fair value of its separable net assets at the date of acquisition. Goodwill is amortised over its estimated economic life of between five and ten years on a straight-line basis. A full year of amortisation is taken in the year of acquisition. Where there is impairment in the carrying value of goodwill, the loss is incurred in the results for the period.

Negative goodwill relating to non-monetary assets is released to the income and expenditure account as those assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets is released to the income and expenditure account in the period which is expected to benefit.

## 8. Tangible fixed assets

Tangible fixed assets (other than properties held for investment purposes) are stated at cost and are depreciated on a straight-line basis over the following periods:

| | |
|---|---|
| Freehold Buildings | 50 years |
| Building plant and equipment | 20 years |
| Buildings on National Health Service sites | 50 years |
| Leasehold properties | 50 years or the period of the lease if shorter |
| Equipment | 3–5 years |

Freehold land and assets in the course of construction are not depreciated.

Grants received to finance the acquisition of tangible fixed assets are treated as deferred capital grants and released to income on a straight-line basis over the same period as the related asset is depreciated.

## 9. Heritage Assets

Works of art and other valuable artefacts (heritage assets) acquired since 1 August 1999 and valued at over £25k are capitalised and recognised in the Balance Sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

## 10. Donated assets

The University receives benefits in kind such as gifts of equipment, works of art, and property. Items of a significant value donated to the University, which, if purchased, the University would treat as tangible fixed assets, are capitalised at their current value and depreciated in accordance with the policy set out above. The value of the donation is treated as a deferred capital grant except for donated land and heritage assets, which are included in the income and expenditure account in the year they are received.

## 11. Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period in which it is incurred.  The University has a planned maintenance programme, which is reviewed annually.

## 12. Investments

The University has operated a total return investment policy since 2001 and has now agreed the associated policy of total return accounting under which income from endowment is transferred to the Income and Expenditure account under a spending rule based on the estimated long term real rate of return. This is determined to be a percentage (4.0%) of the value of the endowment. Income earned by the endowed assets and revaluation gains / losses are thus credited directly to the endowment. Surpluses or deficits arising on the revaluation or realisation of endowment asset investments are added to or subtracted from the funds concerned.

Listed investments, venture capital fund investments, and properties held as fixed asset investments and endowment asset investments are stated at market value, provided there is an adequate degree of market liquidity. In the consolidated financial statements, investments in associated undertakings are stated at the University's share of net assets. Other investments are stated at the lower of cost and market value. Investments in associated and subsidiary undertakings are stated at cost less provision for impairment in the University's balance sheet.

Net surpluses or deficits arising on the revaluation of the University's fixed asset investments are taken to the revaluation reserve (except that deficits which reduce the value of an investment to less than cost are charged to the income and expenditure account). On the realisation of fixed asset investments any accumulated surplus is transferred from the revaluation reserve to the income and expenditure account.

Certain external trust funds and other bodies (such as the colleges) closely associated with the University are allowed to participate in the Oxford Endowment Fund. Since it is impossible to attribute specific investments to these funds (which would allow both the investments and the funds to be excluded from the balance sheets) the amounts held on their behalf by the University are shown as a deduction from fixed asset investments.

## 13. Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

## 14. 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 Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 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. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Certain consolidated trading activities undertaken by the University are administered through its subsidiary companies, which, as commercial organisations, are liable to Corporation Tax. All the taxable profits made by these companies are, however, paid by gift aid to the University.

## 15. Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within twenty-four hours without penalty. No other investments, however liquid, are included as cash. Liquid resources comprise assets held as readily disposable store of value. They include term deposits and other instruments held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

## 16. Financial Instruments

It is the policy of the University to enter into certain forward exchange contracts to cover specific foreign currency receipts from research sponsors where the sponsor agrees. The University has not taken up the option to apply fair value accounting for forward contracts and instead, discloses the cost of outstanding forward contracts and the gain/loss of marking to market.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## 17. Minority Interest

The University shows amounts due to minority interests in the consolidated balance sheet as a separate component of funds, and the net income due to minority interests is disclosed separately on the face of the Consolidated Income and Expenditure account.

## 18. Intra-group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity; the part relating to the University's share is eliminated.

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

**For the year ended 31 July 2009**

| | Note | 2009<br>£'m | 2008 restated<br>£'m |
|---|---|---|---|
| **INCOME** | | | |
| Funding body grants | 1 | 195.3 | 186.2 |
| Academic fees and support grants | 2 | 122.7 | 110.4 |
| Research grants and contracts | 3 | 340.5 | 285.3 |
| Other income | 4 | 166.9 | 138.9 |
| Endowment and investment income | 5 | 37.1 | 42.6 |
| **TOTAL INCOME** | | **862.5** | **763.4** |
| **EXPENDITURE** | | | |
| Staff costs | 6 & 7 | 437.6 | 403.0 |
| Other operating expenses | 7 | 367.8 | 300.4 |
| Depreciation | 7 &11 | 44.0 | 42.5 |
| Interest and other finance costs | 7 | 2.7 | 2.9 |
| Impairment of Icelandic bank deposits | 7 & 8 | 14.7 | – |
| **TOTAL EXPENDITURE** | | **866.8** | **748.8** |
| **(DEFICIT)/SURPLUS ON CONTINUING OPERATIONS BEFORE DONATION OF HERITAGE ASSETS** | | **(4.3)** | **14.6** |
| Donation of heritage assets | 11 | 1.1 | 4.1 |
| **(DEFICIT)/SURPLUS ON CONTINUING OPERATIONS AFTER DONATION OF HERITAGE ASSETS** | | **(3.2)** | **18.7** |
| MINORITY INTEREST | 25 | 0.3 | 0.6 |
| **(DEFICIT)/SURPLUS ON CONTINUING OPERATIONS AFTER MINORITY INTEREST** | | **(2.9)** | **19.3** |
| TRANSFER FROM ACCUMULATED ENDOWMENT RETURN | | 4.1 | 4.5 |
| **SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES** | 22 | **1.2** | **23.8** |

The activities of Oxford University Press ('the Press') are not consolidated within the University's Financial Statements.
All activities relate to continuing operations.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

**for the year ended 31 July 2009**

| | Note | 2009<br>£'m | 2008 restated<br>£'m |
|---|---|---|---|
| (DEFICIT)/ SURPLUS ON CONTINUING OPERATIONS AFTER MINORITY INTEREST | | (2.9) | 19.3 |
| Decrease in value of fixed asset investments | 23 | (11.7) | (30.1) |
| Decrease in value of expendable endowment asset investments | 20 | (7.7) | 4.3 |
| New endowments received | 19&20 | 22.0 | 14.7 |
| Movement in unapplied endowment return on permanent endowments | | (70.4) | (57.1) |
| Transfer to Income and Expenditure account from endowment reserves | 19 | (8.3) | - |
| **TOTAL RECOGNISED LOSSES RELATING TO THE YEAR** | | **(79.0)** | **(48.9)** |
| **TOTAL LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS** | | **(79.0)** | |
| **RECONCILIATION** | | | |
| Opening reserves and endowments | | 1,030.3 | 1,079.2 |
| Total recognised losses for the year | | (79.0) | (48.9) |
| **CLOSING RESERVES AND ENDOWMENTS** | | **951.3** | **1,030.3** |

Prior year comparatives have been restated to reflect the introduction of Total Return Accounting, see note 21

## BALANCE SHEETS As at 31 July 2009

| | Note | Consolidated 2009 £'m | Consolidated 2008 restated £'m | University 2009 £'m | University 2008 restated £'m |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible fixed assets | 10 | 0.7 | 1.9 | – | – |
| Tangible fixed assets | 11 | 832.8 | 747.9 | 826.8 | 741.9 |
| Fixed asset investments | 12 | 295.1 | 94.2 | 306.9 | 103.9 |
| | | **1,128.6** | **844.0** | **1,133.7** | **845.8** |
| **ENDOWMENT ASSET INVESTMENTS** | 13 | **585.1** | **653.5** | **585.1** | **653.5** |
| Current Assets: | | | | | |
| Stocks | | 2.1 | 1.7 | 1.1 | 0.7 |
| Debtors | 14 | 152.8 | 133.0 | 152.6 | 139.8 |
| Current asset investments | 15 | 18.8 | 223.0 | 18.6 | 222.3 |
| Cash at bank and in hand | | 90.1 | 17.7 | 78.7 | 4.8 |
| | | **263.8** | **375.4** | **251.0** | **367.6** |
| Creditors: Amounts falling due within one year | 16 | (286.4) | (213.9) | (277.1) | (208.6) |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(22.6)** | **161.5** | **(26.1)** | **159.0** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,691.1** | **1,659.0** | **1,692.7** | **1,658.3** |
| Creditors: | | | | | |
| Amounts falling due after more than one year | 17 | (71.6) | (75.8) | (71.6) | (75.7) |
| **Provisions for Liabilities and Charges** | 18 | (5.6) | (5.0) | (5.1) | (4.5) |
| **NET ASSETS** | | **1,613.9** | **1,578.2** | **1,616.0** | **1,578.1** |
| **ENDOWMENTS** | | | | | |
| Permanent | 19 | 530.4 | 601.1 | 530.4 | 601.1 |
| Expendable | 20 | 54.7 | 52.4 | 54.7 | 52.4 |
| | | **585.1** | **653.5** | **585.1** | **653.5** |
| **RESERVES** | | | | | |
| Income and expenditure account net of minority | 22 | 347.9 | 346.8 | 353.6 | 350.7 |
| Revaluation reserve | 23 | 18.3 | 30.0 | 18.3 | 30.0 |
| | | **366.2** | **376.8** | **371.9** | **380.7** |
| **RESERVES AND ENDOWMENTS** | | **951.3** | **1,030.3** | **957.0** | **1,034.2** |
| **DEFERRED CAPITAL GRANTS** | 24 | **662.1** | **547.1** | **659.0** | **543.9** |
| Minority Interest | 25 | 0.5 | 0.8 | – | – |
| **TOTAL FUNDS** | | **1,613.9** | **1,578.2** | **1,616.0** | **1,578.1** |

The activities of Oxford University Press ('the Press') are not consolidated within the University's Financial Statements. Prior year comparatives have been restated to reflect the change in accounting policies due to the introduction of Total Return Accounting, see Note 21.

The financial statements were approved by Council on 9 November 2009 and signed on its behalf by:

Professor A.D. Hamilton
Vice-Chancellor
13th November 2009

B.J. Taylor
Member of Council

G.F.B. Kerr
Director of Finance

## CONSOLIDATED CASH FLOW STATEMENT

**For the year ended 31 July 2009**

| | Note | 2009 £'m | 2008 £'m |
|---|---|---|---|
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | 26 | **4.4** | **24.5** |
| **RETURNS ON INVESTMENTS AND SERVICING OF FINANCE** | | | |
| Income from endowments received | | 9.2 | 14.5 |
| Other income from investments and interest received | | 16.6 | 20.2 |
| | | **25.8** | **34.7** |
| *less:* amounts paid to outside bodies | | (1.0) | (4.9) |
| | | **24.8** | **29.8** |
| Interest paid | | (2.9) | (2.9) |
| **Net cash inflow from returns on investments and servicing of finance** | | **21.9** | **26.9** |
| **CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT** | | | |
| Payments to acquire tangible fixed assets | | (124.2) | (113.5) |
| Net acquisition of fixed asset investments | | (158.5) | 22.4 |
| Net reduction in net assets of associated undertakings | | 0.1 | (0.2) |
| Net acquisition of endowment asset investments | | 85.6 | (28.2) |
| Capital grants received | | 96.3 | 92.4 |
| Endowments received | | 22.0 | 14.7 |
| **Net cash outflow from capital expenditure and financial investment** | | **(78.7)** | **(12.4)** |
| **NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING** | | **(52.4)** | **39.0** |
| **MANAGEMENT OF LIQUID RESOURCES** | | | |
| Net disposal/(acquisition) of current asset investments | 27 | 204.2 | (43.1) |
| **FINANCING** | | | |
| Net mortgages and loans repaid | 29 | (1.7) | (1.8) |
| **INCREASE/(DECREASE) IN CASH** | 28 | **150.1** | **(5.9)** |

# Notes to the Financial Statements

## 1. FUNDING BODY GRANTS

| | 2009 £'m | 2008 £'m |
|---|---|---|
| HEFCE recurrent grants | 175.5 | 170.2 |
| Non-recurrent grants: | | |
| Strategically important and vulnerable subjects | 1.7 | 1.7 |
| HE Innovation Fund | 1.5 | 1.5 |
| Clinical pay additional funding | 0.4 | 0.3 |
| Oxford Internet Institute | 0.7 | 0.5 |
| Refurbishment grants | 0.2 | 2.4 |
| Matched funding scheme | 2.4 | - |
| Other | 1.0 | 1.0 |
| Grants from the Training and Development Agency for Schools | 1.1 | 1.1 |
| Deferred Capital Grants released (see note 24): | | |
| Buildings | 6.0 | 1.5 |
| Equipment | 4.8 | 6.0 |
| | **195.3** | **186.2** |

## 2. ACADEMIC FEES AND SUPPORT GRANTS

| | | 2009 £'m | 2008 £'m |
|---|---|---|---|
| Full-time students: | Home fees | 38.4 | 30.8 |
| | Overseas and other fee rates | 48.3 | 48.8 |
| Part-time students | | 2.3 | 0.3 |
| Other course fees | | 24.8 | 20.3 |
| Examinations and other fees | | 0.2 | 0.3 |
| Research training and support grants | | 8.7 | 9.9 |
| | | **122.7** | **110.4** |

## 3. RESEARCH GRANTS AND CONTRACTS

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Research Councils | 106.1 | 96.1 |
| UK charities | 113.3 | 94.7 |
| UK government and health authorities | 34.7 | 26.8 |
| UK industry & commerce | 13.5 | 14.2 |
| European Commission and other EU government bodies | 19.8 | 14.9 |
| Other EU based grantors | 3.9 | 1.9 |
| Other overseas | 49.0 | 36.5 |
| Other bodies | 0.2 | 0.2 |
| | **340.5** | **285.3** |

Research Grants and Contract Income includes £12.2m in respect of the release of Deferred Capital Grants (2008: £12.9m).
Research income includes £0.8m (2008: £2.2m) relating to release from an externally managed endowment.

## 4. OTHER INCOME

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Residence, catering and conferences | 8.0 | 8.0 |
| Other services rendered | 45.2 | 33.9 |
| National Health Service | 7.2 | 6.9 |
| Deferred Capital Grants released (see note 24) | 5.9 | 11.3 |
| Benefactions and donations | 28.3 | 12.6 |
| Transfer from the Press (see note 9) | 38.3 | 36.6 |
| Release of negative goodwill | 0.5 | 0.9 |
| Other income | 33.5 | 28.7 |
| | **166.9** | **138.9** |

'Other income' includes Arts & Humanities Research Council funding of £3.5m for the running costs of museums (2008: £3.4m).

A detailed review of original documentation in relation to one of the Trust funds (The Higher Studies Fund) identified that this trust fund was an internal designation of funds and should no longer be included in Unrestricted Permanent Endowments. £8.3m has been released into Donation Income in 2008/9 to correct this classification.

Included in 'Other Income' above are foreign exchange gains of £7.2m (2008: £0.5m).

## 5. ENDOWMENT AND INVESTMENT INCOME

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Income from expendable endowments | 2.6 | 2.8 |
| Income recognised from permanent endowments | 22.6 | 20.3 |
| Profit on disposal of spin-out company investments | 2.1 | 5.3 |
| Other income from investments and interest receivable | 9.8 | 14.2 |
| | **37.1** | **42.6** |

Profit on disposal of spinouts includes £1.3m (2008: £1.3m) release of deferred income from Beeson Gregory Merchant Bankers for the right to purchase a percentage share of share capital in spinout companies formed by the Department of Chemistry (see note 17) and £0.8m (2008: £0.7m) release of deferred income from Technikos LLP for the right to purchase a percentage share of share capital in spinout companies formed by the Institute of Biomedical Engineering (see note 17).

## 6. STAFF COSTS

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Wages and salaries | 360.4 | 333.2 |
| Social security costs | 29.5 | 27.6 |
| Pension costs (note 34) | 47.7 | 42.2 |
| | **437.6** | **403.0** |

### The average number of staff in the year was:

| | 2009 | 2008 |
|---|---|---|
| Average number of staff | 8,921 | 8,427 |

### The emoluments of the Vice-Chancellor serving during the year were:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Emoluments (excl pension contribution) | 287 | 238 |
| Pension Contributions | 40 | 33 |
| | **327** | **271** |

The number of members of staff (other than the Vice-Chancellor) throughout the University whose emoluments (excluding employer's pension contributions and compensation for loss of office but including OMIS/PRS payments) fell in the following ranges were:

| | Clinical | | Non-clinical | | Total | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| £100,000 to £109,999 | 15 | 14 | 38 | 24 | 53 | 38 |
| £110,000 to £119,999 | 13 | 10 | 32 | 18 | 45 | 28 |
| £120,000 to £129,999 | 9 | 9 | 22 | 15 | 32 | 24 |
| £130,000 to £139,999 | 10 | 8 | 12 | 13 | 22 | 21 |
| £140,000 to £149,999 | 6 | 10 | 12 | 10 | 18 | 20 |
| £150,000 to £159,999 | 11 | 13 | 7 | 3 | 18 | 16 |
| £160,000 to £169,999 | 12 | 11 | 5 | 1 | 17 | 12 |
| £170,000 to £179,999 | 10 | 9 | 1 | - | 11 | 9 |
| £180,000 to £189,999 | 4 | 7 | 1 | 2 | 5 | 9 |
| £190,000 to £199,999 | 3 | 3 | 2 | - | 5 | 3 |
| £200,000 to £209,999 | 4 | 1 | 1 | - | 5 | 1 |
| £210,000 to £219,999 | 1 | 1 | 1 | - | 2 | 1 |
| £220,000 to £229,999 | 2 | 1 | - | - | 2 | 1 |
| £230,000 to £239,999 | - | - | - | 1 | - | 1 |
| £240,000 to £249,999 | 1 | 1 | - | - | 1 | 1 |
| £300,000 to £309,999 | 1 | - | - | - | 1 | - |
| £410,000 to £419,999 | - | - | - | 1 | - | 1 |
| £580,000 to £589,999 | - | - | 1 | - | 1 | - |

The salaries reflected in these ranges include payments made on behalf of the National Health Service (NHS) in respect of its contractual obligations to University staff under separate NHS contracts of employment. These payments are excluded from the University's income and expenditure account. Of the 238 staff earning in excess of £100k, 102 include such payments on behalf of the NHS. Also included above are royalty payments to members of staff via the payroll and professorial merit awards to non-clinical staff.

The University has implemented a voluntary leaving programme under two schemes – Oxford Mobility Incentive Scheme (OMIS), which was closed in December 2007 and Premature Retirement Scheme (PRS). The total cost for both in 2008/9 was £0.7m (2008: £2.7m). A new Oxford Mobility Incentive Scheme was opened in April 2009 and will run until October 2010.

Payments for compensation for loss of office for members of staff included in the above salary bands total £nil (2008: £450k), which is funded from general reserves.

## 7. ANALYSIS OF EXPENDITURE

| | Staff costs £'m | Other operating expenses £'m | Depreciation £'m | 2009 Total £'m | 2008 Total £'m |
|---|---|---|---|---|---|
| Academic departments | 171.5 | 56.0 | 8.6 | 236.1 | 216.7 |
| Academic services | 36.6 | 15.3 | 1.4 | 53.3 | 47.0 |
| Research grants and contracts | 157.5 | 116.0 | 12.2 | 285.7 | 238.4 |
| Residences, catering and conferences | 1.0 | 3.1 | – | 4.1 | 3.7 |
| Bursaries & Scholarships | – | 23.7 | – | 23.7 | 18.1 |
| Premises | 11.4 | 58.8 | 18.9 | 89.1 | 74.0 |
| Administration | 35.3 | 9.7 | 2.1 | 47.1 | 48.9 |
| Paid to Colleges via JRAM | – | 48.5 | – | 48.5 | 45.6 |
| Amortisation of goodwill | – | 1.7 | – | 1.7 | 1.7 |
| Other expenses | 24.3 | 35.0 | 0.8 | 60.1 | 51.8 |
| | 437.6 | 367.8 | 44.0 | 849.4 | 745.9 |
| Interest payable: other | | | | 2.7 | 2.9 |
| Impairment for Icelandic deposits | | | | 14.7 | - |
| **Total expenditure** | **437.6** | **367.8** | **44.0** | **866.8** | **748.8** |

Interest payable is all on loans not wholly repayable within 5 years.

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Depreciation has been funded by: | | |
| Deferred Capital Grants released | 28.9 | 32.7 |
| General income | 15.1 | 10.8 |
| | **44.0** | **42.5** |

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Auditors' remuneration during the year was in respect of the following services: | | |
| Audit – University | 156 | 157 |
| Audit – Subsidiaries | 90 | 94 |
| Total Audit fees | 246 | 251 |
| Treasury advice | 25 | - |
| Tax advice | 4 | - |
| Due Diligence | 48 | - |
| Total non audit fees | 77 | - |
| **Total fees to auditors** | **323** | **252** |

*Notes to financial statements (continued)*

## 8. IMPAIRMENT OF ICELANDIC BANK DEPOSITS

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander Ltd went into administration. The University had £32.3m deposited across three of these institutions with varying maturity dates and interest rates as follows:

| Bank | Date Invested | Maturity Date | Amount Invested | Interest Rate |
|---|---|---|---|---|
| Landsbanki Islands hf | 16/11/06 | 14/11/08 | £5,000,000 | 5.62 |
| Kaupthing Singer and Friedlander Ltd | 16/11/06 | 14/11/08 | £5,000,000 | 5.61 |
| Landsbanki Islands hf | 10/01/07 | 12/01/09 | £5,000,000 | 5.85 |
| Glitnir Bank | 10/01/07 | 12/01/09 | £5,000,000 | 5.84 |
| Kaupthing Singer and Friedlander Ltd | 29/03/07 | 30/03/09 | £6,250,000 | 6.20 |
| Glitnir Bank | 20/06/07 | 22/06/09 | £5,000,000 | 6.20 |

All monies within these institutions are currently subject to their respective administration and receivership processes. The amounts and timing of payments to depositors such as the University, will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available, the University considers that it is appropriate to make an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

The impairment loss recognised in the Income and Expenditure Account in 2008/9 of £14.7m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the University until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

### Kaupthing Singer and Friedlander Ltd

The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The first dividend payment of 20p in the £ was received in July 2009. A subsequent progress report from the administrators, dated 30th October 2009, estimates that the total distribution could exceed 50p in the £ if there are no significant issues which impact future realisations or the level of claims from creditors.

The University has decided to recognise an impairment based on it recovering a further 30p in the £ up to October 2011. In calculating the impairment the University has therefore made the assumption that the remaining 30% recovery will be split evenly between December 2009, December 2010, December 2011. Recoveries are expressed as a percentage of the University's claim in the administration, which includes interest, accrued up to 7 October 2008.

### Landsbanki Islands hf and Glitnir Bank hf

Landsbanki Islands hf and Glitnir Bank hf are Icelandic entities. Following steps taken by the Icelandic Government in early October 2008 their domestic assets and liabilities were transferred to new banks (New Landsbanki and New Glitnir) with the management of the affairs of Old Landsbanki and Old Glitnir being placed in the hands of resolution committees administered under Icelandic law. The latest public presentation of the banks affairs and other relevant information indicates that the recovery rates that could be achieved are 60% for Landsbanki and 100% for Glitnir.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status. This is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committees and on the settlement of the University's claim, which may be denominated wholly or partly in currencies other than Sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable and if preferential creditor status is not achieved the recoverable amount may only be 23p in the £ for Landsbanki and 28p in the £ for Glitnir.

No information has been provided by the resolution committees about the timing of any payments to depositors, as it is anticipated that all the assets of Landsbanki will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Following legal advice, it has been estimated that the expected 60% recovery will be paid within the next five to seven years, spread evenly across the three years. Similarly, in the case of Glitnir, no indication as to the timing of repayments is given in the public presentation. It is, however, anticipated that the Icelandic administrators will finalise the claims filing process and confirm the priority status of deposits at a meeting of creditors within the next three years. On that basis, and in the absence of a confirmed timescale, it is considered reasonable to estimate that the repayment of the priority deposits will be made in equal annual installments over the next three years.

Recoveries are expressed as a percentage of the University's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009, the insolvency reference date.

## 9. OXFORD UNIVERSITY PRESS ('the Press')

As explained in the accounting policies, these financial statements do not include the accounts of the Press, which is a department of the University. In addition to the transactions disclosed under note 4 (Other Operating Income) and note 24 (Deferred Capital Grants) the Press provided the rest of the University during the year with goods and services worth approximately £0.6m (2008: £0.9m) of which £0.6m were free of charge (2008: £0.6m). At 31 July 2009 the Press owed the rest of the University £0.1m (2008: Nil). £54.0m has been transferred to the Capital Fund for future expenditure mainly on the ROQ site. This amount was provided in equity investments in third parties. There were no material amounts due to the Press by the rest of the University at 31 July 2009 or 31 July 2008. An extract of the Press accounts for the year ended 31 March 2009 is included at pages 55 to 59.

**The table below summarises the main transactions with the Press:**

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Cash received by the rest of University per the Press accounts | 100.7 | 56.0 |
| Benefits in Kind – (University year) | 0.6 | 0.6 |
| | **101.3** | **56.6** |
| Transfer to capital fund | 54.0 | - |
| Transfer to income in year (note 4) | 33.3 | 31.6 |
| Transfer relating to John Fell fund (note 4) | 5.0 | 5.0 |
| Deferred Capital Grants received (note 24) | 9.0 | 20.0 |
| | **101.3** | **56.6** |
| Release in Deferred Capital Grants in year (note 24) | 1.1 | 4.0 |

## 10. INTANGIBLE FIXED ASSETS

| **CONSOLIDATED Goodwill** | **Negative Goodwill £'m** | **Positive Goodwill £'m** | **Total Goodwill £'m** |
|---|---|---|---|
| **Cost at start and end of year** | **(5.7)** | **8.6** | **2.9** |
| Amortisation to Consolidated Income and Expenditure Account | | | |
| At start of year | 4.2 | (5.2) | (1.0) |
| Amortisation for year | 0.5 | (1.7) | (1.2) |
| **At end of year** | **4.7** | **(6.9)** | **(2.2)** |
| Net book value at end of year | (1.0) | 1.7 | 0.7 |
| Net book value at start of year | (1.5) | 3.4 | 1.9 |

The negative goodwill arose on the acquisition of the Edward Jenner Institute for Vaccine Research on 1 November 2005 and the Gray Cancer Institute on 20 June 2006. The positive goodwill arose on the acquisition of Templeton (Oxford) Ltd on 11 November 2005.

## 11. TANGIBLE FIXED ASSETS

| **CONSOLIDATED** | **Land and Buildings £'m** | **Equipment & Machinery £'m** | **Assets under construction £'m** | **Heritage Assets £'m** | **Total £'m** |
|---|---|---|---|---|---|
| Cost | | | | | |
| At start of year | 712.7 | 64.7 | 123.9 | 19.4 | 920.7 |
| Additions | 19.0 | 23.8 | 84.1 | 2.0 | 128.9 |
| Completed buildings | 95.6 | 0.8 | (96.4) | – | – |
| Disposals | - | (15.4) | – | – | (15.4) |
| **At end of year** | **827.3** | **73.9** | **111.6** | **21.4** | **1,034.2** |
| | | | | | |
| Depreciation | | | | | |
| At start of year | 139.8 | 33.0 | – | – | 172.8 |
| Charge for year | 24.6 | 19.4 | – | – | 44.0 |
| Disposals | - | (15.4) | – | – | (15.4) |
| **At end of year** | **164.4** | **37.0** | **-** | **-** | **201.4** |
| **Net book value at end of year** | **662.9** | **36.9** | **111.6** | **21.4** | **832.8** |
| Net book value at start of year | 572.9 | 32.7 | 123.9 | 19.4 | 747.9 |

| **UNIVERSITY** | **Land and Buildings £'m** | **Equipment & Machinery £'m** | **Assets under construction £'m** | **Heritage Assets £'m** | **Total £'m** |
|---|---|---|---|---|---|
| Cost | | | | | |
| At start of year | 704.5 | 63.4 | 123.9 | 19.4 | 911.2 |
| Additions | 19.0 | 23.5 | 84.0 | 2.0 | 128.5 |
| Completed buildings | 96.0 | 0.3 | (96.3) | – | – |
| Disposals | - | (15.4) | – | – | (15.4) |
| **At end of year** | **819.5** | **71.8** | **111.6** | **21.4** | **1,024.3** |
| | | | | | |
| Depreciation | | | | | |
| At start of year | 137.6 | 32.7 | – | – | 169.3 |
| Charge for year | 24.4 | 19.2 | – | – | 43.6 |
| Disposals | - | (15.4) | – | – | (15.4) |
| **At end of year** | **162.0** | **35.5** | **-** | **-** | **197.5** |
| **Net book value at end of year** | **657.5** | **36.3** | **111.6** | **21.4** | **826.8** |
| Net book value at start of year | 566.9 | 32.7 | 123.9 | 19.4 | 741.9 |

Equipment is treated as having been disposed of in the year after that in which its net book value becomes zero.

Land and buildings (Consolidated and University) includes £65.0m (2008: £57.4m) of freehold land on which no depreciation is charged. The increase in the year mainly relates to the purchase of land for the Bodleian Book Depository in Swindon.

During the year, the University completed the Biomedical Services building at a cost of £29.8m.

There are 'claw back' provisions within the agreement on the Radcliffe Observatory Quarter (ROQ) site to the NHS should the University at some point in the future decide to change the designated use of the site and dispose of part of it for development.

Land and buildings (University and Consolidated) includes leasehold properties with a net book value of £5.4m (2008: £3.1m).

Land and buildings (Consolidated and University) include properties financed and occupied by the University on National Health Service sites with a net book value of £0.7m (2008: £0.7m).

The equipment includes £2.6m (2008: £2.5m) labour capitalisation relating to internal IT resource, which has been applied to major IT projects. Building costs include £0.7m of capitalised project manager costs (2008: Nil).

Said Business School: In November 2000, the University entered into a leasing arrangement with the Said Foundation in respect of the Said Business School. In accordance with FRS 5 *Reporting the Substance of Transactions*, as the risks and rewards of occupancy vest in the University, the building is included in fixed assets and the Foundation's contribution to construction costs is included within deferred capital grants. Funding from other sponsors in respect of the building is also included within deferred capital grants. At 31 July 2009 the fixed assets of the University includes a cost of £34.7m (2008: £34.7m) in respect of the building.

Expenditure on certain buildings was financed in part from public funds. In the event of disposal of the relevant buildings the proceeds may revert wholly or in part to the Treasury.

### Heritage Assets

The University of Oxford collections relate to museums, libraries, and other collections. The University objectives are to make the collections: a focus for research, teaching, and collection based scholarship within the University. The collections are used as a research resource for a wide range of scholarly users, a facility for interaction between the University and the public and an active contributor to the region's cultural development.

The museums, Botanic Garden, and other collections of the University will continue to maintain and develop their holdings as a resource of international scholarly importance, national heritage, and public interest (the museums and collections receive over a million visitors a year). The Collections are preserved to ensure they can be used for future students, researchers, and scholars. Illustrative conservation policies are shown for the Ashmolean Museum at www.ashmus.ox.ac.uk/departments/conservation/.

The heritage assets held by the University are substantial and include collections of books, art, historical antiquities, and major museums. Heritage assets acquired since 1999 are held at cost or valuation on receipt for donated heritage assets. Due to the scale and uniqueness of many of the heritage assets, it is not possible to value the University's heritage assets acquired prior to 1999. The cost would also be prohibitive.

The cost of new heritage asset acquisitions in 2009 was £2.0m with the major acquisition being Titian's "Triumph of Love". There were no disposals in 2009 and disposals are unlikely as most donations have conditions preventing disposal. Asset valuations were based on internal valuations. The five year trend for heritage asset donations/additions is:

| £'m | 2004/5 | 2005/6 | 2006/7 | 2007/8 | 2008/9 |
|---|---|---|---|---|---|
| Brought Forward | 10.8 | 13.9 | 14.3 | 15.3 | 19.4 |
| Acquired in year | 3.1 | 0.4 | 1.0 | 4.1 | 2.0 |
| Carried Forward | 13.9 | 14.3 | 15.3 | 19.4 | 21.4 |

Heritage assets are not depreciated as a matter of course. Donations received to finance the acquisition of heritage assets are released to income in full in the year of acquisition.

Heritage assets of £1.1m were donated in the year (2008: £4.1m) and this is shown as a separate item in the consolidated Income and Expenditure account.

Expenditure required to preserve heritage assets is recognised in the Income and Expenditure account when incurred.

## 12. FIXED ASSET INVESTMENTS

| | Consolidated 2009 £'m | Consolidated 2008 restated £'m | University 2009 £'m | University 2008 restated £'m |
|---|---|---|---|---|
| Investments stated at market value | | | | |
| Properties | 21.2 | 12.1 | 21.2 | 12.1 |
| Equities and pooled funds | 455.6 | 122.9 | 453.5 | 119.2 |
| Participating interests | 0.2 | 0.3 | – | – |
| Investments stated at cost | | | | |
| Associated and subsidiary undertakings | – | – | 14.1 | 13.7 |
| Other investments | 34.2 | 69.2 | 34.2 | 69.2 |
| | **511.2** | **204.5** | **523.0** | **214.2** |
| Less: amounts attributable to outside bodies | (216.1) | (110.3) | (216.1) | (110.3) |
| **Total at end of year** | **295.1** | **94.2** | **306.9** | **103.9** |
| Investments stated at market value before removal of outside bodies: at original cost | 432.4 | 96.5 | 449.4 | 92.8 |

| | Consolidated £'m | University £'m |
|---|---|---|
| At start of year | 204.5 | 214.2 |
| Net new money invested | 329.6 | 321.7 |
| Reduction in market value | (12.9) | (12.9) |
| **At end of year** | **511.2** | **523.0** |

At 31 July 2009, the University had interests exceeding 20 percent in the following associated and subsidiary undertakings:

| | Nature of activity | Interest % |
|---|---|---|
| **Associated undertakings:** | | |
| TdeltaS Limited | Commercial exploitation of intellectual property | 48 |
| Markready Limited (Limited by Guarantee) | Research and Development | 33 |
| Smith Institute (Limited by Guarantee) | Knowledge transfer | 33 |
| Oxford Ancestors Limited | Commercial exploitation of intellectual property | 32 |
| Oxford Risk Research and Analysis Limited | Commercial exploitation of intellectual property | 30 |
| Intelligent Sustainable Energy Limited | Commercial exploitation of intellectual property | 30 |
| Clinox Limited | Commercial exploitation of intellectual property | 29 |
| Crysalin Limited | Commercial exploitation of intellectual property | 25 |
| Oxford-Emergent Tuberculosis Consortium Limited | Commercial exploitation of intellectual property | 24 |
| Oxford Medistress Limited | Commercial exploitation of intellectual property | 23 |
| Minervation Limited | Commercial exploitation of intellectual property | 22 |
| OrganOx Limited | Commercial exploitation of intellectual property | 21 |
| Celleron Therapeutics Limited | Commercial exploitation of intellectual property | 20 |
| Aurox Limited | Commercial exploitation of intellectual property | 20 |
| **Subsidiary undertakings (all wholly-owned):** | | |
| Isis Innovation Limited | Commercial exploitation of intellectual property | |
| Isis Angels Network Limited | Promotion of investment opportunities | |
| Americans for Oxford Inc. | Fund raising | |

| | |
|---|---|
| Oxford Colleges Admissions Office | Undergraduate admission support |
| Oxford Limited | Retail and other trading activities |
| Oxford Mutual Limited | Provision of discretionary insurance cover |
| Oxford Said Business School Limited | Executive education |
| Oxford University (Beijing) Science & Technology Co. Ltd | Clinical research |
| Oxford University Development North America Inc. | Office administration |
| Oxford University Endowment Management Ltd | Investment management services |
| Oxford University Farm & Woodland Limited | Farming and woodland management |
| Oxford University Fixed Assets Limited | Building management and utilities |
| Oxford University Trading Limited | General trading activities |
| The Gray Laboratory Cancer Research Trust | Radiobiology research |
| University of Oxford China Office Limited | Fundraising and alumni relations |
| Voltaire Foundation Limited | Publishing |
| **Subsidiary undertaking (50% owned):** | |
| Jenner Vaccine Foundation | Vaccine Research |

All the associated and subsidiary undertakings above are incorporated in England and Wales (except for Oxford University Development North America Inc. and Americans for Oxford Inc., which are incorporated in the USA, and University of Oxford China Office Ltd and Oxford University (Beijing) Science & Technology Co. Ltd, which are incorporated in Hong Kong and China respectively) and, except as noted below, draw up their accounts to 31 July each year. Isis Innovation Limited, Isis Angels Network and Jenner Vaccine Foundation draw up their accounts to 31 March, Oxford University Farm & Woodland Limited to 30 September, and Oxford University (Beijing) Science & Technology Co. Ltd and Americans for Oxford Inc. to 31 December each year. The associated undertakings draw up their accounts to various year-ends.

Loans to associated undertakings are included within Debtors (see note 14).

On 1 August 2008, the University transferred its interest in Oxford Institute of Legal Practice (OXILP). It entered into an agreement with Oxford Brookes University (OBU) for both universities to forego the loans due from OXILP and for Oxford University to pay OBU for 50% of the remaining net liabilities of OXILP.

| **Investment in Associated Undertakings** | **£'m** |
|---|---|
| Share of net assets at start of year | 0.3 |
| Share of loss of associates | (0.1) |
| **Share of net assets at end of year** | **0.2** |

*Notes to financial statements (continued)*

## 13. ENDOWMENT ASSET INVESTMENTS

| **CONSOLIDATED AND UNIVERSITY** | **£'m** |
|---|---|
| At start of year | 653.5 |
| New funds invested | 22.0 |
| Reclassification | (8.3) |
| Decrease in market value of investments relating to expendable endowments | (7.7) |
| Decrease in market value of investments relating to permanent endowments | (54.3) |
| Distribution in excess of income received | (20.1) |
| **At end of year** | **585.1** |

| | **2009 £'m** | **2008 £'m** |
|---|---|---|
| Investments stated at market value | | |
| Properties & Other assets | 50.5 | 64.8 |
| Equities | 319.3 | 447.4 |
| Private Equities | 78.2 | 23.9 |
| Fixed interest investments | 55.9 | 115.4 |
| Balance held as cash | 81.2 | 2.0 |
| | **585.1** | **653.5** |
| Original cost of endowment asset investments | 501.2 | 480.0 |

## 14. DEBTORS

| | **CONSOLIDATED** | | **UNIVERSITY** | |
|---|---|---|---|---|
| | **2009 £'m** | **2008 £'m** | **2009 £'m** | **2008 £'m** |
| Research grants and contracts debtors | 77.4 | 68.5 | 83.2 | 68.5 |
| Amounts due from subsidiaries | – | – | 8.5 | 13.6 |
| Other debtors and prepayments | 75.4 | 64.5 | 60.9 | 57.7 |
| | **152.8** | **133.0** | **152.6** | **139.8** |

University and Consolidated debtors include amounts falling due after more than one year of £2.8m (2008: £0.7m).

## 15. CURRENT ASSET INVESTMENTS

| | **CONSOLIDATED** | | **UNIVERSITY** | |
|---|---|---|---|---|
| | **2009 £'m** | **2008 £'m** | **2009 £'m** | **2008 £'m** |
| Balance at start of year | 223.0 | 179.9 | 222.3 | 171.4 |
| (Decrease)/Increase in investments | (204.2) | 43.1 | (203.7) | 50.9 |
| | **18.8** | **223.0** | **18.6** | **222.3** |

All Deposits mature in less than 1 year.

The reduction in current asset investments follows the University decision to transfer the management of surplus cash balances to Oxford Endowment Management Limited and the holding of the remaining University cash balances as overnight deposits.

## 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | CONSOLIDATED 2009 £'m | CONSOLIDATED 2008 £'m | UNIVERSITY 2009 £'m | UNIVERSITY 2008 £'m |
|---|---|---|---|---|
| Bank overdrafts | 0.2 | 0.8 | 0.9 | 2.3 |
| Bank loans (see note 17) | 1.7 | 1.6 | 1.7 | 1.6 |
| Other loans | 0.1 | 0.1 | 0.1 | 0.1 |
| Other creditors and accruals | 159.3 | 114.6 | 136.7 | 103.9 |
| Research grants and contracts advances | 121.5 | 93.3 | 121.5 | 93.3 |
| Amounts due to subsidiaries | – | – | 12.6 | 3.9 |
| Deferred VAT payment (see note 17) | 1.5 | 1.4 | 1.5 | 1.4 |
| Deferred income (see note 17) | 2.1 | 2.1 | 2.1 | 2.1 |
| | **286.4** | **213.9** | **277.1** | **208.6** |

Bank overdrafts reflect the University policy of ensuring that all available money is invested short-term, leaving the unpresented cheque balance as an overdraft.

## 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | CONSOLIDATED 2009 £'m | CONSOLIDATED 2008 £'m | UNIVERSITY 2009 £'m | UNIVERSITY 2008 £'m |
|---|---|---|---|---|
| Bank loans | 45.1 | 46.8 | 45.1 | 46.8 |
| Deferred income – Beeson Gregory | 7.1 | 8.4 | 7.1 | 8.4 |
| Deferred income - Technikos | 9.7 | 10.4 | 9.7 | 10.4 |
| Deferred costs of acquisition | 0.4 | 1.9 | 0.4 | 1.9 |
| Deferred VAT payment | 9.0 | 7.9 | 9.0 | 7.9 |
| Other loans | 0.3 | 0.4 | 0.3 | 0.3 |
| | **71.6** | **75.8** | **71.6** | **75.7** |
| Due between one and two years | 5.6 | 6.7 | 5.6 | 6.6 |
| Due between two and five years | 16.9 | 16.3 | 16.9 | 16.3 |
| Due in 5 years or more | 49.1 | 52.8 | 49.1 | 52.8 |
| | **71.6** | **75.8** | **71.6** | **75.7** |

Bank loans are unsecured and repayable over 15 or 40 years. Loan 1 is due to be repaid in April 2019. Loan 2 commenced in 2007 for a period of 40 years. It had an initial payment holiday of 10 years from 2007. At 31 July 2009 the University has an undrawn loan facility of £50m.

| **Bank Loans** | **Loan 1 £'m** | **Loan 2 £'m** | **Total £'m** |
|---|---|---|---|
| Amount borrowed | 25.0 | 25.0 | 50.0 |
| Amount outstanding at 31 July 2009 | 21.8 | 25.0 | 48.4 |
| Interest rate | 5.13% | 5.07% | |
| Final repayment date | April 2019 | June 2047 | |
| Amount due within 1 year | 1.7 | – | 1.7 |
| Amount due between 1 and 2 years | 1.8 | – | 1.8 |
| Amount due between 2 and 5 years | 6.0 | – | 6.0 |
| Amount due after 5 years | 12.3 | 25.0 | 37.3 |
| | **21.8** | **25.0** | **46.8** |

The University entered into an agreement with Beeson Gregory Merchant Bankers (BG) to fund the Department of Chemistry over a 15-year period commencing 23 November 2000. The balance yet to be released to income at July 2009 was £7.1m

During 2007, the University entered into an agreement with Technikos LLP to fund the Institute of Biomedical Engineering over a 15-year period following completion of a new building. The building was completed on 1 October 2007. Cash of £11.9m had been received from Technikos by July 2009. The balance that had not been set against costs at July 2009 was £9.7m.

These amounts have been treated as deferred income within the Balance Sheet and are being released to the Income and Expenditure Account evenly over the 15-year period of the agreement. The amount due to be released in 2009/10 is included within 'Creditors: Amounts falling due within one year', with the remaining balance included within 'Creditors: Amounts falling due after more than one year'.

Deferred costs of acquisition include deferred non-cash consideration relating to the acquisition of Oxford Said Business School Ltd of £0.4m (2008: £1.9m).

The Deferred VAT payment relates to input VAT recovered on the construction costs of buildings using the 'Lennartz principle' relating to their non-business use, and repayable over the deemed life of those buildings dependent on their actual non-business use. The 'Lennartz principle' derived from an ECJ (European Court of Justice) case in the early 1990s to enable initial full recovery of VAT paid on assets that are used partly for taxable business purposes and partly for non-business usage.

'Other loans' includes two variable rate loans of £300k repayable in 10 equal instalments, one taken out in 2003/4, of which £120k is outstanding at the balance sheet date, the other taken out in 2004/5 of which £150k is outstanding at the balance sheet date. The repayments due within 1 year are shown in note 16.

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

| | **Consolidated £'m** | **University £'m** |
|---|---|---|
| At start of year | 5.0 | 4.5 |
| Charged to income and expenditure account | 2.2 | 2.2 |
| Utilised | (1.6) | (1.6) |
| **At end of year** | **5.6** | **5.1** |

The provision primarily comprises amounts in respect of pension provisions for retired staff members of Federated Superannuation System for Universities ('FSSU') and Employees Pension Scheme ('EPS') (see note 34) who receive pension supplements. During the year £1.6m of the provision (2008: £1.6m) has been utilised.

## 19. PERMANENT ENDOWMENTS

| CONSOLIDATED AND UNIVERSITY | Unrestricted Permanent £'m | Restricted Permanent £'m | Total Permanent £'m |
|---|---|---|---|
| Capital value | 167.6 | 164.4 | 332.0 |
| Unapplied Total Return | 138.4 | 130.7 | 269.1 |
| **At start of year** | **306.0** | **295.1** | **601.1** |
| New endowments | 7.1 | 8.9 | 16.0 |
| Transfer to I&E (Higher Studies Fund) | (8.2) | (0.1) | (8.3) |
| Investment income | 3.5 | 3.1 | 6.6 |
| Decrease in market value of endowment asset investments | (35.2) | (19.1) | (54.3) |
| Released to I&E | (12.0) | (10.6) | (22.6) |
| Reclassification to Expendable Endowments | 0.1 | (8.2) | (8.1) |
| **At end of year** | **261.3** | **269.1** | **530.4** |
| Represented by: | | | |
| Original cost | 172.8 | 165.7 | 338.5 |
| Unapplied Total Return | 88.5 | 103.4 | 191.9 |
| | **261.3** | **269.1** | **530.4** |

In accordance with the 2007 HEFE SORP, the endowment information for Endowment funds that are material to the University accounts are separately disclosed:

| Material Endowments | Nuffield Benefaction £'m | James Martin Fund £'m |
|---|---|---|
| Capital value | 65.5 | 50.6 |
| Unapplied Total Return | - | - |
| **At start of year** | **65.5** | **50.6** |
| Exchange | - | 10.1 |
| Decrease in market value of endowment asset investments | - | (11.9) |
| Return for the year | (4.0) | - |
| Distributed in the year | (2.4) | (7.4) |
| **Capital value at end of year** | **59.1** | **41.4** |
| Represented by: | | |
| Capital value | 65.5 | 50.6 |
| Unapplied Total Return | (6.4) | (9.2) |
| | **59.1** | **41.4** |

The donor for the Nuffield Benefaction was Lord Nuffield (William Morris). Under the terms of the trust deed dated 24 November 1936 the fund is to be used to widen the scope of the Medical School of the University.

*Notes to financial statements (continued)*

The purpose of the James Martin 21st Century Foundation is to finance the activities of the James Martin 21st Century School, founded in June 2005. Its focus is on stimulating Oxford's research, by giving the University's scholars the resources and space to think imaginatively about the problems and the opportunities that the future will bring. The work must meet the best Oxford scholarly standards, must be original and additional to work done elsewhere, and is expected to have a global impact.

The decline in investment returns has caused a number of Trust Funds in the short term to have market values less than their original capital. Expenditure reductions for these Trust Funds may be required to return them back to their original capital position in the medium term. A review is being carried out of the regulations of each trust to see whether this is required. The following permanent endowments currently show a deficit of more than £0.5m in their accumulated income balances

| **Endowments** | **Capital £'m** | **Accumulated Income Balance £'m** |
|---|---|---|
| James Martin 21st Century Foundation | 50.6 | (9.2) |
| Man Group Endowment for Quantitative Finance | 3.5 | (0.6) |

## 20. EXPENDABLE ENDOWMENTS

| **CONSOLIDATED AND UNIVERSITY** | **Restricted Expendable £'m** |
|---|---|
| Capital value | 46.9 |
| Accumulated income | 5.5 |
| **At start of year** | **52.4** |
| New endowments | 6.0 |
| Investment income | 2.6 |
| Expenditure for the year | (6.7) |
| Reclassification from Permanent Endowments | 8.1 |
| Decrease in market value of endowment asset investments | (7.7) |
| **At end of year** | **54.7** |
| Represented by: | |
| Capital value | 44.5 |
| Accumulated income | 10.2 |
| | **54.7** |

## 21. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the changes required to the 2007/8 accounts to reflect the introduction of Total Return Accounting for 2008/9.

The breakdown of permanent endowment reserves at the start of the year has been restated as follows:

| CONSOLIDATED AND UNIVERSITY | Permanent Unrestricted £'m | Permanent Restricted £'m | Total £'m |
|---|---|---|---|
| At start of year, as previously stated: | | | |
| Capital | 306.0 | 276.6 | 582.6 |
| Accumulated income | – | 18.5 | 18.5 |
| **Opening Balance** | **306.0** | **295.1** | **601.1** |
| At start of year revised basis: | | | |
| Original cost | 167.6 | 164.4 | 332.0 |
| Unapplied Total Return | 138.4 | 130.7 | 269.1 |
| | **306.0** | **295.1** | **601.1** |

The Income and Expenditure account has been restated as follows:

| | Consolidated | University |
|---|---|---|
| Income and Expenditure Account reserves at 1 August 2007 | 330.5 | 334.1 |
| Transfer to permanent endowment reserves | (7.5) | (7.5) |
| **Income and expenditure reserves at 1 August 2007 as restated** | **323.0** | **326.6** |
| Retained Surplus for 2007/8 | 16.3 | 16.6 |
| Increase in income recognised from permanent endowments | 8.7 | 8.7 |
| Decrease in transfer from accumulated endowment return | (1.2) | (1.2) |
| Retained surplus for 2007/8 as restated | 23.8 | 24.1 |
| **Income and Expenditure Account reserves as at 31 July 08** | **346.7** | **350.7** |

## 22. INCOME AND EXPENDITURE ACCOUNT

| | Consolidated £'m | University £'m |
|---|---|---|
| At start of year – restated | 346.7 | 350.7 |
| Surplus for the year retained in general reserves | 1.1 | 2.9 |
| **At end of year** | **347.9** | **353.6** |

The Income and Expenditure account includes £20.2m (2008: £19.1m) of donated heritage assets which under the terms of the donations will never be able to be sold by the University and therefore cannot be used to fund other operations within the University.

## 23. REVALUATION RESERVE

| | Consolidated £'m | University £'m |
|---|---|---|
| At start of year | 30.0 | 30.0 |
| Reduction in market value of Fixed Asset Investments, net of amounts attributable to outside bodies | (11.7) | (11.7) |
| **At end of year** | **18.3** | **18.3** |

## 24. DEFERRED CAPITAL GRANTS

Funding received from sponsors for fixed assets, excluding land, heritage assets, and transfers received from the Press for capital projects are recorded as capital grants. These are released to the Income and Expenditure Account over the life of the related asset in the same way that depreciation of assets is charged to the Income and Expenditure Account. Grants to be released in future years are held on the Balance Sheet as deferred capital grants.

| **CONSOLIDATED** | | Buildings £'m | Equipment £'m | Total £'m |
|---|---|---|---|---|
| Funding Council: | at start of year | 184.4 | 10.8 | 195.2 |
| | receipts | 39.0 | - | 39.0 |
| | released in year | (6.0) | (4.8) | (10.8) |
| | at end of year | 217.4 | 6.0 | 223.4 |
| The Press: | at start of year | 96.2 | – | 96.2 |
| | receipts | 64.6 | – | 64.6 |
| | released in year | (1.1) | – | (1.1) |
| | at end of year | 159.7 | – | 159.7 |
| Other: | at start of year | 248.0 | 7.7 | 255.7 |
| | receipts | 32.1 | 8.2 | 40.3 |
| | released in year | (10.3) | (6.7) | (17.0) |
| | at end of year | 269.8 | 9.2 | 279.0 |
| Total: | at start of year | 528.6 | 18.5 | 547.1 |
| | receipts | 135.7 | 8.2 | 143.9 |
| | released in year | (17.4) | (11.5) | (28.9) |
| **Total** | | **646.9** | **15.2** | **662.1** |

| UNIVERSITY | | Buildings £'m | Equipment £'m | Total £'m |
|---|---|---|---|---|
| Funding Council: | at start of year | 184.4 | 10.8 | 195.2 |
| | receipts | 39.0 | – | 39.0 |
| | released in year | (6.0) | (4.8) | (10.8) |
| | at end of year | 217.4 | 6.0 | 223.4 |
| The Press: | at start of year | 96.2 | – | 96.2 |
| | receipts | 64.6 | – | 64.6 |
| | released in year | (1.1) | – | (1.1) |
| | at end of year | 159.7 | – | 159.7 |
| Other: | at start of year | 244.8 | 7.7 | 252.5 |
| | receipts | 32.1 | 8.2 | 40.3 |
| | released in year | (10.2) | (6.7) | (16.9) |
| | at end of year | 266.7 | 9.2 | 275.9 |
| Total: | at start of year | 525.4 | 18.5 | 543.9 |
| | receipts | 135.7 | 8.2 | 143.9 |
| | released in year | (17.3) | (11.5) | (28.8) |
| **Total** | | **643.8** | **15.2** | **659.0** |

The Press provided funding of £60.0m in 2002/3, a further £11m in 2007/8 towards the acquisition and development of the Radcliffe Observatory Quarter, £14.3m in 2005/6, and a further £15m in 2006/7 towards the new Libraries storage facility. Also, £9m was received in 2007/8 towards the new Bodleian Library refurbishment. In 2008/9 a further £64.6m was received which covers the capital funding for 2008/9 to 2010/11. As most of the related building projects have not yet started, there is a £1.1m release of OUP deferred capital grants to the Income and Expenditure account in 2008/9.

## 25. MINORITY INTEREST

| CONSOLIDATED | 2009 £'m | 2008 £'m |
|---|---|---|
| At start of year | 0.8 | 1.4 |
| Reduction in minority interests for post acquisition trading deficit | (0.3) | (0.6) |
| **At end of year** | **0.5** | **0.8** |

*Notes to financial statements (continued)*

## 26. RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2009 £'m | 2008 £'m |
|---|---|---|
| (Deficit)/Surplus on continuing operations after depreciation of tangible fixed assets | (4.3) | 14.6 |
| Depreciation | 44.0 | 42.7 |
| Goodwill amortised | 1.7 | 1.7 |
| Negative Goodwill released | (0.5) | (0.9) |
| Deferred capital grants released | (28.9) | (31.7) |
| Endowment income and interest receivable | (37.1) | (42.6) |
| Release of unrestricted endowment to Income & Expenditure account | (8.3) | – |
| Loss on disposal of tangible fixed assets | – | 2.5 |
| Interest payable | 2.7 | 2.9 |
| (Increase)/Decrease in stocks | (0.4) | – |
| (Increase)/Decrease in debtors | (23.2) | 9.4 |
| Increase in creditors | 58.1 | 24.3 |
| Increase in provisions | 0.6 | 1.6 |
| **Net cash flow from operating activities** | **4.4** | **24.5** |

## 27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2009 £'m | 2008 £'m |
|---|---|---|
| Increase/ (Decrease) in Cash for the year | 150.1 | (5.9) |
| (Decrease)/Increase in Liquid Resources | (204.2) | 43.1 |
| Decrease in Debt | 1.7 | 1.8 |
| Movement in Net Funds resulting from cash flows | (52.4) | 39.0 |
| Exchange movements | 2.1 | 2.7 |
| Change in Net Funds | (50.3) | 41.7 |
| Net Funds at start of year | 193.0 | 151.3 |
| **Net Funds at end of year** | **142.7** | **193.0** |

## 28. ANALYSIS OF CHANGES IN NET FUNDS

| | 2009 £'m | Cash Changes £'m | Exchange movements £'m | 2008 £'m |
|---|---|---|---|---|
| Cash at Bank and in hand | 90.1 | 70.3 | 2.1 | 17.7 |
| Endowment Assets Cash | 81.2 | 79.2 | – | 2.0 |
| Bank overdrafts | (0.2) | 0.6 | – | (0.8) |
| | 171.1 | 150.1 | 2.1 | 18.9 |
| Current Asset Investments | 18.8 | (204.2) | – | 223.0 |
| Debt due within 1 year | (1.8) | (0.1) | – | (1.7) |
| Debt due after 1 year | (45.4) | 1.8 | – | (47.2) |
| | **142.7** | **(52.4)** | **2.1** | **193.0** |

## 29. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

| | Mortgages & Loans £'m |
|---|---|
| **At start of year** | **48.9** |
| Amounts repaid | (1.7) |
| **At 31 July 2008** | **47.2** |

## 30. CAPITAL & INVESTMENT COMMITMENTS

| CONSOLIDATED AND UNIVERSITY | 2009 £'m | 2008 £'m |
|---|---|---|
| At the end of the year the University had major capital commitments for building projects as follows: | | |
| Contracted for | 46.8 | 39.4 |
| Authorised but not contracted | 85.7 | 82.9 |
| At the end of the year the University had commitments to invest additional funds within its investment portfolio. | 103.6 | 59.7 |

The University had outstanding forward contracts to purchase US Dollars relating to expected US Dollar receipts from research funders. These forward contracts give greater certainty as to expected research income. The cost of the contracts outstanding at 31 July 2009 was £19.2m, and the contracts, when marked to market, showed a gain of £0.16m.

## 31. CONTINGENT LIABILITIES

As explained in the Statement of Accounting Policies, these financial statements do not include those assets and liabilities that relate to the activities of the Press. In the unlikely event of the Press not having sufficient assets to meet such liabilities, those liabilities would fall to be met by the University as a whole. At 31 March 2009, the date of its latest audited balance sheet, the Press had total net assets of £448m (2008 restated: £471m), after deducting total liabilities of £254m (2008 restated: £199m). The University has provided two guarantees to Helaba Bank of a loan entered into by Oxford University Press Inc., an affiliate of the Press, and which is consolidated within the financial statements of the Press.

The University has entered into an agreement with the Trustees of the Oxford Staff Pension Scheme to eliminate the scheme deficit over a period of years. As security for the payment of the agreed contributions into the Scheme, the University has granted a floating charge in favour of the Trustees of the Oxford Staff Pension Scheme over certain assets, which are located in the United Kingdom, subject to a maximum value of £100m.

## 32. RELATED PARTY TRANSACTIONS

During the year ended 31 July 2009 the University had transactions with a number of organisations which fell within the definition of Related Parties under Financial Reporting Standard 8 'Related Party Disclosures'. Transactions are disclosed where members of Council and other senior members of staff disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's financial statements and/or the other party. Due to the nature of the University's operations and the composition of Council (being drawn from colleges and other private and public sector organisations) it is inevitable that transactions in the normal course of business 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 procurement procedures.

The University has taken advantage of the exemption within FRS8 and has not disclosed transactions with other group companies where it holds more than 90% of the voting rights.

Included in the financial statements are the following transactions between the University and related parties where a member of the University or senior officer was also a director or trustee of the related party. This excludes the external colleges and Research Councils (see below):

| RELATED PARTY | Income £'000s | Expenditure £'000s | Balance due from (to) the University £'000s |
|---|---|---|---|
| BG Group plc | 413 | - | - |
| Reed Elsevier plc | 30 | (863) | 5 |
| GlaxoSmithKline plc | 1,293 | - | (591) |
| The John Templeton Foundation | 584 | - | (528) |
| Nuffield Oxford Hospitals Fund | 45 | - | 22 |
| The Royal Society | 5,253 | (112) | (766) |
| The Rhodes Trust | 237 | (992) | (135) |
| The Oxford Playhouse | - | (211) | - |

Professor Shuttleworth and Professor Halliday who are both members of Council, and Professor Walmsley who is the Pro-Vice-Chancellor (Research), have outstanding professorial housing loans of £75k, £300k and £150k respectively. These were all awarded under the normal eligibility conditions of the professorial housing loan scheme.

During the year, the University made grants and other payments totalling £293k to the Oxford University Student Union.

**Research Councils:** In common with many universities, senior members of the University sit on Research Councils, other NHS Trust boards and other grant awarding bodies which have their own internal procedures to avoid potential conflicts of interest. Members of Council also sit on Research Councils and their sub-committees including The Engineering and Physical Sciences Research Council, The Science and Technology Facilities Council, The Natural Environment Research Council, The Medical Research Council and The Arts and Humanities Research Council.

**Colleges:** The 36 external colleges of the University of Oxford are independent legal institutions and are therefore not included in the financial results of the University. The collegiate nature of Oxford gives rise to the financial interaction between the University and colleges. During the year the University paid £48.5m (see note 7) out of HEFCE funding and fee income, via the newly introduced Joint Resource Allocation Model (JRAM) (2008: £45.6m).

The University made a payment of £2m to the College Contributions Fund in 2008/9 and will make further payments of £1m per year for the next 9 years. The Fund finances a scheme which provides support to Colleges with a low endowment. The University agreed to make these payments over a ten-year period to help build up an endowment fund to provide income grants. The grants will be awarded to colleges to improve services in key areas, including the provision of bursaries, scholarships, libraries, IT, and teaching support.

Other areas of interaction with the colleges are as follows:

**Hardship funds:** A large part of HEFCE hardship funds received by the University is passed to colleges to administer (see note 33).

**Investments:** The colleges are able to invest in the Oxford Endowment Fund; such investments are treated as 'amounts attributable to outside bodies' and are deducted from Fixed Asset Investments (see note 12). At 31 July 2009 the University held investments amounting to £101.2m (2008: £75.3m) on colleges' behalf.

General trading takes place between the University and colleges, including the provision of research, accommodation, and teaching facilities. These arrangements are undertaken on a commercial basis.

Other external funds/trusts: One purpose of certain non-University funds/trusts, which are independent legal institutions and are therefore not included in the financial results of the University itself, is to provide research and other funding to the University and certain colleges. A number of these trusts are allowed to participate in the Oxford Endowment Fund, and such assets held on their behalf by the University are included in the deduction from Fixed Asset Investments (see note 12).

## 33. HEFCE HARDSHIP FUNDS/TDA BURSARIES

| | HEFCE | | TDA | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **£'m** | **£'m** | **£'m** | **£'m** |
| At start of year | 0.2 | 0.2 | – | – |
| Net funds received | 0.2 | 0.2 | 1.5 | 1.3 |
| Disbursed to students | (0.2) | (0.2) | (1.5) | (1.3) |
| **At end of year** | **0.2** | **0.2** | **-** | **-** |

The University acts only as a paying agent in relation to Funding Council hardship funds and TDA bursaries, distributing them to students. The funds received and related disbursements are therefore excluded from the income and expenditure account.

## 34. PENSION SCHEMES

### 1. The pension schemes:

The University participates in three principal pension schemes for its staff - the Universities Superannuation Scheme ('USS'), the University of Oxford Staff Pension Scheme ('OSPS') and the National Health Service Pension Scheme ('NHSPS'). All three schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and final pensionable salary) and are contracted out from the State Second Pension Scheme. The assets of USS and OSPS are each held in separate trustee-administered funds. The NHSPS is a non-funded occupational scheme backed by the Exchequer. All three schemes are multi–employer schemes and the University is unable to identify its share of the underlying assets and liabilities of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS17 "Retirement Benefits", the University accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

In the event of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

However, in OSPS, the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

Within NHSPS, there is no similar basis for assessing funding shortfall should a participating employer withdraw from the scheme. Accordingly, NHSPS is in a similar position to USS in that the remaining participating employers will assume any increased contributions arising from a withdrawal.

The University has made available a Stakeholder Scheme for individual employees, but does not contribute to that scheme.

The University also has a small number of staff in other pension schemes, including the now closed Employees Pension Scheme ('EPS') and the Superannuation Arrangements of the University of London (SAUL). EPS was replaced by OSPS in 1978. The University's participation in SAUL is in respect of employees of the Gray Laboratory Cancer Research Trust, which was acquired by the University on 30 June 2006. In addition, the University is also contributing to the personal pension arrangements of certain staff who were ineligible to join USS, OSPS or NHSPS.

## 2. Actuarial valuations

Qualified actuaries periodically value the liabilities of the schemes in order to establish the schemes' funding levels and required future contribution costs. Both USS and OSPS were valued using the "projected unit" method, embracing a market value approach. NHSPS was valued using a "prospective benefits" method and assumed values of notional assets. The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The results of the latest actuarial valuations and the assumptions, which have the most significant effect on the results of the latest valuations and the determination of the contribution levels are shown in the following table.

| | USS | OSPS | NHSPS |
|---|---|---|---|
| Date of valuation: | 31/03/2008[a] | 31/07/2007 | 31/03/2004 |
| Date valuation results published: | 04/02/2009 | 09/10/2008 | 17/12/2007 |
| Value of liabilities: | £28,135m | £322m | £127bn |
| Value of assets: | £28,842m | £279m | n/a[b] |
| Funding Surplus/(Deficit): | £707m[c] | (£43m)[d] | n/a[b] |
| Principal assumptions: | | | |
| Rate of interest (past service liabilities) | 4.4% pa | - | - |
| Rate of interest (future service liabilities) | 6.1% pa | - | - |
| Rate of interest (periods up to retirement) | - | 6.9% pa | 6.5% pa |
| Rate of interest (periods after retirement) | - | 4.9% pa | 6.5% pa |
| Rate of increase in salaries | 4.3% pa | 4.8% pa | 4.5% pa |
| Rate of increase in pensions | 3.3% pa | 3.3% pa | 3.0% pa |
| Mortality assumptions: | | | |
| Assumed life expectancy at age 65 (males) | 23 yrs | 22 yrs | 20 yrs |
| Assumed life expectancy at age 65 (females) | 25 yrs | 24 yrs | 23 yrs |
| Funding Ratios: | | | |
| Technical Provisions basis: | 103%[e] | 87% | n/a[b] |
| Statutory Pension Protection Fund basis: | 107% | 95% | n/a[b] |
| "Buy-out" basis: | 79%[e] | 71% | n/a[b] |
| Estimated FRS17 basis: | 104%[e] | 89% | n/a[b] |
| Recommended Employer's contribution rate (as % of pensionable salaries): | 16%[f] | 21.5%[d] | 14%[g] |
| Effective date of next valuation: | 31/03/2011[a] | 31/03/2010 | 31/03/2008 |

**Notes**:

a. USS' actuary will undertake an actuarial valuation of the Scheme as at 31 March 2011, the results of which, are not expected to be finalised until December 2011, with publication of the final results in 2012.

b. NHSPS is underwritten by the Exchequer – there are no underlying assets. Consequently, there is no surplus or deficit and none of the funding ratios can be quantified.

c. In the light of the considerable swings in markets since the valuation date, the nature of the demographic and financial assumptions used in the ongoing and solvency valuations, the significant positive cash flows and equity orientated investment strategy, USS' actuary recommended, and the Trustee agreed, that the small ongoing funding surplus should be carried forward to the next valuation.

d. OSPS' actuarial valuation as at 31 July 2007 identified a required long-term employer contribution rate of 17.85% of total pensionable salaries, but also a funding deficit of £43.2m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by increasing the employer contribution rate to the previously agreed rate of 21.5% of total pensionable salaries with effect from 1 August 2008. The actuary has certified that the additional 3.65% contribution should eliminate the deficit by 31 July 2025.

e. Since 31 March 2005, the financial security of USS has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 103% at 31 March 2008. This fluctuation is due to the volatility of investment returns and gilt yields (used to value scheme liabilities) compared to the rates assumed at 31 March 2005. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2008 was above 104% and on a buy out basis was approximately 79%.

f. The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries and the Trustee company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009.

g. The government actuary recommended that, if the recent changes to scheme benefits and employee contribution rates had not been implemented, the employer contribution rate should increase to 15.3% of pensionable pay. However, in the light of the changes implemented on 1 April 2008, the actuary has agreed that the employer contribution rate should remain at 14.0% for the time being.

### 3. Sensitivity of actuarial valuation assumptions:

Surpluses or deficits, which arise at future valuations, may impact on the University's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Assumption | Change in assumption | Impact on scheme liabilities | | |
|---|---|---|---|---|
| | | USS | OSPS | NHSPS |
| Valuation rate of interest | increase/decrease by 0.5% | decrease / increase by £2.2bn | decrease / increase by £30m | Neutral |
| Rate of pension increases | increase/decrease by 0.5% | increase / decrease by £1.5bn | increase / decrease by £20m | Not disclosed |
| Rate of salary growth | increase/decrease by 0.5% | increase / decrease by £0.7bn | increase / decrease by £7m | increase / decrease in employer contribution rate by 2.5% of pay |
| Rate of mortality | more prudent assumption (mortality used at last valuation, rated down by a further year) | increase by £0.8bn | increase by £10m | increase / decrease in employer contribution rate by 1.5% of pay |

*Notes to financial statements (continued)*

### 4. Pension charge for the year:

The pension charge recorded by the University during the year was equal to the contributions payable as follows:

| Scheme | 2009 £'m | 2008 £'m |
|---|---|---|
| Universities Superannuation Scheme | 32.5 | 29.9 |
| University of Oxford Staff Pension Scheme | 11.3 | 8.7 |
| NHS pension Scheme | 2.6 | 2.3 |
| SAUL | 0.1 | 0.1 |
| Other Schemes - contributions | 1.0 | 1.0 |
| Supplementation payments [h] | 0.2 | 0.2 |
| **Total** | **47.7** | **42.2** |

Notes

h. The University continues to make a small and diminishing number of supplementation payments to retired members and dependants of former members of FSSU and EPS.

## 35. POST BALANCE SHEET EVENTS

With effect from 1st October 2008, Green Templeton began to operate as a new college. There are ongoing discussions, which may result in a future donation of assets by the University to this new College with a net book value of approximately £4.7m.

**The additional information on pages 55 to 59 does not form part of the audited Financial Statements for the University of Oxford for the years ended 31 July 2009 and 31 July 2008.**

# Oxford University Press('the Press'): Financial Report Extracts

## INDEPENDENT AUDITORS' STATEMENT TO THE DELEGATES OF THE PRESS

We have examined the Abstract of the Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press for the year ended 31 March 2009 which comprises the balance sheet, combined results and statement of recognised gains and losses of the Trading Operations and the combined balance sheet and statement of financial activities of the Delegates Property and Reserve Fund (the 'Abstract').

This report is made solely to the Delegacy of the Press, as a body, in accordance with our terms of engagement. Our work has been undertaken so that we might state to the Delegates those matters we are required to state to them in this 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 Press and the Delegates as a body, for our audit work, for this report, for our audit report on the full annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**
The Delegates are responsible for preparing the Abstract in accordance with the applicable Statutes of Oxford University. Our responsibility is to report to you our opinion on the consistency of the financial information contained in the Abstract with the audited annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press.

**Basis of opinion**
Our work was limited to ensuring that the financial information within the Abstract was consistent with the audited annual accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press.

**Opinion**
In our opinion, the financial information contained in the Abstract is consistent with the audited annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press for the year ended 31 March 2009. The audited annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press can be obtained from the Press, Great Clarendon Street, Oxford, OX2 6DP.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Reading, UK
14 October 2009

*Oxford University Press: Financial Report Extracts (continued)*

**Abstract of the Combined results of the Trading Operations for the year ended 31 March 2009**

| | Year ended 31 March 2009 £'m | Year ended 31 March 2008 £'m |
|---|---|---|
| **TURNOVER** | **578.7** | **492.3** |
| Profit for the year before tax | 88.7 | 83.7 |
| Tax | (4.3) | (6.3) |
| Profit after tax | 84.4 | 77.4 |
| Profit available to minority interests | (0.4) | (0.2) |
| **NET PROFIT FOR THE YEAR** | **84.0** | **77.2** |

The above results relate to continuing operations.

**Abstract of the Statement of Recognised Gains and Losses of the Trading Operations for the year ended 31 March 2009**

| | Year ended 31 March 2009 £'m | Year ended 31 March 2008 £'m |
|---|---|---|
| Net Profit for the Financial Year | 84.0 | 77.2 |
| Actuarial Gains on Group Pension Scheme | (28.2) | 10.3 |
| Currency Translation Differences on Foreign Currency Net Investments | 25.4 | 4.0 |
| **TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR** | **81.2** | **91.5** |
| **Actuarial (Losses)/Gains on Group Pension Scheme** | | |
| Difference between actual and expected return on scheme assets | (43.4) | (27.7) |
| Effects of changes in assumptions underlying the present value of scheme liabilities | 15.2 | 38.0 |
| | **(28.2)** | **10.3** |

Prior year comparatives have been restated to reflect the change in accounting policy due to the introduction of the amended FRS 17.

**Abstract of the Combined Balance Sheet of the Trading Operations as at 31 March 2009**

| | Year ended 31 March 2009 | | Year ended 31 March 2008 | |
|---|---|---|---|---|
| | £'m | £'m | £'m | £'m |
| **Fixed Assets** | | | | |
| Tangible Assets | | 25.1 | | 20.9 |
| Intangible Assets | | 23.7 | | 23.9 |
| Investments | | 0.5 | | 0.5 |
| | | **49.3** | | **45.3** |
| **Current Assets** | | | | |
| Stocks and Work-in-progress | 82.7 | | 73.3 | |
| Debtors | 121.7 | | 104.8 | |
| Current Asset Investments | 177.1 | | 173.2 | |
| Bank balances and cash | 17.2 | | 19.6 | |
| | **398.7** | | **370.9** | |
| **Less: Current Liabilities** | | | | |
| Creditors | 145.8 | | 124.6 | |
| Taxation | 6.8 | | 8.1 | |
| Bank loans and Overdrafts | 2.4 | | 3.4 | |
| | **155.0** | | **136.1** | |
| **Net Current Assets** | | **243.7** | | **234.8** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **293.0** | | **280.1** |
| Less: Creditors due after one year | | (2.0) | | (2.7) |
| Provisions for Liabilities and Charges | | (1.2) | | (1.2) |
| **Net Assets excluding Pension Deficit** | | **289.8** | | **276.2** |
| Pension Deficit | | (67.7) | | (39.0) |
| **NET ASSETS INCLUDING PENSION DEFICIT** | | **222.1** | | **237.2** |
| **Capital Employed** | | | | |
| Accumulated Fund and Reserves | | 220.6 | | 235.9 |
| Minority Interests | | 1.5 | | 1.3 |
| **TOTAL FUNDS** | | **222.1** | | **237.2** |

Prior year comparatives have been restated to reflect the change in accounting policy due to the introduction of the amended FRS 17.

*Oxford University Press: Financial Report Extracts (continued)*

**Abstract of the Combined Statement of Financial Activities of the Delegates' Property and Reserve Fund for the year ended 31 March 2009**

| | 2009 Strategic Property Reserve £'m | 2009 Effective Operating Reserve £'m | 2009 University Reserve £'m | 2009 Total £'m | 2008 Total £'m |
|---|---|---|---|---|---|
| **INCOMING RESOURCES FROM GENERATED FUNDS** | | | | | |
| **Activities for generating Funds** | | | | | |
| Rental Income from properties | 15.4 | 0.8 | – | 16.2 | 14.6 |
| Income from investments | 0.5 | 1.1 | 2.5 | 4.1 | 5.6 |
| Transfer from Trading Operations | – | 25.0 | 71.5 | 96.5 | 30.0 |
| **TOTAL INCOMING RESOURCES** | **15.9** | **26.9** | **74.0** | **116.8** | **50.2** |
| **RESOURCES EXPENDED** | | | | | |
| **Costs of generating Funds** | | | | | |
| Transfer of funds to the rest of the University: | | | | | |
| – Cash | – | – | (100.7) | (100.7) | (56.0) |
| – Benefits in kind | – | – | (0.8) | (0.8) | (0.8) |
| Other resources expended | (10.5) | (0.4) | – | (10.9) | (9.8) |
| **TOTAL RESOURCES EXPENDED** | **(10.5)** | **(0.4)** | **(101.5)** | **(112.4)** | **(66.6)** |
| **NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS** | **5.4** | **26.5** | **(27.5)** | **4.4** | **(16.4)** |
| Transfer between funds | (11.6) | 7.3 | 4.3 | – | – |
| **NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR** | **(6.2)** | **33.8** | **(23.2)** | **4.4** | **(16.4)** |
| **Other Recognised Gains/(Losses)** | | | | | |
| Investment losses | – | – | (19.8) | (19.8) | (3.0) |
| Surplus on revaluation of investment properties | – | 7.5 | – | 7.5 | 16.1 |
| Currency translation differences on foreign currency net investments | (0.1) | – | – | (0.1) | (0.1) |
| **NET MOVEMENTS IN FUNDS** | **(6.3)** | **41.3** | **(43.0)** | **(8.0)** | **(3.4)** |
| **Reconciliation of Funds** | | | | | |
| **TOTAL FUNDS BROUGHT FORWARD** | **47.5** | **60.2** | **125.8** | **233.5** | **236.9** |
| **TOTAL FUNDS CARRIED FORWARD** | **41.2** | **101.5** | **82.8** | **225.5** | **233.5** |

The above results relate to continuing operations

**Abstract of the Combined Balance Sheet of the Delegates' Property and Reserve Fund as at 31 March 2009**

| | 2009 Strategic Property Reserve £'m | 2009 Effective Operating Reserve £'m | 2009 University Reserve £'m | 2009 Total £'m | 2008 Total £'m |
|---|---|---|---|---|---|
| **Fixed Assets** | | | | | |
| Tangible Fixed Assets | 55.0 | 49.1 | – | 104.1 | 93.8 |
| Investments | 7.3 | 46.2 | 83.0 | 136.5 | 157.0 |
| | **62.3** | **95.3** | **83.0** | **240.6** | **250.8** |
| **Current Assets** | | | | | |
| Debtors | 2.5 | – | – | 2.5 | 1.2 |
| Cash | 2.8 | 7.5 | 0.4 | 10.7 | 1.6 |
| | **5.3** | **7.5** | **0.4** | **13.2** | **2.8** |
| Creditors: Amounts falling due within one year | (2.3) | (1.3) | (0.6) | (4.2) | (1.6) |
| **Net Current Assets** | **3.0** | **6.2** | **(0.2)** | **9.0** | **1.2** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **65.3** | **101.5** | **82.8** | **249.6** | **252.0** |
| Creditors: Amounts falling due after one year | (24.1) | – | – | (24.1) | (18.5) |
| **NET ASSETS** | **41.2** | **101.5** | **82.8** | **225.5** | **233.5** |
| **Reconciliation of Funds** | | | | | |
| Opening balance | 47.5 | 60.2 | 125.8 | 233.5 | 236.9 |
| Net movement in funds | (6.3) | 41.3 | (43.0) | (8.0) | (3.4) |
| **TOTAL FUNDS** | **41.2** | **101.5** | **82.8** | **225.5** | **233.5** |