



UNIVERSITY OF  
**OXFORD**

# Financial Statements

## 2007/8





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# University of Oxford

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COVER PHOTOGRAPH: The new Biochemistry building which was officially opened in December 2008

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## Financial Highlights

	Year Ended 31 July				
	2008 £'m	2007 £'m	2006 £'m	2005 £'m	2004 £'m
Funding body grants	186.2	179.8	166.8	159.5	146.6
Tuition fees and education contracts	110.4	94.0	87.3	67.8	60.3
Research grants and contracts	285.3	248.2	213.4	183.6	173.5
Other income	138.9	126.2	113.0	95.4	88.0
Endowment and investment income	33.9	28.3	28.2	23.9	19.8
<b>Total Income</b>	<b>754.7</b>	<b>676.5</b>	<b>608.7</b>	<b>530.2</b>	<b>488.3</b>
<b>Total Expenditure</b>	<b>748.8</b>	<b>674.2</b>	<b>606.2</b>	<b>524.0</b>	<b>486.1</b>
<b>Surplus on Continuing Operations before heritage asset donations, disposal of assets and minority interests</b>	<b>5.9</b>	<b>2.3</b>	<b>2.5</b>	<b>6.2</b>	<b>2.2</b>
<b>Net cash inflow / (outflow) before management of liquid resources and financing</b>	<b>39.0</b>	<b>24.8</b>	<b>81.7</b>	<b>(68.2)</b>	<b>(51.6)</b>
Fixed assets	844.0	824.0	710.8	645.3	552.2
Endowment assets	653.5	688.6	628.8	558.3	431.2
Net current assets	161.5	135.8	61.7	65.5	274.6
Long Term Creditors/Provisions and Minority Interests	(80.8)	(78.2)	(68.2)	(65.4)	(168.3)
<b>Net Assets</b>	<b>1,578.2</b>	<b>1,570.2</b>	<b>1,333.1</b>	<b>1,203.7</b>	<b>1,089.8</b>

### OTHER KEY STATISTICS

Full-time equivalent students - undergraduate	11,917	12,106	11,185	11,225	11,119
Full-time equivalent students - postgraduate	7,580	7,380	6,738	6,491	6,130
Visiting Students/Other	517	507	478	397	415
<b>Total Students as at 1 December</b>	<b>20,014</b>	<b>19,993</b>	<b>18,401</b>	<b>18,113</b>	<b>17,664</b>
Average number of staff	8,427	7,977	7,573	7,308	7,061

2007 and 2008 figures have been restated following the introduction of the 2007 HEFE Statement of Recommended Practice (SORP). The 2004 to 2006 figures have not been restated.



## 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 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 responsively for the benefit of staff and students.

Significant progress has already been made against a number of these objectives, as outlined below.

### Research

Research in Oxford continues to be driven by the initiative of researchers either pursuing their own individual research projects or in collaboration with other colleagues. The role of the collegiate University is to provide a supportive environment and the framework within which research is conducted.

Research	2008	2007
Revenue in year (£'m)	285.3	248.2
Growth in revenue (%)	15%	16%
*Value of new grants and contracts awarded in the year (£'m)	386.9	385.5
Number of new awards received (grants and contracts)	1,776	1,707

\* This is the total value of the award over its lifetime which is typically 3 to 5 years.

For the range and intensity of its research the University of Oxford has few peers anywhere worldwide.

In the last Research Assessment Exercise (RAE), 95% of academic staff departments were rated grade 5 and above. In RAE 2008, the collegiate University returned 2,340 researchers to 48 units of assessment. Oxford is rated 1 or 2 in the UK on most national research measures and in various research-related 'league tables'.

The University combines a commitment to disciplinary depth with a commitment to research across a very broad disciplinary range. The range of our research activities extends from the study of the formation of the universe and the development of early civilisations, through to high performance computing and the latest breakthroughs in medical science. Major recent inter-disciplinary research initiatives include the Oxford-Man Institute of Quantitative Finance, the China Centre, the Smith School of Enterprise and the Environment, the Oxford E-research Centre, and the Oxford Institute of Biomedical Engineering.

Research on this scale requires substantial investment. We acknowledge the role of our funders, both public and private, in supporting our research efforts, and the contribution of our national and international collaborators.

Oxford's researchers (both staff and students) continue to have a major impact not only on intellectual endeavour but also on cultural, social, political, and economic development. They work on the causes of poverty, and the development of vaccines for TB, malaria, and HIV. They also work on issues that will gain increasing importance in the decades to come, such as climate change and the problems posed by an ageing population. Our technology transfer activities, especially through Isis Innovation Ltd, have a strong impact visible through the take-up by industry of new technologies that form the basis for new products and processes.

The growth in research gave Council the confidence to support Isis Innovation's plan to scale up its capacity over the next five years, doubling the annual patent subvention. Isis Innovation Ltd has been a considerable success story. In the last year alone, turnover increased from £3.5 million to £4.7 million, distributions to the University were up from £1.7 million to £2.5 million, and the number of technology transfer agreements that were signed grew by 50% to 74. 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, especially through Isis Innovation Ltd. Four new spinouts were created. Isis Innovation Ltd supports the exploitation of intellectual property created by the University's researchers for the benefit of the UK economy, while ensuring a reasonable proportion of the financial rewards flow back to the University and its researchers. Since 2000, Isis has created 50 new companies to exploit the results of the University's research, in which the University holds equity.

## 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.

Student numbers at 20,014, are in line with Council policy, but with a modest rebalancing in the year towards postgraduates. In the future undergraduate and visiting student numbers are expected to stabilise at around current levels, but there may be modest growth in the postgraduate body.

<b>As at 1 December</b>	<b>2007</b>	<b>2006</b>
Number of UK undergraduates	10,420	10,582
Number of EU undergraduates	565	576
Number of other International undergraduates	932	948
<b>Total number of undergraduates</b>	<b>11,917</b>	<b>12,106</b>
Number of UK graduates	2,950	2,929
Number of EU graduates	1,333	1,214
Number of other International graduates	3,297	3,237
<b>Total number of graduates</b>	<b>7,580</b>	<b>7,380</b>
Visiting Students	517	507
<b>Total students</b>	<b>20,014</b>	<b>19,993</b>
<b>% of overseas students</b>	<b>21.7%</b>	<b>21.5%</b>

In 2007/8 the higher-level fees for UK/EU undergraduate students provided an additional £9.0m of income, of which £3.6m 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 achieved a ranking of 92% in the National Student Survey, against the national average of 81%.

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. For example, it works with the Sutton Trust to give Year 12 students a chance to experience what university life is really like; and the Oxford University Black Boys Can is a partnership between the student-led Oxford Access Scheme, which aims to increase applications from under-represented groups, and Black Boys Can, an organisation devoted to raising the aspirations and achievements of black boys between the ages of nine and sixteen.

## Staff

	2008	2007
Average number of staff	8,427	7,977

Staff are the major resource of the University, representing 53.8% of expenditure. The University is committed to attracting, developing, rewarding and retaining academic staff of the highest international calibre. To achieve this the University is working to increase income so as to enhance the terms and conditions of employment, improve work flexibility and support career development. 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 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

The University has experienced a period of rapid expansion of its building stock, supported by substantial injections of capital from the government, charities, benefactions and other sources. This has been necessitated by the growth of academic activity in many of the faculties and departments. The estate now comprises more than 530,000 square metres, a 44% increase compared with ten years ago. 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.

	2008	2007
Building & Equipment additions (£'m)	114.0	106.2
Capital grants received (£'m)	89.2	71.6
Estates building repairs and maintenance in year (£'m)	13.0	10.6
Building repairs and maintenance as % of building insurance value	0.5%	0.45%
Buildings square metres (000's)	530	526

In 2008 the University undertook a comprehensive review of teaching facilities. This review has been presented to Council and recommendations have been made for the provision and management of teaching space, to match the teaching requirements of the future, and to allow for the introduction of modern methods of managing space. In addition a condition survey of all the University's building stock has been undertaken, which will inform the level of investment required to bring all of the current stock up to acceptable standards. It is anticipated that this will require significant future investment.

Key initiatives for the future Estates strategy include a comprehensive upgrade of the University libraries, planning and completion of the Radcliffe Observatory Quarter, the updating of the Science Area infrastructure, and further expansion of the Old Road Campus and Begbroke Science Park. The Radcliffe Observatory Quarter provides the main area of expansion for the University in central Oxford and will include new facilities for Mathematics and Humanities. In the Science Area, many buildings are outdated, do not make the best use of the available space, and have outgrown the supporting infrastructure. The Old Road Campus and Begbroke Science Park offer opportunities to provide growth space for Medical Sciences and space-intensive science developments for the University and its collaborators.

Tangible fixed assets (including heritage assets) increased by £118.1m, reflecting the continued building programme to support the University's expanding research base. Significant capital expenditure was incurred on a number of projects in 2007/8 including the Old Road Campus, Ashmolean Museum, the new Biochemistry Building, the Begbroke Supercomputer and the Biomedical Building.

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 2007/8 was £4.1m, with the major acquisitions being the Harcourt papers, two Pre-Raphaelite paintings for the Ashmolean, a collection of papers of Alan Bennett and the Wilshire Collection of Roman Glass.

### **Corporate and Social Responsibility**

The University is committed to playing a strong and supportive role in the life of the city and the region, and is involved in a range of activities in the local community. For example more than 15,000 people take part each year in courses offered by the University's Continuing Education Department and departments undertake a wide variety of outreach work in local schools. Each of the University's museums has its own Community Education Officer who works to develop lasting relationships with local communities and to increase access to the University's collections.

### **Environmental Policy**

The University recognises that its large number of staff, students and buildings has a significant impact on the local and global environment. The University has therefore made a corporate commitment to improve its environmental performance. The University aims to reduce its negative impact on the environment; it is now the tenth largest purchaser of renewable electricity in Europe and the third largest in the UK. The University's Environment Panel is responsible for monitoring the University's impact on the environment and advises relevant bodies in the University on issues such as waste minimisation, energy and water conservation, implementing sustainable travel plans, sustainable buildings and enhanced biodiversity.

### **Financial summary**

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

<b>Financial Summary</b>	<b>2008 £'m</b>	<b>2007 £'m</b>
Income	754.7	676.5
Expenditure	(748.8)	(674.2)
Operating surplus on continuing operations before donation of heritage assets, disposal of assets and minority interests	5.9	2.3

## Income

Compared with the previous year, income to the University rose by 11.6%, from £676.5m to £754.7m. 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 14.9% to £285.3m, most of which is matched by related expenditure.
- Grants from the Higher Education Funding Council for England represent the second largest source of University income and amounted to £186.2m, up by 3.6%.
- Academic fees and support grants amounted to £110.4m, up by 17.4%, with growth of 16.5% in overseas fees, and with a further cohort of UK/EU undergraduate fees based on the new higher level.
- General income donations in the year decreased from £14.7m to £12.6m in 2007/8. However significant capital donations were received for capital programmes, including the Bodleian Library and the Ashmolean Museum.
- The 10.0% increase in other operating income to £138.9m was driven principally by other services rendered, including expansion in educational services and medical services.
- Endowment and investment income at £33.9m increased by 19.8% compared to the previous year, through higher interest receivable and profits from the realisation of investments in spinout companies, principally Oxford Catalyst Limited.
- Included within income in 2007/8 is £36.6m from Oxford University Press (2006/7 £32.2m). The increase is largely due to additional funding by Oxford University Press of the John Fell awards providing 'seed corn' funding for projects with the potential to open up new avenues of research.

## Expenditure

The University's expenditure of £748.8m rose by 11.1%, and can be analysed as follows:

- Staff costs of £403.0m, an increase of 14.8%. This resulted from an annual negotiated pay settlement of 4.3% and extra staff for research activities, which were matched by related income and the expansion of academic activities and related support.
- Other operating expenses amounted to £300.4m an increase of 9.0%. Major factors include additional expenditure on research contracts, higher professional fees and utility costs, and increased bursary and scholarship costs.

## Surplus

Whilst income has grown, the upward pressure on costs continues to be significant. The margin of income over expenditure has improved, slightly resulting in a small surplus on continuing operations before donation of heritage assets, disposal of assets, and minority interests of £5.9m (2006/7 £2.3m).

The 2007 HEFE Statement of Recommended Practice introduced a change in accounting in that the value of donated heritage assets which was previously included in deferred capital grants is now included in the Income and Expenditure statement. Because of the materiality of this figure and its non-cash basis, the £4.1m of donated heritage assets in the year is disclosed separately.

The surplus is calculated before a profit attributable to minority interests of £0.6m. After transfer from accumulated specific endowment return, the surplus for the year is £16.3m (2006/7 £7.9m).

### Cash flow and financing

Net cash inflow, before use of liquid resources and financing for the year, was £39.0m and compares with £24.8m in the previous year as follows:

	2008 £'m	2007 £'m
Net cash inflow/(outflow) from operating activities	24.5	(2.6)
Net returns on investments and servicing of finance	26.9	24.6
Capital expenditure	(113.5)	(107.3)
Capital grants	92.4	115.9
Other inflows/(outflows)	8.7	(5.8)
Net cash inflow before management of liquid resources and financing	39.0	24.8

The University has re-negotiated more favourable terms on its bank loan facilities during 2007/8. The University has bank loans outstanding totaling £48.4m. Interest is fixed and the loans will mature in 2019 and 2047.

Borrowing as a percentage of net assets was 3.1 % (2006/7 - 3.2%).

### Investment Performance

The University's investments comprise the Trusts Pool, the Capital Fund, the Deposit Pool and equity in spinout companies and venture capital funds.

Market Value	2008	2007
Trusts pool (£'m)	456.2	480.7
* Total return for year (%)	-4.7	12.1
Capital fund (£'m)	219.5	237.5
* Total return for year (%)	-7.7	11.5
** Deposit pool return (%)	5.7	5.2
Average base rates for year (%)	5.4	5.1

\* Total Return represents the weighted income earned and negative capital growth in the financial year.

\*\* Deposit pool return % is the average rate in 2007/8 earned on University cash deposits at financial institutions.

The Trusts Pool is the unitised pool of individual endowments, the Capital Fund represents the University's funds set aside for capital projects, and the Deposit Pool is the vehicle whereby the University manages its longer term cash. During the year the University's Investment Committee delegated the day to day investment management of the Trusts Pool and the Capital Fund to Oxford University Endowment Management Ltd (OUEM). The University's Treasury team manages the Deposit Pool under the supervision of the Finance Committee.

The Trusts Pool 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 Trusts Pool has an investment objective of 5% real rate of return over the long term, and an annual distribution policy linked to both inflation and investment returns. The Trusts Pool invests for total return. The University is the Trustee of the Trusts Pool and the University's Investment Committee is responsible for setting the Investment Policy, Distribution Policy and for overseeing the investment manager, OUEM.

In October 2007, the Investment Committee agreed a new investment strategy, which is diversified and global. OUEM has been transitioning the Trusts Pool to this new strategic asset allocation since January 2008. On 9 July 2008, the Privy Council approved revisions to the Trusts Scheme, the rules that govern the Trusts Pool. As from 1 January 2009, this will be known as the Oxford Endowment Fund and will be open to other eligible investors in the collegiate University.

At 31 July 2008, the market value of the Trusts Pool was £456.2m. During the year £16.1m was paid out to investors, with the distribution per share being 83.2p, an increase from 80.4p, in the previous academic year. Net new subscriptions of £13.1m were received over the year.

For the twelve months to 31 July 2008, the value of the Trusts Pool declined by 4.7%. The Trusts Pool suffered from heavy exposure to the equity markets, which was reduced over the year. In the twelve months to 31 July 2008 all major equity markets posted negative returns. The MSCI World Index fell by 8.6%, and the FTSE All Share Index fell by 13.3%. Performance was also affected by the decline in the UK property market and in particular Real Estate Funds, which have fallen on average by 20%. Over the year the Agricultural Estates returned 30%, as land prices rose, reflecting both demand for land and the increase in commodity prices. The Capital Fund, which has a higher weighting to equities and particular UK equities, declined by 7.7%.

By 31st October 2008, the value of Trusts Pool and Capital Fund investments had fallen by 9.3% and 8.3% compared to 31 July 2008.

The Deposit Pool is the vehicle whereby the University manages its longer-term cash balances. At 31 July 2008, the balance in the Pool was £357m, which included balances attributable to external colleges and similar bodies of £57m and balances attributable to endowment trusts of £36m.

The investments held by the James Martin 21st Century Foundation, totaling £50.7m, are not included in the Trusts Pool or 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 includes £9.8m invested in quoted spin-out companies which increased by £0.5m compared to 31 July 2007, and £12.1m invested in non-quoted spin-out companies which decreased by £0.8m compared to 2006/7.

Treasury risk has increased significantly in 2008 as a result of the global banking crisis. An early impact of the banking crisis on the University occurred in October 2008, when three Icelandic banks and their UK subsidiaries were placed in administration. The University has £31.25m of fixed term deposits with these banks, and debtors include a further £2.5m of accrued interest in relation to these deposits.

As further explained in note 34 there does not appear to be any substantive evidence that the conditions which gave rise to the administration of these banks existed at 31 July 2008, and it was not until October that it became apparent that the banks were in financial difficulties. Accordingly no provision has been made against the carrying value of the deposits and the accrued interest in respect of the possible non-recovery of some or all of the amounts.

The administration of the banks is at an early stage and there is very little information available upon which to base an assessment of the likely recovery of the deposits and accrued interest, although clearly there is substantial risk that not all the amounts can be recovered. The University is working together with other affected higher education bodies and with HEFCE to recover these amounts.

The deposits with Icelandic banks were long-term deposits placed in 2006 and 2007 in accordance with the University's approved Counter-Party Risk Policy. The Policy provided for diversification of risk across a broad range of counter-parties according to their credit-worthiness, assessed by reference to published credit ratings. At the time the deposits were placed, the minimum long-term credit rating criterion for foreign banks was single A, and all three Icelandic banks met the minimum criterion. 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 the three 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 early 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.

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

In May 2008 the University, together with the colleges, launched Oxford Thinking: the Campaign for the University of Oxford. This will be the largest funding campaign conducted by a European university and aims to raise more than £1.25 billion to transform the collegiate University for many generations to come. The Campaign will take forward the University's three core priorities of students, academic posts, and buildings.

**Oxford University Press**

Oxford University 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. However, in accordance with the Financial Regulations of the University, these financial statements do not consolidate the accounts of the Press.

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. Extracts from the separate accounts of the Trading Operations and DPRF for the year ended 31st March 2008 are set out on pages 48 to 52.

During the year the Press transferred £56.6m (2007 £47.2m) to the University, of which £36.6m (2007 £32.2m) was available as income, with the rest as capital support.

**Future financial challenges**

The University of Oxford enjoys a pre-eminent position nationally and internationally as a place of outstanding learning, teaching and research. Whether measured by peer review, student satisfaction, knowledge transfer, research income or student quality, Oxford ranks amongst the very best universities in the world. Nonetheless competition with the top international universities remains strong, and the external financial environment has changed markedly in the course of the last year.

Whilst the balance sheet remains sound and net assets are growing steadily, the University is expecting a small deficit on the Income and Expenditure account in 2008/9 because of investments in research, funding of major developments in Libraries and Estates and the maintenance of vulnerable science subjects.

Although investment returns have been strong over the last five years, the current market uncertainties and anticipated economic recession will almost certainly reduce investment income and investment gains in 2008/9. The weaker financial environment could also put additional pressure on major funding sources.

The significant falls in the value of financial markets is also of concern when considering the position of pension schemes. Note 33 to the accounts regarding pensions highlights an actuarial funding deficit of £43m for the Oxford Staff Pension Scheme (OSPS) and £6,568m for the Universities Superannuation Scheme (USS). Both schemes are multi-employer schemes, and the deficits are attributable to all member institutions. A cautious approach has been adopted in determining the assumptions used in the actuarial valuations and deficit recovery plans, but the University will need to monitor solutions proposed to fund these deficits.

In the light of the more difficult external financial environment one of the most critical issues remains that of funding. Figures prepared under the Government's Transparency Review Costing Method show that there was a substantial shortfall on publicly funded teaching and non-publicly funded research. These shortfalls adversely affect the University's ability to offer further competitive scholarship and bursary schemes to students, and to invest in improving facilities and services. The University is concerned that future variable fees will not improve this position. The University is actively trying to manage its resources efficiently to make further progress on increased recovery rates on research, increase investment income, and develop a successful development campaign for Oxford to reduce these funding shortfalls.

## Governance Statement

### Summary of the University's governance structure

The University has a clear governance structure, the principal elements of which are Congregation and the Council of the University. Congregation is the ultimate legislative body of the University and 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 and Scrutiny Committee; and approves changes or additions to the University's statutes and regulations, which define the governance structure.

Council, which is composed of *ex officio* members (the Vice-Chancellor, the Proctors, the Assessor, the heads of academic divisions, and the Chairman of the Conference of Colleges), members elected by Congregation, a further representative of the Conference of Colleges, 'external' members, co-opted members, and student representatives, 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: the defining of policies and the setting of objectives for securing resources, the appointment of senior staff sufficient to meet the objectives, and the monitoring of progress towards those objectives. Council has stewardship, under Congregation, of the University's affairs, and ensures that suitable procedures are in place for the management of the University's business.

A range of committees, including the General Purposes Committee, the Planning and Resource Allocation Committee, the Finance Committee, the Investment Committee and the Audit and Scrutiny Committee, advises Council. 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 University Press, for the review of the five-year financial forecast, 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, and agreeing the nature and scope of their work and their fees. The committee reviews the effectiveness of the risk management and 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 OUP Audit Committee. Senior officers attend meetings of the Audit and Scrutiny Committee as necessary, but are not members of the committee.

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 construct a risk-free control environment. 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 which are reviewed regularly to identify developments and to consider any additional matters. 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 effectively during the year.

The University operates a highly devolved system of management and control and, through its financial regulations, sets out a series of policies and procedures 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 provides internal audit services. Their 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.

Annually, Internal Audit provides 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.

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.

## Membership of Council

**Membership of Council during the year ended 31st July 2008 was as follows:**

Name	Position
<b><i>Ex officio Members:</i></b>	
Dr J A Hood	Vice-Chancellor
Sir Michael Scholar (until 30 Sep 2007)	Chairman of the Conference of Colleges
Mr G I Henderson, Master of Pembroke (from 1 Oct 2007)	Chairman of the Conference of Colleges
Mr A Dilnot, Principal of St Hughs (until 30 Sept 2007)	Conference of Colleges appointment
Dr J Landers, Principal of Hertford (from 1 Oct 2007)	Conference of Colleges appointment
Dr J Forder (until 12 March 2008)	Senior Proctor
Professor D G Fraser (from 13 March 2008)	Senior Proctor
Dr M J Banks (until 12 March 2008)	Junior Proctor
Dr D A Harris (from 13 March 2008)	Junior Proctor
Dr P Coones (until 12 March 2008)	Assessor
Dr J B W Nightingale (from 13 March 2008)	Assessor
Professor S Shuttleworth	Head of Humanities Division
Professor K Burnett (until 30 Sep 2007)	Head of Mathematical, Physical and Life Sciences Division
Professor A Halliday (from 1 Oct 2007)	Head of Mathematical, Physical and Life Sciences Division
Dr K A Fleming	Head of Medical Sciences Division
Dr M Spence (until 31 March 2008)	Head of Social Sciences Division
Professor R Goodman (from 1 April 2008)	Head of Social Sciences Division
<b><i>Members elected by Congregation:</i></b>	
Professor P Langford (until 30 Sep 2007)	
Professor P A Slack	
Dr M B Gregory	
Professor D J Womersley	
Professor T P Softley	
Professor S Cooper	
Professor P England	
Dr A Graham	
Mr N C Bamforth	
Professor D G Fraser (until 30 Sep 2007)	
The Revd Bernard W Silverman (from 1 Oct 2007)	
Professor P A Robbins (from 1 Oct 2007)	
The Revd Dr C P Thompson (from 1 Oct 2007)	
<b><i>External Members:</i></b>	
Sir Victor Blank (until 10 Sep 2007)	
Ms A Perkins	
Mr B J Taylor	
<b><i>Co-opted Members:</i></b>	
Dame Fiona Caldicott	
Professor E Fallaize	
Professor E Y Jones (from 1 Oct 2007)	

## Responsibilities of Council

Under the University's statutes and regulations, Council is responsible for the advancement of the University's objectives, 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 Oxford University Press ('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 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.

# 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 2008 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 34. 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 dated July 2006. 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

As described in the statement of the responsibilities of the Council, the Council is responsible for the preparation of 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 United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

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 Report on the Financial Statements is not consistent with the financial statements, if the Group 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 Report on the Financial Statements, including the corporate governance statement and Operating and Financial Review, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of opinion

We conducted our audit in accordance with 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 Oxford University Press ('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 non-inclusion 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 2008 and of the surplus of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;
- (b) 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
- (c) 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 2006 with the Higher Education Funding Council for England.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Reading  
8th December 2008

# Statement of accounting policies

## 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.

The financial statements have been prepared in accordance with the requirements of the Statement of Recommended Accounting Practice entitled 'Accounting for Further and Higher Education', applicable to accounting periods commencing on or after 1 August 2007.

The financial statements do not include the accounts of Oxford University Press ('the Press'): this is a departure from FRS2. 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 FRS 7, acquisitions are accounted for as business combinations from the date of acquisition.

The financial statements do not consolidate the accounts of the Oxford University Students 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 Specific 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 transactions. 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.

## 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 are 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.

Oxford University Press transfers are credited to the income and expenditure account as if they were a donation to the operational funding of the University. Where Oxford University 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.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments, not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

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.

Increases or decreases in value arising on the revaluation or disposal of endowment assets, i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, or crediting or debiting the endowment fund, and is reported in the statement of total recognised gains and losses.

## **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 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 & 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

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.

Surpluses or deficits arising on the revaluation or realisation of endowment asset investments are added to or subtracted from the funds concerned.

Certain external trust funds and other bodies (such as the colleges) closely associated with the University are allowed to participate in the University's investment pool. 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**

The University uses derivative financial instruments known as 'interest-rate swaps' to reduce exposure to interest-rate movements. Such derivative financial instruments are not held for speculative purposes, and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these 'swaps' are recognised by adjusting net interest payable over the periods of the contracts. In instances where the derivative financial instrument ceases to be a hedge for an actual asset or liability, then it is marked to market and any resulting profit or loss recognised at that time.

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 realise 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 2008

	Note	2008 £'m	2007 restated £'m
<b>INCOME</b>			
Funding body grants	1	186.2	179.8
Academic fees and support grants	2	110.4	94.0
Research grants and contracts	3	285.3	248.2
Other income	4	138.9	126.2
Endowment and investment income	5	33.9	28.3
<b>TOTAL INCOME</b>		<b>754.7</b>	<b>676.5</b>
<b>EXPENDITURE</b>			
Staff costs	6 & 7	403.0	351.0
Other operating expenses	7	300.4	275.5
Depreciation	7 & 11	42.5	45.1
Interest and other finance costs	7	2.9	2.6
<b>TOTAL EXPENDITURE</b>		<b>748.8</b>	<b>674.2</b>
<b>SURPLUS ON CONTINUING OPERATIONS BEFORE DONATION OF HERITAGE ASSETS</b>		<b>5.9</b>	<b>2.3</b>
Donation of heritage assets	11	4.1	1.0
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DONATION OF HERITAGE ASSETS</b>		<b>10.0</b>	<b>3.3</b>
PROFIT ON DISPOSAL OF FIXED ASSETS		–	–
MINORITY INTEREST	22	0.6	(0.2)
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DISPOSAL OF ASSETS</b>		<b>10.6</b>	<b>3.1</b>
TRANSFER FROM ACCUMULATED ENDOWMENT RETURN	20	5.7	4.8
<b>SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES</b>		<b>16.3</b>	<b>7.9</b>

The activities of Oxford University Press are not consolidated within the University's Financial Statements. All activities relate to continuing operations. Prior year comparatives have been restated to reflect the change in accounting policies due to the introduction of the 2007 HEFE Statement of Recommended Practice (SORP).

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 July 2008

	Note	2008 £'m	2007 restated £'m
SURPLUS ON CONTINUING OPERATIONS AFTER DISPOSAL OF ASSETS		10.6	3.1
(Depreciation)/Appreciation of fixed assets investments	23	(30.1)	30.9
(Decrease)/Increase in value of endowment asset investments	20	(44.1)	40.9
New endowments received	20	14.7	14.8
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>(48.9)</b>	<b>89.7</b>
Prior Year Adjustment	24	86.2	-
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS</b>		<b>37.3</b>	<b>-</b>
<b>RECONCILIATION</b>			
Opening reserves and endowments		1,079.2	989.5
Total recognised gains for the year		(48.9)	89.7
<b>CLOSING RESERVES AND ENDOWMENTS</b>		<b>1,030.3</b>	<b>1,079.2</b>

**BALANCE SHEETS As at 31 July 2008**

	Note	Consolidated		University	
		2008 £'m	2007 restated £'m	2008 £'m	2007 restated £'m
<b>FIXED ASSETS</b>					
Intangible fixed assets	10	1.9	2.7	–	–
Tangible fixed assets	11	747.9	674.8	741.9	668.2
Fixed asset investments	12	94.2	146.5	103.9	155.3
		<b>844.0</b>	<b>824.0</b>	<b>845.8</b>	<b>823.5</b>
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	13	<b>653.5</b>	<b>688.6</b>	<b>653.5</b>	<b>688.6</b>
Current Assets:					
Stocks		1.7	1.7	0.7	0.7
Debtors	14	133.0	139.3	139.8	171.6
Current asset investments	15	223.0	179.9	222.3	171.4
Cash at bank and in hand		17.7	5.5	4.8	2.2
		<b>375.4</b>	<b>326.4</b>	<b>367.6</b>	<b>345.9</b>
Creditors: Amounts falling due within one year	16	(213.9)	(190.6)	(208.6)	(212.0)
		<b>161.5</b>	<b>135.8</b>	<b>159.0</b>	<b>133.9</b>
<b>NET CURRENT ASSETS</b>					
		<b>1,659.0</b>	<b>1,648.4</b>	<b>1,658.3</b>	<b>1,646.0</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
<b>Creditors</b>					
Amounts falling due after more than one year	17	(75.8)	(74.8)	(75.7)	(74.7)
<b>Provisions for Liabilities and Charges</b>					
	18	(5.0)	(3.4)	(4.5)	(3.0)
<b>NET ASSETS</b>					
		<b>1,578.2</b>	<b>1,570.2</b>	<b>1,578.1</b>	<b>1,568.3</b>
<b>ENDOWMENTS</b>					
Permanent	20	601.1	644.0	601.1	644.0
Expendable	20	52.4	44.6	52.4	44.6
		<b>653.5</b>	<b>688.6</b>	<b>653.5</b>	<b>688.6</b>
<b>RESERVES</b>					
Income and expenditure account net of minority	21	346.8	330.5	350.7	334.1
Revaluation reserve	23	30.0	60.1	30.0	60.1
		<b>376.8</b>	<b>390.6</b>	<b>380.7</b>	<b>394.2</b>
<b>RESERVES AND ENDOWMENTS</b>					
		<b>1,030.3</b>	<b>1,079.2</b>	<b>1,034.2</b>	<b>1,082.8</b>
<b>DEFERRED CAPITAL GRANTS</b>					
	19	<b>547.1</b>	<b>489.6</b>	<b>543.9</b>	<b>485.5</b>
Minority Interest	22	0.8	1.4	–	–
<b>TOTAL FUNDS</b>					
		<b>1,578.2</b>	<b>1,570.2</b>	<b>1,578.1</b>	<b>1,568.3</b>

The activities of Oxford University 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 the 2007 HEFE SORP.

The financial statements were approved by Council on 8th December 2008 and signed on its behalf by:



J.A. Hood  
Vice-Chancellor



B.J. Taylor  
Member of Council



G.F.B. Kerr  
Director of Finance

## CONSOLIDATED CASH FLOW STATEMENT

### For the year ended 31 July 2008

	Note	2008 £'m	2007 restated £'m
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	25	<b>24.5</b>	<b>(2.6)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from endowments received		14.5	17.6
Other income from investments and interest received		20.2	14.2
		<b>34.7</b>	<b>31.8</b>
<i>less amounts paid to outside bodies</i>		(4.9)	(4.3)
		<b>29.8</b>	<b>27.5</b>
Interest paid		(2.9)	(2.9)
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>26.9</b>	<b>24.6</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(113.5)	(107.3)
Proceeds on disposal of tangible fixed assets		–	–
Net acquisition of fixed asset investments		22.4	(11.6)
Net realisation of associated undertakings		(0.2)	0.4
Net acquisition of endowment asset investments		(28.2)	(9.4)
Capital grants received		92.4	115.9
Endowments received		14.7	14.8
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<b>(12.4)</b>	<b>2.8</b>
<b>NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		<b>39.0</b>	<b>24.8</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Net acquisition of current asset investments	26	(43.1)	(21.3)
<b>FINANCING</b>			
Net mortgages and loans acquired /(repaid)	28	(1.8)	0.2
<b>(DECREASE)/INCREASE IN CASH</b>	27	<b>(5.9)</b>	<b>3.7</b>

Prior year comparatives have been restated to reflect the change in accounting policies due to the introduction of the 2007 HEFE SORP.

## Notes to the Financial Statements

### 1. FUNDING BODY GRANTS

	2008 £'m	2007 £'m
HEFCE recurrent grants	170.2	162.8
Non-recurrent grants:		
Strategically important and vulnerable subjects	1.7	–
HE Innovation Fund	1.5	1.4
Clinical pay additional funding	0.3	0.3
Oxford Internet Institute	0.5	0.5
Refurbishment grants	2.4	4.1
Institutional Teaching and Learning	–	0.3
Other	1.0	1.7
Grants from the Training and Development Agency for Schools	1.1	0.9
Deferred capital grants released (see note 19):		
Buildings	1.5	3.6
Equipment	6.0	4.2
	<b>186.2</b>	<b>179.8</b>

### 2. ACADEMIC FEES AND SUPPORT GRANTS

	2008 £'m	2007 £'m
Full-time students: Home fees	30.8	21.8
Overseas and other fee rates	48.8	41.9
Part-time students	0.3	1.5
Other course fees	20.3	20.3
Examinations and other fees	0.3	0.1
Research training and support grants	9.9	8.4
	<b>110.4</b>	<b>94.0</b>

### 3. RESEARCH GRANTS AND CONTRACTS

	2008 £'m	2007 £'m
Research Councils	96.1	78.0
UK charities	94.7	85.0
UK government and health authorities	26.8	23.4
UK industry & commerce	14.2	12.5
EC and other EU government bodies	14.9	12.2
Other EU based grantors	1.9	2.6
Other overseas	36.5	31.1
Other bodies	0.2	3.4
	<b>285.3</b>	<b>248.2</b>

Research Grants and Contract Income includes £12.9m in respect of the release of Deferred Capital Grants (2007: £9.1m). Research income includes £2.2m (2007: £0.8m) relating to releases from an externally managed endowment.

**4. OTHER INCOME**

	<b>2008</b>	<b>2007</b>
	<b>£'m</b>	<b>restated £'m</b>
Residence, catering and conferences	8.0	8.3
Other services rendered	33.9	24.9
National Health Service	6.9	6.0
Deferred capital grants released (see note 19)	11.3	8.5
Benefactions and donations	12.6	14.7
Transfer from Oxford University Press (see note 8)	36.6	32.2
Release of negative goodwill	0.9	2.1
Other income	28.7	29.5
	<b>138.9</b>	<b>126.2</b>

'Other income' includes AHRC funding of £3.4m for the running costs of museums (2007: £3.3m).

**5. ENDOWMENT AND INVESTMENT INCOME**

	<b>2008</b>	<b>2007</b>
	<b>£'m</b>	<b>£'m</b>
Income from expendable endowments	2.8	1.6
Income from permanent endowments	11.6	15.6
Profits on disposal of spin-out company investments	5.3	1.3
Other income from investments and interest receivable	14.2	9.8
	<b>33.9</b>	<b>28.3</b>

Profit on sale of spinouts includes £1.3m (2007: £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 £0.7m (2007: £Nil) 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**

	<b>2008</b>	<b>2007</b>
	<b>£'m</b>	<b>£'m</b>
Wages and salaries	333.2	289.9
Social security costs	27.6	24.3
Pension costs (note 33)	42.2	36.8
	<b>403.0</b>	<b>351.0</b>

**The average number of staff in the year were:**

	<b>2008</b>	<b>2007</b>
Average number of staff	8,427	7,977

**The emoluments of the Vice-Chancellor during the year were:**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments (excl pension contribution)	238	210
Pension Contributions	33	29
	<b>271</b>	<b>239</b>

The numbers 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:

	<b>Clinical</b>		<b>Non-clinical</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
£100,000 to £109,999	14	11	24	21	38	32
£110,000 to £119,999	10	8	18	10	28	18
£120,000 to £129,999	9	8	15	11	24	19
£130,000 to £139,999	8	14	13	5	21	19
£140,000 to £149,999	10	4	10	3	20	7
£150,000 to £159,999	13	14	3	3	16	17
£160,000 to £169,999	11	9	1	2	12	11
£170,000 to £179,999	9	6	–	1	9	7
£180,000 to £189,999	7	6	2	1	9	7
£190,000 to £199,999	3	4	–	–	3	4
£200,000 to £209,999	1	2	–	1	1	3
£210,000 to £219,999	1	1	–	–	1	1
£220,000 to £229,999	1	–	–	–	1	–
£230,000 to £239,999	–	1	1	–	1	1
£240,000 to £249,999	1	–	–	–	1	–
£270,000 to £279,999	–	1	–	–	–	1
£410,000 to £419,999	–	–	1	–	1	–

The salaries reflected in these ranges include payments made on behalf of the National Health Service in respect of its contractual obligations to University staff under separate National Health Service contracts of employment. These payments are excluded from the University's income and expenditure account. Of the 186 in excess of £100k, 98 include such payments on behalf of the NHS. The 2007 emoluments included the effect of implementing revisions to clinical academic and related salaries for staff holding honorary consultant contracts with NHS trusts, in line with provisions set out by the Department of Health and the British Medical Association. The effect of these revisions was backdated to 1 April 2003. 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) and Premature Retirement Scheme (PRS). The total cost for both in 2007/8 was £2.69m (2006/7: £0.73m). The current Oxford Mobility Incentive Scheme closed in December 2007.

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

**7. ANALYSIS OF EXPENDITURE**

	<b>Staff costs</b>	<b>Other operating expenses</b>	<b>Depreciation</b>	<b>2008 Total</b>	<b>2007 Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Academic departments	164.3	45.9	6.5	216.7	178.0
Academic services	33.8	12.2	1.0	47.0	47.2
Research grants and contracts	130.8	97.5	10.1	238.4	215.8
Residences, catering and conferences	1.1	2.6	–	3.7	3.4
Bursaries & Scholarships	–	18.1	–	18.1	13.5
Premises	10.4	45.4	18.2	74.0	76.3
Administration	35.1	8.5	5.3	48.9	47.6
Colleges capitation payment	–	45.6	–	45.6	43.5
Amortisation of goodwill	–	1.7	–	1.7	1.7
Other expenses	27.5	22.9	1.4	51.8	44.6
	403.0	300.4	42.5	745.9	671.6
Interest payable: other				2.9	2.6
<b>Total expenditure</b>				<b>748.8</b>	<b>674.2</b>

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

	<b>2008</b>	<b>2007</b>
	<b>£'m</b>	<b>£'m</b>
Depreciation has been funded by:		
deferred capital grants released	31.7	25.4
general income	10.8	19.7
	<b>42.5</b>	<b>45.1</b>

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration during the year was in respect of the following services:		
audit – University	157	137
audit – Subsidiaries	94	58

## 8. OXFORD UNIVERSITY PRESS

As explained in the accounting policies, these financial statements do not include the accounts of Oxford University Press ('the Press'), which is a department of the University. In addition to the transactions disclosed under note 4 (Other Income), note 16 (Creditors), note 19 (Deferred Capital Grants) the Press provided to the University during the year goods and services worth approximately £0.9m (2007: £0.9m) of which £0.6m were free of charge (2007: £0.6m). At 31 July 2008 the Press owed the University £Nil (2007: £0.3m). There were no material amounts due to the Press by the University at 31 July 2008 or 31 July 2007. An extract of the Press accounts for the year ended 31 March 2008 is included at pages 48 to 52.

The table below summarises the main transactions with the Press:

	2008 £'m	2007 £'m
Cash received by the University per 'the Press' accounts	56.0	46.6
Benefits in Kind – (University year)	0.6	0.6
	<b>56.6</b>	<b>47.2</b>
Transfer of Income in Year (note 4)	31.6	32.2
Transfer relating to John Fell Fund (note 4)	5.0	–
Deferred Capital Grants received (note 19)	20.0	15.0
	<b>56.6</b>	<b>47.2</b>
Release in Deferred Capital Grant in Year (note 19)	4.0	2.6

## 9. OTHER ASSOCIATED BODIES

**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 those colleges. During the year the University paid £45.6m mainly out of HEFCE funding in respect of college fees (2007: £43.5m) – see note 7.

Other areas of interaction are as follows:

**Hardship funds:** A large part of HEFCE hardship funds received by the University is passed to colleges to administer (see note 32).

**Investments:** The colleges are able to invest in the University's own investment pools; such investments are treated as 'amounts attributable to outside bodies' and are deducted from Fixed Asset Investments – see note 12. At 31 July 2008 the University held investments amounting to £75.3m (2007: £66m) 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 University's investment pool, and such assets held on their behalf by the University are included in the deduction from Fixed Asset Investments (see note 12).

## 10. INTANGIBLE FIXED ASSETS

CONSOLIDATED Goodwill	Negative Goodwill £'m	Positive Goodwill £'m	Total Goodwill £'m
<b>Cost at start and end of year</b>	<b>(5.7)</b>	<b>8.6</b>	<b>2.9</b>
Amortisation to Consolidated Income and Expenditure Account			
At start of year	3.3	(3.5)	(0.2)
Amortisation for year	0.9	(1.7)	(0.8)
<b>At end of year</b>	<b>4.2</b>	<b>(5.2)</b>	<b>(1.0)</b>
Net book value at end of year	(1.5)	3.4	1.9
Net book value at start of year	(2.4)	5.1	2.7

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	647.2	67.2	106.9	15.3	836.6
Additions	7.9	22.7	83.4	4.1	118.1
Completed buildings	66.1	0.3	(66.4)	–	–
Disposals	(8.5)	(25.5)	–	–	(34.0)
<b>At end of year</b>	<b>712.7</b>	<b>64.7</b>	<b>123.9</b>	<b>19.4</b>	<b>920.7</b>
Depreciation					
At start of year	123.9	37.9	–	–	161.8
Charge for year	23.6	18.9	–	–	42.5
Disposals	(7.7)	(23.8)	–	–	(31.5)
<b>At end of year</b>	<b>139.8</b>	<b>33.0</b>	<b>–</b>	<b>–</b>	<b>172.8</b>
<b>Net book value at end of year</b>	<b>572.9</b>	<b>31.7</b>	<b>123.9</b>	<b>19.4</b>	<b>747.9</b>
Net book value at start of year	523.3	29.3	106.9	15.3	674.8
UNIVERSITY	Land and Buildings £'m	Equipment & Machinery £'m	Assets under construction £'m	Heritage Assets £'m	Total £'m
Cost					
At start of year	639.0	66.1	106.9	15.3	827.3
Additions	7.9	22.4	83.4	4.1	117.8
Completed buildings	66.1	0.3	(66.4)	–	–
Disposals	(8.5)	(25.4)	–	–	(33.9)
<b>At end of year</b>	<b>704.5</b>	<b>63.4</b>	<b>123.9</b>	<b>19.4</b>	<b>911.2</b>
Depreciation					
At start of year	122.0	37.1	–	–	159.1
Charge for year	23.3	18.4	–	–	41.7
Disposals	(7.7)	(23.8)	–	–	(31.5)
<b>At end of year</b>	<b>137.6</b>	<b>31.7</b>	<b>–</b>	<b>–</b>	<b>169.3</b>
<b>Net book value at end of year</b>	<b>566.9</b>	<b>31.7</b>	<b>123.9</b>	<b>19.4</b>	<b>741.9</b>
Net book value at start of year	517.0	29.0	106.9	15.3	668.2

The above tables do not include those tangible fixed assets, which, under the University's depreciation policies, would have had a nil net book value at the date at which those policies were introduced. 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 £57.4m (2007: £57.4m) of freehold land on which no depreciation is charged.

There are 'claw back' provisions within the agreement on the RI 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.

University and consolidated land and buildings includes leasehold properties with a net book value of £3.1m (2007: £0.1m).

In 2007/8, there is a reclassification of a building from freehold buildings to leasehold buildings as it has been identified as being on a 999 year lease.

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 (2007: £0.7m).

The equipment includes £2.5m labour capitalisation relating to internal IT resource which has been applied to major IT projects.

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 2008 the fixed assets of the University includes a cost of £34.7m (2007: £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 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. 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 2007/8 was £4.1m with the major acquisitions being the Harcourt papers, Burne Jones and Rosetti paintings, papers of Alan Bennett and the Willshire Collection of Roman Glass. There were no disposals in 2007/8 and disposals are unlikely as most donations have conditions preventing disposal. Asset valuations were based on internal valuations.

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.

The 2007 HEFE SORP introduced a change requiring the funding of donated assets previously included in deferred capital grants to now be included as Income. This non cash transaction is a material figure for the University. £4.1m of heritage assets were donated in the year.

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

**12. FIXED ASSET INVESTMENTS**

	<b>Consolidated</b>		<b>University</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>restated</b>		<b>restated</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Investments stated at market value				
Properties	12.1	11.3	12.1	11.3
Equities and pooled funds	122.9	176.3	119.2	172.6
Participating interests	0.3	0.1	–	–
Investments stated at cost				
Associated and subsidiary undertakings	–	–	13.7	12.6
Other investments	69.2	63.7	69.2	63.7
	<b>204.5</b>	<b>251.4</b>	<b>214.2</b>	<b>260.2</b>
less: amounts attributable to outside bodies (see note 9)	(110.3)	(104.9)	(110.3)	(104.9)
<b>Total at end of year</b>	<b>94.2</b>	<b>146.5</b>	<b>103.9</b>	<b>155.3</b>
Investments stated at market value before removal of outside bodies:				
Original cost	96.5	105.9	92.8	102.5
	<b>Consolidated</b>		<b>University</b>	
	<b>£'m</b>		<b>£'m</b>	
At start of year	251.4		260.2	
Net new money utilised	(13.3)		(12.3)	
Transferred from current asset investments at market value	–		–	
Depreciation in market value	(33.6)		(33.7)	
<b>At end of year</b>	<b>204.5</b>		<b>214.2</b>	

At 31 July 2008, the University had interests in the following associated and subsidiary undertakings, in which the University's interest exceeds 20%:

	<b>Nature of activity</b>	<b>Interest %</b>
<b>Associated undertakings:</b>		
Oxford Institute of Legal Practice	Legal education	50
TdeltaS Limited	Commercial exploitation of intellectual property	50
Markready Limited (by Guarantee)	Research and Development	33
Smith Institute, Limited by Guarantee	Commercial exploitation of intellectual property	33
Oxford Ancestors Limited	Commercial exploitation of intellectual property	32
Oxford Risk Research and Analysis Limited	Commercial exploitation of intellectual property	30
Surface Therapeutics Limited	Commercial exploitation of intellectual property	26
AUC Sensing Limited	Commercial exploitation of intellectual property	25
Oxford Advanced Surfaces Limited	Commercial exploitation of intellectual property	24
Oxford Medistress Limited	Commercial exploitation of intellectual property	23
Minervation Limited	Commercial exploitation of intellectual property	22
Eykona Technologies Limited	Commercial exploitation of intellectual property	20
Celleron Therapeutics Limited	Commercial exploitation of intellectual property	20
Aurox Limited	Commercial exploitation of intellectual property	20
<b>Subsidiary undertakings (all wholly-owned):</b>		
Isis Innovation Limited	Commercial exploitation of intellectual property	
Oxford University Farm & Woodland Limited	Farming and woodland management	
Oxford Limited	Retail and other trading activities	
Oxford University Fixed Assets Limited	Building management and utilities	

Voltaire Foundation Limited	Publishing
Musea Limited	Digital publication of museum images
Americans for Oxford Inc.	Fund raising
Oxford University Development North America Inc.	Office administration
Isis Angels Network Limited	Promotion of investment opportunities
Cvs.ac.uk Limited	Promotion of research staff CVs
Oxford University Trading Limited	General trading activities
Oxford Management Development Limited	Executive education support
Oxford Said Business School Limited	Executive Education
Gray Cancer Institute	Radiobiology Research
Oxford Colleges Admissions Office	Undergraduate admission support
Oxford Mutual Limited	Discretionary Insurance Mutual
University of Oxford China Office Limited	Development Office activities in China
Oxford University (Beijing) Science & Technology Co Ltd	Research trials in China
Oxford University Endowment Management	Management of University investments
<b>Subsidiary undertaking (50% owned):</b>	
Edward Jenner Institute for Vaccine Research	Vaccine Research

The above list excludes subsidiaries and associates of the Press.

All the associated and subsidiary undertakings above are incorporated in England and Wales (except Oxford University Development North America Inc. and Americans for Oxford Inc., both incorporated in the USA, and University of Oxford China Office Limited and Oxford University (Beijing) Science & Technology Co., Ltd, both incorporated in China) and, except as noted below, draw up their accounts to 31 July each year. Isis Innovation Limited and Isis Angels Network Limited draw up their accounts to 31 March and Americans for Oxford Inc. prepares accounts to 31 December each year. Oxford University Farm & Woodland Limited draws up its accounts to 30 September following the University's year end. The associated undertakings draw their account 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.

<b>Investment in Associated Undertakings</b>	<b>£'m</b>
Share of net assets at start of year	0.1
Net disposal/provision in year	0.1
Share of profit of associates	0.1
<b>Share of net assets at end of year</b>	<b>0.3</b>

**13. ENDOWMENT ASSET INVESTMENTS**

<b>CONSOLIDATED AND UNIVERSITY</b>	<b>£'m</b>	
At start of year (restated)	688.6	
New funds invested	14.7	
Decrease in market value	(44.1)	
Distribution in excess of income received	(5.7)	
<b>At end of year</b>	<b>653.5</b>	
	<b>2008</b>	<b>2007</b>
	<b>£'m</b>	<b>£'m</b>
Investments stated at market value		
Properties & Other assets	64.8	66.2
Global Equities	447.4	486.1
Private Equities	23.9	45.4
Fixed interest investments	115.4	69.7
Balance held as cash	2.0	21.2
	653.5	688.6
Original cost of endowment asset investments	480.0	477.1

**14. DEBTORS**

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Research grants and contracts debtors	68.5	62.2	68.5	62.2
Amounts due from subsidiaries	–	–	13.6	12.2
Other debtors and prepayments	64.5	77.1	57.7	97.2
	<b>133.0</b>	<b>139.3</b>	<b>139.8</b>	<b>171.6</b>

University and consolidated debtors include amounts falling due after more than one year of £0.7m (2007: £1.1m).

**15. CURRENT ASSET INVESTMENTS**

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Balance at start of year (restated)	179.9	158.6	171.4	158.6
Amounts transferred to Fixed Asset Investments at lower of cost and market value	–	(4.3)	–	(4.3)
Increased investment	43.1	25.6	50.9	17.1
	<b>223.0</b>	<b>179.9</b>	<b>222.3</b>	<b>171.4</b>

All Deposits mature in less than 1 year.

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

	CONSOLIDATED		UNIVERSITY	
	2008	2007 restated	2008	2007 restated
	£'m	£'m	£'m	£'m
Other creditors and accruals	114.6	96.0	103.9	78.9
Research grants and contracts advances	93.3	84.6	93.3	81.7
Amounts due to subsidiaries	–	–	3.9	41.5
Bank loans (see note 17)	1.6	1.6	1.6	1.5
Bank overdrafts	0.8	4.6	2.3	4.6
Deferred VAT payment (see note 17)	1.4	2.4	1.4	2.4
Deferred income (see note 17)	2.1	1.3	2.1	1.3
Other loans	0.1	0.1	0.1	0.1
	<b>213.9</b>	<b>190.6</b>	<b>208.6</b>	<b>212.0</b>

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

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

	CONSOLIDATED		UNIVERSITY	
	2008	2007 restated	2008	2007 restated
	£'m	£'m	£'m	£'m
Bank loans	46.8	48.4	46.8	48.4
Deferred income – Technikos	10.4	5.0	10.4	5.0
Deferred income – Beeson Gregory	8.4	9.7	8.4	9.7
Deferred VAT payment	7.9	9.0	7.9	9.0
Deferred costs of acquisition	1.9	2.1	1.9	2.1
Other loans	0.4	0.6	0.3	0.5
	<b>75.8</b>	<b>74.8</b>	<b>75.7</b>	<b>74.7</b>
Due between one and two years	6.7	5.1	6.6	5.1
Due between two and five years	16.3	20.9	16.3	20.9
Due in 5 years or more	52.8	48.8	52.8	48.7
	<b>75.8</b>	<b>74.8</b>	<b>75.7</b>	<b>74.7</b>

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 received at July 2008 that had not been set against costs was £8.4m.

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 2008. The balance that had not been set against costs at July 2008 was £10.4m.

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 2008/9 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'.

During 2007/8 two previous loans for £17.5m and £7.5m were repaid. These were replaced by a new loan for £25m with a different bank and a reduced interest rate. The loans are unsecured and repayable over 12 or 40 years. Loan 2 has an initial payment holiday of 10 years. At 31 July 2008 the University has an undrawn loan facility of £50m.

<b>Bank Loans</b>	<b>Loan 1 £'m</b>	<b>Loan 2 £'m</b>	<b>Total £'m</b>
Amount borrowed	25.0	25.0	50.0
Amount outstanding at 31 July 2008	23.4	25.0	48.4
Interest rate	5.13%	5.07%	
Final repayment date	April 2019	June 2047	
Amount due within 1 year	1.6	–	1.6
Amount due between 1 and 2 years	1.7	–	1.7
Amount due between 2 and 5 years	5.7	–	5.7
Amount due after 5 years	14.4	25.0	39.4
	<b>23.4</b>	<b>25.0</b>	<b>48.4</b>

'Deferred costs of acquisition' includes deferred non-cash consideration relating to the acquisition of Oxford Said Business School Ltd of £1.9m (2007: £2.1m).

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 £210k is outstanding at the balance sheet date, the other taken out in 2004/5 of which £240k is outstanding at the balance sheet date. The repayments due within 1 year are shown in 'Creditors: Amounts falling due within one year.'

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Consolidated £'m</b>	<b>University £'m</b>
At start of year	3.4	3.0
Charged to income and expenditure account	1.9	1.8
Utilised	(0.3)	(0.3)
<b>At end of year</b>	<b>5.0</b>	<b>4.5</b>

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 33) who receive pension supplements. During the year £0.3m of the provision (2007: £0.3m) has been utilised.

**19. DEFERRED CAPITAL GRANTS**

Funding received from sponsors for fixed 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.

		Buildings £'m	Equipment £'m	Total £'m
<b>CONSOLIDATED</b>				
Funding Council:	at start of year (restated)	144.9	14.9	159.8
	receipts	41.0	1.9	42.9
	released in year	(1.5)	(6.0)	(7.5)
	at end of year	184.4	10.8	195.2
Oxford University Press:	at start of year (restated)	80.2	–	80.2
	receipts	20.0	–	20.0
	released in year	(4.0)	–	(4.0)
	at end of year	96.2	–	96.2
Other:	at start of year (restated)	241.4	8.2	249.6
	receipts	18.3	8.0	26.3
	released in year	(11.7)	(8.5)	(20.2)
	at end of year	248.0	7.7	255.7
Total:	at start of year (restated)	466.5	23.1	489.6
	receipts	79.3	9.9	89.2
	released in year	(17.2)	(14.5)	(31.7)
		<b>528.6</b>	<b>18.5</b>	<b>547.1</b>
<b>UNIVERSITY</b>				
Funding Council:	at start of year (restated)	144.9	14.9	159.8
	receipts	41.0	1.9	42.9
	released in year	(1.5)	(6.0)	(7.5)
	at end of year	184.4	10.8	195.2
Oxford University Press:	at start of year (restated)	80.2	–	80.2
	receipts	20.0	–	20.0
	released in year	(4.0)	–	(4.0)
	at end of year	96.2	–	96.2
Other:	at start of year (restated)	237.3	8.2	245.5
	receipts	18.4	8.0	26.4
	released in year	(10.9)	(8.5)	(19.4)
	at end of year	244.8	7.7	252.5
Total:	at start of year (restated)	462.4	23.1	485.5
	receipts	79.4	9.9	89.3
	released in year	(16.4)	(14.5)	(30.9)
<b>Total</b>		<b>525.4</b>	<b>18.5</b>	<b>543.9</b>

The Press provided funding of £60.0m in 2002/3 and a further £11m in 2007/8 towards the acquisition and development of the Radcliffe Infirmary site (see note 11) and £14.3m in 2005/6 and a further £15m in 2006/7 towards the new Depository. Also, £9m was received in 2007/8 towards the new Bodleian Library refurbishment.

**20. ENDOWMENTS**

<b>CONSOLIDATED AND UNIVERSITY</b>	<b>Unrestricted Permanent £'m</b>	<b>Restricted Permanent £'m</b>	<b>Total Permanent £'m</b>	<b>Restricted Expendable £'m</b>	<b>Endowments Total £'m</b>
Capital value	334.2	292.0	626.2	42.8	669.0
Accumulated income	-	17.8	17.8	1.8	19.6
<b>At start of year (restated)</b>	<b>334.2</b>	<b>309.8</b>	<b>644.0</b>	<b>44.6</b>	<b>688.6</b>
New endowments	0.5	6.2	6.7	8.0	14.7
Income for the year	5.4	6.2	11.6	2.8	14.4
Expenditure for the year	(5.4)	(7.4)	(12.8)	(7.3)	(20.1)
(Decrease) / Increase in market value of endowment asset investments	(28.7)	(19.7)	(48.4)	4.3	(44.1)
<b>At end of year</b>	<b>306.0</b>	<b>295.1</b>	<b>601.1</b>	<b>52.4</b>	<b>653.5</b>
Represented by					
Capital value	306.0	276.6	582.6	46.9	629.5
Accumulated income	-	18.5	18.5	5.5	24.0
	<b>306.0</b>	<b>295.1</b>	<b>601.1</b>	<b>52.4</b>	<b>653.5</b>

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

<b>Material Endowments</b>	<b>Nuffield Benefaction £'m</b>	<b>James Martin Fund £'m</b>
Capital value	70.7	55.8
Accumulated income	-	-
<b>At 1 August 2007</b>	<b>70.7</b>	<b>55.8</b>
New Endowments	-	-
Decrease in market value of endowment asset investments	(5.4)	(4.2)
Income for the year	2.4	-
Expenditure for the year	(2.2)	(1.0)
<b>Capital value at 31 July 2008</b>	<b>65.5</b>	<b>50.6</b>
<b>Represented by</b>		
Capital value	65.5	50.6
Accumulated income	-	-

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.

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 Fund managers for James Martin do not provide a split of capital and accumulated income.

## 21. INCOME AND EXPENDITURE ACCOUNT

	CONSOLIDATED £'m	UNIVERSITY £'m
At start of year	330.5	334.1
Surplus for the year retained in general reserves	16.3	16.6
<b>At end of year</b>	<b>346.8</b>	<b>350.7</b>

The Income and Expenditure account includes £19.1m (2007 £15.0m) 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.

## 22. MINORITY INTEREST

CONSOLIDATED	2008 £'m	2007 £'m
At start of year	1.4	1.6
Reduction in minority interests for post acquisition trading deficit	(0.6)	(0.2)
<b>At end of year</b>	<b>0.8</b>	<b>1.4</b>

## 23. REVALUATION RESERVE

	Consolidated £'m	University £'m
At start of year (restated)	60.1	60.1
Released to Income and Expenditure Reserve on disposal of spin-out shares	(2.3)	(2.3)
Depreciation in market value of Fixed Asset Investments, net of amounts attributable to outside bodies	(27.8)	(27.8)
Total Depreciation	(30.1)	(30.1)
<b>At end of year</b>	<b>30.0</b>	<b>30.0</b>

## 24. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the changes required to the 2006/7 accounts to reflect the introduction of the HEFE SORP from 1 August 2008.

<b>INCOME AND EXPENDITURE ACCOUNT</b>	<b>2007 restated £'m</b>	<b>2007 £'m</b>	<b>Movement £'m</b>
<b>TOTAL INCOME</b>	<b>676.5</b>	<b>676.4</b>	<b>0.1</b>
<b>TOTAL EXPENDITURE</b>	<b>674.2</b>	<b>674.2</b>	<b>–</b>
<b>SURPLUS ON CONTINUING OPERATIONS BEFORE DONATION OF HERITAGE ASSETS</b>	<b>2.3</b>	<b>2.2</b>	<b>0.1</b>
Donation of Heritage Assets	1.0	–	1.0
SURPLUS ON CONTINUING OPERATIONS AFTER DONATION OF HERITAGE ASSETS	3.3	2.2	1.1
MINORITY INTEREST	(0.2)	(0.2)	–
SURPLUS ON CONTINUING OPERATIONS AFTER DISPOSAL OF ASSETS	3.1	2.0	1.1
Transfer from Accumulated Specific Endowment Return	4.8	4.8	–
<b>SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES</b>	<b>7.9</b>	<b>6.8</b>	<b>1.1</b>

<b>CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2007</b>	<b>2007 restated £'m</b>	<b>2007 £'m</b>	<b>Movement £'m</b>
SURPLUS ON CONTINUING OPERATIONS AFTER DISPOSAL OF ASSETS	3.1	2.0	1.1
Appreciation of fixed assets investments	30.9	30.8	0.1
Increase in value of endowment asset investments	40.9	42.0	(1.1)
New endowments received	14.8	14.8	–
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>	<b>89.7</b>	<b>89.6</b>	<b>0.1</b>
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS</b>			
<b>RECONCILIATION</b>			
Opening reserves and endowments	989.5	903.4	86.1
Total recognised gains for the year	89.7	89.6	0.1
<b>CLOSING RESERVES AND ENDOWMENTS</b>	<b>1,079.2</b>	<b>993.0</b>	<b>86.2</b>

**24. PRIOR YEAR ADJUSTMENT (continued)**

<b>BALANCE SHEETS</b>	<b>Consolidated</b>		<b>University</b>	
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<b>restated</b>		<b>restated</b>	
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>FIXED ASSETS</b>				
Intangible fixed assets	2.7	2.7	–	–
Tangible fixed assets	674.8	674.8	668.2	668.2
Fixed Asset Investments	146.5	136.1	155.3	144.9
	<b>824.0</b>	<b>813.6</b>	<b>823.5</b>	<b>813.1</b>
<b>ENDOWMENT ASSET INVESTMENTS</b>	<b>688.6</b>	<b>680.8</b>	<b>688.6</b>	<b>680.8</b>
Current Assets:				
Stocks	1.7	1.7	0.7	0.7
Debtors	139.3	139.3	171.6	171.6
Current asset investments	179.9	179.9	171.4	171.4
Cash at bank and in hand	5.5	19.3	2.2	16.0
	<b>326.4</b>	<b>340.2</b>	<b>345.9</b>	<b>359.7</b>
Creditors: Amounts falling due within one year	(190.6)	(286.1)	(212.0)	(307.5)
<b>NET CURRENT ASSETS</b>	<b>135.8</b>	<b>54.1</b>	<b>133.9</b>	<b>52.2</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,648.4</b>	<b>1,548.5</b>	<b>1,646.0</b>	<b>1,546.1</b>
<b>Creditors</b>				
Amounts falling due after more than one year	(74.8)	(74.8)	(74.7)	(74.7)
<b>Provisions for Liabilities and Charges</b>	(3.4)	(3.4)	(3.0)	(3.0)
Minority Interest	–	(1.4)	–	–
<b>NET ASSETS</b>	<b>1,570.2</b>	<b>1,468.9</b>	<b>1,568.3</b>	<b>1,468.4</b>
<b>ENDOWMENTS</b>				
Permanent	644.0	–	644.0	–
Expendable	44.6	680.8	44.6	680.8
	<b>688.6</b>	<b>680.8</b>	<b>688.6</b>	<b>680.8</b>
<b>RESERVES</b>				
Income and expenditure account net of minority	330.5	254.3	334.1	257.9
Revaluation reserve	60.1	57.9	60.1	57.9
	<b>390.6</b>	<b>312.2</b>	<b>394.2</b>	<b>315.8</b>
<b>RESERVES AND ENDOWMENTS</b>	<b>1,079.2</b>	<b>993.0</b>	<b>1,082.8</b>	<b>996.6</b>
<b>DEFERRED CAPITAL GRANTS</b>	<b>489.6</b>	<b>475.9</b>	<b>485.5</b>	<b>471.8</b>
Minority Interest	1.4	–	–	–
<b>TOTAL FUNDS</b>	<b>1,570.2</b>	<b>1,468.9</b>	<b>1,568.3</b>	<b>1,468.4</b>

## 25. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2008 £'m	2007 restated £'m
Surplus on continuing operations after depreciation of tangible fixed assets	5.9	2.3
Depreciation	42.7	45.1
Goodwill Amortised	1.7	1.8
Negative Goodwill released	(0.9)	(2.1)
Deferred capital grants released	(31.7)	(25.4)
Endowment income and interest receivable	(33.9)	(28.3)
Loss on disposal of Tangible Fixed Assets	2.5	–
Interest payable	2.9	2.6
Decrease in stocks	–	0.1
Decrease/(Increase) in debtors	9.4	(16.1)
Increase in creditors	24.3	16.9
Increase in provisions	1.6	0.5
<b>Net cash flow from operating activities</b>	<b>24.5</b>	<b>(2.6)</b>

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

	2008 £'m	2007 £'m
(Decrease)/Increase in Cash for the Period	(5.9)	3.7
Increase in Liquid Resources	43.1	21.3
Increase/(Decrease) in Debt	1.8	(0.2)
Movement in Net Funds resulting from cash-flows	39.0	24.8
Exchange Movements	2.7	(0.1)
Change in Net Funds	41.7	24.7
Net Funds at 1 August	151.4	126.7
<b>Net Funds at 31 July</b>	<b>193.1</b>	<b>151.4</b>

## 27. ANALYSIS OF CHANGES IN NET FUNDS

	2008 £'m	Cash Changes £'m	Exchange movements £'m	2007 restated £'m
Cash at Bank and in Hand	17.7	9.5	2.7	5.5
Endowment Assets Cash	2.0	(19.2)	–	21.2
Bank overdrafts	(0.8)	3.8	–	(4.6)
	18.9	(5.9)	2.7	22.1
Current Asset Investments	223.0	43.1	–	179.9
Debt due within 1 year	(1.6)	–	–	(1.6)
Debt due after 1 year	(47.2)	1.8	–	(49.0)
	<b>193.1</b>	<b>39.0</b>	<b>2.7</b>	<b>151.4</b>

**28. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR**

	<b>Mortgages &amp; Loans £'m</b>
<b>At 1 August 2007</b>	<b>50.7</b>
Amounts repaid	(1.8)
<b>At 31 July 2008</b>	<b>48.9</b>

**29. CAPITAL & INVESTMENT COMMITMENTS**

<b>CONSOLIDATED AND UNIVERSITY</b>	<b>2008 £'m</b>	<b>2007 £'m</b>
At the end of the year the University had major capital commitments for building projects as follows:		
Contracted for	39.4	33.3
Authorised but not contracted	82.9	90.5
At the end of the year the University had commitments to invest additional funds with private equity, hedge & venture capital funds within its investment portfolio.	59.7	23.2

**30. 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 Oxford University 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 2008, the date of its latest audited balance sheet, the Press had total net assets of £472m (2007: £412m), after deducting total liabilities of £198m (2007: £219m). 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 granted a floating charge in favour of the Oxford University Press Group Pension Scheme. This charge is over those assets held in the Press's Effective Operating Reserve "EOR" which are reflected in the accounts of the Press and which are held in the United Kingdom.

**31. RELATED PARTY TRANSACTIONS**

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.

Professor Shuttleworth and Professor Halliday, who are both members of Council, have outstanding professorial housing loans of £75k and £300k respectively, which were both awarded under the normal eligibility conditions of the professorial housing loan scheme.

### 32. HEFCE HARDSHIP FUNDS/TDA BURSARIES

	HEFCE		TDA	
	2008 £'m	2007 £'m	2008 £'m	2007 £'m
At start of year	0.2	0.2	–	–
Net funds received	0.2	0.2	1.3	1.4
Disbursed to students	(0.2)	(0.2)	(1.3)	(1.4)
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.

### 33. 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 that were ineligible to join USS, OSPS, or NHSPS.

#### 2. Actuarial valuations

Qualified actuaries periodically value the Schemes. 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.

**33. PENSION SCHEMES (continued)**

	USS	OSPS	NHSPS
Date of valuation:	31/03/2005 <sup>a</sup>	31/07/2007	31/03/1999
Date valuation results published:	01/12/2005	09/10/2008	13/03/2003
Value of past service liabilities:	£28,308m	£322m	£71,300m
Value of assets:	£21,740m	£279m	n/a <sup>b</sup>
Funding Surplus/(Deficit):	(£6,568m) <sup>c</sup>	(£43m) <sup>d</sup>	n/a <sup>b</sup>
Principal assumptions:			
Rate of interest (past service liabilities)	4.5% pa	-	-
Rate of interest (future service liabilities)	6.2% pa	-	-
Rate of interest (periods up to retirement)	-	6.9% pa	8.0% pa
Rate of interest (periods after retirement)	-	4.9% pa	8.0% pa
Rate of increase in salaries	3.9% pa	4.8% pa	6.0% pa
Rate of increase in pensions	2.9% pa	3.3% pa	0.0% pa
Mortality assumptions:			
Assumed life expectancy at age 65 (males)	19.8 yrs	22.0 yrs	Unknown
Assumed life expectancy at age 65 (females)	22.8 yrs	24.0 yrs	Unknown
Funding Ratios:			
Scheme valuation basis:	77% <sup>e</sup>	87%	n/a <sup>b</sup>
Statutory Pension Protection Fund basis:	110%	95%	n/a <sup>b</sup>
"Buy-out" basis:	74% <sup>e</sup>	71%	n/a <sup>b</sup>
Estimated FRS17 basis:	90% <sup>e</sup>	89%	n/a <sup>b</sup>
Recommended Employer's contribution rate (as % of pensionable salaries):	14% <sup>f</sup>	21.5% <sup>d</sup>	14%
Effective date of next valuation:	31/03/2008 <sup>a</sup>	31/03/2010	31/03/2004

**Notes:**

- a. USS' actuary is undertaking an actuarial valuation of the Scheme as at 31 March 2008, the results of which are not expected to be finalised until December 2008, with publication of the final results in 2009.
- 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 2002 valuation, 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 ongoing funding deficit could be carried forward to the next valuation, subject to review should equity markets stagnate or decline over a prolonged period.
- 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 funding position of USS has fluctuated but the actuary has estimated that the funding as at 31 March 2008 was the same at 77%. 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 78%.
- f. The USS employer contribution rate required for future service benefits alone at the date of the valuation was 14.3% of total pensionable salaries but the Trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of total pensionable salaries.

**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%	£2.2bn	£30m	See Note <sup>g</sup>
Rate of pension increases	increase/decrease by 0.5%	£1.7bn	£20m	See Note <sup>g</sup>
Rate of salary growth	increase/decrease by 0.5%	£0.5bn	£7m	See Note <sup>g</sup>
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £0.8bn	increase by £10m	See Note <sup>g</sup>

**Notes:**

g. The latest NHSPS valuation was carried before the requirement for these sensitivities was set down. In any event, as the NHSPS is unfunded and backed by the Exchequer, it is not known whether the government actuary will be carrying out these analyses.

**4. Pension charge for the year:**

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

Scheme	2008	2007
	£'m	£'m
Universities Superannuation Scheme	29.9	25.6
University of Oxford Staff Pension Scheme	8.7	8.4
NHS Pension Scheme	2.3	2.2
SAUL	0.1	0.1
Other Schemes – contributions	1.0	0.2
Supplementation payments <sup>h</sup>	0.2	0.3
<b>Total:</b>	<b>42.2</b>	<b>36.8</b>

**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.

**34. POST BALANCE SHEET EVENTS**

Treasury risk has increased significantly in 2008 as a result of the global banking crisis. An early impact of the banking crisis on the University occurred in October 2008 when three Icelandic banks and their UK subsidiaries were placed into administration. The University has £31.25m of fixed term deposits with these banks and debtors include a further £2.5m of accrued interest in relation to these deposits. There does not appear to be any substantive evidence that the conditions which gave rise to the administration of these banks existed at 31 July 2008 and it was not until October that it became apparent that the banks were in financial difficulties. Accordingly no provision has been made against the carrying value of the deposits and the accrued interest in respect of the possible non-recovery of some or all of the amounts.

The administration of the banks is at an early stage, and there is very little information available upon which to base an assessment of the likely recovery of the deposits and accrued interest, although clearly there is substantial risk that not all the amounts can be recovered. The University is working together with other affected higher education bodies and with HEFCE to recover these amounts.

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 £3.5m.

**The additional information on pages 48 to 52 does not form part of the audited Financial Statements for the University of Oxford for the years ended 31 July 2008 and 31 July 2007.**

## Oxford University Press: Financial Report Extracts

### **INDEPENDENT AUDITORS' STATEMENT TO THE DELEGATES OF THE OXFORD UNIVERSITY PRESS**

We have examined the Abstract of the Accounts of the Trading Operations and the Delegates Property & Reserve Fund of Oxford University Press for the year ended 31 March 2008 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 Oxford University 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 Oxford University 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 Oxford University 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 Oxford University 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 Oxford University 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 Oxford University Press for the year ended 31 March 2008. The audited annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of Oxford University Press can be obtained from Oxford University Press, Great Clarendon Street, Oxford, OX2 6DP.



Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Gatwick, UK  
12 June 2008

**Abstract of the Combined results of the Trading Operations for the year ended 31 March 2008**

	Year ended 31 March 2008 £'m	Year ended 31 March 2007 £'m
<b>TURNOVER</b>	<b>492.3</b>	<b>453.1</b>
Profit for the year before tax	83.7	78.0
Tax	(6.3)	(6.9)
Profit after tax	77.4	71.1
Profit available to minority interests	(0.2)	–
<b>NET PROFIT FOR THE YEAR</b>	<b>77.2</b>	<b>71.1</b>

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 2008**

	Year ended 31 March 2008 £'m	Year ended 31 March 2007 £'m
Net Profit for the Financial Year	77.2	71.1
Actuarial Gains on Group Pension Scheme	11.2	12.5
Currency Translation Differences on Foreign Currency Net Investments	4.0	(12.0)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>92.4</b>	<b>71.6</b>
Actuarial Gains on Group Pension Scheme		
Difference between actual and expected return on scheme assets	(26.8)	(4.7)
Experience Gains arising on scheme liabilities	–	11.4
Effects of changes in assumptions underlying the present value of scheme liabilities	38.0	5.8
	<b>11.2</b>	<b>12.5</b>

**Abstract of the Combined Balance Sheet of the Trading Operations as at 31 March 2008**

	Year ended 31 March 2008		Year ended 31 March 2007	
	£'m	£'m	£'m	£'m
<b>Fixed Assets</b>				
Tangible Assets		20.9		19.1
Intangible Assets		23.9		31.3
Investments		0.5		0.5
		<b>45.3</b>		<b>50.9</b>
<b>Current Assets</b>				
Stocks and Work-in-progress	73.3		65.9	
Debtors	104.8		94.2	
Current Asset Investments	173.2		122.9	
Bank balances and cash	19.6		29.5	
	<b>370.9</b>		<b>312.5</b>	
<b>Less: Current Liabilities</b>				
Creditors	124.6		126.0	
Taxation	8.1		6.3	
Bank loans and Overdrafts	3.4		2.5	
	<b>136.1</b>		<b>134.8</b>	
<b>Net Current Assets</b>		<b>234.8</b>		<b>177.7</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>280.1</b>		<b>228.6</b>
Less: Creditors due after one year		(2.7)		(3.0)
Provisions for Liabilities and Charges		(1.2)		(1.2)
<b>Net Assets excluding Pension Deficit</b>		<b>276.2</b>		<b>224.4</b>
Pension Deficit		(38.1)		(48.8)
<b>NET ASSETS INCLUDING PENSION DEFICIT</b>		<b>238.1</b>		<b>175.6</b>
Capital Employed				
Accumulated Fund and Reserves		236.8		174.4
Minority Interests		1.3		1.2
<b>TOTAL FUNDS</b>		<b>238.1</b>		<b>175.6</b>

**Abstract of the Combined Statement of Financial Activities of the Delegates' Property and Reserve Fund for the year ended 31 March 2008**

	2008 Strategic Property Reserve £'m	2008 Effective Operating Reserve		2008 University Reserve £'m	2008 Total £'m	2007 Total £'m
		General Funds £'m	Designated Funds £'m			
<b>INCOMING RESOURCES</b>						
Income from properties	14.6	–	–	–	14.6	14.2
Income from investments	–	2.7	–	2.9	5.6	5.6
Transfer from Trading Operations	–	–	–	30.0	30.0	30.0
<b>TOTAL INCOMING RESOURCES</b>	<b>14.6</b>	<b>2.7</b>	<b>–</b>	<b>32.9</b>	<b>50.2</b>	<b>49.8</b>
<b>RESOURCES EXPENDED</b>						
Transfer of funds to the rest of the University:						
- Cash	–	–	–	(56.0)	(56.0)	(46.6)
- Benefits in kind	–	–	–	(0.8)	(0.8)	(0.8)
Other resources expended	(9.2)	(0.6)	–	–	(9.8)	(9.9)
<b>Total Resources Expended</b>	<b>(9.2)</b>	<b>(0.6)</b>	<b>–</b>	<b>(56.8)</b>	<b>(66.6)</b>	<b>(57.3)</b>
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS</b>	<b>5.4</b>	<b>2.1</b>	<b>–</b>	<b>(23.9)</b>	<b>(16.4)</b>	<b>(7.5)</b>
Transfer between funds	(35.0)	(4.2)	(26.0)	65.2	–	–
<b>NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR</b>	<b>(29.6)</b>	<b>(2.1)</b>	<b>(26.0)</b>	<b>41.3</b>	<b>(16.4)</b>	<b>(7.5)</b>
Investment losses	–	(2.0)	–	(1.0)	(3.0)	(0.1)
Investment gains	–	–	–	–	–	6.5
Surplus on revaluation of investment properties	16.1	–	–	–	16.1	2.5
Currency translation differences on foreign currency net investments	(0.1)	–	–	–	(0.1)	(0.4)
<b>NET MOVEMENTS IN FUNDS</b>	<b>(13.6)</b>	<b>(4.1)</b>	<b>(26.0)</b>	<b>40.3</b>	<b>(3.4)</b>	<b>1.0</b>
<b>TOTAL FUNDS BROUGHT FORWARD</b>	<b>61.1</b>	<b>64.3</b>	<b>26.0</b>	<b>85.5</b>	<b>236.9</b>	<b>235.9</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>	<b>47.5</b>	<b>60.2</b>	<b>–</b>	<b>125.8</b>	<b>233.5</b>	<b>236.9</b>

The above results relate to continuing operations.

**Abstract of the Combined Balance Sheet of the Delegates' Property and Reserve Fund  
as at 31 March 2008**

	2008 Strategic Property Reserve £'m	2008 Effective Operating Reserve		2008 University Reserve £'m	2008 Total £'m	2007 Total £'m
		General Funds £'m	Designated Funds £'m			
<b>Fixed Assets</b>						
Tangible Fixed Assets	59.5	34.3	–	–	93.8	77.5
Investments	5.3	25.3	–	126.4	157.0	166.5
	<b>64.8</b>	<b>59.6</b>	<b>–</b>	<b>126.4</b>	<b>250.8</b>	<b>244.0</b>
<b>Current Assets</b>						
Debtors	0.6	0.6	–	–	1.2	10.1
Cash	1.6	–	–	–	1.6	14.0
	<b>2.2</b>	<b>0.6</b>	<b>–</b>	<b>–</b>	<b>2.8</b>	<b>24.1</b>
Creditors: Amounts falling due within one year	(1.0)	–	–	(0.6)	(1.6)	(12.0)
<b>Net Current Assets</b>	<b>1.2</b>	<b>0.6</b>	<b>–</b>	<b>(0.6)</b>	<b>1.2</b>	<b>12.1</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>66.0</b>	<b>60.2</b>	<b>–</b>	<b>125.8</b>	<b>252.0</b>	<b>256.1</b>
Creditors: Amounts falling due after one year	(18.5)	–	–	–	(18.5)	(19.2)
<b>NET ASSETS</b>	<b>47.5</b>	<b>60.2</b>	<b>–</b>	<b>125.8</b>	<b>233.5</b>	<b>236.9</b>
<b>Reconciliation of Funds</b>						
Opening balance	61.1	64.3	26.0	85.5	236.9	235.9
Net movement in funds	(13.6)	(4.1)	(26.0)	40.3	(3.4)	1.0
<b>TOTAL FUNDS</b>	<b>47.5</b>	<b>60.2</b>	<b>–</b>	<b>125.8</b>	<b>233.5</b>	<b>236.9</b>



