



UNIVERSITY OF
OXFORD

2009/10
FINANCIAL STATEMENTS

University of Oxford

Financial Statements 2009/10



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Five Year Summary of Key Statistics

	2006 £'m	2007 £'m	2008 £'m	2009 £'m	2010 £'m
Funding body grants	166.8	179.8	186.2	195.3	203.0
Academic fees and support grants	87.3	94.0	110.4	122.7	137.3
Research grants and contracts	213.4	248.2	285.3	340.5	367.0
Other income	113.0	126.2	138.9	166.9	147.5
Endowment and investment income	28.2	28.3	42.6	37.1	25.0
Total Income	608.7	676.5	763.4	862.5	879.8
Total Expenditure	606.2	674.2	748.8	866.8	884.4
Surplus / (Deficit) before donation of heritage assets	2.5	2.3	14.6	(4.3)	(4.6)
Surplus for the Year retained within General Reserves	7.5	7.9	23.8	1.2	6.2
Net cash inflow / (outflow) before management of liquid resources and financing	81.7	24.8	39.0	(52.4)	(17.3)
Fixed assets	710.8	824.0	844.0	1,128.6	1,275.1
Endowment assets	628.8	688.6	653.5	585.1	628.8
Net current assets / (liabilities)	61.7	135.8	161.5	(22.6)	(30.8)
Long term creditors / provisions and minority interests	(68.2)	(78.2)	(80.8)	(77.2)	(71.9)
Net Assets	1,333.1	1,570.2	1,578.2	1,613.9	1,801.2
Student Numbers					
Full-time equivalent students - undergraduates	11,185	12,106	11,917	11,734	11,765
Full-time equivalent students - graduates	6,768	7,382	7,580	8,101	8,701
Visiting Students / Other	478	507	517	495	461
Total students at 1st December	18,431	19,995	20,014	20,330	20,927
Average number of staff	7,573	7,977	8,427	8,921	9,246
Staff costs as a % of expenditure	48.8	52.1	53.8	50.5	53.0
Size of Estate					
Buildings (square metres, thousands)	518	519	530	542	570

The 2008 figures have been restated following the change in accounting policy in 2009 to total return accounting for endowments. The 2006 and 2007 figures have not been restated.

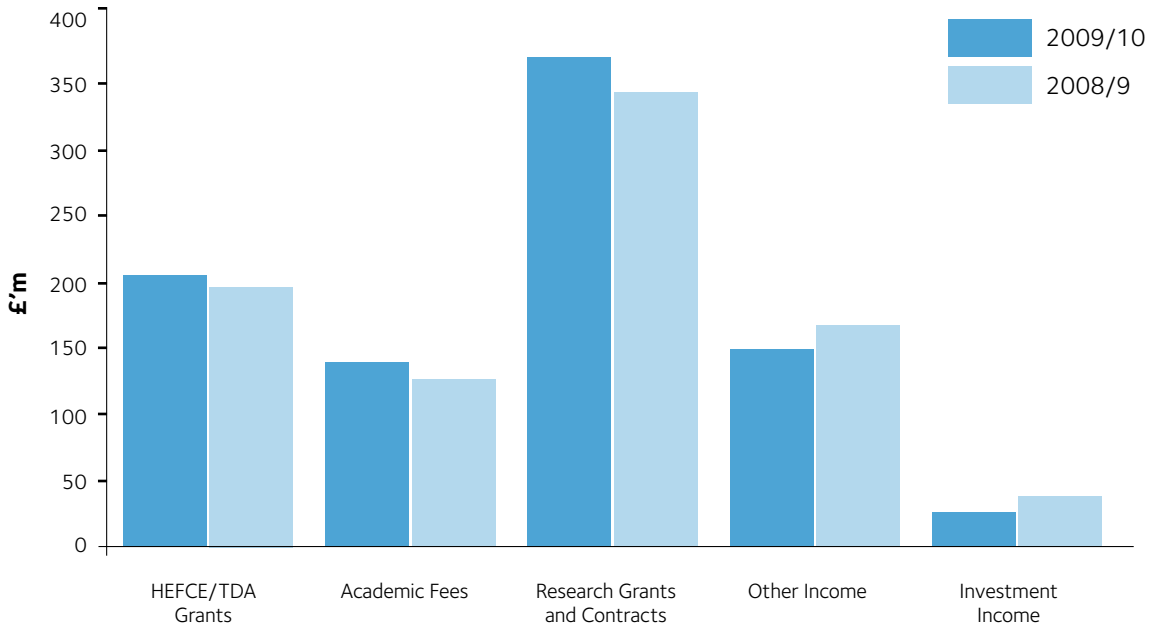
The five year summary excludes the Oxford University Press.

Financial Highlights excluding the Oxford University Press

Results for the Year

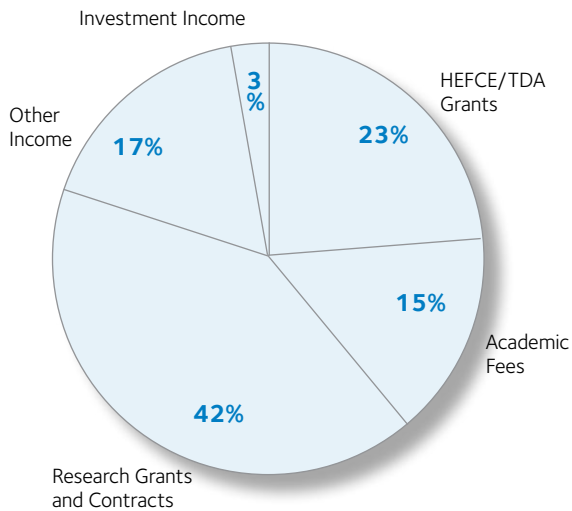
- Total income increased by 2.0% to £879.8m (2008/9: £862.5m)
- The largest source of income continued to be research grants and contracts at 41.7% (2008/9: 39.5%)

Year-on-Year Income

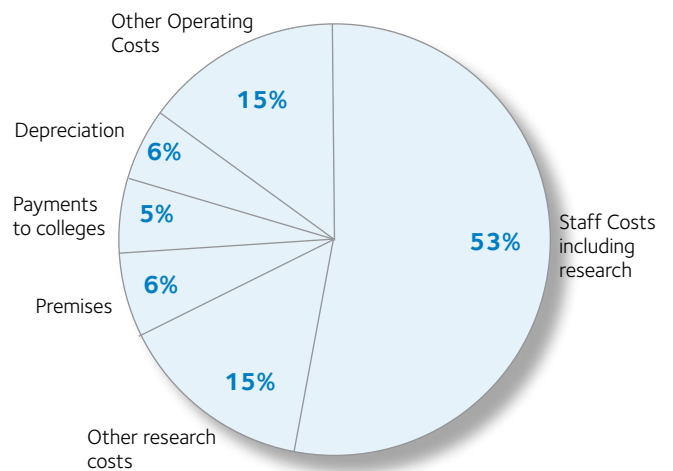


- Total expenditure increased by 2.0% to £884.4m (2008/9: £866.8m). The 2008/9 figure includes £14.7m relating to the impairment of Icelandic bank deposits (2009/10: £0m)
- Staff costs increased by 7.2% to £469.1m (2008/9: £437.6m) and were equivalent to 53.0% of total expenditure (2008/9: 50.5%)
- The surplus for the year retained within general reserves was £6.2m (2008/9: £1.2m)

University Income 2009/10



University Expenditure 2009/10



Operating and Financial Review

Introduction

As the oldest English-speaking University in the world, Oxford has a rich and distinguished 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 the dissemination of learning. Today more than 20,900 students, from a diverse range of backgrounds and nationalities, benefit from Oxford's resources, and the University actively promotes its educational aims to benefit the wider world.

Oxford is an independent and self-governing institution, consisting of the University and the Colleges. The Council of the University is responsible for the academic policy and strategic direction of the University. Thirty-eight Colleges, though independent and self-governing, are related to the University in a federal system. The Colleges are separate charities whose financial results are not consolidated into the University financial statements.

Charitable status

The University has charitable status as one of the exempt charities listed in Schedule 2 to the Charities Act. This means that it is exempt from certain requirements of that Act, including the need to register with the Charity Commission. With effect from 1 June 2010, the Higher Education Funding Council for England (HEFCE) was appointed 'principal regulator' for charity law purposes of those English universities which are exempt charities.

Public benefit

The principal objectives of the University are the advancement of learning by teaching and research and its dissemination by every means. In June 2008, the University agreed six over-arching objectives as the route through which to achieve these aims over the period 2008/9 to 2012/13:

- 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 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; and
- to deliver outstanding facilities and services and manage them effectively and responsibly for the benefit of staff and students.

The following sections provide further detail as to the progress being made and specifically how, in so doing, the University provides public benefit. In addition, further information about the University's activities over the last year can be found in the *Annual Review*, available on the University website at: http://www.ox.ac.uk/about_the_university/introducing_oxford/annual_review/index.html

Teaching

The University advances learning, and in so doing provides public benefit, by teaching students (undergraduate, postgraduate, and lifelong learners) through lectures and seminars, and providing laboratories, libraries and other support facilities and services. The University also provides online and distance courses for around 13,000 part-time students, and conducts educational outreach programmes in schools and the wider community, including those provided by its museums.

The figures below show student numbers¹ broken down by fee status:

As at 1 December:	2009	2008
Full-time equivalent students - undergraduate	11,765	11,734
Full-time equivalent students - postgraduate	8,701	8,101
Visiting Students/Other	461	495
Total Students as at 1 December	20,927	20,330

The University seeks to recruit the very best students through transparent and fair admissions processes based on achievement and potential. For undergraduate applicants, the collegiate University runs a number of widening participation initiatives to encourage applications from highly able students from groups who do not typically apply to Oxford. These initiatives include open days, regional teachers' conferences and summer schools. Further information is available at: http://www.ox.ac.uk/admissions/undergraduate_courses/working_with_schools_and_colleges/index.html

Financial support, in the form of student loans provided by the Student Loans Company, is available to undergraduates from the UK to assist them with tuition fees and living costs and to undergraduates from the EU to assist them with tuition fees only. The collegiate University also provides Oxford Opportunity Bursaries for UK undergraduate students from households where income is below a certain level (currently £50,020). In 2009/10 the higher-level fees for UK/EU undergraduate students provided an additional £19.1m of income, of which £6.2m was distributed to students in bursaries and scholarships through the Oxford Opportunity Bursaries Scheme. Full details of the scheme, which is one of the most generous in the UK, are available at: http://www.ox.ac.uk/admissions/undergraduate_courses/student_funding/oxford_opportunity_bursaries/

In 2009/10 there were 2,677 undergraduates in receipt of Oxford Opportunity Bursaries. In addition, individual colleges and departments provide a wide range of additional financial support for students. Details are available at: <http://www.ox.ac.uk/feesandfunding/prospectiveugrad/university/>

At postgraduate level, nearly a third of students are fully supported and a further 14% partially supported by competitively won scholarship funding. These awards are provided by the collegiate University and external organisations including Research Councils, government bodies and charitable foundations.

Details of the graduate scholarship funds administered by the collegiate University are available at: <http://www.ox.ac.uk/feesandfunding/fundingsearch/>

The University's Department for Continuing Education is one of the largest centres in the UK for part-time and lifelong learning, providing more than 600 short and part-time courses for over 13,000 students, many of whom are studying for the first time. Courses include evening and weekend classes, residential and summer schools, undergraduate and graduate level qualifications, professional development programmes, and courses delivered via the internet.

Research

The University advances learning, and in so doing provides public benefit, by conducting research in a wide range of subjects. The results of the great majority of this research are placed in the public domain through publication in journals and other routes of dissemination (see further below).

The scale of research activity at Oxford is substantial, involving more than 70 departments, over 1,600 academic staff, more than 3,500 contract researchers, and around 3,600 graduate research students. It will often involve collaboration at an international level, with other academic institutions worldwide.

¹ Both full-time and part-time, but excluding life-long learners

Research	2010	2009
Revenue in year (£m)	367.0	340.5
Growth in revenue (%)	7.8%	19.3%
*Value of new grants and contracts awarded in the year (£m)	415	467
Number of new awards received (grants and contracts)	1,822	1,920

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

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

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

In addition to these activities, the University also provides access to its laboratories and libraries for students and scholars who are undertaking academic study elsewhere and for members of the public who demonstrate a need to consult its resources.

Further details of the University's research activities may be viewed at http://www.ox.ac.uk/research/about_research_at_oxford/index.html

The University takes pride in transforming invention into commercial ventures which in turn create innovative products, new skills, jobs and wealth. This is achieved in particular through Isis Innovation Ltd, the University's wholly-owned technology transfer company. Isis supports the exploitation of intellectual property created by the University's researchers for the benefit of society and the economy, both in the UK and internationally, while ensuring that a reasonable proportion of the financial rewards flow back to the University and its researchers. In the year to 31 March 2010, turnover was £7.5m, distributions to the University and its researchers totalled £4.5m, 93 new technology licence deals were concluded and 157 consultancy and services agreements were negotiated. A new fund, the Oxford Innovation Fund, has been established to raise £5m to create a self-sustaining fund to help develop Oxford inventions to the point when they can attract commercial investment.

Further information about Isis is available at: <http://www.isis-innovation.com/>

The range of impacts the University has on the world of ideas and society, on policy, culture and technology, and on government, business and the economy is celebrated through the *Oxford Impacts* series. Further information is available at: http://www.ox.ac.uk/research/research_impact/oxford_impacts/index.html

Dissemination

The University makes the diverse benefits of its teaching and research activity widely available in order to promote the common good. Oxford has long adopted a global perspective to its research and its researchers are confronting some of the major challenges of the 21st century, including the causes and consequences of poverty; the development of vaccines for major global killers such as malaria, tuberculosis and HIV; climate change; migration; and the problems posed by factors such as ageing populations and increasing pressure on natural resources. In doing so, they advance not only scholarship but also innovation, contributing substantially to the UK and global economy. Among UK universities, Oxford is at the forefront of encouraging enterprise among students, teachers, and researchers, and it has an outstanding track record in transforming enquiry and invention into new skills, jobs, and wealth. The University

uses novel approaches to research to benefit wide sections of industry, such as participation in the Structural Genomics Consortium (<http://www.sgc.ox.ac.uk/>), which generates new knowledge and research tools and places them in the public domain for the benefit of the entire pharmaceutical industry. The results of research and innovation by the University are disseminated through the publication of books, papers in academic journals, conference presentations, in the local, national and international media and online.

Oxford University Press (the “Press”)² is the largest university press in the world and, as a department of the University, advances learning by disseminating academic and educational material worldwide in printed and electronic form. Its international operations extend the University’s reach through a combination of high-quality publishing across the educational and academic spectrum and a network of offices across more than 50 countries. The Press publishes over 6,000 new titles each year across a broad range of areas: from primary school reading schemes to secondary school education texts and English language teaching resources. The Press’s titles also include award-winning university text-books, scholarly monographs and more than 240 journals.

A review of the Press’s activities (the “Annual Report of the Delegates of the University Press”), is available at: <http://www.oup.com/about/annualreports>

The University also contributes to society through engagement with the local community and the wider public in a number of ways. These are described in detail at http://www.ox.ac.uk/visitors_friends/oxford_in_the_community/index.html and examples include:

- the University’s Museums are open to the general public free-of-charge;
- more than a million items from the Bodleian’s collections have been digitised, so that researchers worldwide can access them;
- the University’s site on iTunes U, which offers a mix of free audio and video podcasts, attracted more than two million downloads in its first year;
- the Press uses digital channels to find new and innovative ways of reaching a wider variety of people, with hundreds of online resource sites, as well as online products such as the Oxford English Dictionary Online, and more than 100 Apps for mobile devices;
- being committed to providing access to those with a low resource base, the Press now engages in a range of schemes to allow institutions in developing countries to have free or low-cost access to its journals, scholarly online services, and medical handbooks;
- a thriving CommUniSports scheme offers coaching and other sports projects in the local community, including many local schools, and many of the university’s sports facilities are made available to Oxford residents;
- 3,200 students are part of Oxford Hub, a student-run organisation which creates charitable projects across a wide range of community needs; and
- the University makes a major contribution to Venturefest, Oxfordshire’s annual conference and exhibition for enterprise, innovation and the commercialisation of new technology.

The Press

The Press’s Annual Report sets out how the Press has furthered the University’s charitable purposes for the public benefit. In accordance with the Financial Regulations of the University, these Financial Statements do not consolidate the accounts of the Press, although extracts from the separate audited accounts of the Press’s Trading Operations and Delegates’ Property and Reserve Fund for the year ended 31 March 2010 are set out on pages 55 to 59. The rest of this Operating and Financial Review does not include the Press, unless expressly stated.

² In accordance with the Financial Regulations of the University, these financial statements do not consolidate the accounts of the Press, although extracts from the separate audited accounts of the Trading Operations and DPRF for the year ended 31 March 2010 are set out on pages 55 to 59. The rest of this Operating and Financial Review does not include the Press unless expressly stated.

Staff

	2010	2009
Average number of staff	9,246	8,921
Staff costs as a % of expenditure	53.0	50.5

Staff are the major resource of the University, representing 53.0% of expenditure. Staff numbers have increased as a result of new research centres and departments and to support the growth in activity in the University.

The University is committed to attracting, developing, rewarding and retaining academic staff of the highest international calibre, and to making the University the employer of choice for all staff. A key element of the University's human resources strategy is the work of a task force which is reviewing the terms and conditions of academic employment. During the year the University continued to implement measures aimed at ensuring the careful management of staffing costs, through Oxford Mobility Incentive Scheme (OMIS) and enhanced scrutiny of recruitment.

An important element of total staff remuneration is the provision of pension benefits. The majority of staff are entitled to become members of three principal contributory defined pension schemes. These schemes provide valuable guaranteed benefits based on the employee's salary and the number of years that staff have been employed by the University. Two of the schemes, USS and OSPS, are currently under review to ensure that the schemes can remain affordable and sustainable in the long term. In the case of USS, the results of the review are now being shared with the scheme members as part of a consultation process. In October 2009 the employer contribution rate for USS increased from 14% to 16%.

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 has developed The Race Equality Network to promote understanding between people of all races and cultures. The University incurred OMIS costs of £4.4m in 2009/10. The annual pay settlement was 0.5% and is in addition to regular annual promotional increments.

Investment in Facilities

In recent years, the significant growth in academic activity has necessitated a period of rapid expansion of the University estate. This has only been made possible with the support of capital funds from government, charities, benefactors and other sources. The estate has grown by 28% over the last 10 years and now comprises over 570,000 square metres of space. The University has developed a comprehensive estates strategy seeking to make the best use of space and physical resources across the University and ensure that infrastructure is maintained and developed in a sustainable way.

	2010	2009
Building and Equipment additions (£m)	131.1	126.9
Capital grants received (£m)	133.5	143.9
Building repairs and maintenance (£m)	14.2	14.3
Repairs and maintenance as % of building insurance value	0.6%	0.5%
Buildings square metres (000's)	570	542

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

- During the year a number of libraries projects, as part of the strategy to improve access to the University's unique collections, were progressed. The works included refurbishment of the Radcliffe Science Library, completion of the new £27m book storage facility at Swindon, and obtaining planning and listed buildings consents for the New Bodleian Library refurbishment.

- In December 2009, Her Majesty The Queen officially opened the new Ashmolean Museum following a major multi-million pound refurbishment.
- Demolition and site clearance was completed at the Radcliffe Observatory Quarter and site infrastructure works have now commenced. This is a unique site in the heart of Oxford intended to meet the University's requirements for non-laboratory research and teaching space for the next twenty years or more. Detailed planning and design works were also progressed for the new Mathematics facilities at the site and the University announced the siting of a School of Government on the Radcliffe Observatory Quarter.
- During 2009/10 a number of new buildings and refurbishments have approached completion, including the Oxford Molecular Pathology Institute, a new building for the Department of Earth Sciences, the refurbishment of Osler House, and the refurbishment of the Psychiatry Cottage at the Warneford Hospital.

The University has approved a long-term capital plan which could involve approximately £750m of investment over the next five to ten years. Significant projects included in the plan are new facilities for Mathematics and Humanities as part of the development of the Radcliffe Observatory Quarter, the next phase of the Libraries investment strategy, and various projects designed to upgrade and update the University's Science Area. Whilst the University continues to carry out detailed planning activities in connection with the plan, it is acutely aware of the uncertain outlook for the public and private funding of higher education. The University will therefore carefully reconsider each element of the plan before making significant new capital commitments.

The heritage assets held by the University are substantial and include collections of books, art, historical antiquities, and major museums. The value of new heritage asset acquisitions in 2009/10 was £0.3m (2008/9 £2.0m), with the major items being the Bruce Chatwin and De La Mere papers which are now conserved at the Bodleian Library.

Environmental Policy

The University is committed to reducing the environmental impact of its activities. The University has an environmental policy which sets out its approach to managing eight key areas; energy, greenhouse gases, water, sustainable buildings, travel, waste, sustainable purchasing and biodiversity.

2009/10 saw a particular focus on reducing the University's carbon footprint. In May 2010, the University signed up to the 10:10 campaign, aiming to reduce emissions by 3%-10% between April 2010 and March 2011. This voluntary pledge supports the University's longer term target to reduce carbon emissions by 80% by 2050 (based on 1990 levels) with an interim target of a 34% reduction by 2020. In the first three months of the campaign, the University's emissions fell by 0.7% in comparison to the same period in the previous year, amounting to cost savings of £18k. The University is currently drafting its Carbon Management Strategy and Implementation Plan which will review these targets, and is due for completion early in 2011.

Other recent initiatives include:

- £544k invested in departmental energy saving initiatives during 2009/10, bringing carbon savings of 4,052 tonnes and annual cost savings of £570k.
- Twenty-five University departments have adopted Green IT, including Computing Services, the Centre for the Environment, the Ashmolean Museum, the Computing Laboratory and the Oxford Man Institute. Participants have begun to benefit from carbon and energy savings, with the Maths department (Dartington House) cutting electricity use by 21%.
- The University received £61k HEFCE funding for the 'Midnight Oil' project which will investigate overnight energy usage in 24 hour buildings and potentially reduce CO₂ emissions by 2,172 tonnes annually.
- In January 2010, the University's first independent baseline for energy, waste and water was completed. Work is now underway to develop waste and water reduction strategies.
- The University's laboratory and office equipment reuse scheme 'Swap Shop' was launched in October 2009 and has saved departments an estimated £56k to date.
- Over two hundred staff and students received safe cycling training during 2009/10, as part of the University's Sustainable Travel Plan.

Financial summary

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

Income has grown but the upward pressure on costs continues to be significant. The University generated a surplus for 2009/10 of £6.2m (2008/09 surplus of £1.2m). The 2008/09 total included £14.7m relating to the impairment of the University's deposits with Icelandic banks. The surplus is calculated after donations of heritage assets of £0.2m and after accounting for the transfer from expendable endowments of £10.6m.

Financial Summary	2010 £'m	2009 £'m
Income	879.8	862.5
Expenditure	(884.4)	(852.1)
Impairment of Icelandic bank deposits	-	(14.7)
(Deficit) before donation of heritage assets	(4.6)	(4.3)
Donation of Heritage Assets	0.2	1.1
Minority Interest	-	0.3
Transfer from expendable endowments	10.6	4.1
Surplus for the year retained within General Reserves	6.2	1.2

Income

Compared with the previous year, income to the University rose by 2.0%, from £862.5m to £879.8m. The main reasons for the increase are:

- Research grants and contracts continue to be the largest source of income to the University, most of which was matched by related expenditure and increased by 7.8% to £367.0m.
- Grants from the Higher Education Funding Council for England (HEFCE) represent the second largest source of University income and amounted to £203.0m, up by 3.9%.
- Academic fees and support grants amounted to £137.3m, up by 11.9% as a result of increased student numbers and revision to fees charged for some courses.
- Donations fell from £28.3m in 2008/9 to £8.2m in 2009/10. Included in the 2008/9 figure is an £8.3m release to income relating to the re-classification of The Higher Studies Fund from a restricted to an unrestricted endowment. This was a one-off gain within that year. Donations received during the year for capital projects and endowments, two of the main priorities of the Oxford Thinking Campaign, are for capital purposes and are not part of donation income.
- The Income and Expenditure account included gains on translating and realising US Dollar and Euro balances arising from research activity of £3.2m (2008/9 £7.2m). This arose primarily from the favourable movement in the US Dollar and Euro rates.
- Endowment and investment income decreased by 32.6% to £25.0m. The 2008/09 figure of £37.1m included a one-off investment gain arising from the sale of University owned investments as part of the ongoing change in investment allocation strategy. Compared with 2008/09, the level of interest income is also reduced primarily as a result of lower average rates of interest.
- Included within income in 2009/10 is £44.0m from the Press (2008/9 £38.3m). The increase is mainly due to additional funding of £5.0m for the John Fell OUP Research Fund. The Fund is intended to foster creativity and a proactive approach to research opportunities in all subject areas, and particularly interdisciplinary fields.

Expenditure

The University's expenditure of £884.4m was 2.0% higher than in 2008/9. The 2008/09 total of £866.8m included £14.7m relating to the impairment of deposits held in Icelandic banks. Excluding the impairment, the University's expenditure has increased by 3.8%.

Staff costs totalled £469.1m, an increase of 7.2%. This resulted from an annual negotiated pay settlement of 0.5% in October 2009, annual promotional salary increments, early retirement charges, an increase in the pension charge and an increase in staff numbers. The increase in staff numbers and costs is driven partly by the increase in research activity and is therefore matched by higher research income. Total staff costs in 2009/10 include £4.4m relating to the Oxford Mobility Incentive Scheme (OMIS). The impact of this scheme in terms of reduced costs and staff numbers will occur in 2010/11. Staff costs also increased due to a 2% increase in employer contributions to USS in October 2009.

Other operating expenses amounted to £360.1m, a decrease of 2.1%. Major factors explaining the decrease include a reduction in energy prices and lower revenue expenditure on capital projects.

Depreciation has increased from £44.0m in 2008/9 to £51.6m in 2009/10 due to the addition of new buildings, the largest of which is the newly refurbished Ashmolean Museum opened in November 2009, and new equipment.

Impairment of Icelandic Bank Deposits

In the autumn of 2008, a number of Icelandic banks went into administration including three with which the University held deposits. The University currently has £26.2m of fixed-term deposits with these banks, and debtors include a further £3.4m of accrued interest in relation to these deposits. The University is working together with other affected bodies to recover these amounts. The financial statements for the year ended 31st July 2009 included an impairment of £14.7m relating to the Icelandic bank deposits.

The amount ultimately to be recovered remains uncertain and to a large extent will be determined by the outcome of legal action now being taken in Iceland.

Cash Flow and Financing

The utilisation of endowment returns (which did not result in a cash flow in the year) to fund operating activities was the main reason for a net operating cash outflow of £9.0m in the year. Capital expenditure of £128.3m was at a similar level to 2008/9 whilst capital grants received were significantly higher at £140.4m. After a £33.6m acquisition of fixed asset investments and other inflows of £17.8m there was a net cash outflow of £17.3m.

	2010 £'m	2009 £'m
Net cash (outflow)/ inflow from operating activities	(9.0)	4.4
Net returns on investments and servicing of finance	2.6	21.9
Capital expenditure	(128.3)	(124.2)
Capital grants	140.4	96.3
Net acquisition of fixed asset investments	(33.6)	(158.5)
Net (acquisition)/realisation of endowment asset investments	(7.2)	85.6
Other inflows	17.8	22.1
Net Cash (Outflow) before management of liquid resources and financing	(17.3)	(52.4)
Net realisation of current asset investments less loans repaid	3.9	202.5
(Decrease) / Increase in Cash	(13.4)	150.1

The University has bank loans outstanding totalling £45.1m. Interest is fixed and the loans will mature in 2019 and 2047.

Borrowing as a percentage of net assets was 2.5% (2008/9: 2.9%).

Investment Performance

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

■ *Oxford Endowment Fund*

The Oxford Endowment Fund was established by the University on 1 January 2009, under the provisions of the Universities and Colleges (Trusts) Act 1943. The purpose of the fund is to administer collectively the assets of trusts administered both by the University itself, and by other trustees for purposes related to the University. It is managed by Oxford University Endowment Management Ltd (OUEM) under investment and distribution policies set by the Investment Committee and Council. The Fund is open to the University, Colleges and funds and societies connected to the University. The University operates a total return investment policy.

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

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

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

A number of trust funds will have market values in the short term less than their original capital. Expenditure reductions for these trust funds may be required in order to return them to their original capital position in the medium term. A review is being carried out of the regulations of each Trust to determine whether this is required.

■ *Oxford Capital Fund*

The University established the Oxford Capital Fund on 1 January 2010 as an investment vehicle for funds with a medium term expenditure need. The Fund is open to the University and to Colleges, funds and societies connected to the University and is designed to allow for subscriptions and withdrawals on a quarterly basis. This replaced a previous investment fund, the "old" Capital Fund, which was not managed by Oxford University Endowment Management Ltd.

■ *Investment Performance*

At 31 July 2010, the market value of the Oxford Endowment Fund was £665.0m (2008/9 £595.8m); and the market value of the Capital Fund was £431.5m (2008/9 £348.2m).

For the year to 31 July 2010, the Oxford Endowment Fund returned 14.5% (2008/9 -5.8%, 3 years annualised 1.2%) and the Oxford Capital Fund 11.4% (2008/9 -3.9%, 3 years annualised -1.4%). The 2008/9 comparatives are based on the "old" Capital Fund.

The year to 31 July was turbulent. Markets were strong in 2009 but risk appetite reduced dramatically in the second quarter of 2010 on the back of heightened fiscal stress in Europe. This was exacerbated by signs of a slowdown in China and concerns over the strength of the United States recovery. Over the twelve month period the MSCI World Index returned 16.3%, MSCI Emerging Markets Index 27.3% and the FTSE All Share Index 19.3%. Bond markets also had a strong twelve months, particularly corporate bonds, which returned 16.6%. The JP Morgan Global Government Bond index returned 12.4%. Cash, as represented by 3 month LIBOR returned 0.7%. For the year to 31 July 2010, the Oxford Endowment Fund benchmark return was 13.3%; and the Oxford Capital Fund benchmark return was 8.9%.

■ *Other Investments*

The remaining University cash is managed in the Deposit Pool by the University's Treasury team under the supervision of the Finance Committee.

The majority of the investments held by the James Martin 21st Century Foundation, totalling £44.4m, are not included in the Oxford Endowment Fund or the Deposit Pool and are managed externally to the University, not by the Investment Committee, though an element is managed in the Capital Fund. These investments are shown in the balance sheet as part of Endowment Asset Investments.

Treasury Policy and risk

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

Oxford Thinking: The Campaign for the University of Oxford

Since its successful launch in May 2008, the Campaign for the University of Oxford has advanced to an overall total of more than £1bn, including all philanthropic income to the University and colleges. Recently, the Campaign has continued to generate significant levels of donation, with the announcement of the exceptional gift of £75m by Mr Leonard Blavatnik on 20 September 2010 to create a School of Government; and Dr James Martin raising his contribution to the 21st Century School by offering a matched funding pledge of US\$50m.

The Campaign is now well on the way towards its minimum target of £1.25bn. The income received for the academic priorities at the heart of the Campaign is for all parts of the collegiate University including the Colleges, academic divisions and departments, museums, libraries, students, new and existing buildings, and academic posts and programmes.

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

Future Financial Challenges

Although experiencing continued growth in 2009/10, the University faces some significant risks to its long-term sustainability. Whilst the balance sheet remains sound and net assets are growing steadily, the University is expecting a lower surplus in 2010/11 because of reduced government funding, the cost of maintaining vulnerable science subjects and the tutorial system and major commitments to developments to improve the Libraries and the estate generally. The financial challenges facing the University are significant and include:

■ *Pressure on Government funding*

A significant proportion of our income is received as a grant from HEFCE to cover teaching, quality research, capital and specific activities. In the Comprehensive Spending Review, Government has indicated that the Department of Business, Innovation and Skills will suffer from an overall resource saving of 25% comprising a 40% saving from the reform of higher education. The University will consequently need to manage its resources efficiently and seek to increase the balance of funding it receives from private as opposed to public sources.

■ *Sustaining our research activities*

In recent times Oxford has experienced significant growth in research activity, both in terms of staff and income, but the current economic climate is putting future funding from Research Councils and charities under threat. The ability of the University to recover the full cost of its research in future years could suffer as a result of proposals to introduce a lower cap on overhead costs recoverable from research funders. At the same time, a government commitment published in the Comprehensive Spending Review to maintain spending on world class science in cash terms represents an opportunity for Oxford.

■ *Attracting the best and brightest students*

As a University, Oxford aspires to attract the most talented students wherever and wherever they are. To attract the best students Oxford must continue to provide an academic environment and resources to compete with the best in the world. International competition in particular is fierce but student demand to study at Oxford remains high and applications to study at both graduate and undergraduate level are rising.

■ ***Securing an adequate level of student fee income***

The recently published Browne Review of Higher Education and Student Finance proposes giving universities the ability to charge significantly higher student fees. If the proposals are adopted, the levels of fees set by the University will be of critical importance. As indicated in the Comprehensive Spending Review the aim of lifting the fee cap is to transfer a greater proportion of the cost of higher education from government to the student. The challenge facing Oxford is to make its teaching more financially sustainable without sacrificing excellence or creating financial barriers for students.

■ ***Improving investment returns***

Investment returns recovered in 2009/10 from the low level in 2008/9 but market uncertainties and low economic growth may continue to restrict investment income and investment gains in 2010/11.

Income from activities such as those related to forms of intellectual property generated by Isis Innovation Ltd and Oxford Spinout Equity Management may encounter more difficult conditions.

■ ***Encouraging donations***

The generosity of Oxford's benefactors is going to play an increasingly important part in University funding, particularly in meeting the intense challenge of supporting our outstanding teaching. The Oxford Thinking Campaign has recently exceeded the total of £1.0bn across the collegiate University.

■ ***Active management of the cost base, particularly pay and pensions.***

Over 50% of the University's costs are staff-related. Measures including a recruitment protocol and a voluntary leaving programme have been introduced to manage staff costs whilst funding remains uncertain.

The significant fall in the value of markets is also of concern when considering the position of pension schemes. Note 32 to the accounts highlights an actuarial funding deficit of £43m (July 2007 valuation) for the Oxford Staff Pension Scheme (OSPS) and a surplus of £707m (March 2008 valuation) for the Universities Superannuation Scheme (USS). Both schemes are multi-employer schemes and the surpluses / deficits are attributable to all member institutions. The general funding environment has deteriorated markedly since these valuations were carried out and the employers have been actively seeking changes to the governance and rules of the USS scheme to mitigate liabilities. For USS a package of proposals for benefit reforms has been recommended by the USS Trustees and is now subject to consultation within the University sector. OSPS is also under review and it is likely that changes to the structure of the scheme will be required to ensure it remains affordable and financially sustainable.

■ ***Investing in our infrastructure***

There has been considerable progress during the past decade in rejuvenating both the estate and related research infrastructure. Nonetheless, across the disciplines, many of the University facilities remain poorly suited to current and projected levels of research undertakings and graduate study and the ongoing investment required is considerable.

■ ***Ensuring financial sustainability***

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

Governance Statement

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

Council, composed of members of Congregation elected by Congregation, ex officio members and lay members, is (subject to the provisions of the Statutes) responsible for the administration of the University and for the management of its finances and assets. It is also responsible to the Higher Education Funding Council for England (HEFCE) for meeting the conditions of the Financial Memorandum between the Funding Council and the University. Council meets monthly and is chaired by the Vice-Chancellor. Members of Council have regard to the Charity Commission's guidance on public benefit, and in particular, the key principles that there must be an identifiable benefit or benefits, and the benefit must be to the public or a section or sections of the public.

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

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

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

The Planning and Resource Allocation Committee advises Council on planning, budgets, 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 financial resources available to the University, and for proposing the overall income and expenditure budget, and overall capital expenditure budget, the five year financial strategy for the University for approval by Council and communication to the Planning and Resource Allocation Committee. The Finance Committee is also responsible for giving advice to Council on the needs of the University (as established by its plans) on capital investment policy and of providing advice to Council on, and the review of, the University's annual financial statements and annual financial statements of the Delegates of the Press.

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 (subject to Council's approval) and the internal audit service; and for agreeing the nature and scope of their work, and their fees. The Committee reviews the effectiveness of the University's risk management, internal control, data quality and governance arrangements, considers the annual financial statements and oversees the policy on fraud and irregularity. The committee also receives reports from the Value for Money Committee and the Audit Committee of the Press. Whilst senior officers attend meetings of the Audit and Scrutiny Committee as necessary, they are not members of the Committee.

The Research Committee advises Council on policy and planning issues relating to research in particular, those aspects of the Strategic Plan which relate to the University's research activities and reviews the progress made against the Plan. The Committee facilitates the preparation of external reviews of the University's research; and co-ordinates the gathering of data for such reviews. The Committee is responsible for the University's policies and procedures for the

costing and pricing of research (including full economic cost recovery) and for monitoring the risks associated with research; and maintains a register of international research collaboration agreements to which the University is a party.

The Personnel Committee has oversight of the development and review of employment policies; and is responsible for 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 University, and for the oversight of activities relating to teaching, learning and assessment.

The Delegacy of the Press is responsible for the affairs of the Press. The composition of the Delegacy includes seventeen members of Congregation appointed by Council. The Finance Committee of the Press is established by the Delegates to direct and manage the business, assets and finances of the Press, under the general authority of the Delegates; and the composition of the Finance Committee of the Press is determined by Council. The Delegacy of the Press submits the Press's Annual Accounts and report on accounts to Council. The Delegates meet fortnightly during term-time to review and approve all publishing proposals of the Press.

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 financial control and accepts that it is neither possible nor desirable to build a control environment which is risk free. Accordingly the system of internal financial controls in place is designed to manage rather than to eliminate risk. The system of internal financial controls is an ongoing process designed to identify the principal risks to fulfilling the University's policies, aims and objectives, to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

Council reviews the major strategic risks to the University's activities on a regular basis, in order to identify developments, and consider any additional matters which need to be addressed. Risk registers are established in each of the University's academic divisions and within the Academic Services and University Collections sector. 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 of the opinion that the University has a system of risk management at a strategic level which has operated as intended, but risk management needs to be embedded more fully across the University. Council has reaffirmed its commitment to embedding risk and has made resources available to lead a programme of work to achieve this. It has also established a Risk Management Steering Committee to advise the General Purposes Committee on implementation.

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

PricewaterhouseCoopers LLP provided internal audit services for the year. The internal auditors' reporting line is directly to the Audit and Scrutiny Committee. They provide an 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 two additional workshops, with the University's external and internal auditors in attendance, in order to agree a programme of work for the internal audit function, to receive reports from Internal Audit, external auditors and management committees; and to agree the actions necessary to implement recommended improvements. Annually, Internal Audit provide the Audit and Scrutiny Committee with an assessment of the adequacy of the internal control environment. The Audit and Scrutiny Committee in turn provide Council with its opinion on the status of internal controls.

Membership of Council

The members of Council are the Charity Trustees of the University.

Membership of Council from 1 August 2009 to 15 November 2010 was as follows:

Position	Name	Date
Ex officio Members		
Vice-Chancellor	Dr J A Hood	To 30 September 2009
	Professor A Hamilton	From 1 October 2009
Chairman of Conference of Colleges	Mr G I Henderson, Master of Pembroke	To 30 September 2009
	Dr F Lannon, Principal of Lady Margaret Hall	From 1 October 2009
Head of the Medical Sciences Division	Professor A M Buchan	Throughout
Head of the Mathematical, Physical and Life Sciences Division	Professor A Halliday	Throughout
Head of the Humanities Division	Professor S Shuttleworth	Throughout
Head of the Social Sciences Division	Professor R Goodman	Throughout
Senior Proctor	Professor M Williams	To 17 March 2010
	Rev'd Dr C P Thompson	From 18 March 2010
Junior Proctor	Dr P Robins	To 17 March 2010
	Mr N Bamforth	From 18 March 2010
Assessor	Rev'd Dr J Muddiman	To 17 March 2010
	Dr E Eve	From 18 March 2010
Elected by the Conference of Colleges		
	Dr F Lannon, Principal of Lady Margaret Hall	To 30 September 2009
	Mr G I Henderson, Master of Pembroke	From 1 October 2009 to 30 September 2010
	Professor P Madden	From 1 October 2010
Elected by Congregation		
One of four members of Congregation elected by Congregation from members of the faculties in the Divisions of Mathematical, Physical and Life Sciences and of Medical Sciences	Professor P C England	To 30 September 2009
	Professor A M Etheridge	From 1 October 2009
	Professor B Silverman	To 12 March 2010
	Professor M S Williams	From 1 October 2010
	Professor P A Robbins	Throughout
	Professor S Cooper	Throughout
One of four members of Congregation elected by Congregation from members of the faculties in the Divisions of Humanities and of Social Sciences	Dr J A Forder	To 30 September 2009
	Dr S Mapstone	From 1 October 2009
	Rev'd Dr C P Thompson	To 17 March 2010
	Dr P Coones	From 1 April 2010
	Dr E J Garnett	Throughout
	Mr N Bamforth	To 17 March 2010
One of three members of Congregation, not necessarily being members of any division and not in any case being nominated in a divisional capacity, who shall be elected by Congregation	Dr J Nightingale	From 1 April 2010
	Professor T Softley	To 30 September 2010
	Mr G I Henderson, Master of Pembroke	From 1 October 2010
	Dr A W M Graham, Master of Balliol	Throughout
	The Very Rev'd Dr C A Lewis, Dean of Christ Church	Throughout

<i>Position</i>	<i>Name</i>	<i>Date</i>
<i>External Members:</i>		
	Mr B J Taylor	Throughout
	Sir Crispin Davis	From 1 October 2009
	Ms A Perkins	Throughout
	Sir Paul Nurse	From 1 October 2010

Co-opted members

	Dame Fiona Caldicott	To 30 September 2009
	Professor A Monaco, Merton, in his capacity as Pro-Vice-Chancellor (Planning and Resources)	From 1 October 2009
	Professor E G McKendrick, Lady Margaret Hall, in his capacity as Pro-Vice-Chancellor (Education, Academic Services and University Collections)	Throughout
	Professor E Y Jones, Jesus	Throughout

Responsibilities of Council

Council is the University's executive governing body. It is responsible, under the Statutes, for *"the advancement of the University's objects, for its administration, and for the management of its finances and property"* and has *"all the powers necessary for it to discharge those responsibilities"*. Council is therefore responsible for the academic policy and strategic direction of the University, including its relations with Colleges and external relations. All decisions concerning the University are made by Council or by any other body or person to whom Council delegates such decision-making powers, always subject to the powers of Congregation.

The primary financial responsibilities of Council are 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 and its funding agreement with the Training and Development Agency for Schools (TDA);
- to ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- to secure the economic, efficient and effective management of the University's resources and expenditure.

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

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

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

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

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

We have audited the financial statements of the University of Oxford for the year ended 31 July 2010 which comprise the statement of accounting policies, the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, the consolidated and University balance sheets, the consolidated cash flow statement and the related notes 1 to 33. 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 in accordance with the University's Statutes and Financial Memorandum effective August 2008. Our audit work has been undertaken so that we might state to the Council's members those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant 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: Accounting for Further and Higher Education. We also report whether income from funding councils, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the Training and Development Agency for Schools.

We also report if, in our opinion, the information given in the Operating and Financial Review is not consistent with the financial statements, if the University has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report on the Financial Statements, as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report. We are not required to consider whether the statement of internal control (included as part of the Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the University's governance procedures or its risk and control procedures.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and 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 group and University's circumstances, consistently applied and adequately disclosed.

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

Qualified Audit Opinion

As explained in note 1 to the Statement of Accounting Policies, the University has not included the results of the Oxford University Press ("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:

- except for the exclusion of the Press, the financial statements give a true and fair view of the state of affairs of the University and the Group as at 31 July 2010 and of the surplus of the Group for the year then ended;
- except for the exclusion of the Press, the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education;
- 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 during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England.

The logo for Deloitte LLP, featuring the word "Deloitte" in a blue, cursive script followed by "LLP" in a blue, sans-serif font.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading
15th November, 2010

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.

After making enquiries, Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the accounts.

The financial statements do not include the accounts of the Oxford University Press ("Press"): this is a departure from FRS2 "Accounting for subsidiary undertakings". The Delegacy of the Press is responsible under the University's Statutes and Regulations for preparing separate accounts relating to the Press for submission to Council. The Financial Regulations of Council do not apply to the Press as the Press has its own financial regulations and procedures. An extract of the Press accounts for the year ended 31st March 2010 is included at pages 55 to 59.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisitions method.

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

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

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

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 exclusion of the Press.

3. Foreign currencies

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

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

4. Income

Funding Council Grants

Funding Council block grants are accounted for on an accruals basis in the period to which they relate.

Academic Fees

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.

Restricted Grant and Other Income

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

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

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.

Donations and Capital Grants including The Press

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

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

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

Endowment and Investment Income

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

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

Income from permanent unrestricted endowments is included in the Income and Expenditure account on the basis of the sustainable return (currently 4.0%) on the underlying investments. This is based on the estimated long term real rate of return from endowment asset investments. Any realised gains or losses from dealing in the related endowment assets are retained within the endowment in the balance sheet as part of the unapplied return fund.

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

5. Pension costs

The University contributes to the Universities Superannuation Scheme and the University of Oxford Staff Pension Scheme at rates set by the scheme actuaries and advised to the University by the scheme administrators. The University contributes to the NHS Pension Scheme at rates in accordance with the Government's actuary's report on the scheme.

These schemes are all multi-employer schemes and because of the nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits", 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 scheme in respect of the accounting period.

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

6. Leases

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

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

7. Intangible fixed assets: goodwill

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

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

8. Tangible fixed assets

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

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

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

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

9. Heritage Assets

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

10. Donated assets

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

11. Repairs and maintenance

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

12. Investments

Total Return

The University has operated a total return investment policy since 2008/9 and an associated policy of total return accounting under which income from permanent unrestricted endowments is transferred to the Income and Expenditure account under a spending rule based on the estimated long term real rate of return. This is determined to be a percentage (currently 4.0%) of the value of the endowment. Income earned by the endowed assets and revaluation gains / losses are thus credited directly to the endowment. Surpluses or deficits arising on the revaluation or realisation of endowment asset investments are added to or subtracted from the funds concerned. Income recognised in the Income and Expenditure account in respect of permanent restricted endowments is equal to the amount spent in the year from these endowments.

Basis of Valuation

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 except for the University's investment in the subsidiary undertaking Oxford Capital Fund Limited Partnership which is stated at market value. 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. The majority of these investments are invested through the Oxford Capital Fund and Oxford Endowment Fund.

Revaluation

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.

Outside Bodies

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

13. Stocks

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

14. Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 and Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

Most of the University's principal activities are exempt from Value Added Tax, but certain activities and other ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes Value Added Tax charged by suppliers to the University where it is not recoverable and is likewise included in the cost of fixed assets.

Commercial trading activities undertaken by the University are operated through its subsidiary companies. This income will attract applicable Value Added Tax and the profits are liable to Corporation Tax. However, the taxable profits made by these companies are covenanted to the University and paid under Gift Aid which negates that liability.

15. Cash flows and liquid resources

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

16. Financial Instruments

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

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to 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 2010

	Note	2010 £'m	2009 £'m
INCOME			
Funding body grants	1	203.0	195.3
Academic fees and support grants	2	137.3	122.7
Research grants and contracts	3	367.0	340.5
Other income	4	147.5	166.9
Endowment and investment income	5	25.0	37.1
TOTAL INCOME		879.8	862.5
EXPENDITURE			
Staff costs	6 & 7	469.1	437.6
Other operating expenses	7	360.1	367.8
Depreciation	7 & 10	51.6	44.0
Interest and other finance costs	7	3.6	2.7
Impairment of Icelandic bank deposits	7 & 14	–	14.7
TOTAL EXPENDITURE		884.4	866.8
(DEFICIT)/BEFORE DONATION OF HERITAGE ASSETS		(4.6)	(4.3)
Donation of heritage assets	10	0.2	1.1
(DEFICIT)/ AFTER DONATION OF HERITAGE ASSETS		(4.4)	(3.2)
MINORITY INTEREST	23	–	0.3
TRANSFER FROM EXPENDABLE ENDOWMENTS	19	10.6	4.1
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	20	6.2	1.2

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2010

	Note	2010 £'m	2009 £'m
(DEFICIT) AFTER MINORITY INTEREST		(4.4)	(2.9)
Increase/(decrease) in value of fixed asset investments	21	36.4	(11.7)
Increase/(decrease) in value of expendable endowment asset investments	19	1.8	(7.7)
New endowments received	18&19	18.0	22.0
Other movements in permanent endowments	18	48.6	(70.4)
Reclassifications from endowment reserves	18&19	(14.1)	(8.3)
TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR		86.3	(79.0)
OPENING RESERVES AND ENDOWMENTS		951.3	1,030.3
CLOSING RESERVES AND ENDOWMENTS		1,037.6	951.3

BALANCE SHEETS As at 31 July 2010

	Note	Consolidated		University	
		2010 £'m	2009 £'m	2010 £'m	2009 £'m
FIXED ASSETS					
Intangible fixed assets	9	(0.9)	0.7	–	–
Tangible fixed assets	10	912.3	832.8	906.2	826.8
Fixed asset investments	11	363.7	295.1	375.6	306.9
		1,275.1	1,128.6	1,281.8	1,133.7
ENDOWMENT ASSET INVESTMENTS					
	12	628.8	585.1	628.8	585.1
Current Assets:					
Stocks		2.3	2.1	1.3	1.1
Debtors	13	159.4	152.8	163.2	152.6
Current asset investments	14	13.1	18.8	13.1	18.6
Cash at bank and in hand		104.8	90.1	80.8	78.7
		279.6	263.8	258.4	251.0
Creditors: Amounts falling due within one year	15	(310.4)	(286.4)	(294.3)	(277.1)
NET CURRENT (LIABILITIES)		(30.8)	(22.6)	(35.9)	(26.1)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,873.1	1,691.1	1,874.7	1,692.7
Creditors:					
Amounts falling due after more than one year	16	(66.5)	(71.6)	(66.3)	(71.6)
Provisions for Liabilities and Charges	17	(5.4)	(5.6)	(4.9)	(5.1)
NET ASSETS		1,801.2	1,613.9	1,803.5	1,616.0
ENDOWMENTS					
Permanent	18	578.8	530.4	578.8	530.4
Expendable	19	50.0	54.7	50.0	54.7
		628.8	585.1	628.8	585.1
RESERVES					
Income and expenditure account net of minority interest	20	354.1	347.9	358.8	353.6
Revaluation reserve	21	54.7	18.3	55.8	18.3
		408.8	366.2	414.6	371.9
RESERVES AND ENDOWMENTS		1,037.6	951.3	1,043.4	957.0
DEFERRED CAPITAL GRANTS					
	22	763.1	662.1	760.1	659.0
Minority Interest	23	0.5	0.5	–	–
TOTAL FUNDS		1,801.2	1,613.9	1,803.5	1,616.0

The activities of Oxford University Press ('the Press') are not consolidated within the University's Financial Statements.

The financial statements were approved by Council on 15th November 2010 and signed on its behalf by:




Professor A.D. Hamilton
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 2010

	Note	2010 £'m	2009 £'m
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	24	(9.0)	4.4
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from endowments received		4.0	9.2
Other income from investments and interest received		2.2	16.6
		6.2	25.8
<i>Less: amounts paid to outside bodies</i>		–	(1.0)
		6.2	24.8
Interest paid		(3.6)	(2.9)
Net cash inflow from returns on investments and servicing of finance		2.6	21.9
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(128.3)	(124.2)
Net acquisition of fixed asset investments		(33.6)	(158.5)
Net (increase)/reduction in net assets of associated undertakings		(0.2)	0.1
Net (acquisition)/realisation of endowment asset investments		(7.2)	85.6
Capital grants received		140.4	96.3
Endowments received		18.0	22.0
Net cash (outflow) from capital expenditure and financial investment		(10.9)	(78.7)
NET CASH (OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(17.3)	(52.4)
MANAGEMENT OF LIQUID RESOURCES			
Net disposal of current asset investments	25	5.7	204.2
FINANCING			
Net mortgages and loans repaid	27	(1.8)	(1.7)
(DECREASE)/ INCREASE IN CASH	26	(13.4)	150.1

Notes to the Financial Statements

1. FUNDING BODY GRANTS

	2010 £'m	2009 £'m
HEFCE recurrent grants	184.2	175.5
Non-recurrent grants:		
Museums and Galleries (see note 4)	3.4	–
HE innovation fund	1.5	1.5
Oxford Internet Institute	0.4	0.7
Refurbishment grants	0.7	0.2
Matched funding scheme	0.4	2.4
Strategically important/ vulnerable subjects	–	1.7
Clinical pay additional funding	–	0.4
Other	0.7	1.0
Grants from the Training and Development Agency for schools	1.1	1.1
Deferred capital grants released (see note 22):		
Buildings	7.1	6.0
Equipment	3.5	4.8
	203.0	195.3

In 2009 Museums and Galleries funding was in 'Other income' as Arts & Humanities Research Council funding of £3.4m (see note 4)

2. ACADEMIC FEES AND SUPPORT GRANTS

	2010 £'m	2009 £'m
Full-time students: Home fees	46.8	38.4
Overseas and other fee rates	52.8	48.3
Part-time students	0.9	2.3
Other course fees	27.4	24.8
Examinations and other fees	0.4	0.2
Research training and support grants	9.0	8.7
	137.3	122.7

3. RESEARCH GRANTS AND CONTRACTS

	2010	2009
	£'m	£'m
Research Councils	112.9	106.1
UK charities	112.7	113.3
UK government and health authorities	38.1	34.7
UK industry & commerce	14.1	13.5
European Commission and other EU government bodies	24.4	19.8
Other EU based grantors	4.2	3.9
Other overseas	60.4	49.0
Other bodies	0.2	0.2
	367.0	340.5

Research Grants and Contract Income includes £16.0m in respect of the release of Deferred Capital Grants (2009: £12.2m). Research income includes £1.7m (2009: £0.8m) relating to a release from an externally managed endowment.

4. OTHER INCOME

	2010	2009
	£'m	£'m
Residence, catering and conferences	8.9	8.0
Other services rendered	41.9	45.2
National Health Service	9.4	7.2
Deferred capital grants released	5.9	5.9
Benefactions and donations**	8.2	28.3
Transfer from the Press (see note 8)	44.0	38.3
Release of negative goodwill	0.1	0.5
Foreign exchange gains	3.2	7.2
Royalty income	2.1	2.5
Other income*	23.8	23.8
	147.5	166.9

* Included in Other Income for 2009 was the Arts & Humanities Research Council (AHRC) funding of £3.4m which for 2009/10 was provided by the Higher Education Funding Council for England (HEFCE) towards the running costs of museums.

** Included in Benefactions and donations income for 2009 was a release of £8.3m from unrestricted permanent endowments in relation to The Higher Studies Fund.

5. ENDOWMENT AND INVESTMENT INCOME

	2010	2009
	£'m	£'m
Income from expendable endowments (note19)	0.2	2.6
Income recognised from permanent endowments (note18)	21.5	22.6
Profits on disposal of spin-out company investments	1.5	2.1
Other income from investments and interest receivable	1.8	9.8
	25.0	37.1

Profit on sale of spinouts includes £1.3m (2009: £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 16) and £0.8m (2009: £0.8m) 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 16).

6. STAFF COSTS

	2010	2009
	£'m	£'m
Wages and salaries	382.5	360.4
Social security costs	31.2	29.5
Pension costs (note 32)	55.4	47.7
	469.1	437.6

The average number of staff in the year was:

	2010	2009
Average number of staff	9,246	8,921

The emoluments of the Vice-Chancellors serving during the year were:

	2010	2009
	£'000	£'000
Current Vice-Chancellor		
Emoluments (excl. pension contribution)	308	–
Pension contributions	44	–
Former Vice-Chancellor		
Emoluments (excl. pension contribution)	47	287
Pension contributions	7	40
	406	327

In addition, relocation costs of £50k and the related tax costs of £28k were paid to the former Vice-Chancellor.

Trustees

No trustee has received any remuneration or waived payments from the University during the year in respect of their services as trustees (2009 Nil).

The total expenses paid to or on behalf of a trustee was less than £700 (2009: less than £750 to one trustee). This represents travel and other expenses incurred in attending Council and related meetings.

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

	Clinical		Non-clinical		Total	
	2010	2009	2010	2009	2010	2009
£100,000 to £109,999	14	15	39	38	53	53
£110,000 to £119,999	15	13	31	32	46	45
£120,000 to £129,999	5	9	23	22	28	31
£130,000 to £139,999	11	10	14	12	25	22
£140,000 to £149,999	7	6	13	12	20	18
£150,000 to £159,999	11	11	4	7	15	18
£160,000 to £169,999	10	12	6	5	16	17
£170,000 to £179,999	10	10	2	1	12	11
£180,000 to £189,999	-	4	3	1	3	5
£190,000 to £199,999	7	3	1	2	8	5
£200,000 to £209,999	4	4	1	1	5	5
£210,000 to £219,999	3	1	1	1	4	2
£220,000 to £229,999	1	2	1	-	2	2
£230,000 to £239,999	2	-	-	-	2	-
£240,000 to £249,999	-	1	-	-	-	1
£250,000 to £259,999	1	-	-	-	1	-
£300,000 to £309,999	-	1	-	-	-	1
£310,000 to £319,999	-	-	1	-	1	-
£320,000 to £329,999	-	-	1	-	1	-
£580,000 to £589,999	-	-	1	1	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 243 staff earning in excess of £100k, 101 include such payments on behalf of the NHS. Also included above are royalty payments to members of staff via the payroll and professorial merit awards to non-clinical staff.

The University has implemented a voluntary leaving programme, the Oxford Mobility Incentive Scheme (OMIS), which opened in April 2009. The total cost in 2009/10 was £4.4m (2009: £0.7m).

No payments were made to staff included in the above salary bands for compensation for loss of office.

7. ANALYSIS OF EXPENDITURE

	Staff costs	Other operating expenses	Depreciation	2010 Total	2009 Total
	£'m	£'m	£'m	£'m	£'m
Academic departments	196.3	55.9	15.0	267.2	236.1
Academic services	35.9	15.2	3.2	54.3	53.3
Research grants and contracts	160.1	129.2	16.0	305.3	285.7
Residences, catering and conferences	1.0	2.4	-	3.4	4.1
Bursaries & Scholarships	-	23.4	-	23.4	23.7
Premises	12.1	55.5	13.1	80.7	89.1
Administration	38.9	4.4	2.8	46.1	47.1
Paid to Colleges via JRAM	-	48.8	-	48.8	48.5
Amortisation of Goodwill	-	1.7	-	1.7	1.7
Other expenses	24.8	23.6	1.5	49.9	60.1
	469.1	360.1	51.6	880.8	849.4
Interest payable: other				3.6	2.7
Impairment of Icelandic deposits (see note 14)				-	14.7
Total expenditure	469.1	360.1	51.6	884.4	866.8

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

	2010 £'m	2009 £'m
Depreciation has been funded by:		
Deferred capital grants released	32.5	28.9
General income	19.1	15.1
	51.6	44.0

	2010 £'000	2009 £'000
Auditors' remuneration during the year was in respect of the following services:		
Audit of the consolidated University's annual financial statements	149	156
Audit of the subsidiaries' annual financial statements	86	90
Total Audit fees	235	246
Treasury advice	-	25
Tax advice	4	4
Due Diligence	-	48
Total non audit fees	4	77
Total fees to auditors	239	323

The University received £300k from the HEFCE during the financial year as the final instalment of the £400k repayable grant to invest in energy efficiency projects. A further £100k of University funds have been ring-fenced to provide a further 25% of funding towards the initiatives.

8. OXFORD UNIVERSITY PRESS ('the Press')

As explained in the accounting policies, these financial statements do not include the accounts of the Press, which is a department of the University. In addition to the transactions disclosed under note 4 (Other Operating Income) and note 22 (Deferred Capital Grants) the Press provided the rest of the University during the year with goods and services worth approximately £0.6m (2009: £0.6m) of which £0.6m were free of charge (2009: £0.6m). At 31 July 2010 the Press owed the rest of the University £0.2m (2009: £0.1m). In 2009, £54.0m was transferred to the Capital Fund for future expenditure mainly on the Radcliffe Observatory Quarter (ROQ) site. This amount was provided in equity investments in third parties. There were no material amounts due to the Press by the rest of the University at 31 July 2010 or 31 July 2009. An extract of the Press accounts for the year ended 31 March 2010 is included at pages 55 to 59.

The table below summarises the main transactions with the Press:

	2010 £'m	2009 £'m
Cash received by the rest of University per the Press accounts	67.4	100.7
Benefits in Kind – (University year)	0.6	0.6
	68.0	101.3
Transfer to capital fund	-	54.0
Transfer to income in year (note 4)	34.0	33.3
Transfer relating to John Fell fund (note 4)	10.0	5.0
Deferred capital grants received (note 22)	19.5	9.0
Grants taken to Grants in Advance	4.5	-
	68.0	101.3
Release in deferred capital grants in year (note 22)	1.2	1.1

9. INTANGIBLE FIXED ASSETS

CONSOLIDATED Goodwill	Negative Goodwill £'m	Positive Goodwill £'m	Total Goodwill £'m
Cost at start and end of year	(5.7)	8.6	2.9
Amortisation to Consolidated Income and Expenditure Account			
At start of year	4.7	(6.9)	(2.2)
Amortisation for year	0.1	(1.7)	(1.6)
At end of year	4.8	(8.6)	(3.8)
Net book value at end of year	(0.9)	-	(0.9)
Net book value at start of year	(1.0)	1.7	0.7

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.

10. TANGIBLE FIXED ASSETS

CONSOLIDATED	Land and Buildings	Equipment & Machinery	Assets under construction	Heritage Assets	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
At start of year	827.3	73.9	111.6	21.4	1,034.2
Additions	11.4	24.7	94.7	0.3	131.1
Completed Buildings	86.1	0.7	(86.8)	-	-
Disposals	(7.5)	(24.8)	-	-	(32.3)
At end of year	917.3	74.5	119.5	21.7	1,133.0
Depreciation					
At start of year	164.4	37.0	-	-	201.4
Charge for year	28.4	23.2	-	-	51.6
Disposals	(7.5)	(24.8)	-	-	(32.3)
At end of year	185.3	35.4	-	-	220.7
Net book value at end of year	732.0	39.1	119.5	21.7	912.3
Net book value at start of year	662.9	36.9	111.6	21.4	832.8
UNIVERSITY	Land and Buildings	Equipment & Machinery	Assets under construction	Heritage Assets	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
At start of year	819.5	71.8	111.6	21.4	1,024.3
Additions	11.0	24.4	94.7	0.3	130.4
Completed Buildings	86.1	0.7	(86.8)	-	-
Disposals	(0.3)	(24.8)	-	-	(25.1)
At end of year	916.3	72.1	119.5	21.7	1,129.6
Depreciation					
At start of year	162.0	35.5	-	-	197.5
Charge for year	28.0	23.0	-	-	51.0
Disposals	(0.3)	(24.8)	-	-	(25.1)
At end of year	189.7	33.7	-	-	223.4
Net book value at end of year	726.6	38.4	119.5	21.7	906.2
Net book value at start of year	657.5	36.3	111.6	21.4	826.8

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 £77.5m (2009: £65.0m) of freehold land on which no depreciation is charged. The increase in the year mainly relates to the clearance of land at the Radcliffe Observatory Quarter site.

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

Land and buildings (Consolidated and University) includes leasehold properties with a net book value of £7.2m (2009: £5.4m).

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 £2.0m (2009: £0.7m).

Equipment includes £3.7m (2009: £2.6m) labour capitalisation relating to internal IT resource, which has been applied to major IT projects. Building costs include £0.6m of capitalised project manager costs (2009: £0.7m).

Saïd Business School: In November 2000, the University entered into a leasing arrangement with the Saïd Foundation in respect of the Saïd 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 2010 the fixed assets of the University includes a cost of £34.7m (2009: £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.

Libraries: Bodleian Libraries is the integrated library service of the University of Oxford. This is the University's main research library and is the second largest in the UK after the British Library. It has over 11 million printed items and vast quantities of materials in many other formats, 120 miles of occupied shelving, 29 reading rooms and 2,490 places for readers.

Bodleian Libraries has an extensive on-line presence available via <http://www.bodleian.ox.ac.uk/about/policies>. This includes links to the conservation policy, the admission and external events policies and to the e-Resources which include extensive catalogue information. This catalogue can be used to find details of the books published on the history and extent of the Bodleian Library.

The museums include :

Ashmolean Museum of Art and Archaeology- which houses the University's extensive collections of art and antiquities, ranging back over four millennia. Established in 1683, it is the oldest museum in the UK and one of the oldest in the world.

University Museum of Natural History - which houses the University's scientific collections of zoological, entomological, paleontological and mineral specimens. With 4.5 million specimens it is the largest collection of its type outside of the national collections.

Pitt Rivers Museum - which holds one of the world's finest collections of anthropology and archaeology, with objects from every continent and from throughout human history.

Museum of the History of Science is housed in the world's oldest surviving purpose-built museum building. It contains the finest collection of historic scientific instruments from around the globe.

Bate Collection of Musical Instruments celebrates the history and development of the musical instruments of the Western Classical tradition, from the medieval period to present day.

Information on museum collections is available via <http://www.museums.ox.ac.uk/> and individual museum pages such as <http://emu.mhs.ox.ac.uk>

In line with national policy, major museums of the University are free to enter (although a small charge exists for the Botanic Gardens and Arboretum).

Other holdings: By the nature of the work of the University and its scholars some items acquire historical, artistic, scientific or technological qualities during their use by the University or due to long-term use in a historic context. These holdings are small and dispersed and holders use specialist library and museum staff for conservation. Such items are not generally available to the public. By their nature these assets are not normally acquired as fixed assets and no cost information is available.

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

The cost of new heritage asset acquisitions in 2010 was £0.3m (2009: £2.0m) with the major acquisition being the “de la Mere papers”. There were no disposals in 2010 and disposals are unlikely as most donations have conditions preventing disposal. Asset valuations were based on internal valuations. The five year trend for heritage asset donations/additions is:

£'m	2005/6	2006/7	2007/8	2008/9	2009/10
Brought Forward	13.9	14.3	15.3	19.4	21.4
Acquisitions purchased with specific donations	0.4	0.4	0.7	-	-
Acquisitions purchased with University funds	-	-	-	0.9	0.1
Total cost of acquisitions purchased	0.4	0.4	0.7	0.9	0.1
Value of acquisitions by donation	-	0.6	3.4	1.1	0.2
Carried Forward	14.3	15.3	19.4	21.4	21.7

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

Heritage assets of £0.2m were donated in the year (2009: £1.1m) and this is shown as a separate item in the consolidated Income and Expenditure account.

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

11. FIXED ASSET INVESTMENTS

	Consolidated		University	
	2010 £'m	2009 £'m	2010 £'m	2009 £'m
Investments stated at market value				
Properties	27.9	21.2	27.9	21.2
Equities and pooled funds	549.4	455.6	231.4	453.5
Subsidiary undertakings	-	-	323.0	-
Participating interests	0.4	0.2	-	-
Investments stated at cost				
Associated and subsidiary undertakings	-	-	14.5	14.1
Other investments	26.4	34.2	19.2	34.2
	604.1	511.2	616.0	523.0
Less: amounts attributable to outside bodies	(240.4)	(216.1)	(240.4)	(216.1)
Total at end of year	363.7	295.1	375.6	306.9
Investments stated at market value before amounts attributable to outside bodies: at original cost	522.7	432.4	524.9	449.4
	Consolidated £'m		University £'m	
At start of year	511.2		523.0	
Net new money invested	41.2		41.3	
Increase in market value	51.7		51.7	
At end of year	604.1		616.0	

The University investment in subsidiary undertaking stated at market value is the investment in the Oxford Capital Fund LP, which now holds the medium term investments of the University.

At 31 July 2010, the University had interests exceeding 20 percent in the following subsidiary and associated undertakings:

Nature of activity	Interest	%
Subsidiary undertakings (wholly-owned):		
Isis Angels Network ¹	Promotion of investment opportunities	100
Isis Innovation Limited	Commercial exploitation of intellectual property	100
Isis Innovation (Hong Kong) Limited ²	Commercial exploitation of intellectual property	100
Americans for Oxford Inc.	Fund raising	100
Oxford Capital Fund (General Partner)Limited ³	Investment management services	100
Oxford Capital Fund LP	Collective investment fund	100
Oxford Colleges Admissions Office	Undergraduate admission support	100
Oxford Limited	Retail and other trading activities	100
Oxford Mutual Limited ⁴	Provision of discretionary cover	100
Oxford Said Business School Limited	Executive education	100
Oxford University (Beijing) Science & Technology Co. Ltd	Clinical research	100
Oxford University Development North America Inc.	Office administration	100
Oxford University Endowment Management Ltd	Investment management services	100
Oxford University Farm & Woodland Limited	Farming and woodland management	100
Oxford University Fixed Assets Limited	Building management and utilities	100
Oxford University Trading Limited	General trading activities	100
The Gray Laboratory Cancer Research Trust	Radiobiology research	100
University of Oxford China Office Limited	Fundraising and alumni relations	100
Voltaire Foundation Limited	Publishing	100
Subsidiary undertaking (50% owned):		
Jenner Vaccine Foundation	Vaccine research	50
Associated undertakings:		
TdeltaS Limited	Commercial exploitation of intellectual property	34
Oxford YASA Motors Limited	Commercial exploitation of intellectual property	34
Smith Institute (limited by guarantee)	Knowledge transfer	33
Oxford Ancestors Limited	Commercial exploitation of intellectual property	32
Oxford Risk Research and Analysis Limited	Commercial exploitation of intellectual property	30
Clinox Limited	Commercial exploitation of intellectual property	29
Oxford-Emergent Tuberculosis Consortium Limited	Commercial exploitation of intellectual property	24
Oxford ElectroMagnetic Solutions Limited	Commercial exploitation of intellectual property	24
Oxford Medistress Limited	Commercial exploitation of intellectual property	23
Minervation Limited	Commercial exploitation of intellectual property	22
OrganOx Limited	Commercial exploitation of intellectual property	21
Celleron Therapeutics Limited	Commercial exploitation of intellectual property	20
Aurox Limited	Commercial exploitation of intellectual property	20

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

Note:

1 The members of Isis Angels Network are the University and Isis Innovation Limited

2 Isis Innovation (Hong Kong) Limited is a wholly-owned subsidiary of Isis Innovation Limited

3 Oxford Capital Fund (General Partner) Limited is a wholly-owned subsidiary of Oxford University Endowment Management Limited

4 The members of Oxford Mutual Limited are the University and Oxford University Trading Limited

Investment in Associated Undertakings	£'m
Share of net assets at start of year	0.2
Share of profit of associates	0.2
Share of net assets at end of year	0.4

12. ENDOWMENT ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	£'m	£'m	£'m	£'m
At start of year		585.1		585.1
New funds invested		18.0		18.0
Reclassification		(14.1)		(14.1)
Increase in market value of investments relating to expendable endowments		1.8		1.8
Increase in market value of investments relating to permanent endowments		66.3		66.6
Income received	4.0		3.7	
Recognised in Income & Expenditure Account	(32.3)		(32.3)	
Distribution in excess of income received		(28.3)		(28.6)
At end of year		628.8		628.8

	CONSOLIDATED		UNIVERSITY	
	2010	2009	2010	2009
	£'m	£'m	£'m	£'m
Investments stated at market value				
Properties & Other assets	68.0	50.5	68.0	50.5
Equities and pooled funds	364.2	319.3	290.7	319.3
Private Equities	87.8	78.2	87.8	78.2
Fixed interest investments	56.1	55.9	24.4	55.9
Investment by endowments in subsidiary company	-	-	108.6	-
Balance held as cash	52.7	81.2	49.3	81.2
	628.8	585.1	628.8	585.1
Original cost of endowment asset investments	486.8	501.2	486.8	501.2

13. DEBTORS

	CONSOLIDATED		UNIVERSITY	
	2010	2009	2010	2009
	£'m	£'m	£'m	£'m
Research grants and contracts debtors	96.7	77.4	96.6	83.2
Amounts due from subsidiaries	-	-	15.4	8.5
Other debtors and prepayments	62.7	75.4	51.2	60.9
	159.4	152.8	163.2	152.6

University and Consolidated debtors include amounts falling due after more than one year of £2.4m (2009: £2.8m).

14. CURRENT ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2010 £'m	2009 £'m	2010 £'m	2009 £'m
At start of year	18.8	223.0	18.6	222.3
(Decrease) in investments	(5.7)	(204.2)	(5.5)	(203.7)
At end of year	13.1	18.8	13.1	18.6

All current asset investments at 31 July 2010 relate to amounts receivable from Icelandic bank deposits and are likely to be received after 12 months.

IMPAIRMENT OF ICELANDIC BANK DEPOSITS

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander Ltd went into administration. The University had £31.3m deposited across three of these institutions with varying maturity dates and interest rates as follows:

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

All monies within these institutions are currently subject to their respective administration and receivership processes. The amounts and timing of payments to depositors, such as the University, will be determined by the administrators/receivers. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information, the University considers that it is not appropriate to make a further impairment adjustment for the deposits as outlined below.

The impairment loss recognised in the Income and Expenditure Account in 2008/09 of £14.7m, was calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the University until monies are recovered. Although there has been some movement in the anticipated recovery rate for Kaupthing Singer and Friedlander Ltd, in view of the continuing uncertainty surrounding the recovery of the amounts deposited with the two Icelandic entities, Glitnir and Landsbanki, no change has been made to the impairment recognised in 2008/09.

Kaupthing, Singer & Friedlander Ltd

The most recent creditor progress report was issued by the administrators Ernst and Young, on 27 April 2010. Ernst and Young reported that the return to creditors was projected to be in the range of 65p to 78p in the £. This represents an improvement on the position outlined in 2008/09 when it was anticipated that the total return to creditors would be 50p in the £. To date, total dividend payments of 45p in the £ have been received. As no timescale for the payment of further distributions has been provided by the administrator, it has been assumed that the remaining distributions will be received within the next two years.

Landsbanki Islands hf and Glitnir Bank hf

Landsbanki Islands hf and Glitnir Bank hf are Icelandic entities. Following steps taken by the Icelandic Government in early October 2008 their domestic assets and liabilities were transferred to new banks (New Landsbanki and New Glitnir) with management of the affairs of Old Landsbanki and Old Glitnir being placed in the hands of resolution committees administered under Icelandic law. The latest public presentation of the banks' affairs and other relevant information indicates that the recovery rates that could be achieved are approximately 60p in the £ for Landsbanki and 100p in the £ for Glitnir. No value has been attributed to a 'bond' which will allow creditors of Old Landsbanki to enjoy certain rights in New Landsbanki.

Recovery is subject to the following uncertainties and risks:

- Confirmation that the deposits enjoy preferential creditor status. This is now being tested in the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committees and on the settlement of the University's claim, which may be denominated wholly or partly in currencies other than Sterling.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable and if the preferential creditor status is not achieved, the recoverable amount may only be 24p in the £ for Landsbanki and 29p in the £ for Glitnir.

No information has been provided by the resolution committees about the timing of any payments to depositors. As it is anticipated that all the assets of Landsbanki will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Following legal advice, it has been estimated that the expected 60p in the £ recovery will be paid over roughly five years. Similarly, in the case of Glitnir, no indication as to the timing of repayments is given in the public presentation. It is, however, anticipated that the Icelandic court process would conclude by the end of 2012 and if the priority status of the University's deposits is confirmed a full distribution could occur shortly afterwards. The above recoveries are expressed as a percentage of the University's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009, the insolvency reference date.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		UNIVERSITY	
	2010 £'m	2009 £'m	2010 £'m	2009 £'m
Bank overdrafts	-	0.2	-	0.9
Bank loans (see note 16)	1.8	1.7	1.8	1.7
Other loans	0.1	0.1	0.1	0.1
Other creditors and accruals	149.0	159.3	123.8	136.7
Research grants and contracts advances	154.7	121.5	154.7	121.5
Amounts due to subsidiaries	-	-	9.1	12.6
Deferred VAT payment (see note 16)	2.7	1.5	2.7	1.5
Deferred income (see note 16)	2.1	2.1	2.1	2.1
	310.4	286.4	294.3	277.1

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	CONSOLIDATED		UNIVERSITY	
	2010 £'m	2009 £'m	2010 £'m	2009 £'m
Bank loans	43.3	45.1	43.3	45.1
Deferred income – Beeson Gregory	5.7	7.1	5.7	7.1
Deferred income - Technikos	8.9	9.7	8.9	9.7
Deferred costs of acquisition	0.2	0.4	0.2	0.4
Deferred VAT payment	7.6	9.0	7.6	9.0
Income in advance (over 1 year)	0.2	-	-	-
Salix Fund	0.4	-	0.4	-
Other loans	0.2	0.3	0.2	0.3
	66.5	71.6	66.3	71.6
Due between one and two years	5.9	5.6	5.7	5.6
Due between two and five years	16.8	16.9	16.8	16.9
Due in 5 years or more	43.8	49.1	43.8	49.1
	66.5	71.6	66.3	71.6

Bank loans are unsecured and repayable over 15 or 40 years. Loan 1 is due to be repaid in April 2019. Loan 2 commenced in 2007 for a period of 40 years. It had an initial payment holiday of 10 years from 2007. At 31 July 2010 the University has an undrawn loan facility of £50m.

Bank Loans	Loan 1 £'m	Loan 2 £'m	Total £'m
Amount borrowed	25.0	25.0	50.0
Amount outstanding at 31 July 2010	20.1	25.0	45.1
Interest rate	5.13%	5.07%	
Final repayment date	April 2019	June 2047	
Amount due within 1 year	1.8	-	1.8
Amount due between 1 and 2 years	1.9	-	1.9
Amount due between 2 and 5 years	6.3	-	6.3
Amount due after 5 years	10.1	25.0	35.1
	20.1	25.0	45.1

The University entered into an agreement with Beeson Gregory Merchant Bankers (BG) to fund the Department of Chemistry over a 15-year period commencing 23 November 2000. The balance yet to be released to income at July 2010 was £7.1m.

During 2007, the University entered into an agreement with Technikos LLP to fund the Institute of Biomedical Engineering over a 15-year period following completion of a new building. The building was completed on 1 October 2007. Cash of £12m had been received from Technikos by July 2010. The balance that had not been set against costs at July 2010 was £9.7m.

These amounts have been treated as deferred income within the Balance Sheet and are being released to the Income and Expenditure Account evenly over the 15-year period of the agreement. The amount due to be released in 2010/11 is included within 'Creditors: Amounts falling due within one year', with the remaining balance included within 'Creditors: Amounts falling due after more than one year'.

Deferred costs of acquisition include deferred non-cash consideration relating to the acquisition of Oxford Said Business School Ltd of £0.2m (2009: £0.4m).

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. After the year end, the deferred VAT payment was repaid following discussions with HMRC.

'Other loans' includes two variable rate loans of £300k repayable in 10 equal instalments, one taken out in 2003/4, of which £90k is outstanding at the balance sheet date, the other taken out in 2004/5 of which £120k is outstanding at the balance sheet date. The repayments due within 1 year are shown in note 15.

The University received £300k from HEFCE for the Salix fund during the financial year as the final instalment of the £400k repayable loan to invest in energy efficiency projects. A further £100k of University funds have been ring-fenced to provide a further 25% of funding towards the initiatives. Of the £500k available funds, £358k of costs were identified against an agreed list of projects. Of this £270k was incurred during 2009/10. The estimated saving from the identified projects is 524t of CO₂ per annum, which converted to financial terms equates to £84k per annum on an ongoing basis.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated £'m	University £'m
At start of year	5.6	5.1
Charged to income and expenditure account	0.5	0.5
Utilised	(0.7)	(0.7)
At end of year	5.4	4.9

The provision 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 32) who receive pension supplements and provisions for building and tax. During the year £0.7m of the provision (2009: £1.6m) has been utilised.

18. PERMANENT ENDOWMENTS

CONSOLIDATED	Unrestricted £'m	Restricted £'m	Total £'m
Original cost	172.8	165.7	338.5
Unapplied Total Return	88.5	103.4	191.9
At start of year	261.3	269.1	530.4
Investment income	1.5	2.3	3.8
Increase in market value of endowment asset investments	31.4	34.9	66.3
Released to Income & Expenditure Account (Note 5)	(10.0)	(11.5)	(21.5)
Movement in unapplied endowment return on permanent endowments	22.9	25.7	48.6
New endowments	0.1	7.9	8.0
Reclassifications	(6.5)	(1.7)	(8.2)
At end of year	277.8	301.0	578.8
Represented by:			
Original cost	172.9	173.6	346.5
Unapplied Total Return	104.9	127.4	232.3
	277.8	301.0	578.8

UNIVERSITY	Unrestricted £'m	Restricted £'m	Total £'m
Original cost	172.8	165.7	338.5
Unapplied Total Return	88.5	103.4	191.9
At start of year	261.3	269.1	530.4
Investment income	1.2	2.3	3.5
Increase in market value of endowment asset investments	31.7	34.9	66.6
Released to Income & Expenditure Account	(10.0)	(11.5)	(21.5)
Movement in unapplied endowment return on permanent endowments	22.9	25.7	48.6
New endowments	0.1	7.9	8.0
Reclassifications	(6.5)	(1.7)	(8.2)
At end of year	277.8	301.0	578.8
Represented by:			
Original cost	172.9	173.6	346.5
Unapplied Total Return	104.9	127.4	232.3
	277.8	301.0	578.8

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

Material Endowments	Nuffield Benefaction £'m	James Martin Fund £'m
Original cost	65.5	50.6
Unapplied Total Return	(6.4)	(9.2)
At start of year	59.1	41.4
Exchange rate movement	-	2.3
Increase in market value of endowment asset investments	8.4	1.2
Return for the year	0.2	-
Distributed in the year	(2.4)	(0.5)
Capital value at end of year	65.3	44.4
Represented by:		
Original cost	65.5	50.6
Unapplied Total Return	(0.2)	(6.2)
	65.3	44.4

The closing value of the James Martin Fund does not reflect the payment of grants for the year, as they were paid in August 2010.

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

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

Endowments	Capital £'m	Accumulated Income Balance £'m
James Martin 21st Century Foundation	50.6	(6.2)

19. EXPENDABLE ENDOWMENTS

CONSOLIDATED AND UNIVERSITY	Restricted Expendable £'m
Capital value	44.5
Accumulated income	10.2
At start of year	54.7
Investment income	0.2
Expenditure for the year	(10.8)
Net Transfer to Income and expenditure account	(10.6)
New endowments	10.0
Reclassification	(5.9)
Increase in market value of endowment asset investments	1.8
At end of year	50.0
Represented by:	
Capital value	40.3
Accumulated income	9.7
	50.0

20. INCOME AND EXPENDITURE ACCOUNT

	Consolidated £'m	University £'m
At start of year	347.9	353.6
Surplus for the year retained in general reserves	6.2	5.2
At end of year	354.1	358.8

The Income and Expenditure account includes £20.4 m (2009: £20.2m) 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.

21. REVALUATION RESERVE

	Consolidated £'m	University £'m
At start of year	18.3	18.3
Appreciation in market value of Fixed Asset Investments, net of amounts attributable to outside bodies	36.4	37.5
At end of year	54.7	55.8

22. DEFERRED CAPITAL GRANTS

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

CONSOLIDATED		Buildings £'m	Equipment £'m	Total £'m
Funding Council:	at start of year	217.4	6.0	223.4
	receipts	55.0	3.8	58.8
	released in year	(7.1)	(3.5)	(10.6)
	at end of year	265.3	6.3	271.6
The Press:	at start of year	159.7	-	159.7
	receipts	15.6	3.9	19.5
	released in year	(1.2)	-	(1.2)
	at end of year	174.1	3.9	178.0
Other:	at start of year	269.8	9.2	279.0
	receipts	38.8	16.4	55.2
	released in year	(10.9)	(9.8)	(20.7)
	at end of year	297.7	15.8	313.5
Total:	at start of year	646.9	15.2	662.1
	receipts	109.4	24.1	133.5
	released in year	(19.2)	(13.3)	(32.5)
Total		737.1	26.0	763.1

UNIVERSITY		Buildings £'m	Equipment £'m	Total £'m
Funding Council:	at start of year	217.4	6.0	223.4
	receipts	55.0	3.8	58.8
	released in year	(7.1)	(3.5)	(10.6)
	at end of year	265.3	6.3	271.6
The Press:	at start of year	159.7	-	159.7
	receipts	15.6	3.9	19.5
	released in year	(1.2)	-	(1.2)
	at end of year	174.1	3.9	178.0
Other:	at start of year	266.7	9.2	275.9
	receipts	38.7	16.3	55.0
	released in year	(10.6)	(9.8)	(20.4)
	at end of year	294.8	15.7	310.5
Total:	at start of year	643.8	15.2	659.0
	receipts	109.3	24.0	133.3
	released in year	(18.9)	(13.3)	(32.2)
Total		734.2	25.9	760.1

23. MINORITY INTEREST

CONSOLIDATED	2010 £'m	2009 £'m
At start of year	0.5	0.8
Reduction in minority interests for post acquisition trading deficit	-	(0.3)
At end of year	0.5	0.5

24. RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 £'m	2009 £'m
(Deficit) on continuing operations after depreciation of tangible fixed assets	(4.6)	(4.3)
Depreciation	51.6	44.0
Goodwill amortised	1.7	1.7
Negative Goodwill released	(0.1)	(0.5)
Deferred capital grants released	(32.5)	(28.9)
Endowment income and interest receivable	(25.0)	(37.1)
Reclassification from endowment funds to Income & Expenditure account	(6.0)	(8.3)
Interest payable	3.6	2.7
(Increase) in stocks	(0.2)	(0.4)
(Increase) in debtors	(6.1)	(23.2)
Increase in creditors	8.8	58.1
(Decrease) / Increase in provisions	(0.2)	0.6
Net (Outflow) / Inflow from operating activities	(9.0)	4.4

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2010 £'m	2009 £'m
(Decrease) / Increase in Cash for the year	(13.4)	150.1
(Decrease) in Liquid Resources	(5.7)	(204.2)
Decrease in Debt	1.8	1.7
Movement in Net Funds resulting from cash-flows	(17.3)	(52.4)
Exchange Movements	(0.2)	2.1
Change in Net Funds	(17.5)	(50.3)
Net Funds at start of year	142.7	193.0
Net Funds at end of year	125.2	142.7

26. ANALYSIS OF CHANGES IN NET FUNDS

	2010 £'m	Cash Changes £'m	Exchange movements £'m	2009 £'m
Cash at Bank and in Hand	104.8	14.9	(0.2)	90.1
Endowment Assets Cash	52.7	(28.5)	-	81.2
Bank overdrafts	-	0.2	-	(0.2)
	157.5	(13.4)	(0.2)	171.1
Current Asset Investments	13.1	(5.7)	-	18.8
Loans due within 1 year	(1.9)	(0.1)	-	(1.8)
Loans due after 1 year	(43.5)	1.9	-	(45.4)
	125.2	(17.3)	(0.2)	142.7

27. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Mortgages & Loans £'m
At start of year	47.2
Amounts repaid	(1.8)
At end of year	45.4

28. CAPITAL & INVESTMENT COMMITMENTS

CONSOLIDATED AND UNIVERSITY	2010 £'m	2009 £'m
At the end of the year the University had major capital commitments for building projects as follows:		
Contracted for	26.2	46.8
Authorised but not contracted	90.9	85.7
At the end of the year the University had commitments to invest additional funds within its investment portfolio.	114.8	103.6

The University had outstanding forward contracts to purchase US Dollars relating to expected US Dollar receipts from research funders. These forward contracts give greater certainty as to expected research income. The nominal value of the contracts outstanding at 31 July 2010 was £13.0m (2009: £19.1m), and the contracts, when marked to market, showed a loss of £0.9m (2009: gain of £0.2m).

29. CONTINGENT LIABILITIES

As explained in the Statement of Accounting Policies, these financial statements do not include those assets and liabilities that relate to the activities of the Press. In the unlikely event of the Press not having sufficient assets to meet such liabilities, those liabilities would fall to be met by the University as a whole. At 31 March 2010, the date of its latest audited balance sheet, the Press had total net assets of £475m (2009: £448m), after deducting total liabilities of £288m (2009: £254m). The University has provided two guarantees to Helaba Bank of a loan entered into by Oxford University Press Inc., an affiliate of the Press, and which is consolidated within the financial statements of the Press.

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

30. RELATED PARTY TRANSACTIONS

During the year ended 31 July 2010 the University had transactions with a number of organisations which fell within the definition of Related Parties under Financial Reporting Standard 8 'Related Party Disclosures'. Transactions are disclosed where members of Council and other senior members of staff disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's financial statements and/or the other party. Due to the nature of the University's operations and the composition of Council (being drawn from colleges and other private and public sector organisations) it is inevitable that transactions in the normal course of business will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Following changes to FRS8, the University disclosure includes transactions with other group companies where it holds less than 100% of the voting rights. This also applies to Jenner which is 50% owned for 2009/10.

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

RELATED PARTY	Income £'000s	Expenditure £'000s	Balance due (from)/ to the University £'000s
Jenner Vaccine Foundation	134	3	3
BTG International Ltd	793	-	79
GlaxoSmithKline plc	1,085	15	(85)
National Trust	41	-	6
Natural History Museum London	13	58	(34)
Netstationers Isis	-	770	(32)
Nuffield Orthopaedic Centre	15	-	252
Oxford Playhouse Trust	-	231	(21)
Oxford Radcliffe Hospital NHS Trust	13,681	7,147	3,052
Oxfordshire & Bucks Mental Health	1,645	15	251
Oxford Philomusica Trust/Productions	14	220	-

Professor Shuttleworth and Professor Halliday who are both members of Council, and Professor Walmsley who is the Pro Vice-Chancellor (Research), have outstanding professorial housing loans of £75k, £300k and £150k respectively. These were all awarded under the normal eligibility conditions of the professorial housing loan scheme. The loan to Professor Shuttleworth was fully repaid in August 2010.

During the year, the University made grants and other payments totalling £346k to the Oxford University Student Union and its wholly-owned subsidiary.

The University provides support to spin-out companies in which it has invested via Oxford University Spin-Out Management (OSEM).

Research Councils: In common with many universities, senior members of the University sit on Research Councils, other NHS Trust boards and other grant awarding bodies which have their own internal procedures to avoid potential conflicts of interest. Members of Council also sit on Research Councils and their sub-committees including The

Engineering and Physical Sciences Research Council, The Science and Technology Facilities Council, The Natural Environment Research Council, The Medical Research Council and The Arts and Humanities Research Council.

Colleges: The 36 external colleges of the University of Oxford are independent legal institutions and are therefore not included in the financial results of the University. The collegiate nature of Oxford gives rise to the financial interaction between the University and colleges. During the year the University paid £48.8m (see note 7) out of HEFCE funding and fee income, via the Joint Resource Allocation Model (JRAM) (2009: £48.5m).

The University made a payment of £1m to the College Contributions Fund in 2009/10 (2009: £2m) and will make further payments of £1m per year for the next 8 years. The Fund finances a scheme which provides support to Colleges with a relatively low endowment. The University agreed to make these payments over a ten-year period to help build up an endowment fund to provide income grants. The grants will be awarded to colleges to improve services in key areas, including the provision of bursaries, scholarships, libraries, IT, and teaching support.

Other areas of interaction with the colleges are as follows:

Hardship funds: A large part of HEFCE hardship funds received by the University is passed to colleges to administer (see note 31).

Investments: The colleges are able to invest in the Oxford Endowment Fund; such investments are treated as 'amounts attributable to outside bodies' and are deducted from Fixed Asset Investments (see note 11). At 31 July 2010 the University held investments amounting to £132.0m (2009: £101.2m) on colleges' behalf.

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

Other external funds/trusts: One purpose of certain non-University funds/trusts, which are independent legal institutions and are therefore not included in the financial results of the University itself, is to provide research and other funding to the University and certain colleges. A number of these trusts are allowed to participate in the Oxford Endowment Fund, and such assets held on their behalf by the University are included in the deduction from Fixed Asset Investments (see note 11).

31. HEFCE HARDSHIP FUNDS/TDA BURSARIES

	HEFCE		TDA	
	2010 £'m	2009 £'m	2010 £'m	2009 £'m
At start of year	0.2	0.2	–	–
Net funds received	0.2	0.2	1.5	1.5
Disbursed to students	(0.2)	(0.2)	(1.5)	(1.5)
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.

32. 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.

The University also has a small number of staff in other pension schemes, including the now closed Employees Pension Scheme ('EPS'), the Superannuation Arrangements of the University of London ('SAUL') and the Medical Research Council Pension Scheme ('MRCPS'). 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. The University's participation in MRCPS is in respect of employees of two units of the Weatherall Institute of Molecular Medicine which were acquired by the University on 31 March 2010. In addition, the University is also contributing to the personal pension arrangements of certain staff who were ineligible to join USS, OSPS or NHSPS.

2. Actuarial valuations

Qualified actuaries periodically value the 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.

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

Notes:

- a. USS' actuary will undertake an actuarial valuation of the Scheme as at 31 March 2011, the results of which are not expected to be finalised until December 2011, with publication of the final results in 2012.
- b. NHSPS is underwritten by the Exchequer – there are no underlying assets. Consequently, there is no surplus or deficit, other than on a purely notional basis and none of the funding ratios can be quantified.
- c. In the light of the considerable swings in markets since the valuation date, the nature of the demographic and financial assumptions used in the ongoing and solvency valuations, the significant positive cash flows and equity orientated investment strategy, USS' actuary recommended, and the Trustee agreed, that the small ongoing funding surplus should be carried forward to the next valuation.
- d. OSPS' actuarial valuation as at 31 July 2007 identified a required long-term employer contribution rate of 17.85% of total pensionable salaries, but also a funding deficit of £43.2m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by increasing the employer contribution rate to the previously agreed rate of 21.5% of total pensionable salaries with effect from 1 August 2008. The actuary has certified that the additional 3.65% contribution should eliminate the deficit by 31 July 2025.
- e. Since 31 March 2009, global investment markets have continued to fluctuate and the actuary has estimated the funding level of USS had fallen from 103% at 31 March 2009 to 91% (a deficit of £3,065m) at 31 March 2010. This estimate is based on the funding level at 31 March 2009, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). On the FRS17 basis, the actuary estimated that the funding level at 31 March 2010 was 80% and on a buy out basis was approximately 57%.
- f. The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries and the Trustee Company, on the advice of the actuary, decided to implement the increase from 14% to 16% on 1 October 2009.
- g. The Government actuary recommended that, if changes to scheme benefits had not been implemented, the employer contribution rate should have increased to 15.3% of pensionable pay. However, in the light of the changes implemented on 1 April 2008, the actuary has agreed that the employer contribution rate should remain at 14.0% for the time being.

3. Sensitivity of actuarial valuation assumptions:

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

Assumption	Change in assumption	Impact on scheme liabilities		
		USS	OSPS	NHSPS
Valuation rate of interest	increase/decrease by 0.5%	decrease / increase by £2.2bn	decrease / increase by £30m	Neutral
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £1.5bn	increase / decrease by £20m	Not disclosed
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £0.7bn	increase / decrease by £7m	increase / decrease in employer's contribution rate by 2.5% of pay
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £1.6bn	increase by £10m	increase / decrease in employer's contribution rate by 1.5% of pay

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	2010 £'m	2009 £'m
Universities Superannuation Scheme	40.2	32.5
University of Oxford Staff Pension Scheme	11.2	11.3
NHS pension Scheme	2.8	2.6
SAUL	-	0.1
Other Schemes - contributions	1.0	1.0
Supplementation payments ^h	0.2	0.2
Total	55.4	47.7

Notes

h. The University continues to make a small and diminishing number of supplementation payments to retired members and dependants of former members of the Federated System for Superannuation in Universities ('FSSU') and EPS.

33. GREEN TEMPLETON COLLEGE

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

The additional information on pages 55 to 59 does not form part of the audited Financial Statements for the University of Oxford for the years ended 31 July 2010 and 31 July 2009.

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

INDEPENDENT AUDITORS' STATEMENT TO THE DELEGATES OF THE PRESS

We have examined the Abstract of the Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press for the year ended 31 March 2010 which comprises the balance sheet, combined results and statement of recognised gains and losses of the Trading Operations and the combined balance sheet and statement of financial activities of the Delegates Property and Reserve Fund (the 'Abstract').

This report is made solely to the Delegacy of the Press, as a body, in accordance with our terms of engagement. Our work has been undertaken so that we might state to the Delegates those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Press and the Delegates as a body, for our audit work, for this report, for our audit report on the full annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

Opinion

In our opinion, the financial information contained in the Abstract is consistent with the audited annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press for the year ended 31 March 2010. The audited annual Accounts of the Trading Operations and the Delegates Property & Reserve Fund of the Press can be obtained from the Press, Great Clarendon Street, Oxford, OX2 6DP.

The image shows the signature of Deloitte LLP in a blue, cursive script.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Reading, UK
25 May 2010

Abstract of the combined results of the Trading Operations for the year ended 31 March 2010

	Year ended 31 March 2010 £'m	Year ended 31 March 2009 £'m
TURNOVER	611.9	578.7
Profit for the year before tax	98.5	88.7
Tax	(7.7)	(4.3)
Profit after tax	90.8	84.4
Profit available to minority interests	(0.4)	(0.4)
NET PROFIT FOR THE YEAR	90.4	84.0

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 2010

	Year ended 31 March 2010 £'m	Year ended 31 March 2009 restated £'m
Net Profit for the Financial Year	90.4	84.0
Actuarial Losses on Group Pension Scheme	(5.8)	(28.2)
Currency translation differences on foreign currency net investments	(1.0)	25.4
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	83.6	81.2
Actuarial Losses on Group Pension Schemes		
Difference between actual and expected return on scheme assets	49.4	(43.4)
Effect of change in liability experience	9.9	-
Effects of changes in assumptions underlying the present value of scheme liabilities	(65.1)	15.2
	(5.8)	(28.2)

Abstract of the Combined Balance Sheet of the Trading Operations as at 31 March 2010

	Year ended 31 March 2010		Year ended 31 March 2009	
	£'m	£'m	£'m	£'m
Fixed Assets				
Tangible Assets		23.1		25.1
Intangible Assets		18.7		23.7
Investments		0.5		0.5
		42.3		49.3
Current Assets				
Stocks and Work-in-progress	80.5		82.7	
Debtors	140.8		121.7	
Current Asset Investments	215.8		177.1	
Bank balances and cash	24.5		17.2	
	461.6		398.7	
Less: Current Liabilities				
Creditors	(167.2)		(145.8)	
Taxation	(8.2)		(6.8)	
Bank loans and Overdrafts	(2.3)		(2.4)	
	(177.7)		(155.0)	
Net Current Assets		283.9		243.7
TOTAL ASSETS LESS CURRENT LIABILITIES		326.2		293.0
Less: Creditors due after one year		(3.5)		(2.0)
Provisions for Liabilities		(1.6)		(1.2)
Net Assets excluding Pension Deficit		321.1		289.8
Pension Deficit		(72.5)		(67.7)
NET ASSETS INCLUDING PENSION DEFICIT		248.6		222.1
Capital Employed				
Accumulated Fund		247.6		220.6
Minority Interests		1.0		1.5
TOTAL FUNDS		248.6		222.1

Abstract of the Combined Statement of Financial Activities of the Delegates' Property and Reserve Fund for the year ended 31 March 2010

	Strategic Property Reserve £'m	Effective Operating Reserve £'m	University Reserve £'m	2010 Total £'m	2009 Total £'m
INCOMING RESOURCES FROM GENERATED FUNDS					
Activities for generating Funds					
Rental Income from properties	14.7	1.7	-	16.4	16.2
Income from investments	0.2	0.3	1.4	1.9	4.1
Transfer from Trading Operations	-	-	56.6	56.6	96.5
TOTAL INCOMING RESOURCES	14.9	2.0	58.0	74.9	116.8
RESOURCES EXPENDED					
Costs of generating Funds					
Transfer of funds to the rest of the University:					
- Cash	-	-	(67.4)	(67.4)	(100.7)
- Benefits in kind	-	-	(0.8)	(0.8)	(0.8)
Other resources expended	(9.7)	(0.7)	-	(10.4)	(10.9)
TOTAL RESOURCES EXPENDED	(9.7)	(0.7)	(68.2)	(78.6)	(112.4)
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS	5.2	1.3	(10.2)	(3.7)	4.4
Transfer between funds	(6.4)	(4.9)	11.3	-	-
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	(1.2)	(3.6)	1.1	(3.7)	4.4
Other Recognised Gains/(Losses)					
Investment losses	-	-	-	-	(19.8)
Profit on disposal of properties	2.4	-	-	2.4	-
Surplus on revaluation of investment properties	-	2.6	-	2.6	7.5
Currency translation differences on foreign currency net investments	(0.3)	-	-	(0.3)	(0.1)
NET MOVEMENTS IN FUNDS	0.9	(1.0)	1.1	1.0	(8.0)
Reconciliation of Funds					
TOTAL FUNDS BROUGHT FORWARD	41.2	101.5	82.8	225.5	233.5
TOTAL FUNDS CARRIED FORWARD	42.1	100.5	83.9	226.5	225.5

The above results relate to continuing operations.

Abstract of the Combined Balance Sheet of the Delegates' Property and Reserve Fund as at 31 March 2010

	Strategic Property Reserve £'m	Effective Operating Reserve £'m	University Reserve £'m	2010 Total £'m	2009 Total £'m
Fixed Assets					
Tangible Fixed Assets	53.0	51.9	-	104.9	104.1
Investments	10.5	51.9	82.7	145.1	136.5
	63.5	103.8	82.7	250.0	240.6
Current Assets					
Debtors	3.7	0.2	-	3.9	2.5
Cash	3.3	-	1.6	4.9	10.7
	7.0	0.2	1.6	8.8	13.2
Creditors: Amounts due within one year	(24.8)	(3.5)	(0.4)	(28.7)	(4.2)
Net Current (Liabilities)/Assets	(17.8)	(3.3)	1.2	(19.9)	9.0
TOTAL ASSETS LESS CURRENT LIABILITIES	45.7	100.5	83.9	230.1	249.6
Creditors: Amounts due after one year	(3.6)	-	-	(3.6)	(24.1)
NET ASSETS	42.1	100.5	83.9	226.5	225.5
Reconciliation of Funds					
Opening balance	41.2	101.5	82.8	225.5	233.5
Net movement in funds	0.9	(1.0)	1.1	1.0	(8.0)
TOTAL FUNDS	42.1	100.5	83.9	226.5	225.5

