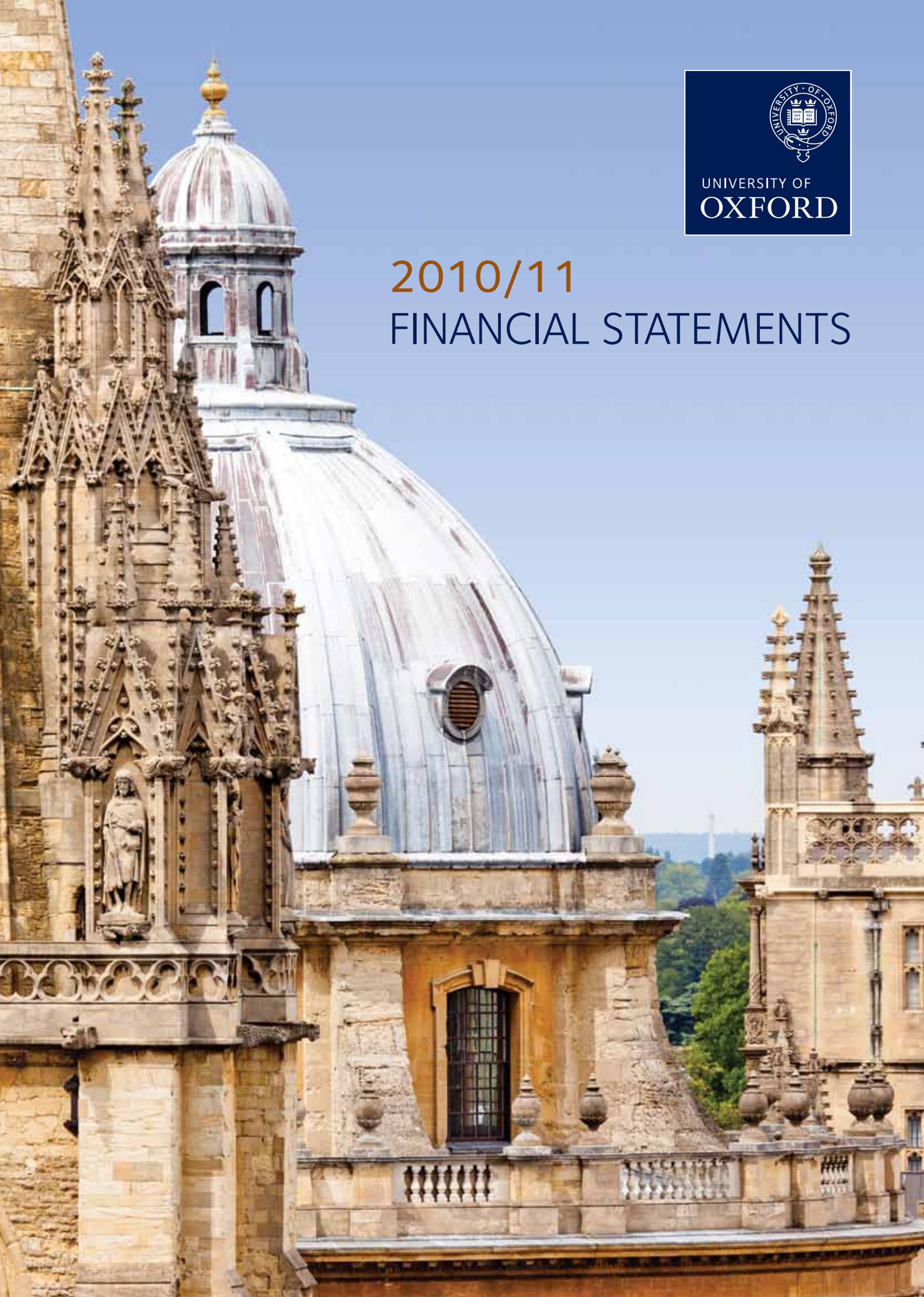




UNIVERSITY OF
OXFORD

2010/11 FINANCIAL STATEMENTS



University of Oxford

Financial Statements 2010/11



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Five Year Summary of Key Statistics

	2007 £'m	2008 £'m	2009 £'m	2010 £'m	2011 £'m
Funding body grants	179.8	186.2	195.3	203.0	200.3
Academic fees and support grants	94.0	110.4	122.7	137.3	152.7
Research grants and contracts	248.2	285.3	340.5	367.0	376.7
Other income	126.2	138.9	166.9	147.5	158.4
Endowment and investment income	28.3	42.6	37.1	25.0	31.3
Donation of heritage assets	1.0	4.1	1.1	0.2	0.2
Total Income	677.5	767.5	863.6	880.0	919.6
Total Expenditure	674.2	748.8	866.8	884.4	908.2
Surplus / (Deficit) before exceptional items	3.3	18.7	(3.2)	(4.4)	11.4
Surplus for the Year retained within General Reserves	7.9	23.8	1.2	6.2	15.4
Net cash inflow / (outflow) before management of liquid resources and financing	24.8	39.0	(52.4)	(17.3)	(49.9)
Fixed assets	824.0	844.0	1,128.6	1,275.1	1,375.7
Endowment assets	688.6	653.5	585.1	628.8	856.2
Net current assets / (liabilities)	135.8	161.5	(22.6)	(30.8)	(50.8)
Long term creditors / provisions and minority interests	(78.2)	(80.8)	(77.2)	(71.9)	(59.1)
Net Assets	1,570.2	1,578.2	1,613.9	1,801.2	2,122.0
Student Numbers					
Full-time equivalent students - undergraduates	12,106	11,917	11,734	11,765	11,723
Full-time equivalent students - graduates	7,382	7,580	8,101	8,701	9,327
Visiting Students / Other	507	517	495	461	485
Total students at 1st December in the financial year	19,995	20,014	20,330	20,927	21,535
Average number of staff (FTE)	7,977	8,427	8,921	9,246	9,140
Staff costs as a % of expenditure	52.1	53.8	50.5	53.0	52.8
Size of Estate					
Buildings (square metres, thousands)	519	530	542	570	590

The 2008 figures have been restated following the change in accounting policy in 2009, to total return accounting for endowments. The 2007 figures have not been restated. Donations of heritage assets are now included in the income figure for all five years.

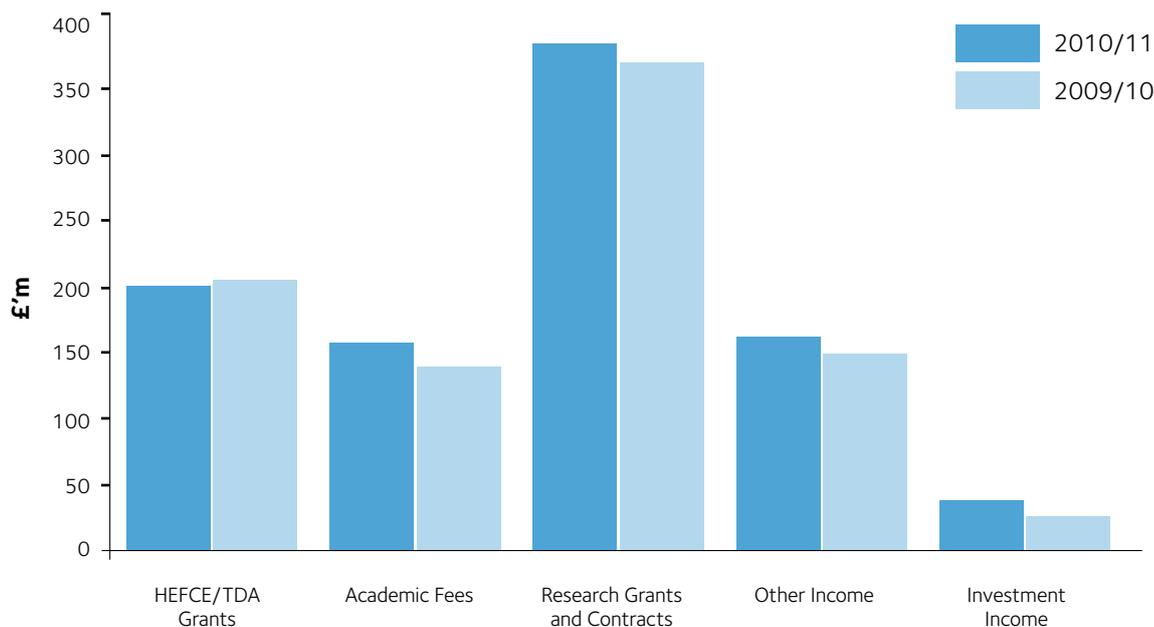
The five year summary excludes the Oxford University Press

Financial Highlights excluding Oxford University Press

Results for the Year

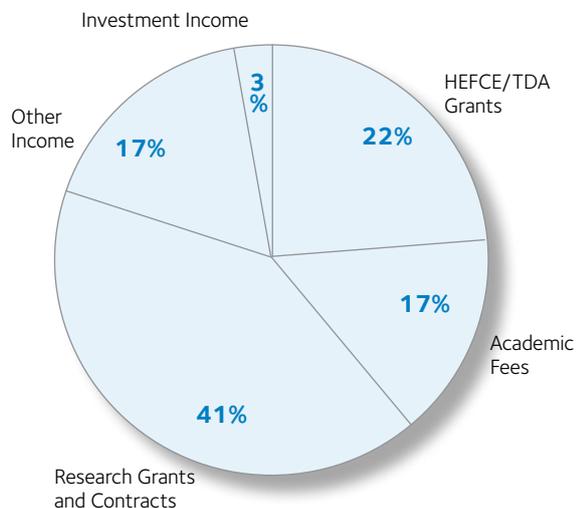
- Total income increased by 4.5% to £919.6m (2009/10: £880.0m)
- The largest source of income continued to be research grants and contracts at 41.0% (2009/10: 41.7%)

Year-on-Year Income

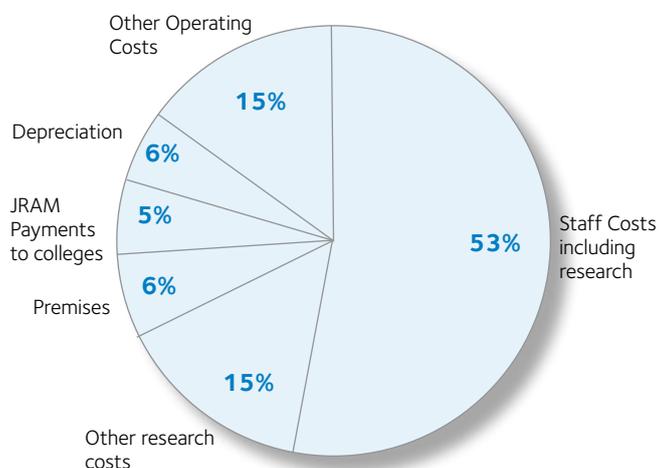


- Total expenditure increased by 2.7% to £908.2m (2009/10: £884.4m).
- Staff costs increased by 2.2% to £479.3m (2009/10: £469.1m) and were equivalent to 52.8% of total expenditure (2009/10: 53.0%)
- The surplus for the year retained within general reserves was £15.4m (2009/10: £6.2m) after taking into account a £5.6m donation of assets relating to Green College and an £8.1m write back of impairment provisions in relation to Icelandic bank deposits.

Consolidated University Income 2010/11



Consolidated University Expenditure 2010/11



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 21,500 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 (other than Kellogg College and St Cross College) 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. Since 1 June 2010, the Higher Education Funding Council for England ("HEFCE") has been 'principal regulator' for charity law purposes of those English universities which are exempt charities. The members of Council, the University's executive body, are the trustees of the charity and, as such, 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.

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, through its Strategic Plan¹, the University agreed six over-arching objectives as the route through which to achieve these aims over the period 2008/09 to 2012/13:

- 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 recruit the very best students nationally and internationally through an equitable process based on achievement and potential;
- to lead the international research agenda across the University's disciplinary spectrum and through interdisciplinary initiatives;
- to make further significant contributions to society, regionally, nationally and internationally, through the fruits of its research and the skills of its alumni, its academic and educational publishing activities, its entrepreneurial and cultural activities and policy leadership, and its work in continuing education;
- to 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; 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 against these aims and specifically how, in so doing, the University provides public benefit and therefore fulfils its charitable objectives.

¹ The University's Strategic Plan is available at: www.admin.ox.ac.uk/media/global/wwwadminoxacuk/local/sites/planningandresourceallocation/documents/planningcycle/strategicplan.pdf

Further information about the University's activities over the last year can be found in the *Annual Review*, available on the University website at: www.ox.ac.uk/about_the_university/introducing_oxford/annual_review/index.html

Further, the "Annual Report of the Delegates of the University Press" sets out how Oxford University Press² (the "Press") has furthered the University's charitable purposes for the public benefit. This report is available at: http://global.oup.com/about/annual_report/?cc=gb

Objectives 1 and 2:

- (1) ***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; and***
- (2) ***to recruit the very best students nationally and internationally through an equitable process based on achievement and potential.***

The University seeks to recruit the very best students from the UK and abroad through transparent and fair admissions processes based on achievement and potential. It provides worldclass libraries, laboratories and other facilities and services in support of students' studies and students' understanding of their subjects is enhanced through direct engagement with academic staff undertaking research and scholarship at an international level. Through the University's distinctive tutorial system, undergraduates meet their tutor weekly either alone or with one or two other students, meaning greater personal attention and the tailoring of learning to meet students' individual needs.

Student numbers

The figures³ below show the numbers of registered full-time, part-time and visiting students as at 1 December in 2009 and 2010⁴:

As at 1 December:	2010	2009
Undergraduate	11,723	11,765
Postgraduate	9,327	8,701
Visiting Students/Other	485	461
Total Number of Students	21,535	20,927

In addition, around 15,000 students, many studying for the first time, are undertaking a range of more than 600 short courses through the Department for Continuing Education. Courses include evening and weekend classes, residential and summer schools, undergraduate and graduate level qualifications, professional development programmes, and courses delivered online.

Widening participation

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: 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. However, the collegiate University also provides Oxford Opportunity Bursaries for UK undergraduate

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 Press's Trading Operations and Property and Reserve Fund for the year ended 31 March 2011 are set out on pages 59 to 63. The rest of this Operating and Financial Review does not include the Press unless expressly stated.

³ From 'Student Numbers 2010-11' Gazette Supplement (2) to No. 4945, Vol. 141

⁴ Excluding those undertaking courses through the Department for Continuing Education

students from households where income is below a certain level (currently £50,020). In 2010/11 fees for UK/EU undergraduate students provided an additional £19.9m of income, of which £6.2m was distributed to 2,681 undergraduate students in bursaries and scholarships through the Oxford Opportunity Bursaries Scheme. Full details of the scheme are available at: www.ox.ac.uk/feesandfunding/ugcurrent/university/oob/

In addition, individual colleges and departments also provide a wide range of financial support for students. Details are available at: www.ox.ac.uk/feesandfunding/prospectiveugrad/

From 2012/13, the University will charge Home and EU undergraduates the maximum permissible fee of £9,000. However, the collegiate University remains committed to ensuring that any UK student can afford to take up a place at Oxford, and therefore the higher fees will be offset by a generous programme of both fee waivers and bursaries for those from households with lower incomes. As indicated in the University's agreement with the Office for Fair Access for the period 2012-13, the collegiate University will spend 50% of 'additional income' arising from the fee increases on access measures. In the first year of the new arrangements alone (2012-13), an additional £11m will be spent on financial support, student services and outreach. This spend will increase as more cohorts come under the new regime. Based on current student profiles, one in six UK students at Oxford will receive a fee waiver and a quarter will receive a bursary. The collegiate University will provide the lowest-income UK students with financial support totalling £10,000 in their first year and over £6,000 in every later year.

In total, some £50m is paid out annually for postgraduate scholarships at Oxford. These awards are provided by the collegiate University and external organisations including Research Councils, government bodies and charitable foundations. At postgraduate level, nearly a third of students are fully supported by competitively won scholarship funding, receiving funding for tuition fees, college fees and living expenses; and a further 12% are partially supported in this way. At doctoral level, half of all students receive full scholarship funding. Details of the graduate scholarship funds administered by the collegiate University are available at: www.ox.ac.uk/feesandfunding/fundingsearch/

Objective 3:

to lead the international research agenda across the University's disciplinary spectrum and through interdisciplinary initiatives.

The University is committed to disciplinary excellence in research across the spectrum of the sciences, medicine, the social sciences and the humanities and to interdisciplinary research initiatives; its ambitions, activities, global connections and reach are influenced by more than eight centuries of discovery and public engagement. The scale of the University's research activity is substantial: more than 70 departments, over 1,600 academic staff, more than 3,500 research and research support staff, and over 4,600 postgraduate research students are involved.

External research income

Research	2011	2010
Revenue in year (£'m)	376.7	367.0
Growth in revenue (%)	2.6%	7.8%
Value ⁵ of new grants and contracts awarded in the year (£'m)	530	415
Number of new awards received (grants and contracts)	1,793	1,822

The two single largest sources of support for research at Oxford 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 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. There is extensive collaboration with leading university networks, among researchers and with public

⁵ 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.

agencies and business, in the UK and internationally. In 2010/11 Oxford received the maximum possible allocation from the HEFCE Higher Education Innovation Fund (“HEIF 5”) based on its performance in the national Higher Education–Business and Community Interaction (“HE–BCI”) Survey. Oxford’s HEIF allocation was driven by activity metrics which exceeded those of its nearest rival by 30%.

Research awards over the last year have included:

- five-year funding of £98m from the National Institute for Health Research for the Biomedical Research Centre, a partnership between the University and Oxford Radcliffe Hospital;
- £15m for the new Social Sciences’ Doctoral Training Centre from the Economic and Social Research Council – more than any other single institution – to fund 45 postgraduate studentships every year for five years;
- two of the four L’Oreal UK and Ireland fellowships for Women in Science awarded to researchers in the Department of Chemistry and the Sir William Dunn School of Pathology;
- for the Humanities Division, which has trebled its research income since 2006/07, £225k over three years for postgraduate studentships from the Wolfson Foundation, a sum which the University is matching from philanthropic donations; and
- US\$2m from the Mellon Foundation for postdoctoral fellowships in the Humanities.

The past year has seen an increased emphasis on research collaborations with UK and overseas industry. The number of funding agreements with industry increased by 20% compared with the previous financial year. The single largest industrial award ever at Oxford (total value £96m) was set up between the University’s Clinical Trials Studies Unit (“CTSUs”) and Merck Sharp and Dohme Ltd. The Man Group invested a further £13.2m in quantitative finance research with Oxford; and January 2011 saw the announcement of the new Laing O’Rourke Centre for Construction Engineering. In addition, a Memorandum of Understanding was signed in February with BP, designed to increase University–BP collaboration.

The University warmly acknowledges the role of all its funders in supporting its research efforts and the significant contributions made by its collaborators, both of which are central to the generation of public benefit through the University’s research activity.

Research impact

The University seeks to maximise the benefits of research by advancing fundamental knowledge and contributing to better public policy, improved health outcomes, economic prosperity, social cohesion, international development, community identity, the arts, culture and the quality of life. Oxford staff and student researchers address many of the major challenges that face our society, from language conservation to new vaccines, ageing to obesity, new energy sources to biodiversity. They use innovative research techniques and modern technology, both to examine problems of the modern world and to understand better the ancient world.

In the past year, for example, the first babies were born in the UK using a new chromosome counting technique pioneered at Oxford University to select the best embryos for IVF. In June, an international panel led by researchers in the Department of Zoology reported that the world’s oceans were at risk of entering a phase of extinction of marine species unprecedented in human history. The past academic year saw the launch of CLAROS (the world of art on the semantic web), ‘Around 1968’ (a digital archive of interviews with rebels who participated in the unrest across Europe in 1968), and ‘Ancient Lives’ (a collaboration between Classics and Astrophysics which asks the public to help study papyrus).

The digital age is providing new ways for the public to take part in the University’s research projects and access knowledge through blogs, wikis, social networking sites, podcasts, and on-line archives. Some of these interactions are profiled in Oxford Impacts (www.ox.ac.uk/research/research_impact/oxford_impacts/index.html) and on the Oxford Research website (www.ox.ac.uk/research/index.html).

The University also seeks to ensure that, where appropriate, inventions are transformed into commercial ventures which in turn create innovative products, new skills, jobs and wealth. This is achieved in particular through the work of 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 2011, 292 deals were signed; £6.8m of translational funding was won by Oxford researchers with help from Isis; Isis revenues increased by 12.5% over the previous year; and £4.8m was distributed to Oxford University and its researchers. Further information about Isis is available at (www.isis-innovation.com/news/index.html).

Objective 4:

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.

The University makes the diverse benefits of its teaching and research activity widely available in order to promote the common good. The results of its research and innovation are published in books, academic journals, through conference presentations, in the local, national and international media and online.

The Press

Oxford University Press 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 250 journals. 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 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.

Libraries, museums and collections

Through the University's museums, research collections, libraries, botanical gardens, and laboratories, the public benefits from, and contributes to, centuries of investment by the University. The tens of millions of objects in the University's collections form one of the largest and most important repositories in the world. They support world-class levels of teaching and research at Oxford and also provide free and accessible resources for the general public. In recent years, the libraries, museums and collections have dramatically expanded their capacity to run extensive education and outreach programmes for members of the public of all ages and background and engage them in big issues like global warming, biodiversity, ethnicity and evolution. The University's Museums are open to the general public free-of-charge. More than a million items from the Bodleian Library's collections have been digitised, so that researchers worldwide can access them. The wider public are able to view most of them without charge through the internet.

The University has created and promoted an iTunes U site featuring more than 2,500 free podcasts, some of which are accompanied by free ePublications. More than 12 million downloads, by a worldwide audience of 185 countries, have been made in the three years since the site's launch. Oxford's most popular podcast, about philosophy, has received hundreds of thousands of downloads and was number one in the global iTunes U chart for many months.

Cultural life

The University organises a large number of events each year including public lectures, research showcases, events for the local community, visits by Heads of State and traditional University ceremonies, some of which are filmed and published online so a much wider audience is able to see them. Key events during 2010-2011 included the inaugural Oxford London Lecture on The Gene Revolution and the Dame Mitsuko Uchida concert in support of the Faculty of Music. The University makes a major contribution to Venturefest, Oxfordshire's annual conference and exhibition for enterprise, innovation and the commercialisation of new technology.

The University also ensures its rich sporting tradition is fed back in to the community. The CommUniSports scheme runs coaching and other sports projects in the local community, mainly with schools. Many University sports facilities,

including the University's new gym and the Rosenblatt Swimming Pool, are accessible to local residents, with local state schools having swimming lessons free of charge during the school term.

The University's student body is heavily involved in voluntary community activity of every kind. The focal point for charitable activity is The Oxford Hub, one of Oxford's biggest student-run organisations, with over 3,200 student members. The Hub links students with local and international community activities and also advises them on setting up their own projects, as well as offering training and information on social and environmental issues, events, and careers.

Further examples of the University's contribution to society of ways in which it engages with the local community and the wider public are described at: www.ox.ac.uk/visitors_friends/oxford_in_the_community/index.html

Hospitals

The University has for many years worked closely with local hospitals and in November 2011 entered into a joint working agreement with Oxfordshire's four teaching hospitals. The John Radcliffe hospital, the Churchill hospital, the Horton General in Banbury and the Nuffield Orthopaedic Centre will operate as part of a single trust called the Oxford University Hospitals NHS Trust although the University and the new trust will remain separate organisations. The arrangement provides a formal structure and governance for the relationship between the University and the hospitals and is designed to support the best teaching of medical students, excellence in medical research and the delivery of quality healthcare.

Objective 5:

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.

Staff

Staff are the major resource of the University, representing 52.8% of expenditure, as shown in the table below

	2011	2010
Average number of staff (FTE)	9,140	9,246
Staff costs as a % of expenditure	52.8	53.0

Source: OPENdoor

Further information on the University's workforce is available at: www.admin.ox.ac.uk/personnel/figures/

The collegiate University is the largest employer in Oxford and second largest employer in Oxfordshire, supporting more than 18,000 jobs. Oxford's academic community includes 80 Fellows of the Royal Society and 100 Fellows of the British Academy. The successes of Oxford's academics are recognised regularly in the award of prestigious international prizes.

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 challenge for the University is to maintain its competitive position in the employment market and to sustain staff morale in a challenging economic climate.

The University has continued to implement measures aimed at ensuring the prudent management of staffing costs, through a voluntary severance scheme, enhanced scrutiny of recruitment in order to contain the growth in posts funded by core university funds, and the suspension of the merit pay schemes for all staff groups. The voluntary severance scheme ran from April 2009 to 31 January 2011 and resulted in 220 departures; the total cost to the University of one-off payments was just under £8.7m and the projected savings are expected to be in the region of £6.7 million per annum. The rigorous approval process for recruitment to all new and existing posts, introduced in 2009, was reviewed in 2011. As it had resulted in the stabilisation of internally-funded staff numbers, which hitherto had been steadily increasing, it has been extended for at least one further year.

A major strand of the University's human resources strategy is the work of a task force which is reviewing the terms and conditions of academic employment. Proposals on titles of distinction and merit pay for academics were approved in 2010, although in view of the financial situation the first round of applications under the new arrangements is dealing solely with applications for the conferment of the title of professor. The task force will shortly consider definitive proposals on academic duties (and particularly the variability of individual duties over time).

Under the proposals approved in 2010, it was also agreed that the Personnel Committee would consider the question of what, in its view, the priority should be for further investment in terms and conditions of employment in general in the annual budget round, including in relation to the implementation of the new structure for merit pay for academics, and the possible reinstatement of merit review for other staff. In view of the general financial position, the committee decided that it would not make such a recommendation, nor recommend the reinstatement of distinction award exercises for substantive professors and readers or of merit review for academic-related and support staff at the present time. The committee noted that investment in staff in the approach to the Research Excellence Framework was likely to focus on recruitment to new positions and on acute retention issues. The committee will return to the question of the monetary reward of merit among the generality of existing staff during 2012.

The number of externally-funded research staff has grown as the University has continued to win research grants in an increasingly competitive environment, as well as through transfers from other institutions under the Transfer of Undertakings (Protection of Employment) Regulations 2006 including, most recently, the Kennedy Institute of Rheumatology. Work continues on strengthening support for the career development of researchers.

An important element of total staff remuneration is the provision of pension benefits. The majority of staff are entitled to become members of one of three principal contributory defined pension schemes. These schemes provide valuable guaranteed benefits based on the employee's salary and length of service with the University. Changes to the Universities Superannuation Scheme, which were agreed nationally, came into force on 1 October 2011. The Oxford Staff Pensions Scheme for support staff is currently under review to ensure that the scheme also remains affordable and sustainable in the long term.

The promotion of equality and diversity remains an important feature in the recruitment and employment of all staff. Progress reports on the University's equality schemes may be found at www.admin.ox.ac.uk/eop/.

Objective 6:

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

Investment in facilities

Despite economic pressures, academic activity has continued to attract funding and the demand for new and more functional space continues. In 2010/11, the University's functional estate grew by over 3% to approximately 590,000 square metres, largely due to the addition of the new Earth Sciences Building, the Swindon Book Storage Facility and the Oxford Molecular Pathology Institute.

Investment in these new buildings (and in enhancing the quality of the University's existing building stock) is helping to improve the condition, functional suitability and environmental performance of the functional estate. 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.

	2011	2010
Building and Equipment additions (£'m)	105.1	131.1
Capital grants received (£'m)	57.5	133.5
Building repairs and maintenance (£'m)	14.6	14.2
Repairs and maintenance as % of building insurance value	0.6%	0.6%
Buildings (sq.m. gross internal area x 1000)	590	570

Progress has been made in the following areas:

- obtaining planning and listed building consents for a number of significant future developments - Chemistry Research Laboratory 2, Clarendon Laboratory 2 (Department of Physics), Primary Care Trust Building (Radcliffe Observatory Quarter ("ROQ")), New Mathematics and Humanities Faculty Buildings (ROQ site), Kennedy and Nuffield Department of Medicine ("NDM") Buildings at Old Road, New Bodleian Library;
- installing the infrastructure necessary to allow for the proposed delivery of the master-plans at Begbroke, in the Science Area and at the ROQ;
- commencing construction of a number of new building, refurbishment and infrastructure projects including the new Mathematics Institute Building, Primary Care Trust Building, Radcliffe Infirmary Building (ROQ site), Kennedy and NDM Buildings at Old Road (enabling works), Saïd Business School Executive Education Extension, St Cross Building refurbishments for the Faculties of English Language and Literature and Law;
- completion or near-completion of a number of projects for academic and support activities including the Tinsley Building refurbishment (Medical Sciences), the new Earth Sciences Building, the Oxford Molecular Pathology Institute extension to the Sir William Dunn School of Pathology, New Richards Building (Old Road), and the Underground Bookstore refurbishment; and
- continuing the conservation of the University's historic buildings including restoration of the Sheldonian Theatre and restoration and repair within the Radcliffe Camera.

Heritage assets

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 2010/11 was £2.9m (2009/10 £0.3m), with the major item being the "Jane Austen Manuscripts".

Environmental Policy

The University is committed to reducing the environmental impact of its activities and 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.

During 2010/11, the University approved its Carbon Management Strategy and Water Management Strategy, setting ambitious targets for a reduction in building energy related CO₂ emissions and a reduction in water consumption. A Waste Management Strategy is currently being developed, the purpose of which is to reduce the volume of waste sent to landfill by means of sustainable procurement, re-use and recycling.

Recent energy saving initiatives include:

- £260k invested in departmental energy saving initiatives during 2010/11, bringing carbon savings of 955 tonnes and annual cost savings of £151k;
- a combination of heat recovery and adjustments to ventilation control settings has saved 650 tonnes CO₂ and £74k in gas costs in four medical research laboratories on the Old Road Campus;
- the first University building with a combined heat and power ("CHP") plant opened in October 2010. The 500kW CHP plant in the Oxford Molecular Pathology Institute will reduce the laboratory's carbon emissions by generating electricity from gas and using the waste heat to supply an absorption chiller for cooling the new data centre;
- another University first is the large ground source heat pump system under the new Earth Sciences building. This unit will transfer heat from 50m below ground to provide heating in the winter and cooling in the summer. The heat pump will reduce building carbon emissions and is the first of several planned for new buildings; and
- £100k invested in pedestrian, cycling and travel infrastructure projects in 2010/11 including extra cycle parking, departmental lockers and showers and increased security and access arrangements.

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 these objectives, the University is seeking to increase its endowment, through the Oxford Thinking Campaign.

Income has grown but at a slower rate than previous years and the upward pressure on costs continues to be significant. The University generated a surplus for 2010/11 of £15.4m (2009/10 surplus of £6.2m). The surplus is calculated after the donation of assets of £5.6m to Green Templeton College, a reduction in the impairment of the University's deposits with Icelandic banks of £8.1m and accounting for the transfer from expendable endowments of £9.6m.

Financial Summary	2011 £'m	2010 £'m
Income	919.6	880.0
Expenditure	(908.2)	(884.4)
Surplus/(Deficit) on ordinary activities	11.4	(4.4)
Donation of assets to Green Templeton College	(5.6)	-
Transfer from expendable endowments	9.6	10.6
Surplus for the year retained within General Reserves	15.4	6.2

Income

Compared with the previous year, income to the University rose by 4.5%, from £880.0m to £919.6m. 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 2.6% to £376.7m.
- Grants from the Higher Education Funding Council for England (HEFCE) represent the second largest source of University income and amounted to £200.3m, down by 1.3%.
- Academic fees and support grants amounted to £152.7m, up by 11.2% as a result of increased student numbers and revision to fees charged for some courses.
- Donations increased from £8.2m in 2009/10 to £23.0m in 2010/11. 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 £1.2m (2009/10 £3.2m). This arose primarily from the favourable movement in the US Dollar and Euro rates.
- Endowment and investment income increased by 25.2% to £31.3m. The main reason for the increase was the receipt in the year of a new endowment of £203.5m from the Press.
- Included within income in 2010/11 is £37.0m received from the Press (2009/10 £44.0m). The decrease is mainly due to a one off contribution in 2009/10 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 £908.2m was 2.7% higher than in 2009/10.

Staff costs totalled £479.3m, an increase of 2.2%. This resulted from an annual negotiated pay settlement of 0.4%, annual promotional salary increments and early retirement charges offset by a reduction in headcount. Staff costs in 2010/11 include £4.0m relating to early retirement charges. The impact of this scheme in terms of reduced costs and staff numbers will occur in 2011/12.

Other operating expenses amounted to £381.4m, an increase of 5.9%. Major factors explaining the increase include an increased number of student bursaries and higher utility costs.

Depreciation has increased from £51.6m in 2009/10 to £53.3m in 2010/11 due to the completion of new buildings, the largest of which are the new Earth Sciences Building and the Swindon Book Storage Facility.

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 £24.7m of fixed-term deposits with these banks, and current asset investments include a further £2.8m of accrued interest in relation to these deposits. The University is working together with other affected bodies to recover these amounts. On 28 October 2011, the Icelandic Supreme Court upheld the earlier decision of the Icelandic District Court that the deposits of test case wholesale claims have preferential creditor status. The administrators of one of the banks also announced an improved estimated rate of recovery. Accordingly, the £14.7m impairment provision originally recorded in 2008/9 has been reduced by £8.1m and an equal amount has been credited to the Income and Expenditure Account.

The value of the amount ultimately to be recovered is still subject to uncertainties regarding the eventual timing of distributions and the impact of exchange rate fluctuations on the value of assets held in foreign currencies.

Cash Flow and Financing

Capital expenditure of £103.8m was lower than 2009/10 whilst capital grants received were significantly lower at £42.7m due to reductions in capital grants from HEFCE. New endowments received of £216.8m included £192.5m from the Press. After a £209.5m acquisition of endowment asset investments and other outflows there was a net cash outflow of £80.3m.

	2011 £'m	2010 £'m
Net cash (outflow)/ inflow from operating activities	2.0	(9.0)
Capital expenditure	(103.8)	(128.3)
Capital grants	42.7	140.4
Net acquisition of fixed asset investments	(7.8)	(33.6)
Net endowments acquired/received	7.3	10.8
Outside investment into Oxford Capital Fund LP	8.7	-
Transfer of cash to Green Templeton College	(5.8)	-
Net (acquisition)/disposal of current asset investments less loans repaid	(30.4)	3.9
Other inflows	6.8	2.4
Decrease in Cash	(80.3)	(13.4)

The University has bank loans outstanding totalling £43.3m. Borrowing as a percentage of net assets was 2.0% (2009/10: 2.5%).

Investment Performance

The University's investments are managed as the Oxford Endowment Fund, the Oxford Capital Fund, the Deposit Pool, Cash and Bond Fund 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 is 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 750 individual Trusts. The Fund is unitised, and in return for cash subscriptions each Trust receives a percentage interest in the whole portfolio.

■ *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.

■ *Investment Performance*

At 31 July 2011, the market value of the Oxford Endowment Fund was £985.7m (2009/10 £666.7m); and the market value of the Capital Fund was £415.8m (2009/10 £431.5m).

For the year to 31 July 2011, the Oxford Endowment Fund returned 10.6% (2009/10 -14.5%) and the Oxford Capital Fund 8.5% (2009/10 11.3%).

Equity markets broadly continued their rise from the lows of 2009 as government and central banks sought to stabilise asset markets. Developed markets slightly over performed emerging markets over the year. Commodities were the main beneficiary of the attempts by policy makers to stimulate growth. The inflationary consequences of government stimulus hampered the performance of Global Bonds. The Oxford Endowment Fund returned 10.6% over the year compared to the benchmark return of 10.3%. The MSCI World GDP weighted index delivered 11.7%. The Oxford Endowment Fund has tended to sharply lag rising markets then outperform in periods of weakness. The Oxford Capital Fund returned 8.5% compared to the benchmark return of 8.1%. The asset allocations of both funds have not significantly changed in the year. The University transferred £60m from the Oxford Capital Fund to the Oxford Endowment Fund in the year to reflect that these assets could be invested longer term. In 2010/11 £203.5m received from the Press was invested in the Oxford Endowment Fund.

■ *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. During the year a cash and bond fund has been set up to manage more actively the University's surplus short term cash.

The majority of the investments held by the James Martin 21st Century Foundation, totalling £57.2m, 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.

Principal risks and uncertainties

The University has developed comprehensive risk registers at both a strategic level and at individual departmental and divisional levels. The process by which risk and uncertainty is managed throughout the University is described on page 19. The principal strategic risks are outlined below as part of Future Financial Challenges.

Oxford Thinking: The Campaign for the University of Oxford

In October 2010, 'Oxford Thinking: The Campaign for the University of Oxford' passed the £1 billion milestone, less than three years since its public launch in May 2008. The Campaign encompasses the whole of the collegiate University: to date, 55% of the philanthropic income has been donated to the University and 45% to the colleges. Just under half of all income (49.4%) has been donated to the Campaign from donors within the UK; donors from overseas have contributed the remainder (50.6%).

The Campaign has continued to generate significant levels of donation, including 12 gifts of more than £1m to the University during 2010/11. The Campaign reached £1.15 billion in July 2011, some 92% of the University's stated minimum target of £1.25 billion. All the gifts received for 'Oxford Thinking' will contribute to the collegiate University's three agreed priorities – supporting students, academic posts and programmes, and investing in capital infrastructure – within the colleges, academic divisions and departments, libraries, museums and collections, and to sports and other activities.

The remarkable generosity of Oxford's many alumni, friends and benefactors, together with the involvement and support of academics, students and staff across the University and colleges, remains critical to the success of the Campaign and to the success of the collegiate University. Further information about the Campaign can be found at: www.campaign.ox.ac.uk

Future Financial Challenges

2012 will see the University entering a new funding environment that will offer both challenges and opportunities.

The move from public to private funding following changes in UK/EU undergraduate fees will generate some additional income for the University (although increased fees are heavily countered by withdrawal of government funding), but will also require increased expenditure on bursaries and student support. At the same time the University will be investing to improve the student experience.

The current economic climate is affecting the level of investment available for research. Funding bodies are concentrating funding on fewer and larger research projects and the level of support for capital investment is significantly reduced. The health of the University's research base is also dependent on a supply of talented postgraduates.

Uncertainty in the financial markets will continue to have a detrimental impact on investment returns and the University's ability to attract new endowments and donations.

A consequence of current Government policies is an increased challenge in attracting the best students and academics from around the globe, because immigration quotas, a harsher UK tax regime and pension constraints are all starting to make international opportunities more competitive. In addition the University has to deal with the challenge of increased regulation and compliance in a much devolved structure.

Notwithstanding all of the many challenges, the University will continue to seek to manage its sources of revenue effectively and its costs efficiently in order to generate the positive long-term cash flow needed to ensure that Oxford maintains its pre-eminent position amongst the world's leading universities.

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.

Responsibilities of Council

Council, composed of members of Congregation elected by Congregation, ex officio members and lay members, 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, and for the administration of the University. Council's primary financial responsibilities are the management of the University's finances and assets, in accordance with the conditions of the Financial Memorandum between HEFCE and the University. 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 HEFCE and its funding agreement with the Training and Development Agency for Schools;
- 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.

From time to time Council reviews its own effectiveness and the institution's structures and performance to ensure it is able to satisfy itself that it is able to discharge its external accountability (including audit) requirements both in the academic and financial spheres.

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. Council meets monthly (except for August) and is chaired by the Vice-Chancellor.

The Statutes and Regulations require Council to prepare financial statements⁶, which include the accounts relating to the teaching and research activities of the University and the accounts of the University's subsidiary undertakings. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. 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.

⁶ See footnote 2 on p. 4. 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.

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.

Membership of Council

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

Membership of Council from 1 August 2010 to 14 November 2011 was as follows:

Position	Name	Date
Ex officio Members		
<i>Vice-Chancellor</i>	Professor A Hamilton	Throughout
<i>Chairman of Conference of Colleges</i>	Dr F Lannon, Principal of Lady Margaret Hall	To 30 September 2011
	Mr T D Gardam, Principal of St Anne's	From 1 October 2011
<i>Head of the Medical Sciences Division</i>	Professor A M Buchan	Throughout
<i>Head of the Mathematical, Physical and Life Sciences Division</i>	Professor A Halliday	Throughout
<i>Head of the Humanities Division</i>	Professor S Shuttleworth	To 31 July 2011
	Professor S West	From 1 August 2011
<i>Head of the Social Sciences Division</i>	Professor R Goodman	Throughout
<i>Senior Proctor</i>	Rev'd Dr C P Thompson	To 16 March 2011
	Mr L Whitehead	From 17 March 2011
<i>Junior Proctor</i>	Mr N Bamforth	To 16 March 2011
	Professor B Rogers	From 17 March 2011
<i>Assessor</i>	Dr E Eve	To 16 March 2011
	Rev'd Dr T Morgan	From 17 March 2011
Elected by the Conference of Colleges		
	Mr G I Henderson, Master of Pembroke	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 A M Etheridge	Throughout
	Professor M S Williams	Throughout
	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 S Mapstone	Throughout
	Dr P Coones	To 30 September 2011
	Dr E Smith	From 1 October 2011
	Dr E J Garnett	Throughout
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	Throughout
	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	To 31 December 2010
	Dr S E Thomas	From 1 January 2011
	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	To 30 September 2011
	Sir Crispin Davis	Throughout
	Ms A Perkins	Throughout
	Sir Paul Nurse	From 1 October 2010

Co-opted members

	Professor A Monaco, Merton, in his capacity as Pro-Vice-Chancellor (Planning and Resources)	To 31 July 2011
	Professor E G McKendrick, Lady Margaret Hall, in his capacity as Pro-Vice-Chancellor (Education, Academic Services and University Collections)	To 31 December 2010
	Professor E Y Jones, Jesus	To 30 September 2011

Committees of Council

Council is advised by a range of committees, including five main committees that report directly to Council on core business: the Education Committee, the General Purposes Committee, the Personnel Committee, the Planning and Resource Allocation Committee and the Research Committee. Financial and audit committees reporting directly to Council include the Audit and Scrutiny Committee, the Finance Committee and the Investment Committee.

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 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 Personnel Committee has oversight of the development and review of employment policies; and is responsible for staff relations and all personnel matters.

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 Research Committee advises Council on policy and planning issues relating to research, facilitates the preparation of external reviews of the University's research and co-ordinates the gathering of data for such reviews.

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, value for money, data quality and governance arrangements, considers the annual financial statements and, under Council, oversees the policy on fraud and irregularity. The Committee also receives regular reports from 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 Finance Committee is responsible, under Council, for the consideration of the financial resources available to the University, and for proposing, for approval by Council, the overall income and expenditure budget, the overall capital expenditure budget and the five year financial strategy for the University. The Finance Committee is also responsible for the review of, and provision of advice to Council on, the University's annual financial statements and annual accounts of the Delegates of the Press, and providing advice to Council on the needs of the University (as established by its plans) in order that Council can take these views into account when establishing capital investment policy.

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

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. 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 a framework 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. The Risk Management Steering Committee is continuing its work to embed risk management more fully across the University and regularly advises the General Purposes Committee on progress. Risk registers are established in each of the University's academic divisions and within the Academic Services and University Collections sector and by each of the University's main committees. The University's planning and budgeting framework ensures that risk management is also effectively embedded in all elements of five year planning.

PricewaterhouseCoopers LLP ("PwC") provided internal audit services for the year. PwC provides 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 nine times to consider business relevant to the 2010/11 financial year with the University's external and internal auditors in attendance at each of the committee's ordinary meetings. During these meetings, the committee agreed a programme of work for the internal audit function; received reports from Internal Audit, external auditors and management committees; and agreed the actions necessary to implement recommended improvements, amongst other matters. On an annual basis, PwC formally provides the Audit and Scrutiny Committee with an assessment of the adequacy of the internal control environment. The Audit and Scrutiny Committee in turn provides Council with its opinion on the status of internal controls.

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 been applied during the year.

Independent auditor's 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 2011 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 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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 2010. Our audit work has been undertaken so that we might state to the Council's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditors

As explained more fully in the Statement of the Responsibilities of Council, it is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial statements

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 Financial Reporting Standard 2 "Accounting for Subsidiary Undertakings". We are unable to quantify the effect of this departure from United Kingdom accounting standards.

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of affairs of the University and the Group as at 31 July 2011 and of the surplus of the Group for the year then ended; and
- 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.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion

- In all material respects, income from the funding council 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 2011 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2011 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the funding council and the funding agreement with the Training and Development Agency for Schools.

Matter on which we are required to report by exception

We have nothing to report in respect of the Higher Education Funding Council for England Audit Code of Practice requirement that we report to you if, in our opinion, the Statement of Internal Control (included as part of the Governance Statement) is inconsistent with our knowledge of the University.

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 Auditor
Reading
14th November, 2011

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 2011 is included at pages 59 to 63.

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 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.

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 University 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 2008/09 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

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. Other investments are stated at the lower of cost and market value.

In the consolidated financial statements, investments in associated undertakings are stated at the University's share of net assets.

In the University's balance sheet investments in associated and subsidiary undertakings are stated at cost less provision for impairment except for the University's investment in the subsidiary undertaking Oxford Capital Fund Limited Partnership which is stated at market value.

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.

Oxford University has set up a limited partnership called the Oxford Capital Fund which operates as a pooled investment vehicle for funds of the University and of colleges and other related outside bodies that wish to invest. Each of the investors in the Oxford Capital Fund are limited partners, with a partnership share in proportion to their investment. As the University has control over the investment manager and general partner, since both are 100% subsidiaries, 100% of the investments are included in the University financial statements. The proportion of the Capital Fund relating to colleges or other related outside bodies shares is shown as a minority interest in the University financial statements.

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 2011

	Note	2011 £'m	2010 restated £'m
INCOME			
Funding body grants	1	200.3	203.0
Academic fees and support grants	2	152.7	137.3
Research grants and contracts	3	376.7	367.0
Other income	4	158.4	147.5
Endowment and investment income	5	31.3	25.0
Donation of heritage assets	11	0.2	0.2
TOTAL INCOME		919.6	880.0
EXPENDITURE			
Staff costs	6 & 7	479.3	469.1
Other operating expenses	7	381.4	360.1
Depreciation	7 & 11	53.3	51.6
Interest and other finance costs	7	2.3	3.6
Reduction in impairment of Icelandic bank deposits	7 & 15	(8.1)	–
TOTAL EXPENDITURE		908.2	884.4
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES		11.4	(4.4)
MINORITY INTEREST	26	–	–
SURPLUS/(DEFICIT) BEFORE EXCEPTIONAL ITEMS		11.4	(4.4)
Donation of assets to Green Templeton College	8	(5.6)	–
SURPLUS/(DEFICIT) AFTER EXCEPTIONAL ITEMS		5.8	(4.4)
TRANSFER FROM EXPENDABLE ENDOWMENTS	20	9.6	10.6
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	23	15.4	6.2

The activities of Oxford University Press ('the Press') are not consolidated within the University's Financial Statements.
Donation of heritage assets has been reclassified to within total income.
All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2011

	Note	2011 £'m	2010 £'m
SURPLUS/(DEFICIT) AFTER EXCEPTIONAL ITEMS		5.8	(4.4)
Increase in value of fixed asset investments	24	51.7	36.4
(Decrease)/increase in value of expendable asset endowments	20	(0.2)	1.8
New endowments received	19&20	227.8	18.0
Transfer of endowment to Green Templeton College	19	(5.6)	–
Other movements in endowments	19&20	15.0	48.6
Reclassifications from endowment reserves		–	(14.1)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		294.5	86.3
OPENING RESERVES AND ENDOWMENTS		1,037.6	951.3
CLOSING RESERVES AND ENDOWMENTS		1,332.1	1,037.6

BALANCE SHEETS

As at 31 July 2011

	Note	Consolidated		University	
		2011 £'m	2010 restated £'m	2011 £'m	2010 restated £'m
FIXED ASSETS					
Intangible fixed assets	10	(0.8)	(0.9)	–	–
Tangible fixed assets	11	953.3	912.3	947.8	906.2
Fixed asset investments	12	423.2	363.7	426.5	375.6
		1,375.7	1,275.1	1,374.3	1,281.8
ENDOWMENT ASSET INVESTMENTS					
	13	856.2	628.8	856.2	628.8
Current Assets:					
Stocks		2.1	2.3	0.9	1.3
Debtors	14	143.6	157.7	147.5	161.5
Current asset investments	15	50.9	14.8	50.9	14.8
Cash at bank and in hand		55.0	104.8	40.4	80.8
		251.6	279.6	239.7	258.4
Creditors: Amounts falling due within one year	16	(302.4)	(310.4)	(297.7)	(294.3)
NET CURRENT (LIABILITIES)		(50.8)	(30.8)	(58.0)	(35.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,181.1	1,873.1	2,172.5	1,874.7
Creditors:					
Amounts falling due after more than one year	17	(54.4)	(66.5)	(54.4)	(66.3)
Provisions for Liabilities and Charges	18	(4.7)	(5.4)	(4.2)	(4.9)
NET ASSETS		2,122.0	1,801.2	2,113.9	1,803.5
ENDOWMENTS					
Permanent	19	803.1	578.8	803.1	578.8
Expendable	20	53.1	50.0	53.1	50.0
	21	856.2	628.8	856.2	628.8
RESERVES					
Income and expenditure account	23	369.5	354.1	370.3	358.8
Revaluation reserve	24	106.4	54.7	109.2	55.8
		475.9	408.8	479.5	414.6
RESERVES AND ENDOWMENTS		1,332.1	1,037.6	1,335.7	1,043.4
DEFERRED CAPITAL GRANTS					
	25	780.7	763.1	778.2	760.1
Minority Interest	26	9.2	0.5	–	–
TOTAL FUNDS		2,122.0	1,801.2	2,113.9	1,803.5

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 14th November 2011 and signed on its behalf by:



Professor A.D. Hamilton
Vice-Chancellor



G.F.B. Kerr
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 July 2011

	Note	2011 £'m	2010 £'m
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	27	2.0	(9.0)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from endowments received		5.0	4.0
Other income from investments and interest received		2.3	2.2
		7.3	6.2
Interest paid		(2.3)	(3.6)
Net cash inflow from returns on investments and servicing of finance		5.0	2.6
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(103.8)	(128.3)
Proceeds of disposal of fixed assets		1.8	-
Net acquisition of fixed asset investments		(7.8)	(33.6)
Net increase in net assets of associated undertakings		-	(0.2)
Net acquisition of endowment asset investments		(209.5)	(7.2)
Capital grants received		42.7	140.4
Endowments received		216.8	18.0
Net cash outflow from capital expenditure and financial investment		(59.8)	(10.9)
ACQUISITIONS AND DISPOSALS			
Investment in Oxford Capital Fund LP by outside investors		8.7	-
Transfer to Green Templeton College	8	(5.8)	-
Net cash inflow from acquisitions and disposals		2.9	-
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(49.9)	(17.3)
MANAGEMENT OF LIQUID RESOURCES			
Net (acquisition)/disposal of current asset investments	28	(28.4)	5.7
FINANCING			
Net mortgages and loans repaid	30	(2.0)	(1.8)
DECREASE IN CASH	29	(80.3)	(13.4)

Notes to the Financial Statements

1. FUNDING BODY GRANTS

	2011	2010
	£'m	£'m
HEFCE recurrent grants	181.4	184.2
Non-recurrent grants:		
Museums and Galleries	3.4	3.4
HE innovation fund	2.1	1.5
Oxford Internet Institute	–	0.4
Refurbishment grants	–	0.7
Matched funding scheme	–	0.4
Other	0.7	0.7
Grants from the Training and Development Agency for schools	1.1	1.1
Deferred capital grants released (see note 25):		
Buildings	10.1	7.1
Equipment	1.5	3.5
	200.3	203.0

2. ACADEMIC FEES AND SUPPORT GRANTS

	2011	2010
	£'m	restated £'m
Full-time students: Home fees	49.8	46.6
Overseas and other fee rates	57.2	52.2
Part-time students: Home fees	3.8	2.9
Overseas and other fee rates	1.4	0.8
Professional and Non-matriculated courses	29.9	25.4
Examinations and other fees	0.4	0.4
Research training and support grants	10.2	9.0
	152.7	137.3

3. RESEARCH GRANTS AND CONTRACTS

	2011 £'m	2010 £'m
Research Councils	118.0	112.9
UK charities	109.8	112.7
UK government and health authorities	39.7	38.1
UK industry & commerce	14.4	14.1
European Commission and other EU government bodies	31.6	24.4
Other EU based grantors	5.2	4.2
Other overseas	57.4	60.4
Other bodies	0.6	0.2
	376.7	367.0

Research Grants and Contract Income includes £16.8m in respect of the release of Deferred Capital Grants (2010: £16.0m). Research income includes £1.6m (2010: £1.7m) relating to a release from an externally managed endowment.

4. OTHER INCOME

	2011 £'m	2010 £'m
Residence, catering and conferences	9.0	8.9
Other services rendered	44.3	41.9
National Health Service	9.9	9.4
Deferred capital grants released	7.0	5.9
Benefactions and donations	23.0	8.2
Transfer from the Press (see note 9)	37.0	44.0
Release of negative goodwill	0.1	0.1
Foreign exchange gains	1.2	3.2
Royalty income	3.2	2.1
Other income	23.7	23.8
	158.4	147.5

5. ENDOWMENT AND INVESTMENT INCOME

	2011 £'m	2010 £'m
Income from expendable endowments (note20)	0.2	0.2
Income recognised from permanent endowments (note19)	27.2	21.5
Profits on disposal of spin-out company investments	1.4	1.5
Other income from investments and interest receivable	2.5	1.8
	31.3	25.0

Profit on disposal of spinouts includes £1.3m (2010: £1.3m) release of deferred income from Beeson Gregory Merchant Bankers for the right to purchase a percentage share of share capital in spin-out companies formed by the Department of Chemistry (see note 17) and £0.8m (2010: £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 17). This is offset by impairment charges related to other spin-out company investments.

6. STAFF COSTS

	2011	2010
	£'m	£'m
Wages and salaries	390.7	382.5
Social security costs	32.0	31.2
Pension costs (note 35)	56.6	55.4
	479.3	469.1

The average number of staff in the year was:

	2011	2010
Average number of staff	9,140	9,246

The emoluments of the Vice-Chancellor who served during the year was:

	2011	2010
	£'000	£'000
Emoluments (excl. pension contribution)	371	308
Pension contributions	53	44
Former Vice-Chancellor		
Emoluments (excl. pension contribution)	–	47
Pension contributions	–	7
	424	406

In 2011 the emoluments of the current Vice-Chancellor are for a period of 12 months and in 2010 for a period of ten months from the date of appointment. The Vice-Chancellor received an increase in annual salary of 0.4% during the year.

Trustees

No trustee has received any remuneration or waived payments from the University during the year in respect of their services as trustees (2010 Nil).

The total expenses paid to or on behalf of a trustee were less than £200 (2010: less than £700 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 payments under early retirement schemes) fell in the following ranges were:

	Clinical		Non-clinical		Total	
	2011	2010	2011	2010	2011	2010
£100,000 to £109,999	18	14	35	39	53	53
£110,000 to £119,999	8	15	32	31	40	46
£120,000 to £129,999	9	5	25	23	34	28
£130,000 to £139,999	9	11	18	14	27	25
£140,000 to £149,999	11	7	8	13	19	20
£150,000 to £159,999	9	11	6	4	15	15
£160,000 to £169,999	7	10	7	6	14	16
£170,000 to £179,999	10	10	7	2	17	12
£180,000 to £189,999	5	-	1	3	6	3
£190,000 to £199,999	8	7	1	1	9	8
£200,000 to £209,999	2	4	1	1	3	5
£210,000 to £219,999	2	3	1	1	3	4
£220,000 to £229,999	2	1	-	1	2	2
£230,000 to £239,999	1	2	-	-	1	2
£250,000 to £259,999	-	1	1	-	1	1
£260,000 to £269,999	1	-	-	-	1	-
£270,000 to £279,999	1	-	1	-	2	-
£310,000 to £319,999	-	-	-	1	-	1
£320,000 to £329,999	-	-	-	1	-	1
£350,000 to £359,999	1	-	-	-	1	-
£510,000 to £519,999	-	-	1	-	1	-
£580,000 to £589,999	-	-	-	1	-	1

The salaries reflected in these ranges include payments made on behalf of the National Health Service 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 249 staff earning in excess of £100k, 104 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 2010. The total cost in 2010/11 was £4.0m (2010: £4.4m).

One payment of £162.6k (2010 Nil) was made to a staff member included in the above salary bands for compensation for loss of office.

7. ANALYSIS OF EXPENDITURE

	Staff costs	Other operating expenses	Depreciation	2011 Total	2010 Total
	£'m	£'m	£'m	£'m	£'m
Academic departments	199.2	58.6	14.0	271.8	267.2
Academic services	36.9	19.5	5.0	61.4	54.3
Research grants and contracts	165.3	132.0	16.8	314.1	305.3
Residences, catering and conferences	1.0	3.2	-	4.2	3.4
Bursaries & Scholarships	-	26.6	-	26.6	23.4
Premises	11.9	56.3	13.3	81.5	80.7
Administration	40.4	5.8	2.9	49.1	46.1
Paid to Colleges via JRAM	-	47.3	-	47.3	48.8
Amortisation of Goodwill	-	-	-	-	1.7
Other expenses	24.6	32.1	1.3	58.0	49.9
	479.3	381.4	53.3	914.0	880.8
Interest payable: other				2.3	3.6
Impairment of Icelandic deposits (see note 15)				(8.1)	-
Total expenditure	479.3	381.4	53.3	908.2	884.4

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

	2011 £'m	2010 £'m
Depreciation has been funded by:		
Deferred capital grants released (see note 25)	35.4	32.5
General income	17.9	19.1
Total depreciation	53.3	51.6

	2011 £'000	2010 £'000
Auditors' remuneration during the year was in respect of the following services:		
Audit of the consolidated University's annual financial statements	156	149
Audit of the subsidiaries' annual financial statements	91	86
Total Audit fees	247	235
Tax advice	9	4
Total non audit fees	9	4
Total fees to auditors	256	239

Auditors' remuneration in respect of services provided to the Press is disclosed in the separate audited accounts of the Press's Trading Operations and Property and Reserve Fund.

8. GREEN TEMPLETON COLLEGE

With effect from 1st October 2008, Green Templeton began to operate as a new college. Following Charity Commission approval this year, a donation of assets was made by the University to this new college with a net book value of £5.6m, as follows:

	Note	£'m	2011 £'m
Fixed Asset: Cost	11	12.5	
Depreciation	11	(2.6)	
Net Book Value	11	9.9	
Less: Deferred Capital Grants thereon	25	(4.5)	5.4
Endowment assets and cash		5.8	
Less: endowment reserves	19	(5.6)	0.2
Net transfer of assets			5.6

9. OXFORD UNIVERSITY PRESS ('the Press')

As explained in the accounting policies, these financial statements do not include the accounts of the Press, which is a department of the University. In addition to the transactions disclosed under note 4 (Other Income) and note 25 (Deferred Capital Grants) the Press provided the rest of the University during the year with goods and services worth approximately £0.7m (2010: £0.6m) of which £0.5m were free of charge (2010: £0.6m). This year the Press made two cash transfers to the University to be used for investment in Oxford University Endowment Fund, totalling £192.5m. Also transferred was some land held for investment purposes in OUP books at £7.5m and transferred into the University at its latest external valuation of £11.0m. At 31 July 2011 the Press owed the rest of the University £0.2m (2010: £0.2m). There were no material amounts due to the Press by the rest of the University at 31 July 2011 or 31 July 2010. An extract of the Press accounts for the year ended 31 March 2011 is included at pages 59 to 63.

The table below summarises the main transactions with the Press:

	2011 £'m	2010 £'m
Cash received by the rest of the University	234.7	67.4
Property transferred	11.0	-
Benefits in Kind – (University year)	0.5	0.6
	246.2	68.0
Transfer to endowment fund	203.5	-
Transfer to income in year (note 4)	32.0	34.0
Transfer relating to John Fell fund (note 4)	5.0	10.0
Deferred capital grants received (note 25)	-	19.5
Grants taken to Grants in Advance	5.7	4.5
	246.2	68.0
Release in deferred capital grants in year (note 25)	1.2	1.2

Notes to the financial statements (continued)

10. INTANGIBLE FIXED ASSETS

CONSOLIDATED	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	4.8	(8.6)	(3.8)
Amortisation for year	0.1	-	0.1
At end of year	4.9	(8.6)	(3.7)
Net book value at end of year	(0.8)	-	(0.8)
Net book value at start of year	(0.9)	-	(0.9)

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

11. TANGIBLE FIXED ASSETS

CONSOLIDATED	Land and Buildings £'m	Equipment & Machinery £'m	Assets under construction £'m	Heritage Assets £'m	Total £'m
Cost					
At start of year	917.3	74.5	119.5	21.7	1,133.0
Additions	3.3	18.2	80.7	2.9	105.1
Completed Buildings	109.3	1.0	(110.3)	-	-
Transfer to Green Templeton	(12.5)	-	-	-	(12.5)
Disposals	(0.9)	(18.9)	-	-	(19.8)
At end of year	1,016.5	74.8	89.9	24.6	1,205.8
Depreciation					
At start of year	185.4	35.4	-	-	220.8
Charge for year	31.5	21.8	-	-	53.3
Transfer to Green Templeton	(2.6)	-	-	-	(2.6)
Disposals	(0.5)	(18.5)	-	-	(19.0)
At end of year	213.8	38.7	-	-	252.5
Net book value at end of year	802.7	36.1	89.9	24.6	953.3
Net book value at start of year	732.0	39.1	119.5	21.7	912.3
UNIVERSITY	Land and Buildings £'m	Equipment & Machinery £'m	Assets under construction £'m	Heritage Assets £'m	Total £'m
Cost					
At start of year	916.3	72.1	119.5	21.7	1,129.6
Additions	3.3	17.8	80.7	2.9	104.7
Completed Buildings	109.3	1.0	(110.3)	-	-
Transfer to Green Templeton	(12.5)	-	-	-	(12.5)
Disposals	0.1	(18.4)	-	-	(18.3)
At end of year	1,016.5	72.5	89.9	24.6	1,203.5
Depreciation					
At start of year	189.7	33.7	-	-	223.4
Charge for year	31.7	21.5	-	-	53.2
Transfer to Green Templeton	(2.6)	-	-	-	(2.6)
Disposals	0.1	(18.4)	-	-	(18.3)
At end of year	218.9	36.8	-	-	255.7
Net book value at end of year	797.6	35.7	89.9	24.6	947.8
Net book value at start of year	726.6	38.4	119.5	21.7	906.2

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 £79m (2010: £77.5m) of freehold land on which no depreciation is charged. The increase in the year mainly relates to the further 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 £9.1m (2010: £7.2m).

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 £3.6m (2010: £2.0m).

Equipment additions include £3.3m (2010: £3.7m) labour capitalisation relating to internal IT resource, which has been applied to major IT projects. Building costs include £0.8m of capitalised project manager costs (2010: £0.6m).

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 2011 the fixed assets of the University includes a cost of £34.7m (2010: £34.7m) in respect of the building.

Equipment additions include an asset at insurance value as no other valuation was available. The robotic vehicle which will be used for five years on research projects has been capitalised at the insurance value of £2.0m and the asset and its related deferred capital grant of £2.0m will be depreciated over five years.

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.

The negative disposal in the University only books relates to the unwinding of the discounted cash-flows in the cost of fixed assets in the Lennartz VAT scheme (see note 17).

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 online presence at 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 – This 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 – which 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 – which 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 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. 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 2011 was £2.9m (2010: £0.3m) with the major acquisition being the “Jane Austen Manuscripts”. There were no disposals in 2011 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	2007	2008	2009	2010	2011
At start of year	14.3	15.3	19.4	21.4	21.7
Acquisitions purchased with specific donations	0.4	0.7	-	-	1.3
Acquisitions purchased with University funds	-	-	0.9	0.1	1.4
Total cost of acquisitions purchased	0.4	0.7	0.9	0.1	2.7
Value of acquisitions by donation	0.6	3.4	1.1	0.2	0.2
At end of year	15.3	19.4	21.4	21.7	24.6

Heritage assets of £0.2m were donated in the year (2010: £0.2m) and this is shown as a separate item in the consolidated Income and Expenditure account.

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

12. FIXED ASSET INVESTMENTS

	Consolidated		University	
	2011	2010 restated	2011	2010 restated
	£'m	£'m	£'m	£'m
Investments stated at market value				
Real Assets	143.5	80.8	65.1	60.2
Global Equities and Bonds	504.6	496.5	239.0	199.1
Subsidiary undertakings	-	-	349.6	323.0
Participating interests	0.4	0.4	-	-
Investments stated at cost				
Associated and subsidiary undertakings	-	-	14.8	14.5
Other investments	42.5	26.4	25.7	19.2
	691.0	604.1	694.2	616.0
Less: amounts attributable to outside bodies	(267.8)	(240.4)	(267.7)	(240.4)
Total	423.2	363.7	426.5	375.6
Investments stated at market value before amounts attributable to outside bodies: at original cost	550.5	522.7	556.3	524.9
	Consolidated		University	
	£'m		£'m	
At start of year	604.1		616.0	
Net new money invested	30.9		22.0	
Increase in market value	56.0		56.2	
At end of year	691.0		694.2	

Fixed asset investments have been restated into the asset categories which are used in the Oxford Endowment Fund accounts to allow greater comparability and to better reflect the nature of the underlying investments.

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

Notes to the financial statements (continued)

At 31 July 2011, the University had interests exceeding 20 percent in the following subsidiary and associated undertakings, excluding dormant undertakings:

Nature of activity	Interest	%
Subsidiary undertakings (wholly-owned):		
Isis Innovation Ltd	Commercial exploitation of intellectual property	100
Isis Innovation (Hong Kong) Ltd ¹	Commercial exploitation of intellectual property	100
Americans for Oxford Inc.	Fundraising	100
OSBS Programmes Ltd ²	Executive education	100
Oxford Capital Fund (General Partner) Ltd ³	Investment management services	100
Oxford Ltd	Retail and other trading activities	100
Oxford Mutual Ltd ⁴	Provision of discretionary cover	100
Oxford Said Business School Ltd	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 Fixed Assets Ltd	Building management and utilities	100
Oxford University Trading Ltd	General trading activities	100
The Gray Laboratory Cancer Research Trust	Radiobiology research	100
University of Oxford China Office Ltd	Fundraising and alumni relations	100
Voltaire Foundation Ltd	Publishing	100
Subsidiary undertaking (not wholly-owned):		
Oxford Capital Fund LP	Collective investment fund	98
Jenner Vaccine Foundation	Vaccine research	50
Associated undertakings:		
Oxepi Ltd	Commercial exploitation of intellectual property	42
Oxtexs Ltd	Commercial exploitation of intellectual property	38
TdeltaS Ltd	Commercial exploitation of intellectual property	34
Smith Institute (limited by guarantee)	Knowledge transfer	33
Oxford Ancestors Ltd	Commercial exploitation of intellectual property	32
Oxford ElectroMagnetic Solutions Ltd	Commercial exploitation of intellectual property	32
Reox Ltd	Commercial exploitation of intellectual property	32
Oxford Risk Research and Analysis Ltd	Commercial exploitation of intellectual property	30
Oxford Photovoltaics Ltd	Commercial exploitation of intellectual property	25
Oxford-Emergent Tuberculosis Consortium Ltd	Commercial exploitation of intellectual property	24
Oxyntix Ltd	Commercial exploitation of intellectual property	23
Kepler Energy Ltd	Commercial exploitation of intellectual property	22
Oxford Medistress Ltd	Commercial exploitation of intellectual property	22
Minervation Ltd	Commercial exploitation of intellectual property	22
Celleron Therapeutics Ltd	Commercial exploitation of intellectual property	20
Aurox Ltd	Commercial exploitation of intellectual property	20
Clinox Ltd	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. which is incorporated in the State of Delaware, USA, and Americans for Oxford Inc., which is incorporated in New York State, 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 Ltd, Isis Innovation (Hong Kong) Ltd and Jenner Vaccine Foundation draw up their accounts to 31 March, 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 Isis Innovation (Hong Kong) Limited is a wholly-owned subsidiary of Isis Innovation Limited

2 OSBS Programmes Limited is a wholly-owned subsidiary of Oxford Said Business School 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	0.4
Share of profit of associates	-
Share of net assets at end of year	0.4

13. ENDOWMENT ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	£'m	£'m	£'m	£'m
At start of year		628.8		628.8
New funds invested		227.8		227.8
Reduction due to transfer to Green Templeton College		(5.6)		(5.6)
Decrease in market value of investments relating to expendable endowments		(0.2)		(0.2)
Increase in market value of investments relating to permanent endowments		37.3		37.8
Income received	5.1		4.6	
Recognised in Income & Expenditure Account	(37.0)		(37.0)	
Distribution in excess of income received		(31.9)		(32.4)
At end of year		856.2		856.2
	CONSOLIDATED		UNIVERSITY	
	restated		restated	
	2011	2010	2011	2010
	£'m	£'m	£'m	£'m
Investments stated at market value				
Global Bonds	59.3	46.5	45.9	16.6
Global Equities	343.6	230.6	325.8	192.3
Non-Directional	122.2	96.6	111.5	76.2
Private Equity	114.6	63.7	114.6	63.7
Real assets	190.1	129.1	177.5	122.1
Other Assets	3.9	9.6	3.8	8.7
Investment by endowments in subsidiary company	-	-	57.2	108.6
Balance held as cash	22.5	52.7	19.9	40.6
Total	856.2	628.8	856.2	628.8
Original cost of endowment asset investments	668.7	486.8	668.7	486.8

Endowment asset investments have been restated into the asset categories which are used in the Oxford Endowment Fund accounts to allow greater comparability and to better reflect the nature of the underlying investments.

14. DEBTORS

	CONSOLIDATED		UNIVERSITY	
	2011	2010 restated	2011	2010 restated
	£'m	£'m	£'m	£'m
Research grants and contracts debtors	83.5	96.7	83.5	96.6
Amounts due from subsidiaries	-	-	15.6	15.4
Other debtors and prepayments	60.1	61.0	48.4	49.5
	143.6	157.7	147.5	161.5

University and Consolidated debtors include amounts falling due after more than one year of £0.8m (2010: £2.4m) and in prepayments a non-cash receipt for carbon allowances £0.1m (2010: Nil).

The interest debtor on Icelandic Bank debt has now been transferred to Current Asset Investments. At 31 July 2011 this was £2.1m (2010: £1.7m).

15. CURRENT ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2011	2010 restated	2011	2010 restated
	£'m	£'m	£'m	£'m
Icelandic Bank Deposits	20.9	14.8	20.9	14.8
Short-Term Bonds	30.0	-	30.0	-
	50.9	14.8	50.9	14.8

In 2011 short-term bonds are investments in the new Cash and Bond Fund.

The interest debtor on Icelandic Bank debt has now been transferred from Debtors to Current Asset Investments. At 31 July 2011 this was £2.1m (2010: £1.7m).

IMPAIRMENT OF ICELANDIC BANK DEPOSITS

In 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.

In 2008/09, an impairment loss of £14.7m was recognised in the Income and Expenditure Account 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. On 28 October 2011, the Icelandic Supreme Court upheld the earlier decision of the Icelandic District Court that the deposits held by the University and certain other creditors have preferential creditor status. During the course of the year the administrators of Kaupthing Singer & Friedlander Ltd have indicated that the expected rate of recovery has improved and further distributions have been received. The estimated recoveries from each bank have been adjusted accordingly and a credit of £8.1m has been recorded in the Income and Expenditure Account.

The current situation with regards to recovery of the sums deposited varies between each institution.

Kaupthing Singer & Friedlander Ltd

The most recent creditor progress report was issued by the administrators Ernst and Young, on 5 May 2011. Ernst and Young reported that the return to creditors was projected to be in the range of 78p to 86p in the £ and the University has estimated that the eventual recovery will be at the mid-point of this range. 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 58p 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 three 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 the recovery rates for priority creditors that could be achieved are approximately 93p in the £ for Landsbanki and 100p in the £ for Glitnir on the basis of the Icelandic Supreme Court decision detailed below.

Recovery is subject to 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, and uncertainty over the timing of distributions as explained above.

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. The Resolution Committee have previously estimated that the expected 93p in the £ recovery will be paid over roughly seven 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 a mechanism for the translation and distribution of assets denominated in foreign currencies will be established during 2012 and a full distribution could occur shortly afterwards. The above recoveries are expressed as a percentage of the University's claim value in the administration.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	CONSOLIDATED		UNIVERSITY	
	2011 £'m	2010 £'m	2011 £'m	2010 £'m
Bank loans (see note 17)	1.9	1.8	1.9	1.8
Other loans	-	0.1	-	0.1
Other creditors and accruals	126.2	149.0	110.8	123.8
Research grants and contracts advances	172.2	154.7	172.2	154.7
Amounts due to subsidiaries	-	-	10.7	9.1
Deferred VAT payment (see note 17)	-	2.7	-	2.7
Deferred income (see note 17)	2.1	2.1	2.1	2.1
	302.4	310.4	297.7	294.3

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

	CONSOLIDATED		UNIVERSITY	
	2011 £'m	2010 £'m	2011 £'m	2010 £'m
Bank loans	41.4	43.3	41.4	43.3
Deferred income – Beeson Gregory	4.4	5.7	4.4	5.7
Deferred income – Technikos	8.1	8.9	8.1	8.9
Deferred costs of acquisition	-	0.2	-	0.2
Deferred VAT payment	-	7.6	-	7.6
Income in advance (over 1 year)	-	0.2	-	-
Salix Fund	0.4	0.4	0.4	0.4
Other loans	0.1	0.2	0.1	0.2
	54.4	66.5	54.4	66.3
Due between one and two years	4.2	5.9	4.2	5.7
Due between two and five years	12.2	16.8	12.2	16.8
Due in 5 years or more	38.0	43.8	38.0	43.8
	54.4	66.5	54.4	66.3

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 2011 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 2011	18.3	25.0	43.3
Interest rate	5.13%	5.07%	
Final repayment date	April 2019	June 2047	
Amount due within 1 year	1.9	-	1.9
Amount due between 1 and 2 years	2.0	-	2.0
Amount due between 2 and 5 years	6.6	-	6.6
Amount due after 5 years	7.8	25.0	32.8
	18.3	25.0	43.3

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 2011 was £5.7m.

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 2011 was £8.9m.

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 agreements. The amount due to be released in 2011/12 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 at July 2010 included deferred non-cash consideration relating to the acquisition of Oxford Saïd Business School Ltd of £0.2m.

The Deferred VAT payment related 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. During the year, the deferred VAT payment was repaid following discussions with HMRC.

'Other loans' includes a variable rate loan of £300k repayable in 10 equal instalments taken out in 2003/4, of which £60k is outstanding at the balance sheet date.

The University received £300k from HEFCE for the Salix Fund during the 2008/9 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 £77k was incurred during the year (2009/10: £270k). The estimated saving from the identified projects is 209t of CO₂ per annum, which converted to financial terms equates to £29k per annum on an ongoing basis.

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated £'m	University £'m
At start of year	5.4	4.9
Charged to income and expenditure account	0.7	0.6
Utilised	(1.4)	(1.3)
At end of year	4.7	4.2

The provision includes amounts in respect of pension provisions for retired staff members of Federated Superannuation System for Universities ('FSSU') and Employees Pension Scheme ('EPS') (see note 35) who receive pension supplements and provisions for building and tax. During the year £0.2m of the pension provision (2010: £0.7m) has been utilised. The timing of future payments is uncertain.

19. PERMANENT ENDOWMENTS

CONSOLIDATED	Unrestricted £'m	Restricted £'m	Total £'m
Original cost	172.9	173.6	346.5
Unapplied Total Return	104.9	127.4	232.3
At start of year	277.8	301.0	578.8
Investment income	2.9	2.0	4.9
Increase in market value of endowment asset investments	23.8	13.5	37.3
Released to Income & Expenditure Account (Note 5)	(16.2)	(11.0)	(27.2)
Movement in unapplied endowment return on permanent endowments	10.5	4.5	15.0
New endowments	209.3	7.6	216.9
Transfer to Green Templeton	-	(5.6)	(5.6)
Reclassifications to expendable endowments	-	(2.0)	(2.0)
At end of year	497.6	305.5	803.1
Represented by:			
Original cost	382.2	173.9	556.1
Unapplied Total Return	115.4	131.6	247.0
	497.6	305.5	803.1

UNIVERSITY	Unrestricted £'m	Restricted £'m	Total £'m
Original cost	172.9	173.6	346.5
Unapplied Total Return	104.9	127.4	232.3
At start of year	277.8	301.0	578.8
Investment income	2.4	2.0	4.4
Increase in market value of endowment asset investments	24.3	13.5	37.8
Released to Income & Expenditure Account	(16.2)	(11.0)	(27.2)
Movement in unapplied endowment return on permanent endowments	10.5	4.5	15.0
New endowments	209.3	7.6	216.9
Transfer to Green Templeton	-	(5.6)	(5.6)
Reclassifications to expendable endowments	-	(2.0)	(2.0)
At end of year	497.6	305.5	803.1
Represented by:			
Original cost	382.2	173.9	556.1
Unapplied Total Return	115.4	131.6	247.0
	497.6	305.5	803.1

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	OUP Endowment £'m	Wytham Estate £'m	Nuffield Benefaction £'m	James Martin Fund £'m
Original cost	90.5	1.1	65.5	50.6
Unapplied Total Return	(2.3)	29.7	(0.2)	(6.2)
At start of year	88.2	30.8	65.3	44.4
Exchange rate movement	-	-	-	(1.6)
New endowments	203.5	-	-	-
Increase in market value of endowment asset investments	10.6	0.1	4.1	17.9
Return for the year	(9.0)	(1.3)	(2.6)	-
Distributed in the year	-	-	-	(3.8)
Capital value at end of year	293.3	29.6	66.8	56.9
Represented by:				
Original cost	294.0	1.1	65.5	50.6
Unapplied Total Return	(0.7)	28.5	1.3	6.3
	293.3	29.6	66.8	56.9

The closing value of the James Martin Fund does not reflect the payment of grants for the year, as they were paid in August 2011.

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 purpose of the OUP endowment is to assist the whole of the University and in particular support for the endowment of teaching posts across the University.

The purpose of the Wytham Estate is to support the University but with a requirement to take all reasonable steps to preserve the woodland and use it for teaching and research.

There are no trust funds with greater than £0.5m deficit in their accumulated income balances (2009/10:1 trust fund)

20. EXPENDABLE ENDOWMENTS

CONSOLIDATED AND UNIVERSITY		Restricted Expendable £'m
	£'m	
Capital value		40.3
Accumulated income		9.7
At start of year		50.0
Investment income	0.2	
Expenditure for the year	(9.8)	
Net transfer to Income and Expenditure Account		(9.6)
New endowments		10.9
Reclassification from permanent endowments		2.0
Decrease in market value of endowment asset investments		(0.2)
At end of year		53.1
Represented by:		
Capital value		42.5
Accumulated income		10.6
		53.1

21. ENDOWMENT RESERVES

Charitable donations classified as endowments, both permanent and expendable, fall into the following categories for the year to 31 July 2011:

	Opening Reserves £'m	Income and Market value movements £'m	Endowments Received or withdrawn £'m	Expenditure £'m	Closing Reserves £'m
Academic Posts	191.5	(2.7)	8.2	(12.8)	184.2
Support for Libraries and museums	24.0	(0.5)	3.2	(2.7)	24.0
Prize funds	3.3	-	-	(0.3)	3.0
Scholarship funds	44.3	(0.4)	1.8	(2.9)	42.8
Teaching funds	60.1	37.8	203.3	(5.5)	295.7
Other	287.3	8.0	11.1	(12.7)	293.7
Societies	18.3	-	(5.4)	(0.1)	12.8
Total	628.8	42.2	222.2	(37.0)	856.2

22. LINKED CHARITIES

On 1 June 2010, HEFCE became principal regulator of English higher education institutions (HEIs) that are exempt charities. The legislation extends HEFCE's remit to include those exempt charities that are administered by or on behalf of an exempt charity HEI and fall within paragraph (w) of Schedule 2 of the Charities Act 1993 (paragraph (w) charities).

The financial statements for 2010/11 will now disclose all (w) charities which the University believes are connected to the University whether consolidated or not.

Consolidated Charity results for the year ended 31 July 2011 included in the University's financial statements are:

	Opening Reserves	Income & donations received	Expenditure	Closing Reserves
	£'m	£'m	£'m	£'m
University of Oxford Development Trust Fund	60.8	195.0	(0.1)	255.7
The Law Foundation	0.8	0.1	(0.3)	0.6
Jenner	0.9	0.2	(0.2)	0.9
James Martin 21 st Century Foundation	44.4	16.3	(3.8)	56.9
Gray Cancer Research	1.6	1.4	(1.3)	1.7
Total	108.5	213.0	(5.7)	315.8

The financial results of (w) charities which need to be disclosed but which are not consolidated as the University does not have control of their activities are:

	Opening Reserves	Income & donations received	Expenditure	Closing Reserves
	£'m	£'m	£'m	£'m
Oxford University Boat Club	4.9	0.3	(0.3)	4.9
Oxford University Rugby Club	0.8	0.5	(0.6)	0.7
Nuffield Dominions Trust	20.4	1.1	(0.4)	21.1
Smaller sports charities	0.2	0.8	(0.8)	0.2
Smaller non-sport charities	0.3	0.3	(0.1)	0.5
Total	26.6	3.0	(2.2)	27.4

Further detail on these charities will be available via the University's gateway page www.admin.ox.ac.uk/councilsec/gov/charity.shtml

23. INCOME AND EXPENDITURE ACCOUNT

	Consolidated £'m	University £'m
At start of year	354.1	358.8
Surplus for the year retained in general reserves	15.4	11.5
At end of year	369.5	370.3

The Income and Expenditure account includes £20.6m (2010: £20.4m) 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.

24. REVALUATION RESERVE

	Consolidated £'m	University £'m
At start of year	54.7	55.8
Appreciation in market value of Fixed Asset Investments, net of amounts attributable to outside bodies	51.7	53.4
At end of year	106.4	109.2

25. 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.

Included in this year's figures for 'Other' funding is a figure of £4.5m that relates to the donation of property to Green Templeton College

CONSOLIDATED		Buildings £'m	Equipment £'m	Total £'m
Funding Council:	at start of year	265.3	6.3	271.6
	receipts	0.2	-	0.2
	released in year	(10.1)	(1.5)	(11.6)
	at end of year	255.4	4.8	260.2
The Press:	at start of year	174.1	3.9	178.0
	receipts	10.0	-	10.0
	released in year	(1.2)	-	(1.2)
	at end of year	182.9	3.9	186.8
Other:	at start of year	297.7	15.8	313.5
	receipts	38.0	9.3	47.3
	released in year	(11.8)	(10.8)	(22.6)
	Green Templeton College donation	(4.5)	-	(4.5)
	at end of year	319.4	14.3	333.7
Total:	at start of year	737.1	26.0	763.1
	receipts	48.2	9.3	57.5
	Green Templeton College donation	(4.5)	-	(4.5)
	released in year	(23.0)	(12.3)	(35.4)
Total		757.7	23.0	780.7

UNIVERSITY		Buildings £'m	Equipment £'m	Total £'m
Funding Council:	at start of year	265.3	6.3	271.6
	receipts	0.2	-	0.2
	released in year	(10.1)	(1.5)	(11.6)
	at end of year	255.4	4.8	260.2
The Press:	at start of year	174.1	3.9	178.0
	receipts	10.0	-	10.0
	released in year	(1.2)	-	(1.2)
	at end of year	182.9	3.9	186.8
Other:	at start of year	294.8	15.7	310.5
	receipts	38.5	9.2	47.7
	released in year	(11.7)	(10.8)	(22.5)
	Green Templeton College donation	(4.5)	-	(4.5)
	at end of year	317.1	14.1	331.2
Total:	at start of year	734.2	25.9	760.1
	receipts	48.7	9.2	57.9
	Green Templeton College donation	(4.5)	-	(4.5)
	released in year	(23.0)	(12.3)	(35.3)
Total		755.4	22.8	778.2

26. MINORITY INTEREST

CONSOLIDATED	2011	2010
	£'m	£'m
At start of year	0.5	0.5
Share of income and expenditure account	-	-
Investment in Oxford Capital Fund L.P. by minority shareholders	8.7	-
At end of year	9.2	0.5

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

	2011	2010
	£'m	£'m
Surplus/ (Deficit) on continuing operations after depreciation of tangible fixed assets	11.4	(4.4)
Depreciation	53.3	51.6
Goodwill amortised	-	1.7
Heritage Assets non-cash donation	(0.2)	(0.2)
Negative Goodwill released	(0.1)	(0.1)
Net receipt of carbon allowances	(0.1)	-
Deferred capital grants released	(35.4)	(32.5)
Endowment income and interest receivable	(31.3)	(25.0)
Profit on sale of fixed assets	(1.0)	-
Reclassification from endowment funds to Income & Expenditure account	-	(6.0)
Write-back of Icelandic bank impairment	(8.1)	-
Interest payable	2.3	3.6
Decrease/(Increase) in stocks	0.2	(0.2)
Decrease/(Increase) in debtors	14.3	(6.1)
(Decrease)/Increase in creditors	(2.6)	8.8
Decrease in provisions	(0.7)	(0.2)
Net inflow/(outflow) from operating activities	2.0	(9.0)

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

	2011	2010
	£'m	restated £'m
Decrease in Cash for the year	(80.3)	(13.4)
Increase / (Decrease) in Liquid Resources	28.4	(5.7)
Decrease in Debt	2.0	1.8
Decrease in Net Funds resulting from cash-flows	(49.9)	(17.3)
Exchange Movements	0.3	(0.2)
Other non-cash movements	7.7	-
Decrease in Net Funds	(41.9)	(17.5)
Net Funds at start of year	126.9	144.4
Net Funds at end of year	85.0	126.9

Liquid Resources now include the interest debtor on Icelandic Bank debt. At 31 July 2011 this was £2.1m (2010: £1.7m).

29. ANALYSIS OF CHANGES IN NET FUNDS

	2011	Cash Changes	Exchange and other non-cash movements	2010 restated
	£'m	£'m	£'m	£'m
Cash at Bank and in Hand	55.0	(50.1)	0.3	104.8
Endowment Assets Cash	22.5	(30.2)	-	52.7
	77.5	(80.3)	0.3	157.5
Current Asset Investments	50.9	28.4	7.7	14.8
Loans due within 1 year	(1.9)	2.0	(2.0)	(1.9)
Loans due after 1 year	(41.5)	-	2.0	(43.5)
	85.0	(49.9)	8.0	126.9

The interest debtor on Icelandic Bank debt has now been transferred to Current Asset Investments. At 31 July 2011 this was £2.1m (2010: £1.7m).

30. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING DURING THE YEAR

	Mortgages & Loans £'m
At start of year	45.4
Amounts repaid	(2.0)
At end of year	43.4

31. CAPITAL & INVESTMENT COMMITMENTS

CONSOLIDATED AND UNIVERSITY	2011 £'m	2010 £'m
At the end of the year the University had major capital commitments for building projects as follows:		
Contracted for	87.2	26.2
Authorised but not contracted	202.5	90.9
At the end of the year the University had commitments to invest additional funds within its investment portfolio.	121.0	114.8

The University had outstanding forward contracts to sell US Dollars relating to expected US Dollar receipts from research funders. These forward contracts give greater certainty as to expected research income. It also had swap contracts to hedge its exposure to exchange rate fluctuations on Euro denominated cash balances held. The nominal value of the contracts outstanding at 31 July 2011 was £34.1m (2010: £13.0m), and the contracts, when marked to market, showed a loss of £0.2m (2010: Loss of £0.9m).

32. 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 2011, the date of its latest audited balance sheet, the Press had total net assets of £394m (2010: £475m), after deducting total liabilities of £244m (2010: £288m). The University 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. In October 2011, the Press refinanced the loan with Barclays Bank New York and the University issued a replacement guarantee to Barclays Bank.

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.

The University as a whole is subject to a number of legal claims and other matters the outcomes of which are uncertain and may give rise to liabilities or other adverse consequences which cannot currently be quantified.

33. RELATED PARTY TRANSACTIONS

During the year ended 31 July 2011 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 the Jenner Vaccine Foundation, which is 50% owned for 2010/11 and the Oxford Capital Fund LP which is 98% owned by the University.

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/ Transfers £'000s	Balance due (from)/ to the University £'000s
Jenner Vaccine Foundation	76	-	6
Oxford Capital Fund LP	-	60,884	-
London Mathematical Society	22	1	-
BTG International Ltd	957	-	-
GlaxoSmithKline plc	1,596	11	706
QinetiQ Ltd	1	17	-
National Trust	15	1	4
Natural History Museum London	15	-	-
Wellcome Trust	435	107	7,456
Virginia Commonwealth Trust	-	73	-
Oxford Health NHS Foundation Trust	1,697	78	301
Oxford Playhouse Trust	-	178	-
Oxford Radcliffe Hospital NHS Trust	13,951	9,414	(406)
Oxford Philomusica Trust/Productions	18	134	2

Professor Halliday who is a member of Council, and Professor Walmsley who is the Pro Vice-Chancellor (Research), have outstanding professorial housing loans of £300k and £150k respectively. These were all awarded under the normal eligibility conditions of the professorial housing loan scheme. The loan of £75k to Professor Shuttleworth was fully repaid in August 2011, and she left Council on 31 July 2011.

During the year, the University made grants and other payments totalling £373k (2010: £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 £47.3m (see note 7) out of HEFCE funding and fee income, via the Joint Resource Allocation Model (JRAM) (2010: £48.8m).

The University made a payment of £1m to the College Contributions Fund in 2010/11 (2010: £1m) and will make further payments of £1m per year for the next 7 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 34).

Investments: The colleges are able to invest in the Oxford Endowment Fund; such investments are treated as 'amounts attributable to outside bodies' and are deducted from Fixed Asset Investments (see note 12). At 31 July 2011 the University held investments in the Endowment Fund amounting to £156.1m (2010: £132.0m) on colleges' behalf. Colleges are also among the minority shareholders in Oxford Capital Fund. They have invested £6.8m as at 31 July 2011 (2010: Nil).

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

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

34. HEFCE HARDSHIP FUNDS/TDA BURSARIES

	HEFCE		TDA	
	2011 £'m	2010 £'m	2011 £'m	2010 £'m
At start of year	0.2	0.2	–	–
Net funds received	0.1	0.2	1.3	1.5
Disbursed to students	(0.2)	(0.2)	(1.3)	(1.5)
At end of year	0.1	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.

35. 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 Superannuation Arrangements of the University of London ('SAUL') and the Medical Research Council Pension Scheme ('MRCPS'). 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	31/03/2010	31/03/2004
Date valuation results published:	04/02/2009	30/06/2011	17/12/2007
Value of liabilities:	£28,135m	£394m	£127bn
Value of assets:	£28,842m	£312m	n/a ^b
Funding Surplus/(Deficit):	£707m ^c	(£82m) ^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)	-	7.0% pa	6.5% pa
Rate of interest (periods after retirement)	-	5.0% pa	6.5% pa
Rate of increase in salaries	4.3% pa	4.7% pa	4.5% pa
Rate of increase in pensions	3.3% pa	3.7% 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	79%	n/a ^b
Statutory Pension Protection Fund basis:	107%	86%	n/a ^b
"Buy-out" basis:	79% ^e	52%	n/a ^b
Estimated FRS17 basis:	104% ^e	77%	n/a ^b
Recommended Employer's contribution rate (as % of pensionable salaries):	16% ^f	21.5% ^d	14.0% ^g
Effective date of next valuation:	31/03/2011 ^a	31/03/2013	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. The 2008 funding valuation has not been published.
- 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 March 2010 identified a required long-term employer contribution rate of 18.2% of total pensionable salaries, but also a funding deficit of £82.4m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by continuing the employer contribution rate at the previously agreed rate of 21.5% of total pensionable salaries (this being the rate paid by the employer since 1 August 2008). The actuary has certified that the additional contribution should eliminate the deficit by 31 March 2027.
- e. Since 31 March 2008, global investment markets have continued to fluctuate and the actuary has estimated the funding level of USS had fallen from 103% (on a technical provisions basis) at 31 March 2008 to 98% (a deficit of £700m) at 31 March 2011. Compared to the previous 12 months, the funding level has improved from 91% as at 31 March 2010 to 98%. These estimates are based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three 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 2011 was 86% and on a buy out basis was approximately 54%.
- 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, implemented the increase from 14% to 16% on 1 October 2009. The USS Joint Negotiating Committee has discussed the funding position of the Scheme and with effect from 1 October 2011, has implemented a package of changes, including the admission of new members into a Career Revalued Benefits section. The changes are required to ensure the future sustainability of the Scheme. Further details about the changes may be reviewed on USS' website, www.uss.co.uk.
- 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 £35m	Neutral
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £1.5bn	increase / decrease by £25m	Not disclosed
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £0.7bn	increase / decrease by £5m	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	2011 £'m	2010 £'m
Universities Superannuation Scheme	41.9	40.2
University of Oxford Staff Pension Scheme	10.6	11.2
NHS pension Scheme	3.0	2.8
Other Schemes - contributions	0.9	1.0
Supplementation payments ^h	0.2	0.2
Total	56.6	55.4

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 the Employees Pension Scheme ('EPS').

The additional information on pages 59 to 63 does not form part of the audited Financial Statements for the University of Oxford for the years ended 31 July 2011 and 31 July 2010.

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

STATEMENT BY THE AUDITOR 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 2011 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 2011. 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 Auditor
Reading, UK
31 May 2011

Abstract of the combined results of the Trading Operations for the year ended 31 March 2011

	Year ended 31 March 2011 £'m	Year ended 31 March 2010 £'m
TURNOVER	648.6	611.9
Profit for the year before tax	122.6	98.5
Tax	(8.7)	(7.7)
Profit after tax	113.9	90.8
Profit attributable to minority interests	(1.7)	(0.4)
NET PROFIT FOR THE YEAR	112.2	90.4

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 2011

	Year ended 31 March 2011 £'m	Year ended 31 March 2010 £'m
Net Profit for the Financial Year	112.2	90.4
Actuarial Gain/(Loss) on Group Pension Scheme	44.4	(5.8)
Currency translation differences on foreign currency net investments	(5.3)	(1.0)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	151.3	83.6
Actuarial gains/(losses) on Group Pension Schemes		
Difference between actual and expected return on scheme assets	6.8	49.4
Effect of change in liability experience	0.3	9.9
Effects of changes in assumptions underlying the present value of scheme liabilities	37.3	(65.1)
	44.4	(5.8)

Abstract of the Combined Balance Sheet of the Trading Operations as at 31 March 2011

	2011		2010	
	£'m	£'m	£'m	£'m
Fixed Assets				
Tangible Assets		25.4		23.1
Intangible Assets		19.4		18.7
Investments		0.5		0.5
		45.3		42.3
Current Assets				
Stocks and Work-in-progress	84.6		80.5	
Debtors	147.0		140.8	
Current Asset Investments	139.2		215.8	
Bank balances and cash	45.9		24.5	
	416.7		461.6	
Less: Current Liabilities				
Creditors	(169.7)		(167.2)	
Taxation	(9.0)		(8.2)	
Bank loans and Overdrafts	(3.6)		(2.3)	
	(182.3)		(177.7)	
Net Current Assets		234.4		283.9
TOTAL ASSETS LESS CURRENT LIABILITIES		279.7		326.2
Less:				
Creditors due after one year		(4.9)		(3.5)
Provisions for Liabilities		(2.5)		(1.6)
Net Assets excluding Pension Deficit		272.3		321.1
Pension Deficit		(23.9)		(72.5)
NET ASSETS INCLUDING PENSION DEFICIT		248.4		248.6
Capital Employed				
Accumulated Fund		246.3		247.6
Minority Interests		2.1		1.0
TOTAL FUNDS		248.4		248.6

Abstract of the Combined Statement of Financial Activities of the Delegates' Property and Reserve Fund for the year ended 31 March 2011

	Strategic Property Reserve £'m	Effective Operating Reserve £'m	University Reserve £'m	2011 Total £'m	2010 Total £'m
INCOMING RESOURCES FROM GENERATED FUNDS					
Rental Income from properties	14.1	1.8	-	15.9	16.4
Income from investments	0.2	0.4	0.3	0.9	1.9
Transfer from Trading Operations	-	-	152.6	152.6	56.6
TOTAL INCOMING RESOURCES	14.3	2.2	152.9	169.4	74.9
RESOURCES EXPENDED					
Costs of generating Funds					
Transfer of funds to the rest of the University:					
- Cash	-	-	(234.7)	(234.7)	(67.4)
- Property	-	-	(7.5)	(7.5)	-
- Benefits in kind	(0.2)	-	(0.5)	(0.7)	(0.8)
Other resources expended	(9.0)	(0.8)	-	(9.8)	(10.4)
TOTAL RESOURCES EXPENDED	(9.2)	(0.8)	(242.7)	(252.7)	(78.6)
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS	5.1	1.4	(89.8)	(83.3)	(3.7)
Transfer between funds	(3.2)	(2.7)	5.9	-	-
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR	1.9	(1.3)	(83.9)	(83.3)	(3.7)
Other Recognised Gains/(Losses)					
Profit on disposal of properties	-	-	-	-	(2.4)
Surplus on revaluation of investment properties	-	2.1	-	2.1	2.6
Currency translation differences on foreign currency net investments	-	-	-	-	(0.3)
NET MOVEMENT IN FUNDS	1.9	0.8	(83.9)	(81.2)	1.0
Reconciliation of Funds					
TOTAL FUNDS BROUGHT FORWARD	42.1	100.5	83.9	226.5	225.5
TOTAL FUNDS CARRIED FORWARD	44.0	101.3	-	145.3	226.5

The above results relate to continuing operations.

Abstract of the Combined Balance Sheet of the Delegates' Property and Reserve Fund as at 31 March 2011

	Strategic Property Reserve £'m	Effective Operating Reserve £'m	University Reserve £'m	2011 Total £'m	2010 Total £'m
Fixed Assets					
Tangible Fixed Assets	50.1	47.6	-	97.7	104.9
Investments	0.2	66.5	-	66.7	145.1
	50.3	114.1	-	164.4	250.0
Current Assets					
Debtors	0.8	1.5	-	2.3	3.9
Cash	7.0	-	-	7.0	4.9
Balances with other reserves	14.1	(14.1)	-	-	-
	21.9	(12.6)	-	9.3	8.8
Creditors: Amounts due within one year	(27.6)	(0.2)	-	(27.8)	(28.7)
Net Current Liabilities	(5.7)	(12.8)	-	(18.5)	(19.9)
TOTAL ASSETS LESS CURRENT LIABILITIES	44.6	101.3	-	145.9	230.1
Creditors: Amounts due after one year	(0.6)	-	-	(0.6)	(3.6)
NET ASSETS	44.0	101.3	-	145.3	226.5
Reconciliation of Funds					
Opening balance	42.1	100.5	83.9	226.5	225.5
Net movement in funds	1.9	0.8	(83.9)	(81.2)	1.0
TOTAL FUNDS	44.0	101.3	-	145.3	226.5

