

FINANCIAL  
STATEMENTS  
2012/13



---

# University of Oxford

Financial Statements 2012/13



[www.ox.ac.uk](http://www.ox.ac.uk)



## Contents

Five Year Summary of Key Statistics	1
Financial Highlights	2
Operating and Financial Review	3
Governance Statement	18
Statement of Internal Control and Risk Management	20
Membership of Council	21
Independent Auditor's Report to Council	22
Statement of Accounting Policies	24
Consolidated Income and Expenditure Account	28
Consolidated Statement of Total Recognised Gains and Losses	28
Balance Sheets	29
Consolidated Cash Flow Statement	30
Notes to the Financial Statements	31
Oxford University Press: financial report extracts	56

## Five Year Summary of Key Statistics

<b>(as restated*)</b> year ended 31 July	<b>2009</b> £'m	<b>2010</b> £'m	<b>2011</b> £'m	<b>2012</b> £'m	<b>2013</b> £'m
Funding body grants	195.3	203.0	200.3	203.6	193.8
Academic fees and support grants	122.7	137.3	152.7	173.3	197.0
Research grants and contracts	340.5	367.0	376.7	409.0	436.8
Other income	230.4	165.8	370.7	191.0	203.0
Endowment and investment income	40.0	28.3	21.5	25.6	27.8
Donation of heritage assets	1.1	0.2	0.2	0.3	28.5
<b>Total Income</b>	<b>930.0</b>	<b>901.6</b>	<b>1,122.1</b>	<b>1,002.8</b>	<b>1,086.9</b>
<b>Total Expenditure</b>	<b>866.8</b>	<b>884.4</b>	<b>908.2</b>	<b>971.8</b>	<b>1,037.4</b>
Surplus on ordinary activities	63.2	17.2	213.9	31.0	49.5
<b>Surplus for the Year retained within General Reserves</b>	<b>67.6</b>	<b>27.8</b>	<b>217.9</b>	<b>39.0</b>	<b>60.7</b>
<b>Net cash (outflow) / inflow before management of liquid resources and financing</b>	<b>(52.4)</b>	<b>(17.3)</b>	<b>(49.9)</b>	<b>54.9</b>	<b>(77.4)</b>
Fixed assets	1,217.0	1,369.6	1,667.6	1,777.6	1,999.4
Endowment assets	496.7	534.3	564.3	592.7	686.1
Net current liabilities	(22.6)	(30.8)	(50.8)	(108.8)	(189.8)
Long term creditors / provisions and minority interests	(77.2)	(71.9)	(59.1)	(56.1)	(51.7)
<b>Net Assets</b>	<b>1,613.9</b>	<b>1,801.2</b>	<b>2,122.0</b>	<b>2,205.4</b>	<b>2,444.0</b>
<b>Student numbers</b>					
Full-time equivalent students - undergraduates	11,734	11,765	11,723	11,752	11,832
Full-time equivalent students - graduates	8,101	8,701	9,327	9,621	9,857
Visiting students/other	495	461	485	499	488
<b>Total students at 1 December in the financial year</b>	<b>20,330</b>	<b>20,927</b>	<b>21,535</b>	<b>21,872</b>	<b>22,177</b>
<b>Average number of staff - full time equivalent</b>	<b>8,921</b>	<b>9,246</b>	<b>9,140</b>	<b>9,540</b>	<b>10,422</b>
Staff costs as a percentage of expenditure	50.5	53.0	52.8	51.4	52.2
<b>Size of Estate</b>					
Buildings (square metres, thousands)	<b>542</b>	<b>570</b>	<b>590</b>	<b>602</b>	<b>613</b>

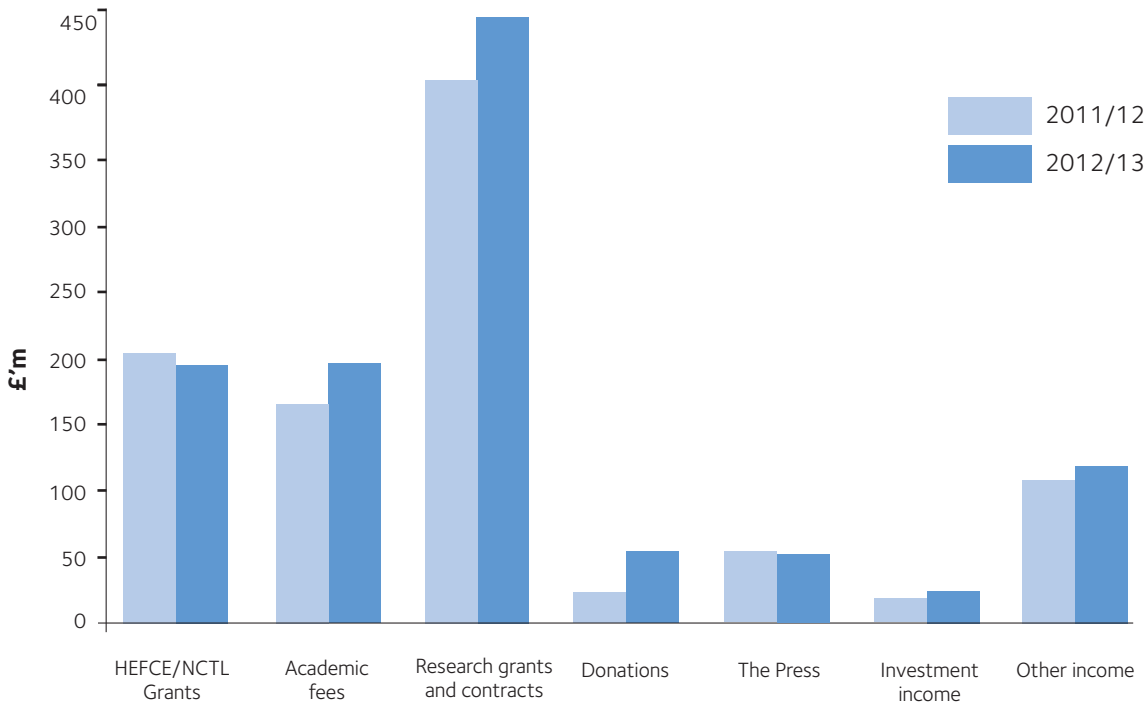
\* see Note 8 on page 34 regarding the prior year adjustments.

The five year summary excludes Oxford University Press

## Financial Highlights excluding Oxford University Press

### Results for the Year

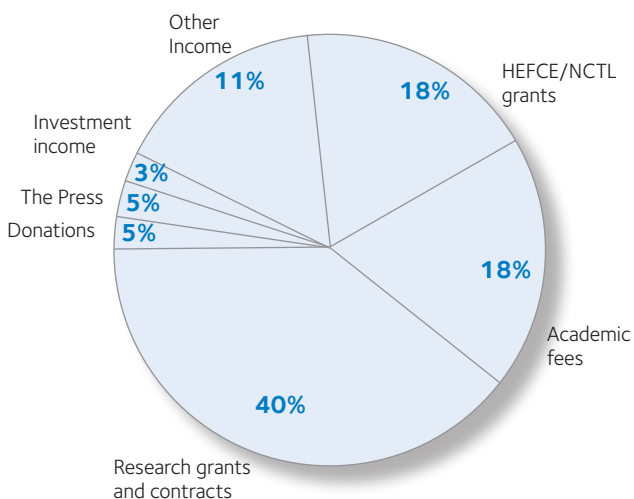
- Total income increased by 8.4% to £1,086.9m (2011/12: £1,002.8m)
- The largest source of income continued to be research grants and contracts at 40.2% (2011/12: 40.8%) of total income.



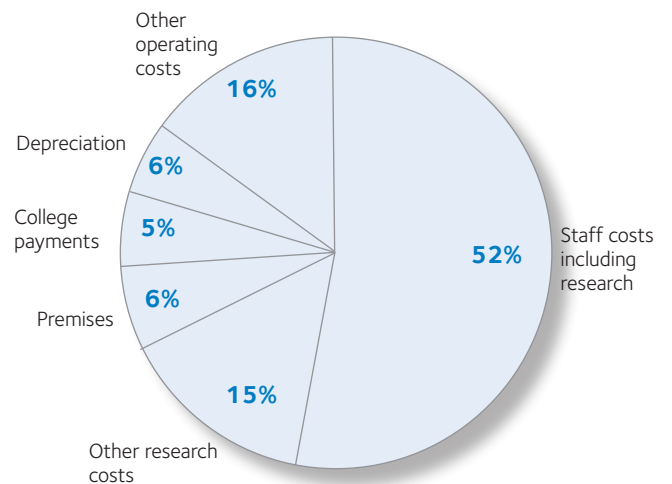
### Year-on-Year Income

- Total expenditure increased by 6.8% to £1,037.4m (2011/12: £971.8m)
- Staff costs increased by 8.5% to £541.6m (2011/12: £499.1m) and were equivalent to 52.2% of total expenditure (2011/12: 51.4%).
- The surplus for the year retained within general reserves was £60.7m (2011/12: £39.0m).

#### Consolidated University Income 2012/13



#### Consolidated University Expenditure 2012/13



## 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 developed an international reputation for the excellent standard of its teaching and research, and for the dissemination of learning. Today, more than 22,100 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 legally and financially 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 3 to the Charities Act 2011. 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 had regard to the Charity Commission's guidance on public benefit and the supplementary guidance on the advancement of education, 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. Whilst students, both undergraduate and graduate, are immediate beneficiaries of the University's charitable objectives, the public as a whole benefits considerably from the contributions that the University's teaching and research makes to society and the economy. Any private benefit arising from commercially funded research and knowledge transfer activity is incidental to the University's principal objects. The University's trustees are aware of their obligations in respect of these public benefit principles and ensure that the University has procedures and policies in place to cover the creation of intellectual property and the management of conflicts of interest.

### 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 Plan<sup>1</sup>, the University agreed six over-arching objectives as the route through which to achieve these aims over the period 2008/9 to 2012/13:

- to 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.

<sup>1</sup> The University's Strategic Plan (2008/9 to 2012/13) is available at: [www.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/planningandresourceallocation/documents/planningcycle/strategicplan.pdf](http://www.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/planningandresourceallocation/documents/planningcycle/strategicplan.pdf)

The following sections provide further detail as to the progress being made against these aims and specifically how, in seeking to meet these aims, the University provides public benefit and fulfils its charitable objectives.

2012/13 was the final year of the Strategic Plan agreed in 2008. During the course of the academic year, the University adopted a new Strategic Plan for the five-year period from 1 October 2013 to 30 September 2018. Under the new plan, the University aims to lead the world in research and education in ways which benefit society on a national and global scale. The new Strategic Plan for 2013/18 is available at: [www.ox.ac.uk/media/global/wwwoxacuk/localsites/gazette/documents/supplements2012-13/University\\_of\\_Oxford\\_Strategic\\_Plan\\_2013-2018\\_%281%29\\_to\\_No\\_5025.pdf](http://www.ox.ac.uk/media/global/wwwoxacuk/localsites/gazette/documents/supplements2012-13/University_of_Oxford_Strategic_Plan_2013-2018_%281%29_to_No_5025.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](http://www.ox.ac.uk/about_the_university/introducing_oxford/annual_review/index.html).

The *Annual Report of the Delegates of the University Press* sets out how Oxford University Press<sup>2</sup> ('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/?AB=B&cc=gb](http://global.oup.com/about/annual_report/?AB=B&cc=gb)

***Objective 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.***

***Objective 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 world-class libraries, laboratories and other facilities and services in support of students' studies; and students' understanding of their subjects is enhanced through regular contact with academic staff undertaking research and scholarship at an international level.

To attain the two objectives highlighted above, the University aims to attract applications from all individuals with the potential to study at the University; to admit the very best; to educate them in a world-class, highly personalised teaching system; and to support them while at Oxford in terms of finance, welfare and careers advice. These objectives are delivered in a partnership between the University (including its four academic divisions and their constituent departments and faculties) and the Oxford colleges.

## Student numbers

The figures below show the numbers of registered full-time, part-time and visiting students as at 1 December in 2012 and 2011<sup>3</sup>:

As at 1 December:	2012	2011
Undergraduate	11,832	11,752
Postgraduate	9,857	9,621
Visiting students/other	488	499
<b>Total number of students</b>	<b>22,177</b>	<b>21,872</b>

In addition, around 15,000 students, many studying in further or higher education 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.

<sup>2</sup> In accordance with the University's Regulations, 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 2013 are set out on pages 56–60. The rest of this Operating and Financial Review does not include the Press unless expressly stated.

<sup>3</sup> Excluding those undertaking courses through the Department for Continuing Education.



## Undergraduate admissions, outreach, and funding

The collegiate University is engaged in a wide range of outreach activity through the University's departments and faculties, its Undergraduate Admissions Office, at college level and through the Oxford University Student Union. The University aims to attract the best students to apply to Oxford, regardless of financial and non-financial barriers, and works with schools and colleges to raise aspiration for higher education generally, particularly among under-represented groups. Further information on these initiatives, which include open days, regional teachers' conferences and summer schools, is available at: [www.ox.ac.uk/admissions/undergraduate\\_courses/open\\_days\\_events\\_and\\_visiting/index.html](http://www.ox.ac.uk/admissions/undergraduate_courses/open_days_events_and_visiting/index.html)

During 2012/13 there were 17,181 undergraduate applications to Oxford (a 0.3% decline from 2011/12). 63% of UK applicants were from schools in the state sector (compared with 62.8% in 2011/12); and, of offers made to UK applicants, 57.8% were to candidates from the state sector. Of those students at the third UNIQ Summer School<sup>4</sup> (held in 2012) who applied to Oxford, 41% have places to study at Oxford, double the overall success rate for all applicants to Oxford of 20.6%. Of UK candidates holding offers for 2013 (or deferred entry in 2014), 33.3% were in one or more of the target groups outlined in Oxford's Access Agreement with the Office for Fair Access ('OFFA'). 3,703 applications were received from overseas candidates, an increase of 6.7% from 2011/12.

To ensure that the benefits of learning are available to all potential students, regardless of their background, the collegiate University provides support for both UK and EU students through the Oxford Opportunity Bursaries Scheme and the Oxford Tuition Fee Reduction Scheme<sup>5</sup>. These schemes are available to students from households where income is below a certain level to assist with living costs at Oxford and, for students who started their course on or after 2012, to reduce the amount of tuition fee loan they need to access from the Student Loans Company, thus reducing their overall debt on graduation. The collegiate University provides the lowest-income UK students with financial support totalling nearly £10,000 per student in the first year and over £6,000 per student in each subsequent year. In 2012/13, £6.7 million in bursaries and scholarships was distributed to 2,700 undergraduate students and a further £1.88 million in fee reductions was allocated to 500 undergraduate / PGCE students. Alongside these schemes, the Moritz-Heyman Scholarship Programme<sup>6</sup> was launched, with scholarships awarded to 100 qualifying UK students from households with incomes of £16,000 or less. In addition to generous financial support, the scheme provides opportunities to take part in volunteering activities, and access to at least one internship during the summer vacation.

In 2013/14, the University will continue to charge UK and EU undergraduates the maximum permissible fee of £9,000 p.a. However, the collegiate University remains committed to the aim of ensuring that any UK student can afford to take up a place at Oxford, and therefore will be maintaining its generous programme of both fee reductions and bursaries for those from households with lower incomes. As indicated in the University's agreement with OFFA for the period 2013/14, the collegiate University will spend 42% of 'additional income' arising from the fee increases on access measures. Based on current student profiles, one in six UK students at Oxford will receive a fee reduction (those with household incomes under £25,001) and a quarter will receive a bursary (those with household incomes below £42,601).

## Graduate admissions and funding

International recruitment and outreach activity continues, involving attendance at UK and overseas events, supported by tailored print materials, email campaigns and web-based microsites<sup>7</sup>. The past year has also seen increased engagement with prospective graduate students via dedicated accounts on key social media platforms, including Facebook, Twitter and Pinterest.

Applications for graduate study for entry in 2012/13 rose by 2.8% compared with entry in 2011/12. UK applications were down by 6.6% overall, with EU applications up by 5.2% and other overseas applications up by 6.8%. The continued downwards UK trend may be exacerbated as UK undergraduates liable for the higher £9,000 fee come closer to entering postgraduate study.

Graduate students make an essential contribution to research in the University. Many also go on to make a significant contribution to the worldwide economy and to society, as leaders in their fields and in developing the frontiers of knowledge. To ensure that the highest calibre graduate students continue to come to Oxford, the Graduate Admissions and Funding Office manages more than 60 scholarship schemes, supporting around 600 graduate students a year, provided by the collegiate University, individual donors and external organisations including government bodies and charitable foundations. At postgraduate level, nearly a third of students are fully supported with competitively won scholarship funding, receiving funding for University tuition fees, college fees and living expenses; and a further 9% are partially supported in this way. At doctoral level, 62% of all students receive full scholarship funding.

<sup>4</sup> A residential course for high-performing state school students from schools that have little history of sending students to Oxford and / or from areas of socio-economic deprivation.

<sup>5</sup> Further details available at [www.ox.ac.uk/feesandfunding/ugcurrent/oob](http://www.ox.ac.uk/feesandfunding/ugcurrent/oob)

<sup>6</sup> Further details available at: [www.ox.ac.uk/admissions/undergraduate\\_courses/student\\_funding/moritzheyman.html](http://www.ox.ac.uk/admissions/undergraduate_courses/student_funding/moritzheyman.html)

<sup>7</sup> Small, self-contained collections of webpages targeted at prospective students from a specific country.

The major focus this year in terms of graduate funding was the launch of the Oxford Graduate Scholarship Matched Fund. The University has designated £40 million for this Fund, which will be available over a five-year period to be matched against donor gifts. To date, 13 scholarship schemes have been endowed, worth £20.2 million from donors and £13.4 million from the University. A further 14 spend-down scholarship schemes have also been approved, worth £1.2 million from donors and £788k from the University. The first 19 Oxford Graduate Scholars will arrive in October 2013.

Other new scholarships offered for 2013/14 entry include: the Louis-Dreyfus Scholarships (as part of the existing Weidenfeld Scholarships and Leadership Programme); a wide range of scholarships to support the new Masters in Public Policy course at the Blavatnik School of Government; and the Stavros Niarchos Foundation Graduate Scholarships for DPhil study in Classics. The amount of money to be disbursed by the University for graduate scholarships is the highest amount to date (£14.1 million for 2013/14 entry, compared with £12.1 million for entry in 2012/13).

The Clarendon Fund, another major graduate scholarship scheme, has awarded 139 scholarships for 2013/14 entry. 107 of these scholarships have been partnered with £1.8 million of college and other awards. A separate initiative, launched last year and providing a framework for colleges to partner with studentships offered by the seven UK Research Councils, has delivered additional scholarship funding. To date for 2013/14 entry, over £1 million has been awarded by colleges through this scheme, with 41 awards made in partnership with Research Councils UK ('RCUK') funding.

### Support and educational services

In addition to the provision of financial support, the University aims to minimise the non-financial barriers that may impede access to teaching and research opportunities at Oxford. These support services and facilities, which are available at both college and University level, include:

- a Disability Advisory Service, which supports around 1,300 students annually, and provides information and guidance so that students' disability-related study needs can be met by colleges and University departments and faculties;
- a Student Counselling Service, which provides free, specialist interventions through a professionally-staffed confidential service to students who experience psychological distress; and
- a Careers Service, which serves almost 20,000 Oxford-based students and many thousands of employers, and is also open to the tens of thousands of University alumni. More than 85% of finalist undergraduates are engaged with activities organised by the Careers Service.

The academic work of faculties, departments, and colleges is supported by the Oxford Learning Institute ('OLI'). The OLI exists to support excellence in learning, teaching and research at the University by promoting professional, vocational and management development and contributing to policy development.

### ***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. It seeks to maximise the benefits and beneficiaries of research not only by advancing fundamental knowledge but also through contributing to better public policy, improved health outcomes, economic prosperity, social cohesion, international development, community identity, the arts, culture and the quality of life.

The scale of the University's research activity is substantial: more than 70 departments, over 1,600 academic and 3,600 research staff and 5,500 postgraduate research students are involved, collaborating with other universities and research organisations, health care providers (especially the Oxford University Hospitals NHS Trust), business, community groups, charities, and government agencies.

## Research funding

Much of this activity is underpinned by research grants and contracts with third parties: the University currently has approximately 6,000 active research awards worth a total of around £2 billion. In addition, HEFCE provides invaluable support through Quality-Related ('QR') block grant funding, and for business and community interaction, through the Higher Education Innovation Fund ('HEIF'). Internally, the University-wide John Fell OUP Research Fund supports new initiatives, projects, networks and especially interdisciplinary activity.

	2013	2012
Research revenue in year (£'m)	436.8	409.0
Value <sup>8</sup> of grants and contracts awarded in the year (£'m)	501.0	541.0
Number of research awards (grants and contracts)	1,944	1,938
HEFCE QR block grant for research (£m) <sup>9</sup>	133.8	131.5
HEFCE HEIF (£m)	3.35	3.35

The two largest funders of competitive research at Oxford are the Research Councils UK and UK charities, including the Wellcome Trust, Cancer Research UK, British Heart Foundation ('BHF') and the Leverhulme Trust, as well as a large number of smaller charities. Their financial support facilitates a wide range of projects, major research programmes, interdisciplinary initiatives, research training, and international collaboration. The University has also been awarded funding under the European Commission's Seventh Framework Programme (including the European Research Council), and the European Commission now ranks amongst the University's top five funders.

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

Many of the University's research projects are highlighted in the news and promoted to a wider audience through other media, such as Twitter<sup>10</sup>, which has more than 98,000 followers, and blogs such as the Science Blog<sup>11</sup> and the Arts at Oxford blog<sup>12</sup>, which together receive over 180,000 visitors per year. The University's research findings are also disseminated to the widest possible audience through the Oxford Impacts series<sup>13</sup>; on Oxford Sparks<sup>14</sup>, a web-based portal that enables school children, parents and teachers to engage with the University's scientific research, and on divisional and departmental websites.

Research highlights in 2012/13 included the following:

- the award of two major grants through HEFCE's UK Research Partnership Investment Fund ('RPIF'): Technology and Big Data Centre (£10 million) in the first funding round, and Big Data Institute (£10 million) in the second funding round. Co-investment is required in the ratio 2:1 from outside the UK public sector (typically companies, charities or individuals);
- the Oxford Biological Physics Web Channel<sup>15</sup>, the Oxford Network of the Environment<sup>16</sup> and the 'Quantum of Spin' exhibit at the 2012 Royal Society Summer Exhibition<sup>17</sup> were among a wide range of activities supported by Pathways to Impact ('PIA') Block Grant funding from the Engineering and Physical Sciences Research Council ('EPSRC');
- in the Mathematical, Physical and Life Sciences division, three academics were awarded Philip Leverhulme Prizes, recognising outstanding scholars in the early phases of their career. There was considerable success in funding applications for Cyber Security research and training, including a £1 million grant from the Foreign Office, and £3.65 million from the EPSRC to establish a Centre for Doctoral Training. Following the demonstration of its Robot Car UK at Begbroke Science Park, Oxford's Mobile Robotics Group has now been given the go-ahead for trials on public roads. In July 2013, robotics was one of three 'great technologies' in Oxford which shared over £7 million in capital equipment grants from the EPSRC;

<sup>8</sup> 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.

<sup>9</sup> Includes Mainstream QR, Charity and Business support funds, Research Degree Programme ('RDP') Supervision fund, and QR for National Research Libraries

<sup>10</sup> [www.twitter.com/unioxford](http://www.twitter.com/unioxford)

<sup>11</sup> [www.ox.ac.uk/media/science\\_blog/index.html](http://www.ox.ac.uk/media/science_blog/index.html)

<sup>12</sup> [www.ox.ac.uk/media/arts\\_at\\_oxford](http://www.ox.ac.uk/media/arts_at_oxford)

<sup>13</sup> [www.ox.ac.uk/research/research\\_impact/oxford\\_impacts/index.html](http://www.ox.ac.uk/research/research_impact/oxford_impacts/index.html)

<sup>14</sup> [www.oxfordsparks.net](http://www.oxfordsparks.net)

<sup>15</sup> [www2.physics.ox.ac.uk/research/biological-physics/web-channel-videos-webcasts](http://www2.physics.ox.ac.uk/research/biological-physics/web-channel-videos-webcasts)

<sup>16</sup> [www.one.ox.ac.uk](http://www.one.ox.ac.uk)

<sup>17</sup> <http://sse.royalsociety.org/2012/exhibits/quantum-of-spin>

- in the Medical Sciences division, the opening of the Kennedy Institute for Rheumatology building enabled the completion of the Institute's transfer from London. A £6 million grant was awarded to Oxford's BHF Centre of Research Excellence to continue its world leading research into cardiovascular disease. Oxford and University College London combined forces to establish the Centre for the Advancement of Sustainable Medical Innovation, turning bioscience breakthroughs into patient benefit. Oxford is the academic lead institution for StemBANCC, a five-year research programme to study and develop new therapies for diseases including Alzheimer's, Parkinson's and diabetes. The strength of research activity within the division continued to receive international recognition through the award of prizes, including the InBev-Baillet Latour International Brain Prize, the Louis-Jeantet Prize for Medicine and the Grete Lundbeck European Brain Research Foundation Brain Prize;
- in the Social Sciences and Humanities divisions, researchers were awarded 14 of the 50 nationally granted British Academy Post-doctoral Fellowships. Eight Social Sciences Division researchers were awarded Leverhulme Trust Early Career Fellowships and three were awarded Economic and Social Research Council Future Research Leaders awards; and
- in the Department for Continuing Education six new University Lecturerships added to growing research activity supported by a wide range of organisations, including RCUK, the Heritage Lottery Fund, the Orkney Islands Council and Historic Scotland.

The University seeks to ensure that, where appropriate, inventions are transformed into commercial ventures which in turn benefit the public through the creation of innovative products, new skills, jobs and wealth. This is achieved in particular through the work of Isis Innovation Ltd ('Isis'), 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 2013, Isis filed 105 new priority patent applications protecting inventions arising from University of Oxford research, helped set up four new technology spin-out companies and six new software start-up companies; £22.3 million of translational funding was won by Oxford researchers with help from Isis; Isis revenues increased by 13% over the previous year to £11.5 million; and £5.6 million was distributed to Oxford University and its researchers<sup>18</sup>.

***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 is committed to disseminating and making publicly available the outcomes of its teaching and research activities to promote the common good and benefit the international community. The results of its research and innovation are published in books and academic journals and disseminated through conference presentations, public lectures, exhibitions, online channels and the media, and through community outreach activities. Public access to Oxford research is also provided by the Oxford University Research Archive (<http://ora.ox.ac.uk>), an online archive of research material produced by members of the University. The number of items in the archive stands at more than 116,000, and page views to the site average 23,000 per month.

### **Oxford University Press**

Oxford University Press ('the 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 thousands of new titles each year across a broad range of areas: from primary and secondary school education texts, English language teaching resources, and children's fiction, to university textbooks, scholarly monographs and journals, and a wide range of dictionaries. The Press's titles also include award-winners – 148 last year – many given in acknowledgement of the outstanding quality of the publishing. The Press uses digital channels to find new and innovative ways of reaching a wider audience, with hundreds of online resource sites, and related products such as the *Oxford English Dictionary* online, several hundred apps for mobile devices, and more than 14,000 e-books. The Press also makes much of its publishing freely available. For example, the majority of its 300 scholarly journals now offer some kind of open access publishing model. Further, 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.

<sup>18</sup> Isis' Annual Report 2013

While the activities of the Press are integral to the University's objectives, under the University's Statutes and Regulations the financial statements of the Press are not included in the University financial statements and the Delegacy of the Press is responsible for preparing separate audited accounts relating to the Press for submission to Council. Extracts from the accounts of the Press for the year ended 31 March 2013 are included for information on pages 56–60, but do not form part of these financial statements.

### Online channels

The University's site on iTunes U (<http://itunes.ox.ac.uk>) features more than 4,200 free audio and video podcasts, equating to more than 2,000 hours of material. Since the site was launched in 2008, more than 20 million downloads have been made worldwide on topics ranging from research and courses of study to information about the museums and libraries.

The University's online news pages ([www.ox.ac.uk/news](http://www.ox.ac.uk/news)) provide daily news about Oxford research findings as well as institutional and educational developments, and have over 1.3 million page views per year. The University's YouTube channel ([www.youtube.com/user/oxford](http://www.youtube.com/user/oxford)), which has had over 1.2 million channel views, features more than 250 videos, ranging from a lecture series on philosophy to a series of short films showing Oxford's preparations for the Boat Race.

### Libraries, museums and collections

The tens of millions of objects in the University's collections form one of the largest and most important research repositories in the world. Oxford's museums constitute the greatest concentration of university museums in the world, while the Bodleian Libraries, which form the largest university library system in the UK, house research collections of international significance.

These priceless collections provide a resource of international scholarly importance, drawing researchers from all over the world; they also serve as a national and international resource for the public. The University museums offer free public access and together they welcome over two million visitors each year. In 2012/13, the University museums delivered free education sessions to 120,000 school children, engaged 27,000 young people and 55,000 adults in on site activities, and involved 10,000 young people and 8,000 adults in outreach activities. Among the outreach activities taking place in 2013 was the Museum of Natural History's Goes to Town project, which saw 12 specimens take up temporary residence in locations around Oxford while the museum was closed for essential repairs to its glass roof. A mobile website (<http://goestotown.com>) provided information about each specimen on the trail, together with audio recordings by museum staff and University scientists.

Public access to the collections is also made possible through digitisation. The Bodleian Libraries have been digitising content for more than 20 years, creating over 200,000 freely available digital objects, with at least another 1.5 million images awaiting release. The Bodleian's copy of the First Folio (<http://shakespeare.bodleian.ox.ac.uk>) became a high-profile addition to the digital collections in April 2013, following a public appeal that raised £20,000. October 2012 marked a milestone in the Oxford-Google Digitization project, which focuses on out-of-copyright holdings, with Bodleian holdings digitised by Google becoming fully available to the academic community and the public for the first time. The works that have been digitised cover a wide range of languages, disciplines and genres and include the first English translation of Newton's *Mathematical Principles of Natural Philosophy* and the first edition of Charles Darwin's *On the Origin of Species*.

### Community outreach

Through its wide-ranging programme of community outreach activities, the University shares the benefits of its teaching and research with the local community. Examples include:

- research projects at Wytham Woods ([www.wytham.ox.ac.uk](http://www.wytham.ox.ac.uk)), a 390-hectare area of woodland to the west of Oxford which was given to the University in 1942 for research, education and recreational purposes, regularly involve volunteers from local groups. Wytham has become an outdoor classroom for the Forest School project, which brings children from Oxford schools out to learn in a woodland setting, encouraging them to think about the environment and their role in taking care of it; and
- the East Oxford Archaeology Project, coordinated by the Department for Continuing Education ([www.conted.ox.ac.uk/research/projects/eastoxford.php](http://www.conted.ox.ac.uk/research/projects/eastoxford.php)), is a large-scale community project involving over 600 local volunteers. Two large excavations have taken place and volunteers, investigating over 50 test pits across east Oxford, have been involved in geophysical surveys, the analysis of finds, and the processing of palaeo-environmental samples.

## Student volunteering

The University's student body is heavily involved in voluntary activity, from local community projects, such as running afterschool clubs for GCSE students, to projects in the developing world, such as the student charity TravelAid ([www.travelaid.org.uk](http://www.travelaid.org.uk)). The focal point for student charitable activity is the Oxford Hub, founded in 2007 and now one of Oxford's biggest student-run organisations. The Hub links students with local and international community activities, placing over 500 student volunteers in the local community. It also advises them on setting up their own projects and offers training and information on social and environmental issues and careers.

## Cultural life

The University organises a large number of events each year, including public lectures and research showcases, some of which are filmed and published online so that a much wider audience is able to see them. Major events during 2012/13 included the Oxford London Lecture, given by Professor Paul Newman on the theme of robotic technology, and the 2012/13 Humanitas Programme, which involved 18 Visiting Professors giving public lectures, workshops and master classes at Oxford.

The University also makes a major contribution to the cultural life of the city and region. The Faculty of Music hosts public concerts and workshops; Oxford Philomusica, the orchestra-in-residence at the University, maintains a programme of education and community work; and the University is a major financial supporter of the Oxford Playhouse ([www.oxfordplayhouse.com/aboutus/OPandOU.aspx](http://www.oxfordplayhouse.com/aboutus/OPandOU.aspx)). Each year in September, the University and many of the colleges partner with Oxford Preservation Trust in the annual Open Doors weekend, which offers local people the opportunity to explore the city. In 2012 the event attracted around 60,000 people, with those under 24 accounting for a quarter of all visitors.

The University ensures its rich sporting tradition is fed back into the community. Many University sports facilities, including the University's gym and the Rosenblatt Swimming Pool, are accessible to local residents, and local state schools have free swimming lessons at the pool.

## Health

The University works closely with local hospitals. Most patients in Oxfordshire come into contact at some point with a University medic: many are on joint NHS appointments and many NHS consultants and GPs hold honorary positions in the University and contribute to the teaching of medical students. Such a close relationship between the University and the local NHS has resulted in a strong practical partnership in research, training and patient treatment.

As a world leader in medical science and health-related research, the University works in partnership with institutions in more than 30 different countries, to investigate some of the leading causes of disease and death, and to develop health training and infrastructure for the public good. The University has a permanent network of tropical medical research programmes in Kenya, Thailand and Vietnam, with sister groups in Laos, Tanzania, Indonesia and Nepal. Each involves collaboration between Oxford, the Wellcome Trust and local institutions such as the Kenya Medical Research Institute, Mahidol University in Thailand and the Hospital for Tropical Diseases in Vietnam. Currently, recommended treatments for malaria, dengue shock syndrome, typhoid, melioidosis, tuberculosis, meningitis, diphtheria and leptospirosis are all based on the programmes' work. The outstanding success of these collaborations directly influences the World Health Organisation's policies.

More information about the full range of Oxford's health-related overseas partnerships is available at: [www.ox.ac.uk/international/international\\_collaboration\\_and\\_research/oxfords\\_partnerships\\_in\\_global\\_health](http://www.ox.ac.uk/international/international_collaboration_and_research/oxfords_partnerships_in_global_health)

**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 52.2% of expenditure, as shown in the table below.

	2013	2012
Average number of staff	10,422	9,540
Staff costs as a % of expenditure	52.2	51.4

Further statistical information about the University's staff is available at: [www.admin.ox.ac.uk/personnel/figures](http://www.admin.ox.ac.uk/personnel/figures).

To balance the need for spending restraint and the desire to ensure that it appropriately rewards its staff, the University continues to monitor closely both headcount and spending on staffing costs. These costs have remained relatively constant, due to divisional oversight of recruitment and the 1% pay award implemented in this financial year. It is anticipated that pay awards in the forthcoming financial year will again reflect the uncertain economic times that are impacting the sector.

Notwithstanding these constraints, the success of the University in meeting its objectives depends on its staff. As a result, a number of initiatives during 2012/13 aimed to continue to promote the recruitment, retention and motivation of the best staff in an increasingly international market. These included:

- consultation on proposals: (i) to change the titles of academic staff, in order to adopt a system more widely understood in the international academic community and thus improve the University's ability to attract and retain the highest calibre staff; and (ii) to allow those with full professorial title to apply for professorial merit awards. The response to both proposals was broadly positive and further proposals, revised to take account of responses to the consultation, will be considered during 2013/14; and
- the reinstatement of merit pay for academic-related and support staff and of biennial salary reviews for the most senior research and academic-related grades, to take place during 2013/14.

One of the most significant elements of overall staffing costs is employer contributions to pensions. The introduction of auto-enrolment to pensions for qualifying staff has provided challenges this year, particularly in the context of the introduction of a new Human Resources information and payroll system, but is now complete with a further 724 employees signed up to a pension as a result. The University has introduced the portable National Employment Savings Trust ('NEST') scheme for those who do not qualify for its contributory, defined benefit pension schemes, the Universities Superannuation Scheme ('USS') and the Oxford Staff Pension Scheme ('OSPS').

The funding position of USS has deteriorated, with an increase in the deficit from £9.8 billion in March 2012 to £11.0 billion in March 2013. Volatility in market based valuations has continued and by the end of June 2013 the deficit had reduced to £7.9 billion. Ernst & Young LLP have been engaged to carry out a covenant review and it is anticipated that USS will need to consider its options following the formal actuarial valuation as at 31 March 2014.

Changes to OSPS were implemented in January 2013, following extensive consultation. The changes were designed to save 4% on accrual costs, following a valuation in 2010 that revealed an £83 million deficit. This has been achieved and the removal of the default retirement age led to a further 2% saving on the cost of future accrual, but reduced returns on gilts have resulted in an increased deficit of £181 million at March 2013. A working group of senior staff has been established to consider the situation.

The University aspires to be an employer of choice for all staff groups and therefore invests in creating and maintaining a supportive working environment. The Occupational Health Service and the Safety Office offer a variety of services to staff and managers to promote health and wellbeing in the workplace. The University nurseries are an enormously popular benefit of working for the University, and ways to expand nursery provision are constantly being explored.

The University's equality objectives are to address the under-representation of women and to improve the recruitment, retention and progression of black and minority ethnic staff. The recently established Equality and Diversity Panel will provide strategic guidance and challenge across all equality strands but has focussed its discussions this year on promoting gender equality at senior levels, including in relation to pay. The £1 million Vice-Chancellor's Diversity Fund, launched in mid-July 2013, will be targeted in the first instance at initiatives in support of progress on gender equality. The Equality and Diversity Unit has continued to focus on the Athena SWAN<sup>19</sup> scheme to address the under-representation of women in science. 11 Oxford Departments now hold awards, which places the University among the highest performing UK HEIs.

<sup>19</sup> [www.admin.ox.ac.uk/eop/gender/athenaswan](http://www.admin.ox.ac.uk/eop/gender/athenaswan)

**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 continuing economic pressures, academic activity has continued to attract funding and demand for new and more functional space continues. In 2012/13, the University's functional estate grew by 1.8%, to approximately 613,000 square metres.

Investment in new buildings (and in enhancing the quality of the University's existing building stock through the repairs and maintenance and capital programmes) is helping to improve the condition, functional suitability and environmental performance of the functional estate. However, economic uncertainty continues to impact on the overall improvement programme and consequently the rate of progress has slowed. Across the disciplines, many of the University facilities remain poorly suited to current and projected levels of research activity and graduate study, and the ongoing investment required is considerable.

	2013	2012
Building and equipment additions	£175.5m	£151.4m
Heritage asset additions (purchased / donated)	£10.5m / £28.5m	£0.4m / £0.3m
Capital grants received	£51.9m	£56.2m
Building repairs and maintenance	£16.7m	£16.2m
Repairs and maintenance as % of building insurance value	0.6%	0.6%
Buildings (1000 x m <sup>2</sup> )	613	602

Progress has been made in the following areas:

- completed projects included new laboratory buildings for the Nuffield Department of Medicine and the Kennedy Institute, and the refurbishment of the 1770s Radcliffe Infirmary Building for the Humanities Division on the Radcliffe Observatory Quarter ('ROQ');
- major construction projects included the Mathematical Institute on the ROQ and the Old Indian Institute for the Oxford Martin School, both completed during the summer of 2013. Refurbishment and redevelopment of the New Bodleian Library for the Weston Library continues and the project remains on programme for completion in the summer of 2014;
- master planning for the combined Old Road Campus and Park Hospital sites was finalised and outline planning approval for the proposals was received, enabling the University to complete the purchase of the Park Hospital site;
- building work has progressed at Castle Mill, where 312 new units of graduate accommodation became available to the University during September 2013. Refurbishment of the graduate accommodation at Summertown House East Block began in August 2013;
- University developments have received a number of awards, including a Royal Institute of British Architects ('RIBA') national and regional award for the West Wing of the Said Business School, with the Oxford Molecular Pathology Institute ('OMPI') and the Radcliffe Infirmary projects being shortlisted. The Radcliffe Infirmary and the Mathematical Institute sites won Gold awards and were both runners up in the 2013 *Considerate Constructors Scheme Awards*;
- the programme of window replacement has continued with further phases at the Denys Wilkinson building and Inorganic Chemistry. Other notable repairs and maintenance works include the phased works to repair the glass roof at the University Museum of Natural History and the rewiring in listed buildings located on Banbury Road; and
- the University Parks Department continues to maintain the green functional estate to a high standard. The Parks hosted several major charity events, and continues to offer a valuable recreation space to members of the University and the local community as well as visitors from around the world.



## Heritage assets

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

### The libraries include:

**Bodleian Libraries** – which 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 a website at [www.bodleian.ox.ac.uk/about/policies](http://www.bodleian.ox.ac.uk/about/policies). This includes links to the conservation policy, the admission and external events policies and to the e-Resources which include extensive catalogue information. This catalogue can be used to find details of the books published on the history and extent of the Bodleian Library.

### The museums include:

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

**University Museum of Natural History** – which houses the University's scientific collections of zoological, entomological, paleontological and mineral specimens. With 4.5 million specimens it is the largest collection of its type outside 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 world's finest collection of national and international historic scientific instruments.

**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 the present day.

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

In line with national policy, major museums of the University are free to enter (although a small charge is made for entry to the Botanic Gardens and the Harcourt 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.

The cost of new heritage asset acquisitions in 2012/2013 was £10.5 million (2012: £0.4 million). Two important acquisitions were a painting by Manet for £7.8 million and the Fox Talbot photography archives for £2.3 million. In addition, heritage assets of £28.5 million were donated to the University in the year (2012: £0.3million). The two largest donations were the Wellby collection of artefacts valued at £20.0 million and the portrait of John Ruskin by John Everett Millais, valued at £7.0 million.

## Environmental policy

The University's most recent Environmental Sustainability report was published in July 2013, covering activity in the 2011/12 financial year and performance in that year compared to 2010/11. That report shows that the University:

- reduced its carbon emissions from 78,267 tCO<sub>2</sub> to 77,349 tCO<sub>2</sub> – a decrease of 918 tCO<sub>2</sub> (1.2%). This reduction was due to investment in new energy efficient systems and significant efforts by all members of the University to use energy more efficiently. More onsite energy is now being produced at sites such as the Earth Sciences Building and the new Biochemistry Building; and

- reduced water consumption by 3.3% due to investment in water efficiency measures (from 349,490m<sup>3</sup> in 2010/11 to 337,834m<sup>3</sup> in 2011/12 – a decrease of 11,656m<sup>3</sup>).

During 2012/13 the University made further investment in environmental sustainability measures. In particular,

- over £450k was invested in energy efficiency projects, including additional insulation, lighting upgrades, installation of energy saving technology and upgrades to building management systems; and replacing boilers and replacing energy intensive lighting with LED lighting, and;
- £100k was invested in pedestrian, cycling and travel infrastructure projects including extra cycle parking, a cycle hire station (as part of a County Council scheme), a mobile bike mechanic, departmental lockers and showers and improved security and access arrangements.

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

The *Oxford Thinking* Campaign total reached £1.61 billion at the end of July 2013. All of 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 and facilities – within the colleges, academic divisions and departments, libraries, museums and collections, and to sports and other activities. The 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 collegiate University. Further information about the Campaign can be found at: [www.campaign.ox.ac.uk](http://www.campaign.ox.ac.uk).

## **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.

The financial statements do not include the transactions and balances of the Oxford University Press ('Press') which is a department of the University rather than a separate legal entity. Under the University's Statutes and Regulations (section 8, Council Regulations 20 of 2002) the financial statements of the Press shall not be included in the University financial statements and the Delegacy of the Press is responsible for preparing separate audited accounts relating to the Press for submission to Council. Extracts from the accounts of the Press for the year ended 31 March 2013 are included for information at pages 56–60 but do not form part of these financial statements. Where funds are transferred from the Reserves of the Press these are reflected as income in the financial statements of the University.

### **Prior Year Adjustment**

Up to and including the financial year 2011/12, the University has received a total of £265.5m of transfers from the Press which have been accounted for as Permanent Endowments, and which had grown in value to £286.7m as at 31 July 2012. In addition, the University has received a total of £203.3m of transfers from the Press which have been accounted for as Deferred Capital Grants (DCG). Of the total amount accounted for as DCG £18.7m had been released to the Income and Expenditure Account as at 31 July 2012.

The University has now reviewed the basis on which these transfers were accounted for and concluded that there was an error in the original decision to categorise them as Permanent Endowments and DCGs respectively. The correct treatment would have shown the transfers as income. This revised treatment correctly reflects the Press's status as a department of the University with no separate legal personality.

A full explanation of the prior year adjustments is given in note 8 on page 36 of the financial statements.

### **Surplus<sup>20</sup>**

Income has continued to grow in 2012/13 with total income increasing by 8.4%; however, the upward pressure on costs and the need to invest for the future continue to be significant. Whilst the University generated a surplus for 2012/13 of £60.7m (2011/12 surplus of £39.0m), much of the surplus arose from the donation of heritage assets of £28.5m. Excluding this income gives a net surplus of £32.2m. The EBITDA surplus (before interest, tax, depreciation and amortisation) is £88.4m (£59.9m before donated heritage assets) well above the 5% of income required to maintain the long-term sustainability of the University.

<sup>20</sup> All comparisons with prior years refer to restated amounts after the prior year adjustments.

	2013 £'m	2012 restated £'m
Income	1,086.9	1,002.8
Expenditure	(1,037.4)	(971.8)
Surplus on ordinary activities	49.5	31.0
Minority interest	-	0.1
Transfer from expendable endowments	11.2	7.9
<b>Net surplus for the year retained within General Reserves</b>	<b>60.7</b>	<b>39.0</b>

### Income

Compared with the previous year, income to the University rose by 8.4%, from £1,002.8m to £1,086.9m. The main reasons for the increase were:

- research grants and contracts continue to be the largest source of income to the University and increased by 6.8% to £436.8m, most of which was matched by related expenditure;
- grants from the Higher Education Funding Council for England ('HEFCE') amounted to £193.7m, a decrease of 4.9%, reflecting the first cohort of students paying higher fees;
- academic fees and support grants now represent the second largest source of University income and totalled £197.0m, up by 13.7% as a result of increased fee levels and student numbers, also reflecting the first cohort of students paying higher fees;
- donations increased from £26.3m in 2011/12 to £30.0m in 2012/13. Donations of £88.8m 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;
- endowment and investment income increased by 8.2% to £27.8m. The main reason for the increase was inclusion of the investment income arising from the receipt of the Moritz-Hayman Scholarship Fund proceeds in October 2012;
- the University received donations of heritage assets worth £28.5m (2011/12 £0.3m). The main receipts were a legacy of silver artefacts donated by Michael Wellby valued at £20.0m and the painting by Millais valued at £7.0m. Both are on display at the Ashmolean Museum; and
- included within income in 2012/13 is £50.3m received from the Press (2011/12 £53.8m).

### Expenditure

The University's expenditure of £1,037.4m was 6.8% higher than in 2011/12. The main reasons for the increase were:

- staff costs totalled £541.6m, an increase of 8.5%. This resulted from an annual negotiated pay settlement of 1.0%, annual promotional salary increments, and a 9.2% increase in the average number of staff, offset by a reduction in early retirement charges;
- an increase in bursaries and scholarships to £35.8m (2011/12 £32.4m);
- an increase in maintaining our premises to £57.4m (2011/12 £54.4m);
- an increase in amounts paid to colleges to £52.5m (2011/12 £47.3m);
- other operating expenses amounted to £286.3m, an increase from 2011/12 of 3.3%. This is primarily due to increased research costs in line with increased research income; and
- depreciation has increased from £55.8m in 2011/12 to £60.2m in 2012/13, mainly due to fixed asset additions during the year.

## Cash flow and financing

The increase in surplus for the year led to an increase in net cash flow from operating activities of £93.1m. During the year the University invested a record amount of capital expenditure of £207.6m on buildings and equipment. After the net cash impact of investment activities of £52.9m and other outflows, the decrease in cash for the year was £76.6m.

	2013	2012 restated
	£'m	£'m
Net cash inflow from operating activities	93.1	34.6
Capital expenditure	(207.6)	(139.2)
Capital grants received	51.9	56.2
Net cash impact of investment activities	(52.9)	87.6
Other inflows/(outflows)	38.9	3.1
<b>(Decrease)/increase in cash</b>	<b>(76.6)</b>	<b>42.3</b>

The University has bank loans outstanding totalling £39.4m. Borrowing as a percentage of net assets was 1.6% (2011/12: 1.8%).

## Investment performance

The University's investments are managed in the Oxford Endowment Fund, the Oxford Capital Fund, the Deposit Pool, Cash and Bond Account and as 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 invest 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, the Colleges and charitable trusts associated with 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% p.a. real rate of return over the long term, with an expected maximum level of volatility of the MSCI World Index. A target distribution rate of 4% p.a. 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 700 individual Trusts. The Fund is unitised, and in return for cash subscriptions each Trust receives a percentage interest in the whole portfolio.

At 31 July 2013, the market value of the Oxford Endowment Fund was £1,231m and it distributed £44m to the collegiate University. For the twelve month period to 31 July 2013 the Fund returned 15.7%. For the three years to 31 July 2013 it returned an annualised 9.8% and for five years 7.4% (4.5% real). The annualised volatility of the Fund since inception is 8.7%.

### **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. Originally structured as an English Limited Partnership, the Fund was folded into the same legal structure as the Oxford Endowment Fund during 2012/13 in order to ease administration and reduce costs.

The Fund is managed by OUEM, with oversight from the Investment Committee, and is suitable for investments of between three and five years. The investment objective is to generate an average return of 3% p.a. over CPI, but has less volatility than is usual in the equity markets. The Fund does not make an annual distribution as all income generated is reinvested. It is open to the University, the Colleges and charitable trusts associated with the University and is designed to allow for subscriptions and withdrawals on a quarterly basis.

At 31 July 2013 the market value of the Oxford Capital Fund was £457m. For the twelve month period to 31 July 2013 the Fund returned 8.8%. For the three years to 31 July 2013, it returned an annualised 6.5% and for four years 7.7% (4.5% real). The annualised volatility of the Fund since inception is 6.2%.

### **Other investments**

The University's short term cash requirement is managed in the Deposit Pool by the University's Treasury team under the supervision of the Finance Committee. A Cash and Bond Account was established in 2011/12 to manage more actively the University's short term cash.

### **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 Chartered Institute of Public Finance and Accountancy ('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 principal risks facing the University, which remain unchanged, are its long-term ability to attract the best staff and students, to maintain and develop its research capability, and to maintain an appropriate infrastructure.

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 23.

The key financial uncertainties and risks include:

- the possibility of further cuts in Government support for teaching and research;
- the financial constraints on research funding bodies and their unwillingness to fund the full costs of research;
- the uncertainty in the financial markets impacting on investment returns and the value of the endowment;
- the continuing economic success of the Press;
- the pressures on the cost base and the level of support for capital investment;
- the increasing and uncertain costs of pension provision in the current low interest rate environment which may result in higher pension contributions in the future;
- the failure to invest in our infrastructure and meet student expectations; and
- the impact of Government policies and regulation on our ability to remain competitive internationally.

Notwithstanding all of these 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 following information describes the governance and legal structure of the University. These governance arrangements are for the most part set out in the University Statutes and Regulations<sup>21</sup>.

HEFCE requires the University to provide an explanation of the ongoing differences between the University's governance arrangements and the Committee of University Chairs ('CUC') Guide for Members of Higher Education Governing Bodies in the UK. This can be found in the table available at [www.admin.ox.ac.uk/councilsec/gov/gov\\_comp](http://www.admin.ox.ac.uk/councilsec/gov/gov_comp).

### Congregation

The University of Oxford is a lay corporation first established by common law and later formally incorporated by statute. It has no founder and no charter. The sovereign body of the University is Congregation, composed of virtually all academic staff and certain research staff, administrators and librarians. Congregation acts as the 'parliament' of the University and has the power to bind Council. It has responsibility for considering major policy issues submitted to it by Council or members of Congregation; it elects members to certain University bodies, including Council and the Audit and Scrutiny Committee; and it approves changes to the University's Statutes and Regulations.

### Council

Council is composed of members of Congregation elected by Congregation, ex officio members and lay members<sup>22</sup>. It meets regularly and is chaired by the Vice-Chancellor. Subject to the powers of Congregation, Council is the executive governing body 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 is responsible for the management of the University's finances and assets, in accordance with the conditions of the Financial Memorandum between HEFCE and the University; and 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, including taking reasonable steps:

- to ensure that there are appropriate controls in place to safeguard public funds and funds from other sources, 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, its Financial Memorandum with HEFCE and its funding agreement with the National College for Teaching and Learning; and
- to secure the economic, efficient and effective management of the University's resources and expenditure.

Council is required to prepare financial statements<sup>23</sup>, which include the accounts relating to the teaching and research activities of the University and the accounts of the University's subsidiary undertakings. These 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. In preparing the financial statements, Council is required:

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

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.

<sup>21</sup> [www.admin.ox.ac.uk/statutes](http://www.admin.ox.ac.uk/statutes)

<sup>22</sup> Membership of Council can be found on p21.

<sup>23</sup> See footnote 2 on p4. The Financial Regulations do not apply to the Press, as the Press has its own financial regulations and procedures. An auditor appointed annually by Council separately audits the Press's accounts.

Council is 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.

### Committees of Council

Council is advised by a range of committees, including five main committees that report directly to it on core business:

- 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 do not fall wholly within the remit of the other committees of Council. Its remit includes responsibility for keeping under review procedures for identifying and managing risks across the University's activities;
- 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; and
- 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.

Financial and audit committees reporting directly to Council include the following:

- the *Audit and Scrutiny Committee*, the remit of which includes responsibility for the appointment of the University's external auditors (subject to Council's approval) and its internal audit service and for agreeing the nature and scope of their work and their fees. The Committee reviews the adequacy and 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 University's arrangements to detect and prevent fraud and irregularity. During 2012/13 the Audit and Scrutiny Committee had no formal responsibility for assurance over the Press's activities. However, the Committee has been informed periodically about matters within the Press, and members of the Finance and Audit Committees of the Press have attended meetings of the Audit and Scrutiny Committee during the year;
- the *Finance Committee*, 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 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; and
- the *Investment Committee*, responsible, under Council, for the management of the University's investment portfolio.

### The Press

The Delegacy of the Press is responsible for all the affairs of the Press, including risk management, Treasury policy, governance and internal controls. 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 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 control and accepts that it is neither possible nor desirable to build a control environment which is risk free. Accordingly the system of internal controls in place is designed to manage rather than to eliminate risk. It is an ongoing process, embedded in the University's operations, and 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.

The University operates a highly devolved system of management and financial control and, through its Financial Regulations, sets out processes designed to safeguard assets, and to ensure effective controls over the way in which liabilities are incurred and managed.

PricewaterhouseCoopers LLP ('PwC') provided internal audit services for the year. PwC provides an assessment of the adequacy and the effectiveness of the controls operated across the University, using standards defined in the 'Audit Code of Practice', Annex B to the Financial Memorandum with HEFCE.

The Audit and Scrutiny Committee met four times to consider business relevant to the 2012/13 financial year with the University's external and internal auditors in attendance for relevant agenda items. The committee agreed a programme of work for the internal audit function; received regular reports from the internal auditors on the adequacy and effectiveness of internal controls; received reports from the external auditors; 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 and the effectiveness of the internal control environment. The Audit and Scrutiny Committee in turn provides Council with its opinion on the status of internal controls.

Council reviews the major strategic risks to the University's activities and objectives on a regular basis, in order to identify developments, and consider any additional matters which need to be addressed. The General Purposes Committee, responsible for reviewing procedures for identifying and managing risks across the University's activities, receives regular updates on the progress being made in embedding risk management fully across the University. Risk registers are established in each of the University's academic divisions within the Academic Services and University Collections group and for each of the University's main committees. The University's planning and budgeting framework ensures that risk management is also embedded effectively in all elements of five year planning.



## Membership of Council

The members of Council are the Charity Trustees of the University. Membership of Council from 1 August 2012 to 2 December 2013 was as follows:

Position	Name	Date
<b>Ex officio members</b>		
<i>Vice-Chancellor</i>	Professor A Hamilton	Throughout
<i>Chairman of Conference of Colleges</i>	Mr T D Gardam, Principal of St Anne's	To 30 September 2013
	Sir Jonathan Phillips, Warden of Keble	From 1 October 2013
<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 West	Throughout
<i>Head of the Social Sciences Division</i>	Professor R Goodman	Throughout
<i>Senior Proctor</i>	Dr H R Dorkins	To 12 March 2013
	Professor J Mallinson	From 13 March 2013
<i>Junior Proctor</i>	Dr A B Zavatsky	To 12 March 2013
	Dr R Surender	From 13 March 2013
<i>Assessor</i>	Dr H L Spencer	To 12 March 2013
	Dr P Probert Smith	From 13 March 2013
<b>Elected by the Conference of Colleges</b>		
	Professor P Madden	Throughout
<b>Elected by Congregation</b>		
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	To 30 September 2013
	Professor L Tarassenko	From 1 October 2013
	Professor M S Williams	Throughout
	Professor P A Robbins	Throughout
	Professor S Cooper	From 30 September 2012
	Professor K Davies	From 1 October 2012 to 6 September 2013
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	To 30 September 2013
	Dr T J Morgan	From 1 October 2013
	Dr E J Garnett	To 30 September 2012
	Professor S N MacFarlane	From 1 October 2012
	Dr E Smith	Throughout
	Dr J Nightingale	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	Mr G I Henderson, Master of Pembroke	To 31 July 2013
	Dr H R Dorkins	From 1 October 2013
	Dr S E Thomas	To 31 July 2013
	Dr F Lannon, Principal of Lady Margaret Hall	From 1 October 2013
	The Very Rev'd Dr C A Lewis, Dean of Christ Church	To 30 September 2013
	Professor C J Wickham	From 1 October 2013
<b>External members</b>		
	Ms J Almond	Throughout
	Sir Crispin Davis	Throughout
	Ms A Perkins	Throughout
	Sir Paul Nurse	To 31 March 2013
<b>Co-opted members</b>		
	Dr S Mapstone	1 October 2013

## Independent auditor's report to the members of the Council of the University of Oxford

We have audited the Group and University financial statements ('financial statements') of the University of Oxford for the year ended 31 July 2013 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. 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).

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 auditor

As explained more fully in the Statement of the Responsibilities of Council, Council 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 Group's and the University'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 transactions and balances of the Oxford University Press ('Press') in its financial statements. Since the Press is a department of the University rather than a separate legal entity, in our opinion its exclusion results in the financial statements not giving a true and fair view of all activities of the University. Had the University accounted for the Press as part of the University, it would, in both the Group and the University accounts for the year ended 31 July 2013, have recognised additional net assets of some £480 million and an increase in the reported surplus for the year of some £60 million, based on unaudited management accounts to 31 July 2013.

### 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 Group and the University as at 31 July 2013 and of the surplus of the Group's income and expenditure, recognised gains and losses and cash flow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with 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 issued under the Further and Higher Education Act 1992

In our opinion, in all material respects,

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes
- income during the year ended 31 July 2013 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 National College for Teaching and Leadership, and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

### Matter on which we are required to report by exception

We have nothing to report in respect of the HEFCE Audit Code of Practice issued under the Further and Higher education Act 1992 requires us to 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 and Group.

Michael Rowley  
For and on behalf of **KPMG LLP** Statutory Auditor

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
2 December, 2013

## 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 transactions and balances of the Oxford University Press ('Press') which is a department of the University rather than a separate legal entity. Under the University's Statutes and Regulations (section 8, Council Regulations 20 of 2002) the financial statements of the Press shall not be included in the University financial statements and the Delegacy of the Press is responsible for preparing separate audited accounts relating to the Press for submission to Council. Extracts from the accounts of the Press for the year ended 31 March 2013 are included for information at pages 56–60 but do not form part of these financial statements. Where funds are transferred from the Reserves of the Press these are reflected as income in the financial statements of the University.

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 for further and higher education* (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, cash flows 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.

### **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 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 endowments is recognised on a total return basis. 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. Income from permanent restricted endowments is recognised to the extent of the relevant expenditure incurred during the year. 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 significant actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and therefore, as required by FRS17 Retirement Benefits, accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

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

## **6. Leases**

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

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

## **7. Intangible fixed assets: goodwill**

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

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

## 8. Tangible fixed assets

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

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

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

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

## 9. Heritage assets

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

## 10. Donated assets

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

## 11. Repairs and maintenance

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

## 12. Investments

### *Total Return*

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

### *Basis of Valuation*

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.

### 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 3 of the Charities Act 2011 and as such is listed as 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 472–488 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 ('VAT'), but certain activities and other ancillary supplies and services are liable to VAT at various rates. Expenditure includes VAT 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 VAT and the profits are liable to Corporation Tax. However, the taxable profits made by these companies are covenanted to the University and paid under Gift Aid which negates that liability.

## 15. Cash flows and liquid resources

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

## 16. Financial instruments

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

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

## 17. Minority interest

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

## 18. Intra-group transactions

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

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 July 2013

	Note	2013 £'m	2012 as restated £'m
<b>INCOME</b>			
Funding body grants	1	193.8	203.6
Academic fees and support grants	2	197.0	173.3
Research grants and contracts	3	436.8	409.0
Other income	4	203.0	191.0
Endowment and investment income	5	27.8	25.6
Donation of heritage assets	11	28.5	0.3
<b>TOTAL INCOME</b>		<b>1,086.9</b>	<b>1,002.8</b>
<b>EXPENDITURE</b>			
Staff costs	6&7	541.6	499.1
Other operating expenses	7	433.4	414.9
Depreciation	7&11	60.2	55.8
Interest and other finance costs	7	2.2	2.0
<b>TOTAL EXPENDITURE</b>		<b>1,037.4</b>	<b>971.8</b>
<b>SURPLUS ON ORDINARY ACTIVITIES</b>		<b>49.5</b>	<b>31.0</b>
MINORITY INTEREST	26	-	0.1
<b>SURPLUS AFTER MINORITY INTEREST</b>		<b>49.5</b>	<b>31.0</b>
TRANSFER FROM EXPENDABLE ENDOWMENTS	20	11.2	7.9
<b>SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES</b>	<b>23</b>	<b>60.7</b>	<b>39.0</b>

The activities of Oxford University Press ('the Press') are not included within the University's financial statements. Extracts from the accounts of the Press for the year ended 31 March 2013 are included for information at pages 56–60 but do not form part of these financial statements.

All activities relate to continuing operations.

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 July 2013

	Note	2013 £'m	2012 as restated £'m
SURPLUS AFTER MINORITY INTEREST		49.5	31.1
Increase/(decrease) in value of fixed asset investments	24	77.3	16.6
Increase in value of expendable endowments	20	5.5	1.0
New endowments received	19&20	38.8	13.6
Other movements in endowments	19	60.3	(3.2)
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>231.4</b>	<b>59.1</b>
<b>OPENING RESERVES AND ENDOWMENTS</b>		<b>1,578.1</b>	<b>1,519.0</b>
<b>CLOSING RESERVES AND ENDOWMENTS</b>		<b>1,809.5</b>	<b>1,578.1</b>

The cumulative effect of the prior year adjustment (see note 8) was to increase opening reserves at 1 August 2012 by £184.6m.



**BALANCE SHEETS**

As at 31 July 2013

	Note	Consolidated		University	
		2013	2012 as restated	2013	2012 as restated
		£'m	£'m	£'m	£'m
<b>FIXED ASSETS</b>					
Intangible fixed assets	10	(0.2)	(0.7)	-	-
Tangible fixed assets	11	1,203.0	1,048.7	1,199.0	1,043.4
Fixed asset investments	12	796.6	729.6	811.5	729.6
		<b>1,999.4</b>	<b>1,777.6</b>	<b>2,010.5</b>	<b>1,773.0</b>
<b>ENDOWMENT ASSET INVESTMENTS</b>	13	<b>686.1</b>	<b>592.7</b>	<b>619.8</b>	<b>535.3</b>
<b>Current Assets:</b>					
Stocks		2.3	2.4	0.9	1.0
Debtors	14	168.3	167.7	174.4	172.6
Current asset investments	15	15.5	18.1	13.4	13.3
Cash at bank and in hand		31.9	52.0	16.5	41.2
		218.0	240.2	205.2	228.1
Creditors: Amounts falling due within one year	16	(407.8)	(349.0)	(400.5)	(336.7)
<b>NET CURRENT LIABILITIES</b>		<b>(189.8)</b>	<b>(108.8)</b>	<b>(195.3)</b>	<b>(108.6)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,495.7</b>	<b>2,261.5</b>	<b>2,435.0</b>	<b>2,199.7</b>
<b>Creditors:</b>					
Amounts falling due after more than one year	17	(46.0)	(50.2)	(46.0)	(50.2)
<b>Provisions for Liabilities and Charges</b>	18	(5.7)	(5.9)	(5.0)	(5.2)
<b>NET ASSETS</b>		<b>2,444.0</b>	<b>2,205.4</b>	<b>2,384.0</b>	<b>2,144.3</b>
<b>ENDOWMENTS</b>					
Permanent	19	612.1	532.0	545.8	474.6
Expendable	20	74.0	60.7	74.0	60.7
	21	<b>686.1</b>	<b>592.7</b>	<b>619.8</b>	<b>535.3</b>
<b>RESERVES</b>					
Income and expenditure account	23	965.3	870.9	974.7	878.1
Revaluation reserve	24	158.1	114.5	157.8	116.9
		<b>1,123.4</b>	<b>985.4</b>	<b>1,132.5</b>	<b>995.0</b>
<b>RESERVES AND ENDOWMENTS</b>		<b>1,809.5</b>	<b>1,578.1</b>	<b>1,752.3</b>	<b>1,530.3</b>
<b>DEFERRED CAPITAL GRANTS</b>	25	634.1	616.4	631.7	614.0
Minority Interest	26	0.4	10.9	-	-
<b>TOTAL FUNDS</b>		<b>2,444.0</b>	<b>2,205.4</b>	<b>2,384.0</b>	<b>2,144.3</b>

The activities of Oxford University Press ('the Press') are not included within the University's financial statements. Extracts from the accounts of the Press for the year ended 31 March 2013 are included for information at pages 56–60 but do not form part of these financial statements.

The financial statements were approved by Council on 2 December 2013 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 2013

	Note	2013 £'m	2012 as restated £'m
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	27	<b>93.1</b>	<b>34.6</b>
<b>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from endowments received		4.5	2.4
Other income from investments and interest received		1.4	2.7
		<b>5.9</b>	<b>5.1</b>
Interest paid		(2.1)	(2.0)
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>3.8</b>	<b>3.1</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(207.6)	(139.2)
Proceeds of disposal of fixed assets		-	2.0
Net disposal of fixed asset investments		17.8	14.3
Net (acquisition)/disposal of endowment asset investments		(64.7)	68.5
Capital grants received		51.9	56.2
Endowments received		38.8	13.6
<b>Net cash (outflow) / inflow from capital expenditure and financial investment</b>		<b>(163.8)</b>	<b>15.4</b>
<b>ACQUISITIONS AND DISPOSALS</b>			
(Withdrawal from)/investment in Oxford Capital Fund LP by outside investors		<b>(10.5)</b>	1.8
<b>Net cash (outflow)/inflow from acquisitions and disposals</b>		<b>(10.5)</b>	<b>1.8</b>
<b>NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		<b>(77.4)</b>	<b>54.9</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Net disposal / (acquisition) of current asset investments	28	2.8	(10.6)
<b>FINANCING</b>			
Net mortgages and loans repaid	30	(2.0)	(2.0)
<b>(DECREASE)/ INCREASE IN CASH</b>	29	<b>(76.6)</b>	<b>42.3</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. FUNDING BODY GRANTS

	2013 £'m	2012 £'m
HEFCE recurrent grants	175.6	184.6
Non-recurrent grants:		
Museums and Galleries	3.4	3.4
HE innovation fund	3.1	2.4
Other	1.1	1.0
Grants from the National College for Teaching and Leadership	-	1.0
Deferred capital grants released: (note 25)		
Buildings	10.2	10.3
Equipment	0.4	0.9
	<b>193.8</b>	<b>203.6</b>

### 2. ACADEMIC FEES AND SUPPORT GRANTS

	2013 £'m	2012 £'m
Full-time students:		
Home/EU fees	70.5	53.8
Overseas and other fee rates	65.1	62.0
Part-time students:		
Home/EU fees	10.1	4.1
Overseas and other fee rates	4.4	4.6
Professional and non-matriculated courses	27.9	28.3
Examinations and other fees	0.7	0.6
Research training and support grants	18.3	19.9
	<b>197.0</b>	<b>173.3</b>

### 3. RESEARCH GRANTS AND CONTRACTS

	2013 £'m	2012 £'m
Research Councils	119.3	117.6
UK charities	132.4	127.6
UK government and health authorities	42.6	39.4
UK industry and commerce	16.6	16.6
European Commission and other EU government bodies	42.1	35.4
Other EU based grantors	7.2	4.5
Other overseas	76.0	67.7
Other bodies	0.6	0.2
	<b>436.8</b>	<b>409.0</b>

Research grants and contract income includes £16.8m in respect of the release of deferred capital grants (2012:£16.9m).

#### 4. OTHER INCOME

	2013 £'m	2012 restated £'m
Residence, catering and conferences	11.2	10.5
Other services rendered	48.9	42.5
NHS	11.3	10.4
Deferred capital grants released (note 25)	6.9	5.7
Benefactions and donations	30.0	26.3
Transfer from the Press (note 9)	51.2	53.8
Release of negative goodwill	0.5	0.1
Foreign exchange (losses)/gains	(1.9)	2.7
Royalty Income	4.1	9.0
Receipts from educational activities	19.9	17.1
Other income	20.9	12.9
	<b>203.0</b>	<b>191.0</b>

Refer to note 8 for details of the prior year restatement.

#### 5. ENDOWMENT AND INVESTMENT INCOME

	2013 £'m	2012 restated £'m
Income from expendable endowments (note 20)	0.3	0.3
Income recognised from permanent endowments (note 19)	20.7	20.6
Profits on disposal of spin-out company investments	2.2	1.8
Other income from investments and interest receivable	4.6	2.9
	<b>27.8</b>	<b>25.6</b>

Refer to note 8 for details of the prior year restatement.

Profit on disposal of spinouts includes £1.3m (2012: £1.3m) release of deferred income from Beeson Gregory Merchant Bankers for the right to purchase a percentage share of share capital in spinout companies formed by the Department of Chemistry (see note 17) and £0.8m (2012: £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

	2013 £'m	2012 £'m
Wages and salaries	442.5	406.8
Social security costs	35.4	33.0
Pension costs (note 35)	63.7	59.3
	<b>541.6</b>	<b>499.1</b>

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

	2013 No.	2012 No.
Average number of staff	10,422	9,540

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

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Emoluments (excl. pension contribution)	380	371
Pension contributions	54	53
	<b>434</b>	<b>424</b>

**Trustees**

No trustee has received any remuneration or waived payments from the University during the year in respect of their services as trustees (2012: Nil).

The total expenses paid to or on behalf of a trustee were less than £250 (2012: less than £200 to one trustee). This represents travel and other expenses incurred in attending Council and related meetings.

The numbers of members of staff 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 as in the table below.

The salaries reflected in these ranges include payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment. These payments are excluded from the University's Income and Expenditure Account. Of the 305 staff earning in excess of £100k, 114 include such payments on behalf of the NHS. Also included are royalty payments to members of staff via the payroll and professorial merit awards to non-clinical staff.

	<b>Clinical</b>		<b>Non-clinical</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
£100,000 to £109,999	13	14	51	48	64	62
£110,000 to £119,999	9	10	40	34	49	44
£120,000 to £129,999	4	12	22	20	26	32
£130,000 to £139,999	19	9	18	10	37	19
£140,000 to £149,999	8	13	18	16	26	29
£150,000 to £159,999	7	10	13	8	20	18
£160,000 to £169,999	8	6	7	6	15	12
£170,000 to £179,999	18	8	1	7	19	15
£180,000 to £189,999	6	8	3	5	9	13
£190,000 to £199,999	5	6	2	2	7	8
£200,000 to £209,999	4	5	5	5	9	10
£210,000 to £219,999	1	3	2	2	3	5
£220,000 to £229,999	2	2	-	-	2	2
£230,000 to £239,999	1	1	1	-	2	1
£240,000 to £249,999	3	1	-	-	3	1
£250,000 to £259,999	3	-	1	1	4	1
£260,000 to £269,999	-	1	1	1	1	2
£270,000 to £279,999	1	-	1	-	2	-
£280,000 to £289,999	1	1	-	1	1	2
£290,000 to £299,999	-	-	2	1	2	1
£300,000 to £309,999	1	-	-	-	1	-
£340,000 to £349,999	-	1	-	-	-	1
£360,000 to £369,999	-	-	-	1	-	1
£370,000 to £379,999	-	-	2	-	2	-
£380,000 to £389,999	-	-	-	1	-	1
£510,000 to £519,999	-	-	1	-	1	-
	<b>114</b>	<b>111</b>	<b>191</b>	<b>169</b>	<b>305</b>	<b>280</b>

One payment totalling £4,725 in aggregate was made to a staff member included in the above salary bands for compensation for loss of office. (2012: Nil).

## 7. ANALYSIS OF EXPENDITURE

	Staff costs	Other operating expenses	Depreciation	2013 Total	2012 Total
	£'m	£'m	£'m	£'m	£'m
Academic departments	231.8	62.9	17.5	312.2	288.2
Academic services	38.0	17.4	6.1	61.5	58.5
Research grants and contracts	193.0	159.6	16.8	369.4	345.9
Residences, catering and conferences	0.4	0.3	-	0.7	0.6
Bursaries and scholarships	-	35.8	-	35.8	32.4
Premises	10.9	57.4	14.2	82.5	80.3
Administration	39.0	6.6	4.6	50.2	47.7
Paid to colleges via JRAM	-	52.5	-	52.5	47.4
Impairment of Icelandic deposits (see note 15)	-	(0.6)	-	(0.6)	(0.8)
Other expenses	28.5	41.5	1.0	71.0	69.6
	541.6	433.4	60.2	1,035.2	969.8
Interest payable: other				2.2	2.0
<b>Total expenditure</b>	<b>541.6</b>	<b>433.4</b>	<b>60.2</b>	<b>1,037.4</b>	<b>971.8</b>

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

	2013	2012 restated
	£'m	£'m
<b>Depreciation has been funded by:</b>		
Deferred capital grants released (note 25)	34.2	33.7
General income	26.0	22.1
<b>Total depreciation</b>	<b>60.2</b>	<b>55.8</b>

Refer to note 8 for details of the prior year restatement.

	2013	2012
	£'000	£'000
Remuneration paid to auditors during the year was in respect of the following services:		
Audit of the consolidated University's annual financial statements	168	176
Audit of the subsidiaries' annual financial statements	85	100
Total audit fees	253	276
Services relating to taxation	3	10
Grant certification services	129	-
Other non-audit services	-	2
Total non-audit fees	132	12
<b>Total fees to auditors</b>	<b>385</b>	<b>288</b>

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. PRIOR YEAR ADJUSTMENT

### Oxford University Press transfers

Up to and including the financial year 2011/12, the University has received a total of £265.5m of transfers from the Press which have been accounted for as Permanent Endowments, and which had grown in value to £286.7m as at 31 July 2012. In addition, the University has received a total of £203.3m of transfers from the Press which have been accounted for as Deferred Capital Grants ('DCG'). Of the total amount accounted for as DCG £18.7m had been released to the Income and Expenditure Account as at 31 July 2012.

The University has now reviewed the basis on which these transfers were accounted for and concluded that there was an error in the original decision to categorise them as Permanent Endowments and DCGs respectively. The correct treatment would have shown the transfers as income. This revised treatment correctly reflects OUP's status as a department of the University with no separate legal personality.

The original treatment of the transfers classed as Permanent Endowments was to include the amounts received (and the subsequent investments) as Endowment Asset Investments matched to Endowment Funds. Income from the Endowment Asset Investments was recognised under Total Return Accounting at a rate of 4%. Any market value gains or losses were shown as an increase or decrease in the value of the Endowment Asset Investments and the Permanent Endowment Reserves. Under the corrected classification, the investment income is accounted for as income in the year of receipt. Income on the investments (to be shown as Fixed Asset Investments) will be the dividend income on those investments. Any market value increase or decrease will be shown on the Consolidated Statement of Total Recognised Gains and Losses ('STRGL').

The original treatment of the transfers classed as DCGs was to capitalise the amounts received and release them to the Income and Expenditure Account in line with the depreciation profile of the assets they funded. Under the corrected classification, all the receipts are accounted for as income in the year of receipt. As a consequence there is no annual release to the Income and Expenditure Account.

The comparative Balance Sheet as at 31 July 2012, the Consolidated Income and Expenditure Account, the STRGL for 2011/12, the Consolidated Cash Flow and any notes which support those statements to take account of these changes have all been restated.

The restated Balance Sheet as at 31 July 2012 shows the following adjustments:

£m	Note	Press Endowments	Press DCG	Reserves Adjustments	Net Adjustment
Fixed Asset Investments	12	310.0	-	-	310.0
Endowment Assets	13	(286.7)	-	24.9	(261.8)
Current Asset Investments	15	(23.3)	-	(24.9)	(48.2)
<b>Total Assets</b>		-	-	-	-
Permanent Endowments	19	(286.7)	-	22.1	(264.6)
Expendable Endowments	20	-	-	2.8	2.8
Revenue Reserves	23	235.8	184.6	28.6	449.0
Revaluation Reserves	24	50.9	-	(53.5)	(2.6)
Deferred Capital Grant	25	-	(184.6)	-	(184.6)
<b>Total Funds</b>		-	-	-	-

The restated Income and Expenditure Account for 2011/12 now shows income reduced by £13.3m, £2.2m of reduced release of DCG and £11.1m of reduced investment income. The £11.1m reflects the difference between the 4% p.a. income from Total Return Accounting used for Permanent Unrestricted Endowments and the actual investment income on the assets invested. The change in market value of the related investments of £5.9m has been included in the STRGL.

The restated STRGL shows the following adjustments:

<b>CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>	<b>2012 as originally stated £'m</b>	<b>adjustments £'m</b>	<b>2012 restated £'m</b>
Surplus after minority interest	44.4	(13.3)	31.1
Increase / (decrease) in value of fixed asset investments	10.7	5.9	16.6
Increase in value of expendable asset endowments	1.0	-	1.0
New endowments received	13.6	-	13.6
Other movements in endowments	(8.4)	5.2	(3.2)
Total recognised gains relating to the year	61.3	(2.2)	59.1
Opening reserves and endowments	1,332.1	186.9	1,519.0
<b>Closing reserves and endowments</b>	<b>1,393.4</b>	<b>184.7</b>	<b>1,578.1</b>

The Consolidated Cash Flow shows changes which reflect the income classification resulting from the change in the classification of the Press assets:

	<b>2012 as originally stated £m</b>	<b>Adjustment £m</b>	<b>2012 restated £m</b>
<b>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from endowments received	3.0	(0.6)	2.4
Other income from investments and interest received	2.1	0.6	2.7
	<b>5.1</b>	<b>-</b>	<b>5.1</b>

### James Martin 21<sup>st</sup> Century Foundation and James Martin 21<sup>st</sup> Century (UK) Trust

Up to and including the financial year 2011/12, the University has treated the James Martin 21<sup>st</sup> Century Foundation, a Trust established under Bermudan Trust law, as part of the University for accounting purposes. Similarly, the James Martin 21<sup>st</sup> Century (UK) Trust, a Trust established under UK Law in 2012, has also been treated as part of the University. Both are considered to be 'linked' charities under the definition within paragraph 28(1) of Schedule 3 of the Charities Act 2011 (see note 22). The University has now reviewed the basis on which these Trusts are accounted for and concluded that they should not have been aggregated within the University financial statements, but treated as subsidiary undertakings within the group financial statements. The change has the effect of reducing the net assets in the University balance sheet by £66.3m at 31 July 2013. The change has had no impact on the consolidated financial statements.

### 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) the Press provided the rest of the University during the year with goods and services worth approximately £0.9m (2012: £0.9m) of which £0.9m were free of charge (2012: £0.5m). The Press leased premises from the University during the year for a total of £250k; the University leased premises from the Press during the year for a total of £96k. At 31 July 2013 the Press owed the rest of the University £Nil (2012: £0.2m). There were no material amounts due to the Press by the rest of the University at 31 July 2013 or 31 July 2012. An extract of the Press accounts for the year ended 31 March 2013 is included at pages 56–60.

The net profit for the prior year shown in the extract of the Press accounts includes an exceptional item of £11m relating to the costs of resolving certain irregularities with payments related to tenders in East Africa.

The table below summarises the main transactions with the Press (see Note 4):



	2013 £'m	2012 £'m
Cash received by the rest of the University	50.3	53.3
Benefits in kind – (University year)	0.9	0.5
	<b>51.2</b>	<b>53.8</b>
Lease payments received from Press	0.3	0.3
Lease payments paid to Press	(0.1)	(0.1)

## 10. INTANGIBLE FIXED ASSETS

CONSOLIDATED	Negative goodwill £'m	Positive goodwill £'m	Total intangible asset £'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	5.0	(8.6)	(3.6)
Amortisation for year	0.5	-	0.5
At the end of year	5.5	(8.6)	(3.1)
<b>Net book value at end of year</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>
Net book value at start of year	(0.7)	-	(0.7)

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

## 11. TANGIBLE FIXED ASSETS

CONSOLIDATED	Land and buildings £'m	Equipment and machinery £'m	Assets under construction £'m	Heritage assets £'m	Total £'m
Cost					
At start of year	1,109.8	82.1	116.9	25.3	1,334.1
Additions	2.8	38.2	134.5	39.0	214.5
Completed buildings	80.7	2.0	(82.7)	-	-
Disposals	-	(20.5)	-	-	(20.5)
Consolidation adjustment	7.1	-	-	-	7.1
<b>At end of year</b>	<b>1,200.4</b>	<b>101.8</b>	<b>168.7</b>	<b>64.3</b>	<b>1,535.2</b>
Depreciation					
At start of year	247.8	37.6	-	-	285.4
Charge for year	37.3	22.9	-	-	60.2
Disposals	-	(20.5)	-	-	(20.5)
Consolidation adjustment	7.1	-	-	-	7.1
<b>At end of year</b>	<b>292.2</b>	<b>40.0</b>	<b>-</b>	<b>-</b>	<b>332.2</b>
<b>Net book value at end of year</b>	<b>908.2</b>	<b>61.8</b>	<b>168.7</b>	<b>64.3</b>	<b>1,203.0</b>
Net book value at start of year	862.0	44.5	116.9	25.3	1,048.7

The adjustment is a correction to the cost of assets which have been fully depreciated.

UNIVERSITY	Land and buildings £'m	Equipment and machinery £'m	Assets under construction £'m	Heritage assets £'m	Total £'m
Cost					
At start of year	1,110.3	79.7	116.9	25.3	1,332.2
Additions	2.7	38.1	135.6	39.0	215.4
Completed buildings	80.7	2.0	(82.7)	-	-
Disposals	-	(20.5)	-	-	(20.5)
<b>At end of year</b>	<b>1,193.7</b>	<b>99.3</b>	<b>169.8</b>	<b>64.3</b>	<b>1,527.1</b>
Depreciation					
At start of year	253.2	35.6	-	-	288.8
Charge for year	37.1	22.7	-	-	59.8
Disposals	-	(20.5)	-	-	(20.5)
<b>At end of year</b>	<b>290.3</b>	<b>37.8</b>	<b>-</b>	<b>-</b>	<b>328.1</b>
<b>Net book value at end of year</b>	<b>903.4</b>	<b>61.5</b>	<b>169.8</b>	<b>64.3</b>	<b>1,199.0</b>
Net book value at start of year	857.1	44.1	116.9	25.3	1,043.4

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 £79.3m (2012: £79.1m) of freehold land on which no depreciation is charged. The increase in the year relates to site clearance costs incurred 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 £8.3m (2012: £8.3m).

Land and buildings (Consolidated and University) include properties financed and occupied by the University on NHS sites with a net book value of £4.3m (2012: £2.5m).

Equipment additions include £14.3m (2012: £8.2m) labour capitalisation relating to internal IT resource, which has been applied to major IT projects. The majority of the increase is for the Oracle Financials Release 12 implementation and the Students' Systems Replacement Programme Phase 3. The costs include £1.4m of capitalised project manager costs (2012: £0.7m).

Saïd Business School: In November 2000, the University entered into a leasing arrangement with the Saïd Foundation in respect of the Saïd Business School. In accordance with FRS 5 *Reporting the Substance of Transactions*, as the risks and rewards of occupancy vest in the University, the building is included in fixed assets and the Foundation's contribution to construction costs is included within deferred capital grants. Funding from other sponsors in respect of the building is also included within deferred capital grants. At 31 July 2013 the fixed assets of the University included a cost of £62.0m (2012: £61.4m) in respect of the building.

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

### Heritage Assets

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 2012/13 was £10.5m (2012: £0.4m). Two important acquisitions were a painting by Manet for £7.8m and the Fox Talbot photography archives for £2.3m. There were no disposals in 2012/13 and disposals are unlikely as most donations have conditions preventing disposal. The costs of donated assets are based on valuations by experts in the relevant field. The five year summary for heritage asset donations/additions is:

£'m	2008/9	2009/10	2010/11	2011/12	2012/13
<b>Brought forward</b>	<b>19.4</b>	<b>21.4</b>	<b>21.7</b>	<b>24.6</b>	<b>25.3</b>
Acquisitions purchased with specific donations	-	-	1.3	0.4	10.5
Acquisitions purchased with University funds	0.9	0.1	1.4	-	-
<b>Total cost of acquisitions purchased</b>	<b>0.9</b>	<b>0.1</b>	<b>2.7</b>	<b>0.4</b>	<b>10.5</b>
<b>Value of acquisitions by donation</b>	<b>1.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>28.5</b>
<b>Carried forward</b>	<b>21.4</b>	<b>21.7</b>	<b>24.6</b>	<b>25.3</b>	<b>64.3</b>

Heritage assets of £28.5m were donated in the year (2012: £0.3m). The two largest donations were the Wellby collection of artefacts valued at £20.0m by Dr Timothy Schroder, curator and Chairman of the Silver Society, and the portrait of John Ruskin by John Everett Millais, valued at £7.0m by Dr Timothy Wilson, Barrie and Deedee Wigmore Keeper of Western Art at the Ashmolean Museum. These donations are 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	
	2013	2012 restated	2013	2012 restated
	£'m	£'m	£'m	£'m
Investments stated at market value				
Real Assets	285.7	197.9	294.1	280.4
Global Equities and Bonds	877.7	786.2	905.7	325.7
Subsidiary undertakings	-	-	-	416.6
Participating interests	0.8	0.9	-	-
Investments stated at cost				
Associated and subsidiary undertakings	-	-	16.4	14.8
Other investments	22.8	40.0	23.6	22.1
	<b>1,187.0</b>	<b>1,025.0</b>	<b>1,239.8</b>	<b>1,059.6</b>
Less: amounts attributable to outside bodies	<b>(390.4)</b>	<b>(295.4)</b>	<b>(428.3)</b>	<b>(330.0)</b>
<b>Total at end of year</b>	<b>796.6</b>	<b>729.6</b>	<b>811.5</b>	<b>729.6</b>
Investments stated at market value before amounts attributable to outside bodies: at original cost	932.6	840.6	962.0	856.7
	CONSOLIDATED		UNIVERSITY	
	£'m		£'m	
At start of year (restated)		1,025.0		1,059.6
Net Investment		84.8		103.2
Increase in market value		77.3		77.0
<b>At end of year</b>		<b>1,187.0</b>		<b>1,239.8</b>

Refer to note 8 for details of the prior year restatement

At 31 July 2012 the University investment in subsidiary undertakings stated at market value was the investment in the Oxford Capital Fund LP. During 2012/13 the assets and liabilities of the Oxford Capital Fund were transferred from Oxford Capital Fund LP to the University of Oxford.

At 31 July 2013, the University had interests of 20% or more in the following subsidiary and associated undertakings, excluding dormant undertakings:

	Nature of Activity	% interest
<b>Subsidiary undertakings (wholly-owned):</b>		
Instruct Academic Services Ltd	Scientific facilities-sharing infrastructure services	100
Isis Innovation Ltd	Commercial exploitation of intellectual property	100
Isis Innovation (Hong Kong) Ltd <sup>1</sup>	Commercial exploitation of intellectual property	100
Americans for Oxford Inc	Fundraising	100
Oxford Ltd	Retail and other trading activities	100
Oxford Mutual Ltd <sup>2</sup>	Provision of discretionary cover	100
Oxford Saïd 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 <sup>3</sup>	Radiobiology research	100
University of Oxford China Office Ltd	Fundraising and alumni relations	100
Voltaire Foundation Ltd	Publishing	100
<b>Subsidiary undertaking (not wholly-owned):</b>		
Jenner Vaccine Foundation	Vaccine research	50
<b>Associated undertakings:</b>		
Muox Ltd	Commercial exploitation of intellectual property	50
Oxtex Ltd	Commercial exploitation of intellectual property	44
Isis Changzhou International Technology Transfer Centre Co Ltd <sup>4</sup>	Technology transfer	40
Oxford Multispectral Ltd	Commercial exploitation of intellectual property	36
Smith Institute (limited by guarantee)	Knowledge transfer	33
Oxford Ancestors Ltd	Commercial exploitation of intellectual property	32
Reox Ltd	Commercial exploitation of intellectual property	31
Oxford Risk Research and Analysis Ltd	Commercial exploitation of intellectual property	30
TdeltaS Ltd	Commercial exploitation of intellectual property	28
Yasa Motors Ltd	Commercial exploitation of intellectual property	25
Oxford-Emergent Tuberculosis Consortium Ltd	Commercial exploitation of intellectual property	24
Oxford Electromagnetic Solutions Ltd	Commercial exploitation of intellectual property	23
Oxford Photovoltaics Ltd	Commercial exploitation of intellectual property	23
Oxyntix Ltd	Commercial exploitation of intellectual property	23
Kepler Energy Ltd	Commercial exploitation of intellectual property	22
Minervation Ltd	Commercial exploitation of intellectual property	21
Celleron Therapeutics Ltd	Commercial exploitation of intellectual property	20
Aurox 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, Oxford University (Beijing) Science & Technology Co Ltd and Americans for Oxford Inc to 31 December each year. The associated undertakings draw up their accounts to various year-ends.

<sup>1</sup> Isis Innovation (Hong Kong) Limited is a wholly-owned subsidiary of Isis Innovation Limited.

<sup>2</sup> Oxford Mutual Ltd is a company limited by guarantee. The members of Oxford Mutual Limited are the University, Instruct Academic Services Limited, Isis Innovation Limited, Jenner Vaccine Foundation, Oxford Limited, Oxford Saïd Business School Limited, Oxford University Endowment Management Limited, Oxford University Fixed Assets Limited, Oxford University Trading Limited, The Gray Laboratory Cancer Research Trust, and Voltaire Foundation Limited.

<sup>3</sup> The Gray Laboratory Cancer Research Trust is a company limited by guarantee. The sole member is the University.

<sup>4</sup> Isis Innovation (Hong Kong) Limited has entered into a joint venture with the Changzhou city government in China.

<b>Investment in associated undertakings</b>	<b>£'m</b>
Share of net assets at start of year	0.4
Share of profit of associates	0.5
<b>Share of net assets at end of year</b>	<b>0.9</b>

### 13. ENDOWMENT ASSET INVESTMENTS

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
At start of year (restated)				
New funds invested		592.7		535.3
Increase in market value of investments relating to expendable endowments		38.8		38.8
Increase in market value of investments relating to permanent endowments		5.2		5.2
		76.8		65.6
Income received				
Recognised in Income & Expenditure Account	4.5		4.5	
Distribution in excess of income received	(31.9)		(29.6)	
		(27.4)		(25.1)
<b>At end of year</b>		<b>686.1</b>		<b>619.8</b>

Refer to note 8 for details of the prior year restatement

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£'m</b>	<b>restated £'m</b>	<b>£'m</b>	<b>restated £'m</b>
Investments stated at market value				
Global Bonds	0.6	0.9	0.6	-
Global Equities	282.2	229.9	254.9	206.6
Non-Directional	69.6	88.7	62.8	79.6
Private Equity	86.5	70.1	78.1	63.3
Real Assets	148.4	107.0	134.1	95.9
3rd Party managed	53.8	-	48.6	-
Other Assets	10.9	5.5	9.9	4.9
Investments in subsidiary companies	-	-	-	3.7
Balance held as cash	34.1	90.6	30.8	81.3
<b>At end of year</b>	<b>686.1</b>	<b>592.7</b>	<b>619.8</b>	<b>535.3</b>
Original cost of endowment asset investments	503.0	460.0	454.4	408.6

### 14. DEBTORS

	<b>CONSOLIDATED</b>		<b>UNIVERSITY</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£'m</b>	<b>restated £'m</b>	<b>£'m</b>	<b>restated £'m</b>
Research grants and contracts debtors	106.0	111.8	106.0	111.8
Amounts due from subsidiaries	-	-	14.0	15.5
Other debtors and prepayments	62.3	55.9	54.4	45.3
	<b>168.3</b>	<b>167.7</b>	<b>174.4</b>	<b>172.6</b>

Refer to note 8 for details of the prior year restatement

University and Consolidated debtors include amounts falling due after more than one year of £0.8m (2012: £0.8m).

## 15. CURRENT ASSET INVESTMENTS

	CONSOLIDATED		UNIVERSITY	
	2013	2012 restated	2013	2012 restated
	£'m	£'m	£'m	£'m
Icelandic bank deposits	5.3	6.4	5.3	6.4
Short-term investment in foreign shares	0.6	3.2	0.6	3.2
Short-term deposits	4.5	4.8	2.4	-
Short-term bonds	5.1	3.7	5.1	3.7
	<b>15.5</b>	<b>18.1</b>	<b>13.4</b>	<b>13.3</b>

Refer to note 8 for details of the prior year restatement.

The short term investment in foreign shares is a donation in the form of shares saleable on a foreign stock exchange. These shares are to be sold and invested in units of the Oxford Endowment Fund over the next year. The short term deposits are for a period of less than two months.

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 at 31 July 2013, £21.6m had been collected from the banks. Of the remaining debt of £9.7m, a provision of £4.9m has been made, leaving a further £4.8m to be collected. In addition unpaid interest of £1.0m has accrued, against which a £0.5m provision has been made.

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

	CONSOLIDATED		UNIVERSITY	
	2013	2012	2013	2012
	£'m	£'m	£'m	£'m
Research grants and contract advances	231.6	200.1	231.6	200.1
Other creditors and accruals	172.0	144.8	149.5	119.3
Bank loans (note 17)	2.1	2.0	2.1	2.0
Deferred income	2.1	2.1	2.1	2.1
Amounts due to subsidiaries	-	-	15.2	13.2
	<b>407.8</b>	<b>349.0</b>	<b>400.5</b>	<b>336.7</b>

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

	CONSOLIDATED		UNIVERSITY	
	2013	2012	2013	2012
	£'m	£'m	£'m	£'m
Bank loans	37.3	39.4	37.3	39.4
Deferred income – Beeson Gregory	1.8	3.1	1.8	3.1
Deferred income – Teknikos	6.4	7.2	6.4	7.2
Salix Fund	0.5	0.5	0.5	0.5
	<b>46.0</b>	<b>50.2</b>	<b>46.0</b>	<b>50.2</b>
Due between one and two years	4.3	4.3	4.3	4.3
Due between two and five years	10.2	11.1	10.2	11.1
Due in five years or more	31.5	34.8	31.5	34.8
	<b>46.0</b>	<b>50.2</b>	<b>46.0</b>	<b>50.2</b>

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 2013 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 2012	14.4	25.0	39.4
Interest rate	5.13%	5.07%	
Final repayment date	April 2019	June 2047	
Amount due within one year	2.1	-	2.1
Amount due between one and two years	2.2	-	2.2
Amount due between two and five years	7.4	-	7.4
Amount due after five years	2.7	25.0	27.7
	<b>14.4</b>	<b>25.0</b>	<b>39.4</b>

The University entered into an agreement with Beeson Gregory Merchant Bankers (BG) to fund the Department of Chemistry over a 15-year period commencing 23 November 2000. The total balance yet to be released to income at 31 July 2013 was £3.1m.

During 2007, the University entered into an agreement with Teknikos 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 Teknikos by July 2010. The total balance that had not been set against costs at 31 July 2013 was £7.3m.

These amounts have been treated as deferred income within the Balance Sheet and are being released to the Income and Expenditure Account evenly over the 15-year period of the agreement. The amount due to be released in 2013/14 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'.

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 £89k was incurred during the year (2011/12: £117k). The estimated saving from the identified projects is 209t of CO<sub>2</sub> per annum, which converted to financial terms equates to £29k per annum on an ongoing basis.

The University received the first of the two £52k instalments from HEFCE for the small-scale energy efficiency programme (SSEEP) which was completed in January 2013. This is repayable to HEFCE in full through eight equal six monthly instalments commencing in May 2013 and is included in the Salix Fund creditor in the table above.

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

	Consolidated £'m	University £'m
At start of year	5.9	5.2
Charged to Income and Expenditure Account	0.9	0.8
Released	(0.8)	(0.8)
Utilised	(0.3)	(0.2)
<b>At end of year</b>	<b>5.7</b>	<b>5.0</b>

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 (2012: £0.3m) has been utilised. The timing of future payments is uncertain.

## 19. PERMANENT ENDOWMENTS

<b>CONSOLIDATED</b>	<b>Unrestricted £'m</b>	<b>Restricted £'m</b>	<b>Total £'m</b>
Original cost (restated)	74.2	162.8	237.0
Indexation of capital (restated)	24.0	35.0	59.0
Unapplied total return (restated)	117.4	118.6	236.0
<b>At start of year</b>	<b>215.6</b>	<b>316.4</b>	<b>532.0</b>
Investment income	1.6	2.6	4.2
Increase in market value of endowment asset investments	30.1	46.7	76.8
Released to Income & Expenditure Account	(8.3)	(12.4)	(20.7)
Movement in unapplied endowment return on permanent endowments	23.4	36.9	60.3
New endowments	0.5	31.0	31.5
Reclassifications to expendable endowments	-	(11.7)	(11.7)
<b>At end of year</b>	<b>239.5</b>	<b>372.6</b>	<b>612.1</b>
<b>Represented by:</b>			
Original cost	74.8	185.0	259.8
Indexation of capital	27.0	39.1	66.1
Unapplied total return	137.7	148.5	286.2
	<b>239.5</b>	<b>372.6</b>	<b>612.1</b>

<b>UNIVERSITY</b>	<b>Unrestricted £'m</b>	<b>Restricted £'m</b>	<b>Total £'m</b>
Original cost (restated)	23.7	162.8	186.5
Indexation of capital (restated)	8.8	35.0	43.8
Unapplied total return (restated)	125.7	118.6	244.3
<b>At start of year (restated)</b>	<b>158.2</b>	<b>316.4</b>	<b>474.6</b>
Investment income	1.6	2.6	4.2
Increase in market value of endowment asset investments	18.9	46.7	65.6
Released to Income & Expenditure Account	(6.0)	(12.4)	(18.4)
Movement in unapplied endowment return on permanent endowments	14.5	36.9	51.4
New endowments	0.5	31.0	31.5
Reclassifications to expendable endowments	-	(11.7)	(11.7)
<b>At end of year</b>	<b>173.2</b>	<b>372.6</b>	<b>545.8</b>
<b>Represented by:</b>			
Original cost	24.1	185.0	209.1
Indexation of capital	12.0	39.1	51.1
Unapplied total return	137.1	148.5	285.6
	<b>173.2</b>	<b>372.6</b>	<b>545.8</b>

Refer to note 8 for details of the prior year restatement.

To ensure the preservation of original endowment capital in real terms the University has adopted a policy of indexing up brought forward permanent endowment capital each year by the Retail Price Index ('RPI'). Transfers in the current year from unapplied total return to indexation are £3.1m (2011/13 £3.0m) for Unrestricted Permanent Endowments and £6.3m (2011/12 £6.1m) for Restricted Permanent Endowments.

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



Material Endowments Consolidated (restated)	Moritz-Heyman Scholarship Fund	Wytham Woods Estate	Nuffield Benefaction	James Martin 21 <sup>st</sup> Century Foundation and UK Trust
	£'m	£'m	£'m	£'m
Original cost	-	1.1	2.8	50.6
Indexation of capital	-	0.1	71.3	6.7
Unapplied total return	-	26.8	1.2	1.4
<b>At start of year</b>	<b>-</b>	<b>28.0</b>	<b>75.3</b>	<b>58.7</b>
Exchange rate movement	25.0	-	-	-
Increase/(decrease) in market value of endowment asset investments	-	-	-	0.4
Return for the year	3.4	6.8	10.2	14.0
Distributed in the year	(0.6)	(1.1)	(2.8)	-
	-	-	-	(3.2)
<b>Capital value at end of year</b>	<b>27.8</b>	<b>33.7</b>	<b>82.7</b>	<b>69.9</b>
Represented by:				
Original cost	25.0	1.1	2.8	50.6
Indexation of capital	-	0.2	73.6	8.5
Unapplied total return	2.8	32.4	6.3	10.8
	<b>27.8</b>	<b>33.7</b>	<b>82.7</b>	<b>69.9</b>

Refer to note 8 for details of the prior year restatement.

The Moritz-Heyman Scholarship Fund was established in 2012/13 through an endowment gift from the CrankStart Foundation to provide a programme of support for UK resident undergraduate students from disadvantaged backgrounds. Under the terms of the deed of gift, the University is required to commit matching income annually for the same purpose.

The Wytham Woods Estate was bequeathed to the University in 1942 with a requirement that the University take all reasonable steps to preserve and maintain the woodlands and use them for the purpose of teaching and research.

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 and provide special facilities for research.

The primary purpose of the James Martin 21<sup>st</sup> Century Foundation (established in 2004) and James Martin 21<sup>st</sup> Century (UK) Trust (established in 2012) is to support the Oxford Martin School (formerly James Martin 21<sup>st</sup> Century School) and establish or support any other entity within the University that advances specialised education relating to the severe problems of the 21<sup>st</sup> century.

Total return accounting can lead to negative unapplied total return especially in the short term as the total return rate is a long term rate of return. The University reduces the risk of trust funds eroding their capital by ensuring that accumulated expenditure does not exceed the accumulated income for individual trust funds. There are no trust funds with greater than £0.5m deficit in their unapplied total return (2011/12: none).

## 20. RESTRICTED EXPENDABLE ENDOWMENTS

CONSOLIDATED AND UNIVERSITY	Restricted expendable £'m
Capital value (restated)	54.2
Accumulated income (restated)	6.5
<b>At start of year</b>	<b>60.7</b>
Investment income	0.3
Expenditure for the year	(11.5)
Net transfer to income and expenditure account	(11.2)
New endowments	7.3
Reclassification from permanent endowments	11.7
Increase in market value of endowment asset investments	5.5
<b>At end of year</b>	<b>74.0</b>
Represented by:	
Capital value	72.6
Accumulated income	1.4
	<b>74.0</b>

Refer to note 8 for details of the prior year restatement.

## 21. ENDOWMENT RESERVES (CONSOLIDATED)

Charitable donations classified as endowments, both permanent and expendable, fall into the following categories for the year to 31 July 2013:

	Opening reserves restated £'m	Income and market value movements £'m	Endowments received £'m	Expenditure £'m	Closing reserves £'m
General Academic	307.3	17.0	3.0	(8.7)	318.6
Academic Posts	196.1	47.6	8.4	(10.5)	241.6
Scholarship funds	44.7	12.0	25.8	(5.3)	77.2
Support for libraries and museums	23.5	6.7	1.5	(2.1)	29.6
Societies	12.6	1.8	-	-	14.4
Teaching funds	5.5	0.3	-	(5.0)	0.8
Prize funds	3.0	1.1	0.1	(0.3)	3.9
<b>Total</b>	<b>592.7</b>	<b>86.5</b>	<b>38.8</b>	<b>(31.9)</b>	<b>686.1</b>

## 22. LINKED CHARITIES

On 1 June 2010, HEFCE became the principal regulator of English Higher Education Institutions (HEIs) that are exempt charities. HEFCE's remit extends to those exempt charities that are administered by or on behalf of an exempt charity HEI and fall within paragraph 28(1) of Schedule 3 of the Charities Act 2011 (paragraph 28 or 'linked' charities).

The financial results of those linked charities which are aggregated in the University's financial statements are (not all linked charities have a 31 July year end):

	Opening reserves	Income & donations received	Transfers	Expenditure	Closing reserve
	£'m	£'m	£'m	£'m	£'m
University of Oxford Development Trust Fund <sup>a</sup>	283.0	515.5	-	(57.4)	741.1
James Martin 21 <sup>st</sup> Century Foundation <sup>b</sup>	58.7	9.4	(35.2)	-	32.9
James Martin 21 <sup>st</sup> Century (UK) Trust <sup>b</sup>	-	5.0	35.2	(3.2)	37.0
The Gray Laboratory Cancer Research Trust <sup>b</sup>	1.6	1.3	-	(2.2)	0.7
Oxford University Law Foundation <sup>a</sup>	0.5	0.1	-	-	0.6
Nuffield Dominions Trust <sup>c</sup>	20.6	0.9	-	(0.4)	21.1
Oxford University Boat Club <sup>c</sup>	4.9	0.3	-	(0.3)	4.9
Oxford University Rugby Club <sup>c</sup>	0.6	0.6	-	(0.6)	0.6
Oxford University Women's Boat Club <sup>c</sup>	-	0.1	-	(0.1)	-
Smaller sports charities <sup>c</sup>	0.2	0.9	-	(0.9)	0.2
Smaller non-sports charities <sup>c</sup>	0.5	0.3	-	(0.3)	0.5

<sup>a</sup> These are aggregated in the Group financial statements

<sup>b</sup> These are consolidated in the Group financial statements

<sup>c</sup> These are not consolidated in the University's financial statements as they are not controlled by the University

Further details about the University's linked charities are available via the University's gateway page at [www.admin.ox.ac.uk/councilsec/gov/charity.shtml](http://www.admin.ox.ac.uk/councilsec/gov/charity.shtml)

### 23. INCOME AND EXPENDITURE ACCOUNT

	Consolidated £'m	University £'m
At start of year (restated)	870.9	878.1
Surplus for the year retained in general reserves	60.7	60.5
Realised gains transferred from revaluation reserve (note 24)	33.7	33.7
Gains Realised upon transfer of Oxford Capital Fund from Capital Fund LP to University of Oxford (note 24)	-	2.4
<b>At end of year</b>	<b>965.3</b>	<b>974.7</b>

Refer to note 8 for details of the prior year restatement.

The Income and Expenditure Account includes £49.4m (2012: £20.9m) 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.

The Income and Expenditure Account includes £265.5m of funds that the University has transferred to the University of Oxford Development Trust Fund. Although these funds are accounted for as income and, for accounting purposes, are treated as unrestricted, the funds are legally held as expendable endowment and, as to £27.8m, are subject to a legal restriction.

### 24. REVALUATION RESERVE

	Consolidated £'m	University £'m
At start of year (restated)	114.5	116.9
Realised gains transferred to retained earnings (note 23)	(33.7)	(33.7)
Gains realised upon transfer of Oxford Capital Fund from Capital Fund LP to University of Oxford (note 23)	-	(2.4)
Appreciation in market value of Fixed Asset Investments, net of amounts attributable to outside bodies	77.3	77.0
<b>At end of year</b>	<b>158.1</b>	<b>157.8</b>

Refer to note 8 for details of the prior year restatement.

## 25. DEFERRED CAPITAL GRANTS

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

CONSOLIDATED		Buildings £'m	Equipment £'m	Total £'m
Funding Council:	at start of year	260.5	3.2	263.7
	receipts	15.3	0.0	15.3
	released in year	(10.2)	(0.4)	(10.6)
	at end of year	265.6	2.8	268.4
Other:	at start of year	325.1	27.6	352.7
	receipts	24.2	12.4	36.6
	released in year	(13.5)	(10.1)	(23.6)
	at end of year	335.8	29.9	365.7
Total:	at start of year (restated)	585.6	30.8	616.4
	receipts	39.5	12.4	51.9
	released in year	(23.7)	(10.5)	(34.2)
<b>Total</b>		<b>601.4</b>	<b>32.7</b>	<b>634.1</b>

UNIVERSITY		Buildings £'m	Equipment £'m	Total £'m
Funding Council:	at start of year	260.5	3.2	263.7
	receipts	15.3	0.0	15.3
	released in year	(10.2)	(0.4)	(10.6)
	at end of year	265.6	2.8	268.4
Other:	at start of year	322.7	27.6	350.3
	receipts	24.2	12.4	36.6
	released in year	(13.5)	(10.1)	(23.6)
	at end of year	333.4	29.9	363.3
Total:	at start of year (restated)	583.2	30.8	614.0
	receipts	39.5	12.4	51.9
	released in year	(23.7)	(10.5)	(34.2)
<b>Total</b>		<b>599</b>	<b>32.7</b>	<b>631.7</b>

Included within deferred capital grants is a total of £15.5m received on account from funders for projects where the funding has not yet been applied to an asset.

Refer to note 8 for details of the prior year restatement.

## 26. MINORITY INTEREST

CONSOLIDATED	2013 £'m	2012 £'m
At start of year	10.9	9.2
Share of Income and Expenditure Account	-	(0.1)
Revaluation of subsidiary undertakings' net assets	-	0.3
Transfer of Oxford Capital Fund from Oxford Capital Fund LP into University	(10.5)	-
Investment in Oxford Capital Fund LP by minority shareholders	-	1.5
<b>At end of year</b>	<b>0.4</b>	<b>10.9</b>

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

	2013 £'m	2012 £'m
Surplus on continuing operations after depreciation of tangible fixed assets	49.5	31.1
Depreciation	60.2	55.8
Heritage assets non-cash donation	(28.5)	(0.3)
Negative goodwill released	(0.5)	(0.1)
Unrealised exchange rate loss/(gain)	4.2	(1.5)
Deferred capital grants released	(34.2)	(33.7)
Endowment income and interest receivable	(27.8)	(25.6)
Profit on sale of fixed assets	-	(1.1)
Foreign shares donated, held as current asset investments	-	(3.9)
Write-back of Icelandic bank impairment	(0.6)	(0.8)
Interest payable	2.2	2.0
Decrease/(increase) in stocks	0.1	(0.3)
(Increase) in debtors	(0.6)	(24.1)
Increase in creditors	69.3	35.9
(Decrease)/increase in provisions	(0.2)	1.2
<b>Net Cash Inflow from operating activities</b>	<b>93.1</b>	<b>34.6</b>

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

	2013 £'m	2012 £'m
(Decrease)/increase in cash for the year	(76.6)	42.3
(Decrease)/increase in liquid resources	(2.8)	10.6
Decrease in debt	2.0	2.0
Increase/(decrease) in Net Funds resulting from cash flows	(77.4)	54.9
Exchange movements	0.3	(0.3)
Other non-cash movements	(0.1)	4.7
(Decrease)/increase in net funds	(77.2)	59.3
Net funds at start of year	119.3	60.0
<b>Net Funds at end of year</b>	<b>42.1</b>	<b>119.3</b>

## 29. ANALYSIS OF CHANGES IN NET FUNDS

	2012 restated £'m	Exchange and other non-cash movements £'m	Cash changes £'m	2013 £'m
Cash at bank and in hand	52.0	-	(20.1)	31.9
Endowment Assets Cash	90.6	-	(56.5)	34.1
	142.6	-	(76.6)	66.0
Current Asset Investments	18.1	0.2	(2.8)	15.5
Loans due within one year	(2.0)	(2.1)	2.0	(2.1)
Loans due after one year	(39.4)	2.1	-	(37.3)
	<b>119.3</b>	<b>0.2</b>	<b>(77.4)</b>	<b>42.1</b>

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

	<b>Mortgages &amp; Loans £'m</b>
<b>At start of year</b>	<b>41.4</b>
Amounts repaid	(2.0)
<b>At end of year</b>	<b>39.4</b>

**31. CAPITAL & INVESTMENT COMMITMENTS**

<b>CONSOLIDATED AND UNIVERSITY</b>	<b>2013 £'m</b>	<b>2012 £'m</b>
At the end of the year the University had major capital commitments for building projects as follows:		
Contracted for	90.5	189.3
Authorised but not contracted	48.0	79.2
At the end of the year the University had commitments to invest additional funds within its investment portfolio	-	143.8

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 2013 was £45.4m (2012: £41.0m), and the contracts, when marked to market, showed a gain of £0.8m (2012: Loss of £1.5m).

**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 2013, the date of its latest audited balance sheet, the Press had total net assets of £473.3m (2012 restated: £457.8m), after deducting total liabilities of £321.3m (2012 restated: £275.2m). In October 2011, the Press refinanced a loan with Barclays Bank New York and the University issued a guarantee to Barclays Bank.

The University has entered into an agreement with the Trustees of the Oxford Staff Pension Scheme ('OSPS') 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 OSPS 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 2013 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 which 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 in accordance with the University's financial regulations and normal procurement procedures.

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.

	Income	Expenditure/ Transfers	Balance due to/(from) the University
	£'000s	£'000s	£'000s
Commonwealth Scholarship Commission	150	-	3
European Commission	12	72	4,039
Foundation Open Society Institute	239	-	-
GlaxoSmithKline	77	5	115
GMEC Management Company Limited	-	40	-
Manches LLP	-	25	-
Medical Schools Council	6	20	-
Natural History Museum London	56	-	-
Office for National Statistics	8	19	1
Oxford University Hospitals NHS Trust	11,280	2,946	63
Prosensa Therapeutics BV	13	-	1
Research Libraries UK	-	11	-
Royal Academy of Engineering	20	-	-
The Royal Society	21	105	9
University of Exeter	-	-	18
Wellcome Trust	604	362	11,730

During the year, the University made grants and other payments totalling £296k (2012: £397k) 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 Medical Research Council and the Arts and Humanities Research Council.

INCOME	2013	2012
	£'000	£'000
Medical Research Council	44,037	43,648
Science and Technology Facilities Council	8,230	9,662
Engineering & Physical Sciences Research Council	30,762	33,797
Arts and Humanities Research Council	2,799	3,437
	<b>85,828</b>	<b>90,544</b>

**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. Whilst the University has no financial responsibility for the colleges, the collegiate nature of Oxford gives rise to financial interaction between the University and colleges. During the year the University paid £52.5m (see note 7) out of HEFCE funding and fee income, via the Joint Resource Allocation Method ('JRAM') (2012: £47.4m).

The University made a payment of £1m to the College Contributions Fund in 2012/13 (2012: £1m) and will make further payments of £1m per year for the next five 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 a permanent endowment 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 2013 the University held investments in the Endowment Fund amounting to £376.9m (2012: £179.2m) on colleges' behalf. Colleges are also among the investors in the Oxford Capital Fund. They have invested £11.5m as at 31 July 2013 (2012: £8.2m).

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/NATIONAL COLLEGE FOR TEACHING AND LEADERSHIP

	HEFCE		NCTL	
	2013 £'m	2012 £'m	2013 £'m	2012 £'m
At start of year	0.1	0.1	-	-
Net funds received	0.1	0.1	2.0	0.8
Disbursed to students	(0.1)	(0.1)	(2.0)	(0.8)
<b>At end of year</b>	<b>0.1</b>	<b>0.1</b>	<b>-</b>	<b>-</b>



The University acts only as a paying agent in relation to Funding Council hardship funds and NCTL 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 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 FRS 17 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 National Employment Savings Trust ('NEST') for non-employees who are ineligible under automatic enrolment regulations and certain staff who are eligible to join USS, OSPS or NHSPS.

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 and two units which were acquired by the University on 1 July 2013.

### 2. Actuarial valuations

The last full actuarial valuation of the NHSPS was performed in 2004, and HM Treasury have now suspended formal actuarial valuations for unfunded public service pension schemes. The 2004 valuation reported scheme liabilities of £127 billion. There are no underlying assets, and therefore no surplus or deficit was reported except on a purely notional basis. An accounting valuation of the scheme liability is carried out annually by the scheme actuary, whose report forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. The actuary has agreed that the employer contributions rate should remain at 14% for the time being.

Qualified actuaries periodically value the USS and OSPS Schemes using the 'projected unit method', embracing a market value approach. 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
Date of valuation:	31/03/2011	31/03/2010
Date valuation results published:	15/06/2012	30/06/2011
Value of liabilities:	£35,344m	£394m
Value of assets:	£32,434m	£312m
Funding surplus/(deficit):	(£2,910)m <sup>a&amp;b</sup>	(£82m) <sup>c</sup>
Principal assumptions:		
Rate of interest (past service liabilities)	6.1% pa	-
Rate of interest (future service liabilities)	6.1% pa	-
Rate of interest (periods up to retirement)	-	7.0% pa
Rate of interest (periods after retirement)	-	5.0% pa
Rate of increase in salaries	4.4% pa	4.7% pa
Rate of increase in pensions	3.4% pa <sup>d</sup>	3.7% pa
Mortality assumptions:		
Assumed life expectancy at age 65 (males)	23.7 yrs	22 yrs
Assumed life expectancy at age 65 (females)	25.6 yrs	24 yrs
Funding Ratios:		
Technical provisions basis:	92%	79%
Statutory Pension Protection Fund basis:	93%	86%
'Buy-out' basis:	57% <sup>e</sup>	52%
Estimated FRS17 basis	84% <sup>e</sup>	77%
Recommended employer's contribution rate (as % of pensionable salaries):	16% <sup>e</sup>	21.5% <sup>e</sup>
Effective date of next valuation:	31/03/2014	31/03/2013

**Notes:**

- a. USS's actuarial valuation as at 31 March 2011 identified a funding deficit of £2.9bn. The USS Joint Negotiating Committee has proposed, and USS has implemented with effect from 1 October 2011, 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](http://www.uss.co.uk). After allowing for those changes, the actuary established a long term employer contribution rate of 12.6% of total pensionable salaries for the 2011/12 year, reducing over time. USS agreed with Universities UK, on behalf of all the employers participating in the scheme, to address the deficit by continuing the employer contribution rate at the previously agreed rate of 16% of total pensionable salaries (this being the rate paid by the employers since 1 October 2009) until 31 March 2017, following which the employers will pay an additional 2% of salaries in excess of the blended employer future service cost of accruals. The actuary has certified that the additional contribution should eliminate this deficit by 31 March 2021.
- b. USS has issued a summary funding statement to members showing that the funding position had deteriorated to 77% as at 31 March 2013, resulting in a deficit of £11.5bn. Volatility in market based valuations has continued and by the end of June 2013 the deficit had reduced to £7.9bn, with a funding ratio of 83%.
- c. 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 30 June 2026. In addition, the University agreed to close the scheme to future final salary accrual and transferred all active members onto a Career Revalued benefits structure with effect from 1 January 2013. Further details may be seen on the Schemes' website, [www.admin.ox.ac.uk/finance/pensions/osps](http://www.admin.ox.ac.uk/finance/pensions/osps).
- d. USS' actuary has assumed that pension increases will be 3.4% a year for the three years to 31 March 2014, then 2.6% a year thereafter.
- e. As noted above (note a), the USS employer contribution rate required for future service benefits alone at the date of the valuation was 12.6% of total pensionable salaries. It was agreed that employers should continue to contribute at the previously agreed rate of 16% of total pensionable salaries (this being the rate paid by the employers since 1 October 2009) until 31 March 2017, following which the employers will pay an additional 2% of salaries in excess of the blended employer future service cost of accruals.
- f. As noted above (note c), the OSPS employer contribution rate required for future service benefits alone at the date of the valuation was 18.2% of total pensionable salaries. It was agreed that employers should continue to contribute at the previously agreed rate of 21.5% of total pensionable salaries (this being the rate paid by the employers since 1 August 2008).

### 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
Valuation rate of interest	increase/decrease by 0.5%	decrease / increase by £3.2bn	decrease / increase by £35m
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £2.0bn	increase / decrease by £25m
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £1.2bn	increase / decrease by £5m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £0.8bn	increase by £10m

### 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	2013 £'m	2012 £'m
Universities Superannuation Scheme	47.8	44.1
University of Oxford Staff Pension Scheme	11.0	10.6
NHS pension Scheme	3.5	3.2
Other Schemes - contributions	1.4	1.2
Supplementation payments <sup>g</sup>	-	0.2
<b>Total</b>	<b>63.7</b>	<b>59.3</b>

Notes:

g. 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').

h. Included in other creditors and accruals (Note 16) are pension contributions payable of £7.7m (2012:£7.7m).

**The additional information on pages 56–60 does not form part of the audited Financial Statements for the University of Oxford for the years ended 31 July 2013 and 31 July 2012.**

## OXFORD UNIVERSITY PRESS: FINANCIAL REPORT EXTRACTS

### INDEPENDENT AUDITOR'S STATEMENT BY THE AUDITOR TO THE DELEGATES OF OXFORD UNIVERSITY PRESS

We have examined the Abstract of the Accounts of the Trading Operations and the Delegates' Property & Reserve Fund of Oxford University Press for the year ended 31 March 2013 which comprises the balance sheet, combined results and statement of recognised gains and losses of the Trading Operations and the combined balance sheet and statement of financial activities of the Delegates' Property and Reserve Fund (the 'Abstract').

This report is made solely to the Delegacy of the Oxford University Press, as a body, in accordance with our terms of engagement. Our work has been undertaken so that we might state to the Delegates those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than 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 Oxford University Press.

#### **Basis of opinion**

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

#### **Opinion**

In our opinion, the financial information contained in the Abstract is consistent with the audited annual Accounts of the Trading Operations and the Delegates' Property & Reserve Fund of Oxford University Press for the year ended 31 March 2013 and complies with the applicable Statutes of Oxford University. The audited annual Accounts of the Trading Operations and the Delegates' Property & Reserve Fund of Oxford University Press can be obtained from Oxford University Press, Great Clarendon Street, Oxford, OX2 6DP.

#### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
Reading, UK  
28 May 2013

**Abstract of the combined results of the Trading Operations for the year ended 31 March 2013**

	Year ended 31 March 2013 £'m	Year ended 31 March 2012 restated £'m
<b>TURNOVER</b>	<b>759.2</b>	<b>723.3</b>
Profit for the year before tax	116.2	114.5
Taxation	(12.8)	(9.3)
<b>PROFIT AFTER TAX</b>	<b>103.4</b>	<b>105.2</b>
(Profit)/loss attributable to minority interests	(0.9)	0.2
<b>NET PROFIT FOR THE YEAR</b>	<b>102.5</b>	<b>105.4</b>

The above results relate to continuing operations.

The prior year is restated to reflect presentational changes to the sales returns provision and gross secondary rights income consistent with changes in presentation adopted for the year ended 31 March 2013.

**Abstract of the Statement of Consolidated Recognised Gains and Losses of the Trading Operations for the year ended 31 March 2013**

	Year ended 31 March 2013 £'m	Year ended 31 March 2012 restated £'m
Net profit for the financial year	<b>102.5</b>	<b>105.4</b>
Actuarial (losses)/gains on Group Pension Schemes	(48.6)	4.4
Currency translation differences on foreign currency net investments	1.2	(4.4)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>55.1</b>	<b>105.4</b>
<b>Actuarial (losses)/gains on Group Pension Schemes</b>		
Difference between actual and expected return on scheme assets	22.3	(14.7)
Effect of change in liability experience	(1.5)	(0.1)
Effects of changes in assumptions underlying the present value of scheme liabilities	(69.4)	19.2
	<b>(48.6)</b>	<b>4.4</b>

**Abstract of the Combined Balance Sheet of the Trading Operations as at 31 March 2013**

	2013		2012 restated	
	£'m	£'m	£'m	£'m
<b>Fixed Assets</b>				
Tangible Assets		41.9		32.5
Intangible Assets		29.8		35.5
Goodwill		57.8		-
Investments		0.5		0.5
		<b>130.0</b>		<b>68.5</b>
<b>Current Assets</b>	102.8		96.7	
Stocks and Work-in-progress	173.5		163.1	
Debtors	160.7		182.6	
Current Asset Investments	51.0		42.8	
Cash at bank and in hand	<b>488.0</b>		<b>485.2</b>	
<b>Less: Current Liabilities</b>	(205.0)		(199.0)	
Creditors: amount falling due within one year	(11.5)		(9.3)	
Taxation	(12.4)		(3.0)	
Bank loans and overdrafts	<b>(228.9)</b>		<b>(211.3)</b>	
<b>Net Current Assets</b>		<b>259.1</b>		<b>273.9</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>389.1</b>		<b>342.4</b>
Less:				
Creditors: amounts falling due after more than one year		(5.6)		(7.5)
Provisions for Liabilities		(2.0)		(2.4)
<b>NET ASSETS EXCLUDING PENSION DEFICIT</b>		<b>381.5</b>		<b>332.5</b>
Pension Liability		(61.0)		(17.2)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>320.5</b>		<b>315.3</b>
<b>Capital Employed</b>				
Accumulated Fund		<b>319.1</b>		<b>314.0</b>
Minority Interests		1.4		1.3
<b>TOTAL FUNDS</b>		<b>320.5</b>		<b>315.3</b>

The prior year is restated to reflect presentational changes to the sales returns provision and gross secondary rights income consistent with changes in presentation adopted for the year ended 31 March 2013.

**Abstract of the Combined Statement of Financial Activities of the Delegates' Property and Reserve Fund for the year ended 31 March 2013**

	Strategic Property Reserve £'m	Effective Operating Reserve £'m	2013 Total £'m	2012 Total £'m
<b>INCOMING RESOURCES FROM GENERATED FUNDS</b>				
Rental Income from properties	14.4	2.5	16.9	15.8
Income from investments	0.2	0.3	0.5	1.0
Transfer from Trading Operations	-	50.0	50.0	39.0
<b>TOTAL INCOMING RESOURCES</b>	<b>14.6</b>	<b>52.8</b>	<b>67.4</b>	<b>55.8</b>
<b>RESOURCES EXPENDED</b>				
<b>Cost of generating Funds</b>				
Transfer of funds to the rest of the University:				
- Cash	-	(50.3)	(50.3)	(53.3)
- Benefits in kind	(0.9)	-	(0.9)	(0.7)
Other resources expended	(9.7)	(0.9)	(10.6)	(10.2)
<b>TOTAL RESOURCES EXPENDED</b>	<b>(10.6)</b>	<b>(51.2)</b>	<b>(61.8)</b>	<b>(64.2)</b>
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS BETWEEN FUNDS</b>				
	<b>4.0</b>	<b>1.6</b>	<b>5.6</b>	<b>(8.4)</b>
Transfer between funds	2.6	(2.6)	-	-
<b>NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR</b>	<b>6.6</b>	<b>(1.0)</b>	<b>5.6</b>	<b>(8.4)</b>
<b>Other Recognised Gains/(Losses)</b>				
Surplus on revaluation of investment properties	-	4.7	4.7	5.9
Currency translation differences on foreign currency net investments	-	-	-	(0.3)
<b>NET MOVEMENTS IN FUNDS</b>	<b>6.6</b>	<b>3.7</b>	<b>10.3</b>	<b>(2.8)</b>
<b>RECONCILIATION OF FUNDS</b>				
<b>TOTAL FUNDS BROUGHT FORWARD</b>	<b>41.7</b>	<b>100.8</b>	<b>142.5</b>	<b>145.3</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>	<b>48.3</b>	<b>104.5</b>	<b>152.8</b>	<b>142.5</b>

The above results relate to continuing operations.

**Abstract of the Combined Balance Sheet of the Delegates' Property and Reserve Fund  
as at 31 March 2013**

	Strategic Property Reserve £'m	Effective Operating Reserve £'m	2013 Total £'m	2012 Total £'m
<b>Fixed Assets</b>				
Tangible Fixed Assets	55.4	61.6	117.0	102.1
Investments	5.1	41.8	46.9	71.8
	<b>60.5</b>	<b>103.4</b>	<b>163.9</b>	<b>173.9</b>
<b>Current Assets</b>				
Debtors	-	0.5	0.5	1.3
Cash at hand and in in bank	11.1	1.1	12.2	4.1
	<b>11.1</b>	<b>1.6</b>	<b>12.7</b>	<b>5.4</b>
Creditors: Amounts falling due within one year	(22.9)	(0.5)	(23.4)	(36.3)
<b>Net Current Liabilities</b>	<b>(11.8)</b>	<b>1.1</b>	<b>(10.7)</b>	<b>(30.9)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>48.7</b>	<b>104.5</b>	<b>153.2</b>	<b>143.0</b>
Creditors: Amounts falling due after one year	(0.4)	-	(0.4)	(0.5)
<b>NET ASSETS</b>	<b>48.3</b>	<b>104.5</b>	<b>152.8</b>	<b>142.5</b>
<b>Reconciliation of Funds</b>				
Opening balance	41.7	100.8	142.5	145.3
Net movement in funds	6.6	3.7	10.3	(2.8)
<b>TOTAL FUNDS</b>	<b>48.3</b>	<b>104.5</b>	<b>152.8</b>	<b>142.5</b>

The above results relate to continuing operations.



