UNIVERSITY OF
OXFORD

Financial Statements
2017/18

University of Oxford

Financial Statements 2017/18

www.ox.ac.uk

Contents

AT A GLANCE
Strategic and Operational Measures

Education

Measure	% change 2016/17 to 2017/18
11,687 Postgraduate students	6.8%
11,747 Undergraduate students	0.2%
91% Graduates in employment 12 months after graduation	N/A
19,938 Undergraduate applications received	4.1%

Research

Measure	% change 2016/17 to 2017/18
£579.1m Research income	2.6 %
2,453 Research grant contracts awarded	4.2 %
1st Ranking *Times Higher Education* World University Rankings	–
5,665 Research staff	2.8%

Educational Publishing *undertaken by the Press

Measure	% change 2016/17 to 2017/18
£850.1m Educational publishing income	N/A
5,971 Educational publishing staff (full time)	N/A
£158.2m Operating cash flow	N/A
£158.0m Comprehensive Income	N/A

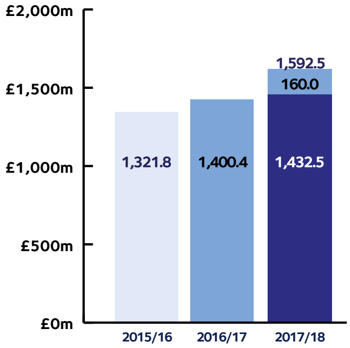
Engagement and partnership

Measure	% change 2016/17 to 2017/18
1,350 UNIQ summer school placements	58.8%
3,254 Outreach activities held	N/A
800 Students from low-income backgrounds supported by Moritz–Heyman scholarships	N/A
132 Companies incorporated by OUI	22.2%

Financial Measures

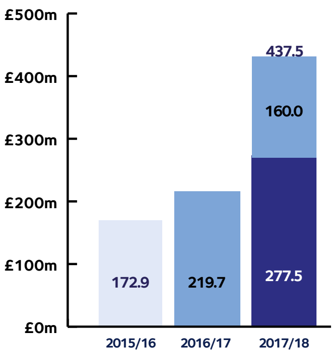
Income

£1,592.5m*
Consolidated
(excl educational publishing)



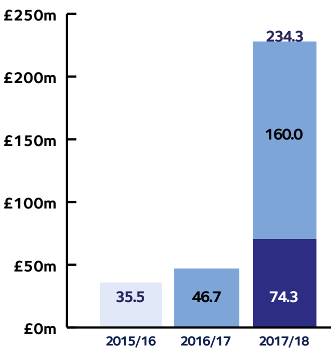
Comprehensive Income

£437.5m*
Consolidated
(excl educational publishing)



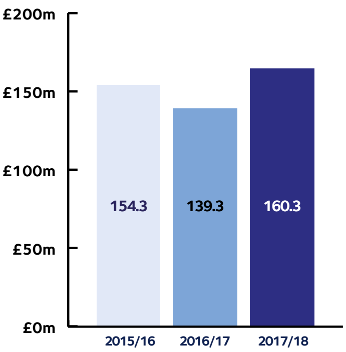
Operating Cash flow

£234.3m*
Consolidated
(excl educational publishing)



Capital Expenditure

£160.3m
Consolidated
(excl educational publishing)



* Note: includes £160m triennial cash transfer from educational publishing

UNIQ summer school students

LETTER FROM THE VICE-CHANCELLOR

"As the 2017/18 Annual Report attests, this has been a year of remarkable achievement at Oxford. These achievements are all the more impressive as they come at a time of continuing uncertainty for British universities. The funding of higher education is under review, and the details of the UK's future relationship with the European Union – so vital for access to talent and research collaborations – remain unclear. Notwithstanding the difficult environment in which we find ourselves, the report provides ample evidence of the University's determination to build on our success, of our commitment to remain one of the world's great institutions of research and education, and of our ability to evolve to meet the challenges of our time.

For the second consecutive year we were ranked the top university in the World by the *Times Higher Education* global ranking of universities. While recognizing the fallibility of rankings, this was a gratifying recognition by our peers of the calibre of our academics and the work that they do. We also achieved recognition by the markets and placed the largest, longest bond ever by a British university: a £750m 100-year bond with a fixed annual coupon of 2.54%. It was significantly oversubscribed with investors offering £3.6 billion, as clear a statement of confidence in the future of the university of Oxford as one could hope to find. The proceeds of the bond will serve as a hedge against the uncertainty that surrounds us and allow us to plan and to invest in the future of Oxford's research. Finally the younger generation also gave us a vote of confidence. 2017/18 witnessed increasing demand for both graduate and undergraduate places. Graduate applications increased by 3.7%, with applications from outside the EU up 7.8%, undergraduate applications increased by 7.3%.

This year we also took action to confront an issue which has a disproportionate influence on the reputation of the University within the United Kingdom, the question of undergraduate admissions. We published our first Annual Admissions Report providing five years of detailed analysis of our admissions process by department and by college, by region, ethnicity and socioeconomic status. This year we also extended the Moritz-Heyman scholarship programme to every student from a UK household with earnings of less than £16,000. We also announced a 50% expansion of our flagship UNIQ summer programme which targets prospective students from under represented backgrounds across the UK.

It remains the case, of course, that challenges abound. We have a new regulator, the OfS and a new research council, UKRI. Most difficult of all, we have the unresolved issue of the pensions dispute within USS. Nevertheless, this report makes clear that we have a great deal to celebrate as we enter the 2018/19 academic and fiscal year."

Louise Richardson
Vice-Chancellor

VISION AND STRATEGIC PRIORITIES

Oxford University's mission is the advancement of learning by teaching and research and its dissemination by every means.

Vision

We will work collectively as one Oxford to provide world-class research and education building on the University's long traditions whilst at the same time fostering a culture of innovation.

We are committed to equality of opportunity and to engendering inclusivity.

The University's distinctive democratic structure will continue to offer a source of strength and, together with our colleges, create environments which are supportive to individual scholars and promote interdisciplinarity.

Strategic priorities

Education	To attract and admit students from all backgrounds with outstanding academic potential and the ability to benefit from an Oxford education.
	To offer an excellent academic experience for all our students, and ensure that Oxford fully equips graduates to excel in whatever they choose to do.
	To retain and refresh the collegiate University's rich academic environment.
Research	To promote and enable ambitious research of exceptional quality.
	To invest in people, to support them and their research environment, thereby enabling the research endeavour to grow sustainably.
	To change the world for the better.
Publishing	To demonstrate evidence of positive educational and research impact from the use of Oxford University Press 's materials and services.
	To sustain high levels of investment in technology in order to compete within a rapidly evolving digital environment.
	To focus on growth in emerging markets, in particular those where Oxford University Press is already well placed.
	To focus on efficiency in order to remain competitive.
People	To attract, recruit and retain the highest calibre staff.
	To work towards an increasingly diverse staffing profile.
	To support staff in personal and professional development
Engagement and partnership	To work with partners to create a world-class regional innovation ecosystem.
	To build a stronger and more constructive relationship with our local and regional communities.
	To engage with the public and policy makers to shape our research and education and to encourage the widest possible use of our research findings and expertise.
	To maximise the global social, cultural and economic benefit derived from our research and scholarship.
Resources	To manage our financial resources to ensure the collegiate University's long term sustainability.
	To ensure that our estate provides an environment which promotes world-class research and education whilst minimising our environmental impact, conserving our historic built environment, and improving our space utilisation.
	To continue to invest in our information technology capability to enhance the quality of our research and education and to streamline our administrative processes.
	To raise funds to support the very best students, invest in our staff and their work and provide new resources and infrastructure.

EMERGING TRENDS

The University's strategic priorities have been developed against a background of local, national and worldwide change.

The strategic priorities take into account the following emerging trends and issues, ensuring that the University is well placed to deliver its Strategic Plan.

Access and diversity

The University is committed to ensuring that our undergraduate admissions processes identify students with outstanding academic potential and the ability to benefit from an Oxford course whatever their background. We know that our main challenges lie in encouraging students from under-represented groups to apply to Oxford and in helping them to make competitive applications.

The University is deeply committed to promoting equality and diversity in the workplace, and to providing a welcoming and inclusive environment for all members of our community.

Oxford in the world

Oxford's international profile currently rivals that of any university in the world, highlighted by the breadth and depth of its research collaborations and a truly global student body and academic staff. Oxford aims to deliver an exceptional education, to carry out world-leading research, and to make significant contributions to society – locally, nationally, and internationally. Achievement of this aim will require the University to continue to expand its extensive global links even as it addresses the uncertainties of Brexit and its implications for research and teaching in the UK. The University's global links include the dissemination of teaching and research materials via Oxford University Press – the world's largest university press with the widest global presence, publishing in more than 100 languages.

Impact and innovation

In line with its mission, the University must continue to foster an environment of creativity and innovation in both research and education and to work with partners to create significant social and economic impact.

Size and shape

The growth of the collegiate University over the last decade reflects its academic success, particularly in research. The University is required to consistently review the size and shape of its structure in order for this growth to be sustainable.

Staff and student housing

Unmet demand for housing is particularly acute in Oxford and presents a challenge to the continued academic success of the University. To continue to attract the very best staff and students to Oxford, we will need to ensure that high quality affordable housing is available. In order to deliver this, the University will need to work with colleges and with external partners to develop affordable housing schemes for staff, students and key workers.

Sustainability, efficiency and effectiveness

The University will seek to strengthen its financial position and to maximise the resources available for investment in research and teaching. Key to achieving this will be the University's ability to deliver more efficient, effective and sustainable services.

OPERATIONAL REVIEW
Education

Through a commitment to the personal education of each student we will provide a quality of education and experience which equips students with the values, skills and intellectual discipline that will enable them to make a positive contribution to society.

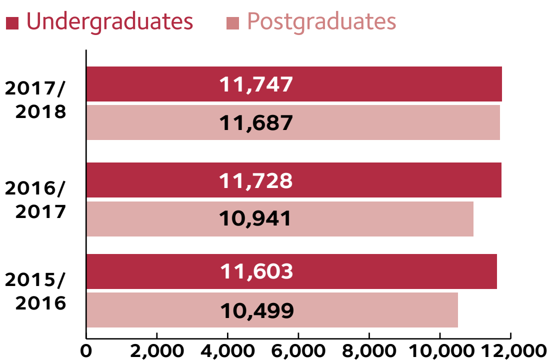
Our strategic priorities

To attract and admit students from all backgrounds with outstanding academic potential and the ability to benefit from an Oxford education.

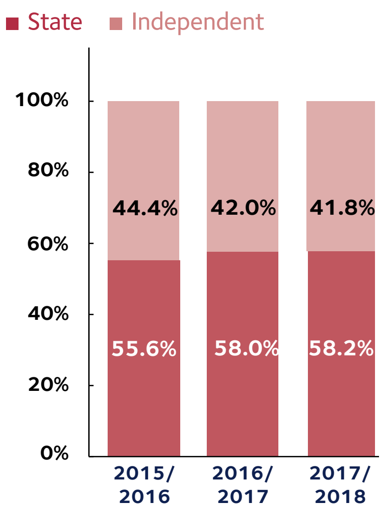
To offer an excellent academic experience for all our students, and ensure that Oxford fully equips graduates to excel in whatever they choose to do.

To retain and refresh the collegiate University's rich academic environment.

Student numbers



Admissions from state and independent sectors



Undergraduate admissions and outreach

Applications for undergraduate study rose by 7.3% compared with 2016/17. Within this, the proportion of undergraduate admissions from the state sector continued to rise to 58.2%.

The University is fully committed to widening access to Oxford. Significant outreach activity takes place across the collegiate University to encourage applications from academically able students from disadvantaged backgrounds.

With a view to increasing transparency, the University published its first Annual Admissions Statistical Report in May 2018 which gives information on the students who have applied to our undergraduate courses, received offers and been admitted, over the last five years. The report contains many positive points as well as providing evidence that there is still a great deal of work for us to do.

In response to the challenges posed by the May 2018 report the University is expanding its successful UNIQ summer school programme by more than 50%. From next year, UNIQ's intake will increase to 1,350 a year. Each student spends a week at Oxford, studying their chosen subject, experiencing undergraduate life at first hand and learning how to make the best possible university application. This gives even more pupils from under-privileged backgrounds a greater chance of success in securing an Oxford place

Oxplore, our innovative digital outreach learning portal, has had over 86,000 users from 197 countries viewing over 240,000 pages. Target Oxbridge aims to help black African and Caribbean students and students of mixed race with black African and Caribbean heritage make competitive applications to the universities of Oxford or Cambridge. In 2018 Target Oxbridge was able to expand the programme from 80 to 160 participants.

The Moritz-Heyman Scholarship Programme will be expanded from the start of the new academic year, in autumn 2018. Since starting in 2012, the Programme

Education – continued

has offered financial support to more than 800 students, including a bursary to cover living costs and a £3,000 fee reduction every year. The Scholarship has previously been available to up to 175 students annually but will now expand to cover every new student from a UK household earning £16,000 a year or less.

Graduate admissions and funding

For 2017/18 entry, applications for graduate study rose by 3.7% compared with 2016/17 entry, with applications from non-EU countries increasing by 7.8%. Applications for 2018/19 entry are up by 8.2% at around 27,200. The University continues to face a substantial scholarship funding gap for graduate students, in particular for masters' courses, and graduate funding remains a strategic priority.

Further information about graduate scholarships available at Oxford can be found at: www.ox.ac.uk/admissions/graduate/fees-and-funding/graduate-scholarships.

Student recruitment efforts have been focused on the UK to counteract the decrease in UK application numbers. New activity aimed at non-UK EU countries is being explored to mitigate the impact of Brexit on wider EU recruitment, in particular if changes are introduced by government to the current immigration and fee status of non-UK EU students.

Supporting student success

The recent rise in the number of students experiencing mental health issues at university has been well publicised and at Oxford the Student Welfare services have seen a continued increase in demand. In December 2017, the University updated its policy on student mental health, setting out how the collegiate University seeks to provide a coherent institutional approach to supporting the mental health of Oxford students. Student mental health services have been successful in securing external funding to support new areas of support, a notable example being funding to provide mental health and wellbeing support for postgraduate research students.

Equipping students for future study and employment

The University seeks to equip all its students with the skills and knowledge to succeed in future study or employment. Outside the curriculum, support provided for students included the following:

- over 700 funded research and professional international internships in more than 40 countries;
- over 200 students taking part in "Insight Into…" programmes in teaching, medicine, academia, pharmaceuticals, and business; and
- the Student Consultancy, with over 450 students running approximately 100 voluntary consultancy projects for local organisations.

2017/18 HIGHLIGHTS

23,975 students at Oxford, including
11,747 undergraduates and
11,687 postgraduates

19,938 applications for
3,270 undergraduate places

58.2% of UK undergraduate admissions from state schools

Research

The University of Oxford is world famous for its research excellence and is home to some of the most talented scientists and scholars from across the globe.

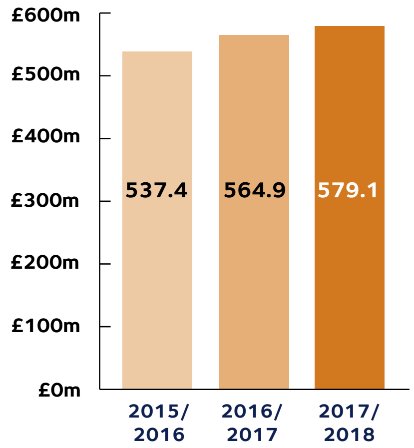
Our strategic priorities

To promote and enable ambitious research of exceptional quality.

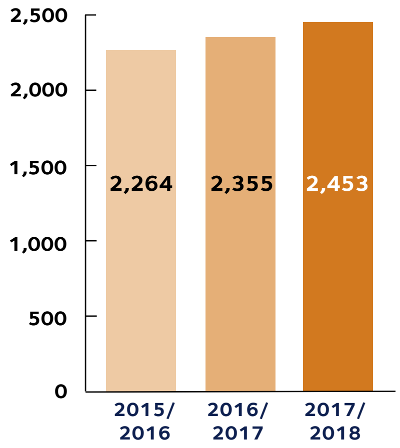
To invest in people, to support them and their research environment, thereby enabling the research endeavour to grow sustainably.

To change the world for the better.

Research income



Research grant contracts awards



Research activity

The scale of the University's research activity is substantial, involving over 1,800 academics, 5,665 research staff and 6,100 postgraduate research students. The University collaborates with other universities and research organisations, healthcare providers, businesses, community groups, charities, and government agencies, nationally and internationally. According to the most recent Research Excellence Framework (the official UK-wide assessment of all university research), the University has the largest volume of world-leading research in the UK. The public benefits from this research include better public policy, improved health outcomes, economic prosperity, social cohesion, international development, community identity, the arts, culture and quality of life.

Research grant contracts awarded

Much of the University's research activity is funded by competitively won research grants awarded by third parties (including the UK Research Councils, UK charities and the European Commission) as well as funding from business and other organisations. The University currently has 4,686 active research awards worth over £3 billion. In 2017/18 2,453 research grants were awarded to Oxford, up 4.2% on 2016/17. In addition, Research England provides invaluable support through Quality-Related block grant funding and the Higher Education Innovation Fund.

In order to maintain its world-leading status in research across the sciences, the social sciences, and the humanities, the University needs continued access to funding from national, European and international sources, to expand its collaborative networks with institutions and organisations world-wide and to maintain a flow into the University of staff and students of the highest quality from across the world.

Research – continued

Challenging research funding climate

The current research funding climate presents a number of challenges but also opportunities for the University. Continued uncertainty over the UK's access to future funding from the European Union is coupled with increases in national research funding, particularly the growth of challenge-led and regionally focused funding schemes. The University needs to be well placed to succeed in this fast changing environment.

Key milestones achieved in the past year include:

- Winning 14 of 66 European Research Council Advanced Grants awarded to UK institutions and five Proof of Concept Grants in the April 2018 funding round, with an overall value of €36.35 million.
- Mobilising the PEAK Urban programme, a major four-year, international, multidisciplinary project led by the Centre On Migratory Policy and Society (COMPAS) and involving researchers from Maths, Geography and Medicine as well as universities in China, South Africa, India and Colombia. The programme, funded by UKRI's Global Challenges Research Fund, aims to understand the complexity of the modern metropolis.
- Initial public offering (IPO) on the NASDAQ of Nightstar Therapeutics. Developing gene therapy treatments for rare inherited retinal diseases, the company progressed from spinout to IPO in less than four years and is valued at just under a billion dollars.
- Hosting in September of Curiosity, the single largest event ever organised by the collegiate University to engage the public in research. This enormously successful event involved hundreds of researchers from a broad range of disciplines at seven venues across the University: the Ashmolean Museum, Museum of Natural History, Pitt Rivers Museum, Weston Library, Museum of the History of Science, Botanic Garden and Wytham Woods.

The University is grateful to its research sponsors and partners for making the resources available to undertake these and many other projects. Further information on the range of impacts which the University research has on the world of policy, health, business and culture is available in a series of case studies and films at: www.ox.ac.uk/research/research-impact.

2017/18 HIGHLIGHTS

Awarded **top ranking** in the *Times Higher Education* (THE) worldwide ranking of universities

Largest volume of research grants awarded of any UK university in 2017/18

Highest research income from external sponsors of any UK university

Educational Publishing

As a department of the University, Oxford University Press (the Press) furthers the University's objectives of excellence in research, scholarship, and education through publishing worldwide.

Our strategic priorities

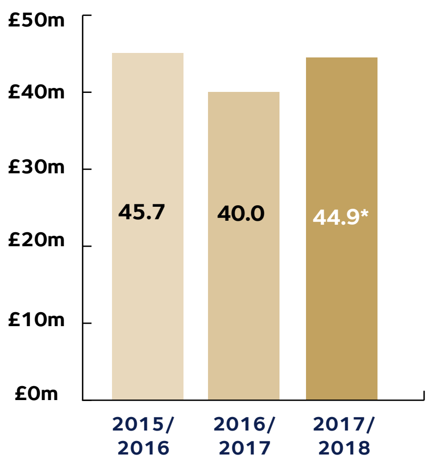
To demonstrate evidence of positive educational and research impact from the use of the Press's materials and services.

To sustain high levels of investment in technology in order to compete within a rapidly evolving digital environment.

To focus on growth in emerging markets, in particular those where the Press is already well placed.

To focus on efficiency in order to remain competitive.

£'m cash transferred from educational publishing*



*excludes Benefits in Kind of £0.7m.

In addition the Press made a triennial transfer of £160.0m from its reserves in 2017/18

Mission

Oxford University Press operates in three large and global publishing markets: Research, the Learning of English, and Education (Schools and Higher Education). These markets are attractive to the Press for several reasons: they are consistent with the University's mission; they have long-term growth prospects; they are susceptible to a global approach; and the Press has strong and defensible competitive positions within them. The Press pursues a series of common strategies across all of its markets that exploit and build on its distinctive capabilities.

Through its extensive print and digital publishing, training programmes, online courses, and resource provision, the Press enables the University as a whole to have a truly global reach and impact. The Press draws upon institutional research and teaching expertise to enrich and inform its products, and harnesses the University's brand to extend its reach.

Market and sector strategies

Beyond the common strategic priorities the Press has sector-specific strategies which allow it to build and extend its competitive position in its individual markets. Each market segment has different operating characteristics, types of competitor, and scale of opportunity and this is reflected in the specific strategies.

The Research publishing of the Press had a successful year in 2017/18, with particular growth in journals and licensing and a number of awards and prizes for its products including:

- The Bancroft Prize in American History and Diplomacy for *Implacable Foes: War in the Pacific, 1944–1945* by Waldo Heinrichs and Marc Gallicchio;

Educational Publishing – continued

- Gold Winner, Excellence in the Design of Learning Content, Learning Technologies Awards 2017 for *Consent Matters: Boundaries, Respect and Positive Intervention*; and
- A record eight awards in the UK, US, and India from the American Historical Book Association.

During the year, the Press materially increased its investment in technology projects, both to transform its technical infrastructure and to enable it to develop and launch new products for customers. The level of investment is expected to continue to increase in future years.

There are many examples of the Press's new digital publishing ventures. One is the migration of academic content to a new platform, starting with the Press's 400+ scholarly journals. As a result there has been a 10% increase in journal site visits, and an 18% increase in downloads of journal articles. Work to migrate more of our academic content continues this year.

Another is Oxford Global Languages (OGL) – a major initiative from Oxford Dictionaries which aims to build lexical resources for 100 of the world's languages and make them available online. Launched in 2014, more languages were added to the site during the year, including Tamil, Gujarati, Tajik, isiXhosa, and Tok Pisin. OGL records how living languages, including their variants and dialects, are used today, and the service is growing in popularity, with visits to the site increasing by 500% during the year, with particularly strong growth in South East Asia and India.

Alongside the continuing drive to develop content of the highest academic quality, the Press extends its activities into supporting educational and research outcomes more broadly. National governments and international organisations such as the OECD are placing greater emphasis on teacher training and professional development Last year, the Press trained more than 440,000 teachers, up more than 20% on the previous year – primarily in face-to-face events across multiple countries, and it is developing online training opportunities in some countries, such as India.

The Press produces and distributes educational publishing on a global scale. Its educational businesses, including school publishing and the Learning of English, operate across 165 countries, providing excellent resources for K12 classrooms, and increasingly for pre-school and parental support. Publishing for these markets shares in the Press's roster of awards.

The financial success of the Press allows the Delegates to make regular financial transfers to the wider University. For 2017/18 the total transferred was £205.6m, including a special transfer of £160.0m from the Press Reserves.

2017/18 HIGHLIGHTS

A record **eight** awards in the UK, US and India from the American Historical Book Association

More than **440,000** teachers around the world trained by the Press

£205.6m cash transferred by the Press to the rest of the University

People

People are the foundation of the University's success and the quality of our academic, research, professional and support staff is critical to our future.

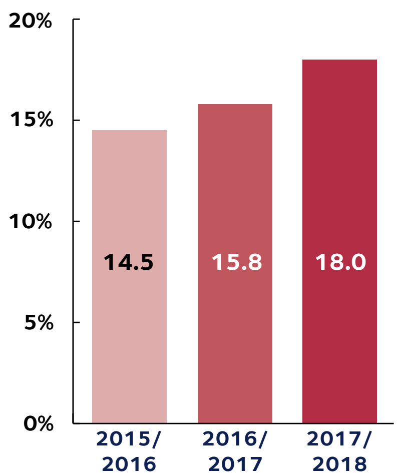
Our strategic priorities

To attract, recruit and retain the highest calibre staff.

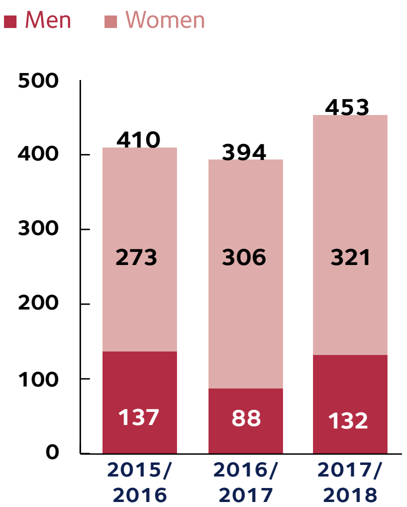
To work towards an increasingly diverse staffing profile.

To support staff in personal and professional development.

Women as % of statutory professors



Number of new flexible working arrangements established annually



We seek to attract, recruit and retain the best research and teaching staff from around the world by offering a competitive reward package, a welcoming and inclusive culture, generous flexible working and family leave policies and support for visa applications and the transition of newly recruited staff to Oxford.

The University recognises the importance of diversity among its staff and is actively working to increase this. For reference,

- 46.8% of academic and research staff originate from outside the UK
- women currently represent 51.5% of University staff.

We support departments to achieve Athena SWAN awards for gender equality. Action plans are being implemented in support of charter marks such as the Stonewall Equality Index, the Race Equality Charter (we hold an institutional bronze award), and Mindful Employer supporting staff mental health.

We encourage staff to plan their development through Personal Development Reviews and are strengthening our development programmes for all staff, with a focus on management and leadership development and support for early career researchers.

The University is an accredited Living Wage Employer, which particularly benefits junior staff. However, recruitment of all staff, particularly early career researchers, is hampered by the scarcity and cost of accommodation, childcare and transport in the city and we are developing ways to augment the supply of affordable childcare and housing in Oxford and surrounding areas.

2017/18 HIGHLIGHTS

30 Athena SWAN awards recognising advancement of gender equality (including 19 Silver, in 2018)

2.2% increase in proportion of **female** statutory professors

Bronze award from Race Equality Charter

15% Increased use of **flexible working**

Engagement and Partnership

Our research and education aims to benefit the wider public in the Oxford region, across the UK and globally. To this end we work in partnership with public, private, voluntary and commercial organisations and our alumni to enhance public engagement and knowledge exchange.

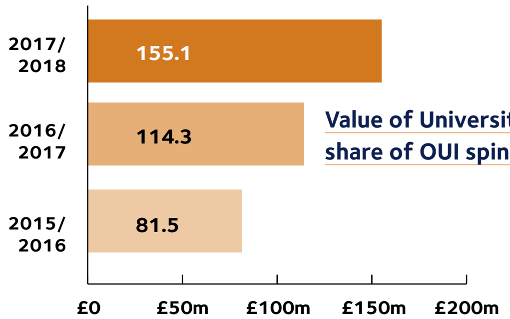
Our strategic priorities

To work with partners to create a world-class regional innovation ecosystem.

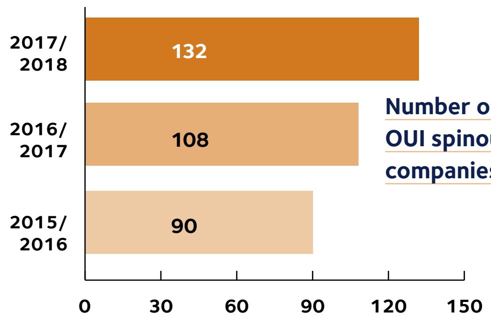
To build a stronger and more constructive relationship with our local and regional communities.

To engage with the public and policy makers to shape our research and education and to encourage the widest possible use of our research findings and expertise.

To maximise the global social, cultural and economic benefit derived from our research and scholarship through our international engagement.

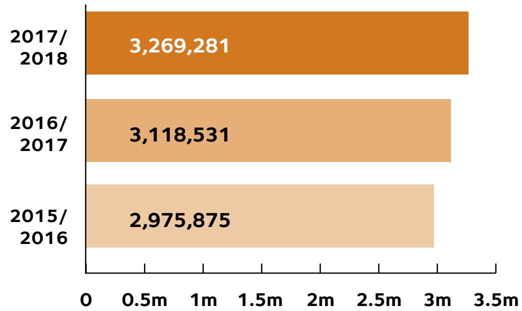


Value of University's share of OUI spinouts



Number of OUI spinout companies

Number of visitors to University gardens libraries and museums



Economic contribution

A study carried out by BiGGAR Economics[1] measured the economic impact of the University. The University contributes around £5.8bn to the UK economy, and supports more than 50,000 full time jobs. Globally, the impact is £7.1bn. Spinout companies have contributed to this impact and the University has £155.1m equity invested in 132 active spinout companies.

New initiatives this year included Innovation Challenge competitions in the Humanities Division; crowdfunding campaigns as a means of supporting innovations eligible for traditional translational funding; and the launch of LAB282 – a programme combining funding and industry expertise to accelerate drug discovery.

Social contribution

The University was a pioneer of the University Extension movement and today its' Department for Continuing Education has nearly 14,000 students enrolling on one or more courses. This includes members of the public who wish to study a subject out of general interest or for personal satisfaction, members of professional groups or business organisations and participants in courses for international groups.

The University also makes a major contribution to improving quality of life through its research-led engagement in healthcare. In 2017/18 a new research centre was established in partnership with Novo Nordisk in order to accelerate the development of new therapies for Type 2 diabetes. The University is also leading a consortium of NHS Trusts to enable state-of-the-art psychological therapy to be delivered via virtual reality in the NHS.

Cultural contribution

Over 3.2 million visitors were welcomed to the University's gardens, libraries and museums in the last year. Exhibition highlights included;

- *Settlers* at the Museum of Natural History;
- *BioArt and Bacteria* at the Museum of the History of Science;
- *America's Cool Modernism* – Ashmolean Museum;
- *Tolkien: Maker of Middle-earth* – Weston Library;
- *Shout Out for Women*, marking the centenary of Votes for Women by highlighting some of the inspirational women represented at the University.

[1] Economic Impact of the University of Oxford – www.ox.ac.uk/sites/files/oxford/Economic%20Impact%20of%20the%20University%20of%20Oxford.pdf

Resources

Oxford University benefits from the careful stewardship of resources by previous generations. Ensuring that the University remains both financially and environmentally sustainable into the future is an essential pillar of the University's strategy.

Our strategic priorities

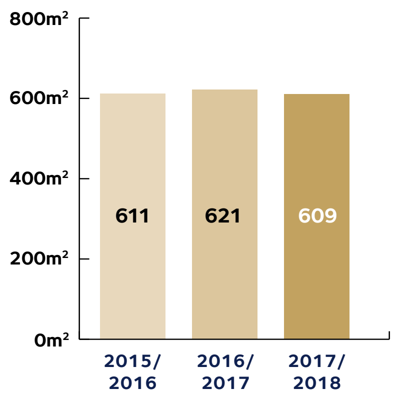
To manage our financial resources to ensure the collegiate University's long-term sustainability.

To provide an environment which promotes world-class research and education whilst minimising our environmental impact, conserving our historic built environment, and improving our space utilisation.

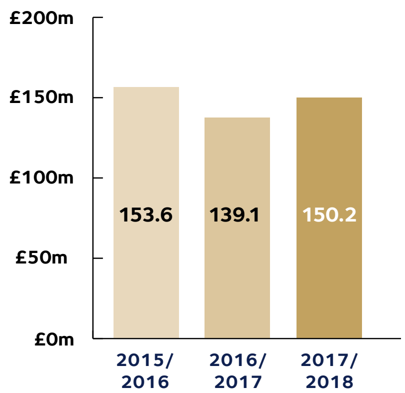
To continue to invest in our information technology capability to enhance the quality of our research and education and to streamline our administrative processes.

To raise funds to support the very best students, invest in our staff and their work and provide new resources and infrastructure.

Gross Internal Area (GIA) m² thousands



Capital additions by year



Financial resources

The University successfully placed a 100-year bond for £750m at a rate of 2.54% – the longest and largest bond ever placed by a UK university. In 2017/18, the University also launched the Focus programme: a range of projects aimed at simplifying and digitising key processes. Both initiatives will play an increasingly important role in securing the University's ability to invest in its future.

The University manages its investments through a subsidiary, Oxford University Endowment Management Ltd (OUem), under investment and distribution policies set by the Investment Committee and Council. The University's share of the endowment funds managed by OUem represents the collective endowments of some 600 individual trusts. The performance of these funds is set out in the Financial Review section.

Estates

The University's capital programme is prioritised to ensure that the estate is refurbished and complemented with new buildings to meet its' research and education requirements. In the past year, new world class physics laboratories were added with completion of the Beecroft Building in March 2018, and the Big Data Institute received a RIBA regional award recognising excellence in workplace design.

Information Technology

Throughout 2017/18, the University has continued to invest in information technologies in support of its research, educational, publishing, administrative and public engagement activities. There are still many challenges to address, not least in cybersecurity, data governance and compliance.

Development

In 2008 the University launched the Oxford Thinking campaign, to raise £3bn in support of the strategic objectives of the collegiate University. Oxford Thinking is the largest fundraising campaign ever undertaken in Europe and has raised £2.8bn to date

All of the gifts received for Oxford Thinking contribute to the achievement of the University's priorities outlined in this report.

UNIQ summmer school students

FINANCIAL REVIEW 2017/18

Financial results

The University's financial results include the results of its educational publishing activities ("the Press") for the first time. This contribution, together with another year of strong investments gains, has produced a record level of total comprehensive income at £389.9m. Other activities (excluding educational publishing) show a surplus before investment gains of £149.5m including a record cash transfer from educational publishing of £205.6m.

The very strong performance of the University's investment activities ("The Oxford Funds") follows a sustained period of out-performance in global equity markets and includes the positive impact of a revaluation of investment properties. For a more reliable long term guide to what the University can expect to receive from its investments it is important to look at the 5% long term target rate of real return and the 4.25% annual dividend paid to the University from The Oxford Funds (calculated as a percentage of net asset value (NAV) in 2017/18). In 2017/18 this dividend amounted to £55m.

Bond

In December 2017, the University raised £750m through its first ever bond issue, taking advantage of its ability as a triple-A rated institution to borrow at historically low levels of interest. The 100-year bond attracted £3.6bn in demand from potential investors. The annual rate of interest is fixed for the life of the bond at 2.54%.

Fixed assets

The University invested £165.5m in capital expenditure during the year. In September 2018, the University marked the formal opening of the Beecroft Building, a new 8,950m^2 building for experimental and theoretical physics delivered at a cost of £55m. The building is named after major donor Adrian Beecroft, British venture capitalist and alumnus of the University. A new innovation centre and facilities building on the Old Road Campus and new Chemistry teaching facilities are nearing completion and work has commenced on the second phase of the Biochemistry building. This will provide flexible multi-use space for a range of academic activities. Notably, demolition works also commenced on the Tinbergen Building, the largest academic building in the University.

The Oxford Funds

The Oxford Funds continue to perform well. The majority of funds invested by the University are held in the Oxford Endowment Fund which returned 8.8% in the year ended 31 July 2018. The annualised return over five years ended 31 July 2018 was 10.2%.

Pension schemes

The University is a member of three multi employer pension schemes and one single employer pension scheme. One of these multi employer schemes is the Universities' Superannuation Scheme (USS), a multi-employer scheme for which the assets and liabilities are not hypothecated to individual institutions. In accordance with the requirements of the SORP, the University recognises a provision for its obligation to fund past deficits arising within the USS. The 2017 actuarial valuation of USS has been undertaken and has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges. The valuation has not, however, been formally completed as there remain various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the future levels of asset performance. The University has, therefore, concluded that the current schedule of contributions is the most appropriate one to use for 2017/18. These are based on the recovery plan in the 2014 actuarial valuation which requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.2% as at 31 July 2018, are included in note 26 to the financial statements. As a result of this approach, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University does expect to have greater clarity in respect of USS during the next financial year.

Financial Review – continued

Financial outlook

The University faces a period of economic uncertainty as the UK government negotiates an exit from the European Union. The uncertainty affects staff, researchers and students and impacts on the future of teaching and research funding, student fees, endowments and investment returns. In addition to these economic concerns, as a global institution the University faces uncertainty with respect to future frameworks for teaching and research collaboration with partners in the EU and the rest of the world. A major review of post-18 education was announced by the UK government in February 2018 which will look at, amongst other things, how students and graduates contribute to the cost of their studies. This creates uncertainty with regards to how universities will be funded in the future. Higher education institutions have been invited to contribute to the review and the sector hopes for an outcome which will create a sustainable funding system which is both fair and affordable to students and meets the needs of taxpayers and of universities.

The University will continue to seek to manage its sources of revenue effectively and its costs efficiently in order to generate the requisite long-term cash flow to maintain its pre-eminent position amongst the world's leading universities.

Basis of accounting

The accounts are produced under Financial Reporting Standard 102. Council has reviewed the University's five-year financial forecast and has determined that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason these statements have been prepared on a "going concern" basis.

Inclusion of educational publishing activities

The 2017/18 financial results include the results of the University's educational publishing activities ("the Press"). The comparative financial results for 2016/17 do not. The Press's year end is 31 March and it was impracticable to prepare audited financial statements for the Press as at 31 July 2017.

Specifically:

- Stock counts carried out by the Press as at 31 March 2016 were not performed again as at 31 July 2016 in order to support opening balance sheet values for the Press and its subsidiaries for the financial year ending 31 July 2017. In contrast, stock counts were performed as at 31 July 2017 to support opening balance sheet values for the year ending 31 July 2018.
- Reconstruction of opening balance sheet values as at 1 August 2016 was deemed to be prohibitively resource intensive and risked significant delay to the production of the University's financial statements.
- Furthermore, the absence of audit sampling of stock as at 31 July 2016 meant there was a material risk that an audit opinion could not be provided on the accuracy of the opening valuation.

The Financial Review section which follows sets out the key developments in comprehensive income, net assets and cash flow in the following terms:

The contribution of the Press and its subsidiaries to 2017/18 results are set out in the columns headed "Press, Subs & Adj" in the tables which follow.

The underlying variance in financial performance of the University excluding educational publishing activities ("Excluding Press") is set out in the shaded columns in the tables which follow. A full transition note setting out the contribution of the Press and its subsidiaries to 2017/18 results can be found at note 36 to the statements.

From 2018/19 onwards, prior year balances will include the results of the University's educational publishing activities.

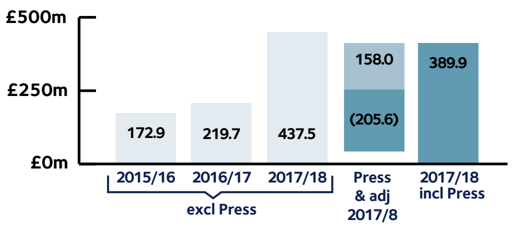
1.Comprehensive Income

Summary of movements in University Comprehensive Income (excluding Press)

Statement of Comprehensive Income	2017/18 Consolidated (excl Press)	Press, Subs & Adj	Elimination of Press transfers	Consolidated (incl Press)	Consolidated (excl Press) 16/17	Underlying (excl Press) variance *
Income	**1,592.5**	850.1	(205.6)	2,237.0	**1,400.4**	192.1
Expenditure	**(1,443.0)**	(737.4)		(2,180.4)	**(1,397.0)**	(46.0)
Surplus/(Loss)	**149.5**	**112.7**	**(205.6)**	**56.6**	**3.4**	**146.1**
Investment gains	**286.2**	3.6	18.5	308.3	**218.1**	68.1
Surplus/(deficit) on Joint Ventures	**2.5**	(1.2)		1.3	**(0.2)**	2.7
Taxation	**(0.7)**	(10.6)		(11.3)	**(1.6)**	0.9
Other Comprehensive Income	**0.0**	53.5	(18.5)	35.0	**0.0**	0.0
Comprehensive Income	**437.5**	158.0	(205.6)	389.9	**219.7**	217.8

* these movements are explained in the commentaries below and detail for the tables can be found in Note 36

Comprehensive Income £'m



Total comprehensive income in 2017/18 was £389.9m, of which the Press accounted for **£158.0m**.

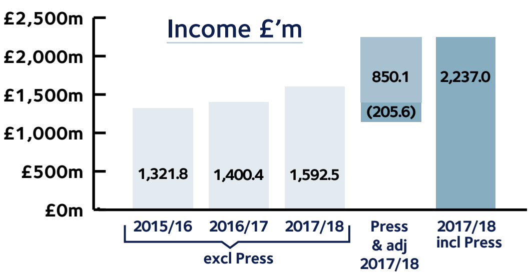
Excluding the Press, comprehensive income increased by £217.8m to £437.5m (2016/17: £219.7m).

Key movements in Comprehensive Income (excl Press)

£192.1m	Income increased by £192.1m from £1,400.4m to £1,592.5m largely due to the triennial cash transfer from the Press of £160m
£(46.0)m	Expenditure increases from additional staff costs and interest payments on bond debt
£68.1m	Investment gains from The Oxford Funds and investment properties

The total consolidated Comprehensive Income total for the University was £389.9m after inclusion of the Press educational publishing activities and elimination of the income transferred to the University from the Press of £205.6m

1.1 Income



Total income in 2017/18 was £2,237.0m, of which the Press accounted for **£850.1m**:

- Publishing income was £798m
- Other income was £46.9m
- Investment income was £5.2m

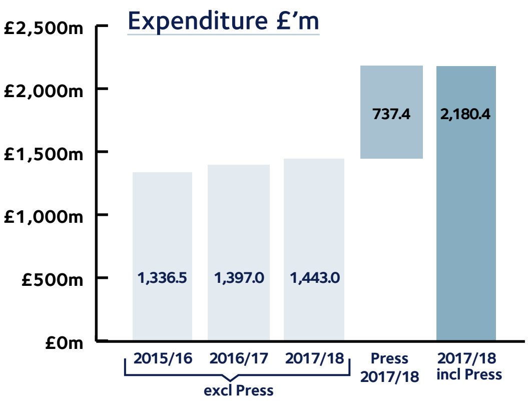
Excluding the Press, income increased by £192.1m to £1,592.5m (*2016/17: £1,400.4m*)

Key movements in Income (excl Press)

£165.6m	The transfer to the University from the Press increased £165.6m to £205.6m (2016/17: £40.0m) with the inclusion of the £160m triennial cash transfer.
£25.3m	Tuition fees increased £25.3m to £332.5m (2016/17: £307.2m) arising from a significant increase in overseas fees of £11.3m, a £5.9m increase in fee income for professional and non-matriculated courses and a £4.2m increase in Research Training Support grants.
£14.2m	Research grants and contracts increased by £14.2m to £579.1m (2016/17: £564.9m), reflecting the University's continued success in securing research contracts.

Comprehensive Income – continued

1.2 Expenditure



Total expenditure in 2017/18 was £2,180.4m, of which the Press accounted for **£737.4m:**

- £255.6m Press staff costs
- £442.0 non staff publishing costs
- £33.5 Press depreciation and amortisation

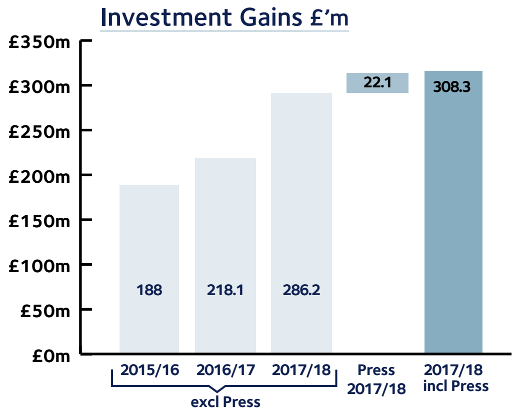
Excluding the Press, expenditure increased by £(46.0)m to £1,443.0m (*2016/17: £1,397.0m*)

Key movements in Expenditure (excl Press)

£(30.6)m	**Staffing** – Salary costs excluding Press increased by 4.2% (£30.6m) to £745.4 (2016/17: £714.8m). As part of an effort to control cost growth and improve operational efficiency, the University-wide cap on the number of non-academic staff continues. Increasing salary costs reflected salary increases in line with inflation (2%); headcount increases in externally funded research posts (1.3%) and a small number of discretionary promotions and pay awards (1%).
£(9.4)m	**Asset write down and depreciation** – the University has agreed that a third party will take over the operation of research assets which had been funded by a government grant received and recorded in the accounts of previous years. This has resulted in an asset write down of £(17.2)m of freehold land and equipment. **Depreciation** increased by £(9.4)m to £112.0m (2016/17: £102.6m); excluding the writedown of the research assets above, other depreciation decreased by £7.8m reflecting a slowdown in the rate of new assets being brought into use.
£(12.4)m	**Interest** – Interest payable increased by £12.4m to £22.3m (2016/17 £9.9m) including £12.3m new interest payable on the bond issued in December 2017.
£(3.9)m	**Tinbergen Building** – in 2016/17 a charge of £27.5m was recorded to reflect the estimated cost of removing asbestos and demolishing the building. As work has now commenced, a more precise estimate of the cost is available and a further charge of £3.9m has been recorded.
£(7.6)m	Other operating expenditure increases included bursaries and research grants which increased to £68.5m (2016/17: £60.9m).
£12.2m	**Pensions** – The pension provision was revalued to £178.3m (2016/17: £194.1m) to account for contributions made to the scheme deficit during the year and changes in valuation assumptions. These gave rise to a pension credit of £18.7m (2016/17: £6.5m). The deficit recovery plan was based on the most recent actuarial valuation conducted as at 31 March 2014. The next actuarial valuation has been delayed from the summer of 2018 and is unlikely to be finalised until 2019. That revaluation is expected to give rise to a material increase in the required provision in 2018/19.

Comprehensive Income – continued

1.3 Investment Gains



Total investment gains in 2017/18 were £308.3m, of which the Press accounted for **£22.1m** in property investment gains.

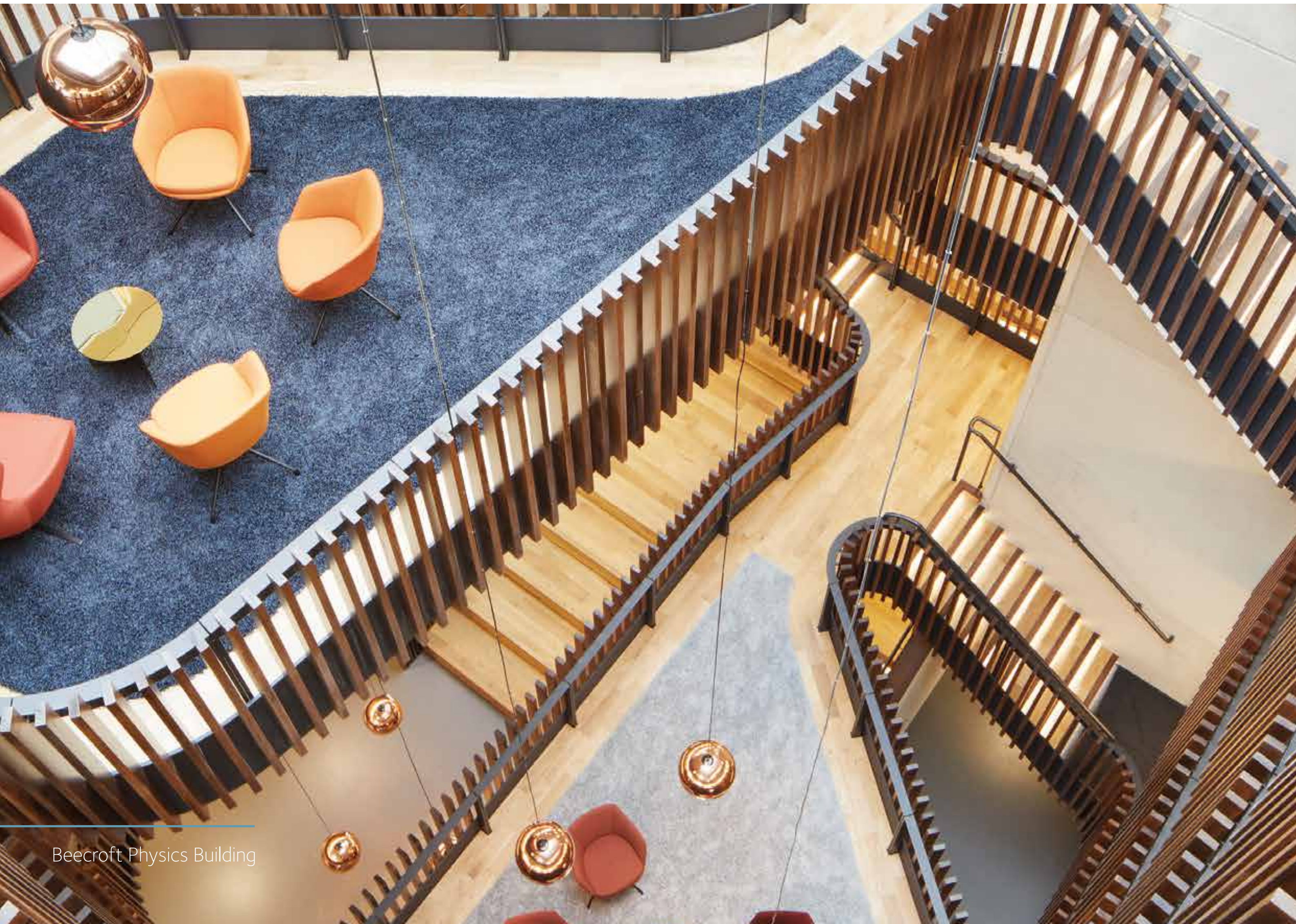
Excluding the Press, investment gains increased by £68.1m to £286.2m (*£218.1m 2016/17*)

Key movements in Investment Gains (excl Press)

£28.6m	**Oxford Funds returns** – The Oxford Endowment Fund generated investment gains valued at £174.0m (2016/17 £181.5m); The Strategic Capital Account generated investment gains valued at £32.3m (2016/17:£NIL).
£24.1m	**Investment property gains** – resulted from a triennial review of investment properties. In future, revaluations will be conducted annually.

The value of invested assets is inherently volatile and, whilst the University has benefited from market value gains in 2017/18, this figure is likely to fluctuate significantly year on year.

The performance of the University's invested assets is measured on a long-term basis against a target real rate of return of 5% (OEF) and 1.5% (OCF). The annualised return generated over the five years ended 31 July 2018 was 10.2% (OEF) and 4.7% (OCF).



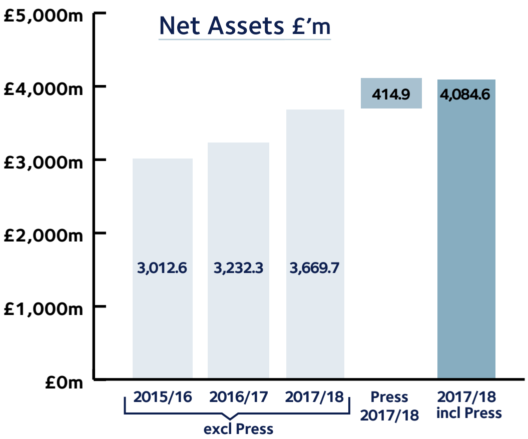
Beecroft Physics Building

2. Change in Net Assets

Summary of movements in Net Assets (excluding Press)

Balance Sheet £'m	Consolidated (excl Press)	Press, Subs & Adj	**Consolidated (incl Press)**	2016/17 Consolidated (excl Press)	**Underlying Variance* (excl Press)**
Non-current assets	**4,940.6**	265.8	5,206.4	**3,610.7**	1,329.9
Current assets	**543.0**	564.7	1,107.7	**638.5**	(95.5)
Creditors falling due within one year	**(603.3)**	(239.2)	(842.5)	**(535.9)**	(67.4)
Total assets less current liabilities	**4,880.3**	591.3	5,471.6	**3,713.3**	1,167.0
Creditors due after more than one year and provisions	**(1,210.6)**	(176.4)	(1,387.0)	**(481.0)**	(729.6)
Total net assets	**3,669.7**	**414.9**	**4,084.6**	**3,232.3**	**437.4**

* these movements are explained in the commentaries below and detail for the tables can be found in Note 36



Total net assets in 2017/18 were £4,084.6m, of which the Press accounted for **£414.9m.** Excluding the Press, net assets increased by £437.4m to £3,669.7m (*£3,232.3m 2016/17*)

Key movements in Net Assets (excl Press)

£1,275.2m	**Investments** increased to £3,454.8m (2016/17: £2,158.5m) largely reflecting the investment of the proceeds from: the University Bond (£750m) primarily in low-volatility gilts and bonds; the investment of the triennial transfer from the Press (£160.0m) in The Oxford Funds; the £174m increase in value of The Oxford Funds; a £36.9m increase in the value of spinout companies following the formation of 23 new companies in the year and strong growth in investor demand in the bioscience sector; a £24.1m increase in investment property values following the triennial revaluation of property assets; and **Current investments** reduced by £94.6m to £14.9m (2016/17: £109.5m) reflecting the re-investment of directly held investments into The Oxford Funds (see "Investments")
£31.6m	**Property Plant and Equipment additions** – include the Beecroft Physics Building which was formally opened in September 2018
£(740.9)m	**Creditors due after more than one year** increased to £(1,001.0)m (2016/17: £(260.1)m) largely reflecting the bond issue in December 2017 for £750m. This significant fundraising activity was well received in the financial markets and was fully subscribed. Plans are being made for major new physical and virtual infrastructure development over the coming years.
£(67.4)m	**Creditors due within one year** increased to £(603.3)m (2016/17: £(535.9)m), reflecting increases in research grant creditors following another strong year in securing new research grants.

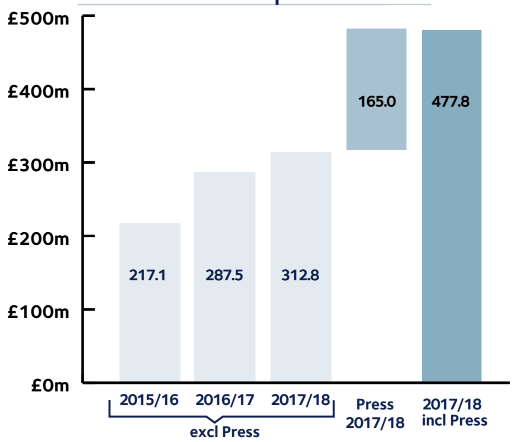
3. Cash and Cash Equivalents

Summary of movements in University Cash Flow (excluding Press)

Cash and cash equivalents £'m	2017/18 Consolidated (excl Press)	2017/18 Press, Subs & Adj	2017/18 Adjustments	2017/18 Consolidated (incl Press)*
Adjusted Surplus for the year	437.5	158.0	(205.6)	389.9
Investment gains	(286.2)	(22.1)		(308.3)
Provision movements	(15.1)	(28.6)		(43.7)
Adjustment for investing/ financing activities	(93.4)	(4.1)		(97.5)
Depreciation and amortisation	112.1	33.4		145.5
Working capital and other movements	59.1	21.6		80.7
Net cash flows from operating activities	**214.0**	158.2	(205.6)	166.6
Net cash flows from investment /financing activities	**(207.7)**	(43.0)		(250.7)
Transfer to the University	0.0	(205.6)	205.6	0.0
Net (decrease)/ increase in cash and cash equivalents	**6.3**	(90.4)	0.0	(84.1)
Cash and cash equivalents at beginning of year	**287.5**	255.4		542.9
Cash and cash equivalents at end of year	**293.8**	**165.0**	**0.0**	**458.8**

* these movements are explained in the commentaries below and detail for the tables can be found in Note 36

Cash and Cash Equivalents £'m



Total cash and cash equivalents in 2017/18 decreased by £(84.1)m to £458.8m, with the Press accounting for **£165.0m** after the cash transfer of **£205.6m** to the University.

Excluding the Press, cash and cash equivalents increased by £6.3m to £293.8m

Key movements in cash and cash equivalents (excl Press)

£205.6m	Cash transfer from the Press
£765.3m	Bond proceeds and new endowments, net of interest paid on loans
£44.7m	Capital grants received in 2017/18 totalled £44.7m (£52.4m 2016/17)
£35.4m	Receipt of successful 2016/17 RDEC grant claim funds
£25.4m	Cash flow from operating activities of the University excluding the triennial transfer from the Press
£17.5m	Investment income
£(908.5)m	Investment of the bond proceeds and other cash balances in The Oxford Funds
£(160.3)m	Capital expenditure, including construction of the Beecroft Building for Physics

As at 31 July 2018, the University had bank loans and bonds outstanding totalling £1,007.6m (2016/17 £230.6m)

Net liquidity days were 64 days (2016/17: 81); the reductions are largely due to the inclusion of the Press.

Undergraduate students at Merton College

GOVERNANCE

Oxford University's distinctive governance structure stems from its long history.

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. An independent and self-governing institution, it consists of the University and the colleges. Thirty-eight colleges, though independent and self-governing, are related to the University in a federal system. There are also six Permanent Private Halls which were founded by different Christian denominations and still retain their religious character today. The colleges (other than Kellogg College and St Cross College) and the Permanent Private Halls are legally and financially separate from the University, Despite this separation the colleges and halls play an integral role in the delivery of the University's core mission of excellence in teaching and research and in the pastoral care of the student and staff communities. Their financial results are not consolidated into the University financial statements.

Governance structure

The University's governance arrangements are summarised in the following paragraphs; more detail can be found in the University's Statutes and Regulations. HEFCE requires the University to provide an explanation of the ongoing differences between the University's governance arrangements and the Higher Education Code of Governance published by the Committee of University Chairs[1].

Congregation

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: 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. A table of the current Membership of Council can be found at p28 Council 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 OfS terms and conditions of funding for higher education institutions, and the terms and conditions of Research England grants. It is also responsible for keeping accounts and records of all funds administered by Council and for prescribing the form in which institutions, departments, boards, committees and delegacies of the University shall keep their accounts.

Council is also responsible for determining an adequate and effective system of risk management that covers governance, management, quality, reputational and financial risks; for determining the system of internal control operated by the University; and for monitoring its adequacy and effectiveness.

Council is 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 and publicly-accountable funds and funds from other sources, to safeguard the assets of the University and to detect and prevent fraud and other irregularities;
- ensure that income has been accounted for in accordance with the University's Statutes, OfS terms and conditions of funding for higher education institutions, and the terms and conditions of research grant and other funding bodies;
- secure the economic, efficient and effective management of the University's resources and expenditure; and
- ensure that the University meets with the standards of financial sustainability, risk management, control and governance expected by OfS and assessed in its annual accountability returns.

Council is required to prepare financial statements, which include the accounts relating to the teaching, research and publishing activities of the University and the University's subsidiary undertakings. These give a true and fair view

[1] www.admin.ox.ac.uk/councilsec/governance/governancestructures/theuniversitysgovernancestructure/gov_comp/ comptable

Governance – continued

of the assets and liabilities of the University and the University's 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.

Council is also required:

- to ensure that the University upholds the public interest governance principles applicable to it;
- to ensure that the University has in place adequate and effective management and governance arrangements;
- to be accountable for and ensure compliance with the University's conditions of registration with the OfS;
- to notify OfS of any changes needed in relation to its registration;
- to comply with the guidance published by OfS in relation to facilitating the electoral registration of students.

From time to time Council reviews its own effectiveness. Its most recent self-review took place in 2015/16. Council approved the findings and has implemented or is in the process of implementing the recommendations. It has commenced a further self-review of effectiveness which will report in the 2018/19 academic year.

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

In accordance with the Modern Slavery Act 2015, Council is required to approve the University's slavery and human trafficking statement for each financial year. The statement for this financial year is available at www.admin.ox.ac.uk/councilsec/compliance/modernslavery.

The Divisions

There are four academic divisions (Humanities; Mathematical, Physical and Life Sciences; Medical Sciences; and Social Sciences). Each has a divisional board with responsibility, under Council and subject to plans, policies, and guidelines set down by Council and its committees, for each division. The composition of each division and divisional board, the powers and duties of each divisional board, and the role of Head of Division, are set out in legislation.

The Press

The affairs of the Press are in the charge of the Delegacy of the Press, chaired by the Vice-Chancellor. The Delegacy includes seventeen senior academic members of Congregation appointed by Council, and is responsible for the affairs of the Press, including its publishing policy and academic standards. The Secretary to the Delegates is appointed to act as Chief Executive of the Press with executive responsibility for management of the Press. The Delegates meet fortnightly during term time, to receive reports on the management of the Press from the Chief Executive and Finance Committee, and to review and authorise publications. The University's Council receives reports on the strategy, activities and position of the Press.

The Gardens, Libraries and Museums

The Gardens, Libraries and Museums (GLAM) group, includes the providers of the major academic services to the divisions, and also departments with responsibilities including, but extending beyond, the immediate teaching and research needs of the University. Each of the departments in GLAM has a governing body prescribed by Statute or Regulation: the Curators of the University Libraries and the Boards of Visitors of the individual museums and of the Botanic Garden. The GLAM Group falls within the portfolio of the Pro-Vice-Chancellor (GLAM), who chairs an overarching Strategy Group, comprising the heads of the main constituent sectors.

Governance – continued

The members of Council are the Charity Trustees of the University. Membership of Council from 1 August 2017 to 26 November 2018 was as follows:

Position	Name	Date
Ex officio members		
Vice-Chancellor	Professor Louise Richardson	Throughout
Chairman of Conference of Colleges	Professor Paul Madden, Provost of Queen's Professor Sir Rick Trainor, Rector of Exeter	To 30 September 2017 From 1 October 2017
Head of the Medical Sciences Division	Professor Christopher Kennard Professor Gavin Screaton	To 30 September 2017 From 1 October 2017
Head of the Mathematical, Physical and Life Sciences Division	Professor Donal Bradley	Throughout
Head of the Humanities Division	Professor Karen O'Brien	Throughout
Head of the Social Sciences Division	Professor Roger Goodman Professor Neil MacFarlane Professor Sarah Whatmore	To 30 September 2017 From 1 October to 31 December 2017 From 1 January 2018
Senior Proctor	Dr Ed Bispham Professor Mark Edwards	To 13 March 2018 From 14 March 2018
Junior Proctor	Dr Dan Hicks Professor Cecile Fabre	To 13 March 2018 From 14 March 2018
Assessor	Professor Stefan Enchelmaier Dr William Allan	To 13 March 2018 From 14 March 2018
Elected by the Conference of Colleges		
	The Rt Hon Dame Elish Angiolini, Principal of St Hugh's Baroness Royall of Blaisdon, Principal of Somerville	To 30 September 2018 From 1 October 2018
Elected by Congregation		
One of four members of Congregation elected by Congregation from members of the faculties in the divisions of Mathematical, Physical and Life Sciences and of Medical Sciences	Professor Lionel Tarassenko Professor Tim Coulson Professor Matthew Freeman Professor Helen McShane Professor Fabian Essler Professor Richard Hobbs	To 30 September 2017 From 1 October 2017 Throughout To 30 September 2018 From 1 October 2018 Throughout
One of four members of Congregation elected by Congregation from members of the faculties in the divisions of Humanities and of Social Sciences	Professor Teresa Morgan Professor Geraldine Johnson Professor Helena Hamerow Dr Kate Blackmon Dr Ian Watson Professor Aditi Lahiri	To 30 September 2017 From 1 October 2017 Throughout Throughout To 30 September 2018 From 1 October 2018
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	Professor Anne Trefethen Ms Tania Boyt Professor Sir Rick Trainor, Rector of Exeter Mr Richard Ovenden Professor Sir Rory Collins	To 30 September 2018 From 1 October 2018 To 30 September 2017 From 1 October 2017 Throughout
External members		
	Dame Kate Barker Lord Drayson Sir David Norgrove Mr Charles Harman	Throughout To 31 December 2017 To 30 September 2018 From 1 January 2018
Co-opted members		
	Professor Ian Walmsley Professor Anne Trefethen	To 31 August 2018 From 1 October 2018

Governance – continued

Committees of Council

Council is advised by a range of committees, including nine committees which report directly to it on core business.

The primary responsibilities of the nine committees are as follows:

the Education Committee is responsible for the educational philosophy, policy and standards of the University; and for the oversight of activities relating to teaching, learning and assessment; and student-related equality matters;

the Personnel Committee is responsible for the development and review of employment policies, for staff relations and for all personnel and staff-related equality matters;

the Planning and Resource Allocation Committee is responsible for setting, and monitoring performance against, the University's annual income and expenditure budget; and for a three-year rolling capital budget for capital projects under £15m and centrally run IT projects;

the Research and Innovation Committee is responsible for University policy relating to research, knowledge exchange, innovation, commercial and social entrepreneurship and public engagement with research; and facilitates the preparation of external reviews of the University's research;

the Audit and Scrutiny Committee reviews the adequacy and effectiveness of the University's arrangements for risk management, internal control, value for money, data quality and governance. It considers the annual financial statements, considers the appropriateness of the audit processes of the Press and receives an annual report from the Press Audit Committee; and, under Council, oversees the University's arrangements to detect and prevent fraud and irregularity. The Committee's remit also includes responsibility for the appointment of the University's external auditors (subject to Council's approval) and for the University's internal audit arrangements;

the Finance Committee is responsible for the consideration of the financial resources available to the University, and for recommending to Council the five-year financial strategy for the University, including overall income and expenditure budget, capital expenditure budget and expenditure on strategic capital investments. The Committee is also responsible for the review of the University's annual financial statements and annual accounts of the Delegates of the Press;

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

the Committee to Review the Salaries of Senior University Officers is responsible for making recommendations to Council on the salaries on appointment of the Vice-Chancellor, the Registrar, the Director of Finance, the Pro-Vice-Chancellors and the Heads of Divisions and for reviewing the salaries of those office-holders thereafter; and

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.

Charitable Status

The University's strategic priorities include a commitment to share knowledge with the wider world, thus providing public benefit and fulfilling the University's charitable objectives.

The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. It is therefore exempt from certain requirements of that Act, including the need to register with the Charity Commission. Since 1 April 2018, OfS has been 'principal regulator' (replacing HEFCE) 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. In that capacity they 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 that 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 make to society and the economy.

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/organisation/annual-review.

The Annual Report of the Delegates of the University Press sets out how Oxford University Press ('the Press') has furthered the University's charitable purposes for the public benefit. This report is available at: www.oup.com/about/annualreport.

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.

STAKEHOLDER ENGAGEMENT

The University works with a wide range of stakeholders to enable it to progress towards achieving its strategic objectives.

Students

The University seeks to ensure that the welfare and development of students informs its strategy and operations. Council, the University's executive governing body, is attended by three student representatives; the Planning and Resource Allocation Committee is attended by one student representative. The Joint Sub-Committee with Student Members acts as the formal link between the University and the Student Union.

Staff

Holders of permanent academic posts and senior non-academic staff participate in the governance of the University through membership of Congregation – the sovereign body of the University. In addition, members of staff have the opportunity to be elected as members of Council.

Research funders

Research funding is a critical source of income to the University and as well as a critical channel through which the benefits of research are shared. Relationships with our research funders and partners are built and managed by senior academic and research staff and supported by the University's Research Services department, the Development Office and the office of the Pro-Vice-Chancellor for Research and Innovation.

Office for Students

On 1 April 2018, the Office for Students (OfS) replaced the Higher Education Funding Council for England (HEFCE) as the University's regulator and principal funder. The University is committed to ensuring it meets the requirements of the OfS in both of these roles.

The city and the local community

The Oxford Strategic Partnership, convened by Oxford City Council, includes representatives of the University, the county, the voluntary sector, businesses and public services. The Partnership is currently working on a programme to improve the economic, environmental and social conditions in Oxford.

The University is particularly mindful of its responsibility towards the local community in ensuring that it is informed, consulted and involved where buildings and planning are concerned.

National Health Service

The University has worked productively with the NHS in the Thames Valley region for many years, including a long-established relationship with Oxford Health NHS Foundation Trust. In 2013 the University signed a Joint Working Agreement with its largest NHS partner, the Oxford University Hospital (OUH) NHS Foundation Trust.

Alumni

The University is working to increase and enhance engagement amongst its global network of alumni. The University helps alumni to connect with each other all over the world through the Oxford Alumni Community web platform. There are many ways in which alumni support the University, from the donation of time (as a mentor to a current student or as a speaker, for example) through to the provision of financial support.

UNDERSTANDING OUR RISKS

The University monitors areas of high risk and has a programme of activities to minimise the impact of those risks.

Risk area	Key features	What are we doing to manage the risk?
Strategy, leadership, governance and the external environment	Risks relating to failure to engage and communicate with staff and students across the collegiate University, including on the pensions issue. Failure to respond to the changing external environment (including Brexit), or take corrective action.	The Internal Communications function within the Public Affairs Directorate has been given heightened priority. Leadership engagement events are being intensified. A strategy group has been set up to ensure that all parts of the University are sufficiently engaged in the response to threats arising from Brexit.
Compliance, control and operational risks	Increasing level of financial and reputational risk arising from complex commercial transactions and arrangements, including commercialisation, spinouts and external appointments. Compliance with health and safety, environmental protection, legal and financial obligations, and standards for ethics and integrity. Failure to comply with information and data regulations, and damage caused by theft, loss or corruption of data due to failure of information security.	Many of these risks have shown significant progress in compliance and assurance. Several areas have been the subject of sustained focus from the internal auditors and the Audit and Scrutiny Committee. However, there are discrete areas where significant improvement is required. Processes and controls for managing conflicts of interest arising from commercialisation are being strengthened, and the policy in this area has been updated. A new health and safety strategic plan has been adopted and progress against the plan is being tracked. The financial assurance function has been strengthened and is working alongside internal audit to provide assurance and to support departments in maintaining sound financial controls. The University continues to build its information security capability and has embarked on a programme to address information compliance risks.
Financial sustainability	Failure to generate sufficient surpluses and to achieve value for money. Inability to reprioritise budgets appropriately to meet pension commitments. Failure to make the right investments in the University's strategic priorities. Challenges in using capital funds in optimum fashion and delivering capital projects on budget and on time.	Forecasting, budgeting and planning are well-established processes and controls include a cycle of monitoring and corrective action. The University has adopted a new Strategic Plan, to run from 2018 to 2023. This includes the establishment of strategic priorities and mechanisms to achieve them while enhancing financial sustainability. The Strategic Capital Steering Group has developed a revised business plan template and gateway process to improve the rigour of the review process for capital projects.

Understanding our Risks – continued

Risk area	Key features	What are we doing to manage the risk?
Academic excellence in research and education	Failure to maintain the University's position as a global leader in research and education. Challenges in maintaining disciplinary strength and breadth. Risks relating to failure in attracting and recruiting the best undergraduate and postgraduate students from the UK and internationally, and failure to achieve diversity targets in recruitment. Risk of failure to deliver, with the colleges, a consistently excellent student experience, both academic and pastoral. Failure to embrace new opportunities including digital technologies. Challenges of managing and investing in research, to maintain and develop resources (including intellectual property and research infrastructure including the libraries and museums). Failure to maintain the University's ability following Brexit to participate in EU Framework programmes, host ERC grants, co-ordinate projects and host infrastructures, and influence future research agendas.	Recent activity includes the introduction of a new framework for the development and planning of new courses, to ensure a consistent University-wide approach to new course development based on academic priorities, and with an emphasis on innovation, including new multidisciplinary approaches. The University has maintained the Home UG financial support package, continued to implement access and widening participation activity, and developed more comprehensive and accurate information for applicants. Recent reports on ways to improve the effectiveness of outreach activity have been endorsed and are being implemented by ADEX. The University is developing a Student Wellbeing Strategy, incorporating the University Mental Health Charter. An aim of this approach will be to adopt a "holistic" view of mental health in which student wellbeing is embedded across all aspects of student life, including education. Research and Innovation Committee (R&IC) monitors research strength by discipline, and promotes and facilitates interdivisional research activities and interaction with research activity in colleges. The University is exploring more formalised European collaborations, engaging bilaterally with European partners to develop a case for continued collaboration, and providing enhanced advice and support to Oxford researchers to encourage continued participation and application rates to EU programmes.
Recruiting, retaining, and rewarding staff	Critical need to be able to recruit, retain and reward the best academic, academic-related and administrative staff internationally and locally. Risks of failing to promote diversity and to ensure fair opportunities in employment.	Revised processes for recruiting academic staff have been adopted after consultation. The Recognition of Distinction process takes place annually, and a revised merit pay scheme for all non-clinical staff with title is being developed. Council has resolved to treat its objective to maintain pension benefits as an issue of high priority for the University. The University obtained an Athena SWAN Bronze Award. Departmental applications are being submitted and all Humanities and Social Sciences departments are now participating. The VC's Diversity Fund has supported a number of projects. The University was awarded a Race Equality Charter Bronze Award in May 2018, recognising commitment to improve the representation, progression and success of minority ethnic staff and students.

STATEMENT OF INTERNAL CONTROL

Council is responsible for determining the system of internal control operated by the University and for monitoring its adequacy and effectiveness. The University's objectives for internal control are:

- to manage the principal risks to the efficient and effective achievement of the University's aims and objectives;
- to safeguard the assets for which Council is responsible, including public funds and other assets; and
- to ensure that liabilities incurred are recorded and managed effectively.

The University's internal control arrangements are also designed to prevent and detect corruption, fraud, bribery and other irregularities.

Control environment

Council accepts that it is neither possible nor desirable to build a control environment that is free from risk. There is a tension between the acknowledged advantages of the University's highly devolved operating model and the risks inherent in such a devolved structure. The devolved nature of authority and responsibility can present a challenge to the achievement of internal control. The University's system of internal control can therefore provide reasonable but not absolute assurance over the governance, operational, compliance, management, quality, reputational and financial risks to the University.

The University's Financial Regulations set out processes designed to ensure the safeguarding of assets and the effective management of liabilities. The University has established policies and supporting processes designed to prevent and detect corruption, fraud, bribery and other irregularities.

The Finance Committee of the Press is responsible under Council for the Press's system of risk management and internal control and for reviewing its effectiveness. The Press's system of internal controls is designed to manage rather than eliminate the risk of failure to meet the operational objectives, and inevitably can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk management

Risk management is a significant, ongoing part of the University's system of internal control. The University's objectives for risk management are:

- to align risk management with the University's objectives;
- to appraise and manage risks and opportunities in a systematic, structured and timely manner, in accordance with best practice;
- to strengthen decision-making, prioritisation and planning;
- to achieve the appropriate balance between stability and innovation; and
- to assign accountability and responsibility for risk within the University.

Council recognises that risk management cannot eliminate all risk, particularly where risks are outside the University's control. Risk management procedures cover governance, management, quality, reputational and financial risks; focus on the key risks; and produce a balanced portfolio of risk exposure.

The Press has implemented a global risk-based approach to the design, application and review of its risk management systems and internal controls. The Press's risk assessment practices are incorporated into its wider business planning, budgeting and financial reporting processes. A risk register has been developed for all of the Press's operations, including major overseas branches and subsidiaries; this register identifies, evaluates and manages all the material risks facing the Press.

Review processes over internal control

The following processes have been established to review the adequacy and effectiveness of the system of internal control for the University:

- Council meets at least eight times during the year to consider the strategic direction and the effective administration of the University.
- Council receives regular reports from the Audit and Scrutiny Committee on internal control and the business of the Committee.

Statement of Internal Control – continued

- Council reviews the University's Strategic Risk Register, and considers risk identification, evaluation and the effectiveness of control and mitigation in the management of strategic risks.
  - The General Purposes Committee of Council is responsible for reviewing the procedures for identifying and managing governance, management, quality, reputational and financial risks across the University. It considers the Strategic Risk Register and associated risk management reports; it also receives risk registers and reports on risk management from the major committees of Council and reports to Council on risk management.
  - Divisional and departmental risk reporting and risk management is embedded in the University's five-year planning process.
  - Council confirms that it is responsible for ensuring that a sound system of internal control is maintained. It has reviewed the effectiveness of these arrangements and confirms that the University's system of internal control has been in place during the year ended 31 July 2018, and up to the date of approval of the audited financial statements. The systemof internal control has generally been operating as intended. The University is taking actions to improve control significantly in discrete areas of the following:
    - consistency of fire safety management;
    - governance of estates capital projects; and
    - aspects of staff immigration documentation management; management and protection of data; and governance arrangements for subsidiary companies.
- The Finance Committee of the Press regularly reviews the effectiveness of the Press's system of risk management and internal control. The Finance Committee's monitoring covers all controls including financial, operational and compliance controls. It is based primarily on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled, and whether any significant weaknesses are promptly remedied or need extensive monitoring.
- The Audit and Scrutiny Committee meets four times during the year. It carries out regular and detailed monitoring of internal controls on behalf of Council. The Committee agrees a programme of work for the internal audit function; receives regular reports from the internal auditors and from management on the adequacy and effectiveness of internal controls; receives reports from the external auditors; and agrees the actions necessary to implement recommended improvements, among other matters.
  The Audit Committee of the Press reports annually to the Audit and Scrutiny Committee.
  The Audit and Scrutiny Committee is of the opinion that the Statement of Internal Control, as incorporated in the Financial Statements, contains an accurate description of the principal features of the University's system of risk management and internal control.
- PricewaterhouseCoopers LLP ('PwC') provides internal audit services for the University; the scope of these services excludes educational publishing activities carried out by the Press: the Press has its own internal audit function. PwC provides an annual opinion on the adequacy and the effectiveness of internal controls and risk management across the University, in accordance with the Office for Students' 'Audit Code of Practice'.
- KPMG LLP ('KPMG') provides external audit services for the University, including educational publishing activities carried out by the Press. KPMG provides an annual opinion on whether funds (including public funds) have been applied for the intended purposes. The external auditors also refer in their annual report to any control deficiencies arising from the audit, in accordance with the 'Audit Code of Practice'.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

to Council of the University of Oxford

Report on the audit of the financial statements

1. Our opinion is qualified

We have audited the financial statements of the University of Oxford ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statements of Comprehensive Income, the Consolidated and University Statements of Changes in Reserves, the Consolidated and University Balance Sheets, and the Consolidated Cash Flow and related notes, including the Statement of Accounting Policies.

In our opinion:

- except for the effect solely on the comparative information for the year ended 31 July 2017 of the matter described in the "Basis for qualified opinion" section of our report, the financial statements give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018, and of the Group's and the University's income and expenditure, gains and losses, and of the Group's cash flows, for the year then ended;
- except for the effect of the matter described in the "Basis for qualified opinion" section of our report, the financial statements:
  - give a true and fair view of the Group's and the University's changes in reserves for the year ended 31 July 2018;
  - have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
  - meet the requirements of the Accounts Direction dated 19 June 2018 issued by the Office for Students.

Overview		
Materiality: group financial statements as a whole	£22.5m (2017: £13m) 1% (2017: 1%) of Group total income	
Coverage	88% of group total income	
Key audit matters		**vs 2017**
Recurring risks	Accounting for the Oxford University Press	▼
	Income from postgraduate and professional and non-matriculated courses	◀ ▶
	New: Publishing income	
	Research grants and contracts income	◀ ▶
	New: Pension obligations	

Independent Auditor's report – continued

2. Basis for qualified opinion

As explained in note 1 to the Statement of Accounting Policies, the University did not include the transactions and balances of the Oxford University Press ("the Press"), or its subsidiaries, in its financial statements for the comparative year ended 31 July 2017. As the Press is a department of the University rather than a separate legal entity, in our opinion, under the relevant accounting standards, the transactions and balances of the Press should have been fully included in the Consolidated and University financial statements for that year. The Press has been included in the Consolidated and University financial statements for the year ended 31 July 2018 via an increase in reserves as at 1 August 2017 as reported in the Consolidated Statement of Changes in Reserves of £462.4m (University Statement of Changes in Reserves; £456.7m).

Had the University fully accounted for the transactions and balances of the Press in the year ended 31 July 2017:

- the Consolidated financial statements for the year ended 31 July 2018 would have reported a £462.4m lower increase in reserves for that year, and the Consolidated financial statements for the year ended 31 July 2017 would have shown an increase in the reported surplus for that year of some £79.9m and a reduction in other comprehensive income for that year of some £2.4m, based on unaudited management accounts of the Press to 31 July 2017, and additional net assets of £462.4m as at that date. We were unable to quantify the effect on the cash flows of the Group for the year ended 31 July 2017.
- the University financial statements for the year ended 31 July 2018 would have reported a £456.7m lower increase in reserves for that year, and additional net assets of £456.7m as at 31 July 2017. We were unable to quantify the effect on the University's reported surplus, other comprehensive income or cash flows for the year ended 31 July 2017.

We qualified our audit opinion on the financial statements for the year ended 31 July 2017 with regard to this same disagreement.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our qualified opinion. Our audit opinion is consistent with our report to the Audit and Scrutiny Committee.

We were appointed as auditor by Council on 9 May 2013. The period of total uninterrupted engagement is for the six financial years ended 31 July 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non- audit services prohibited by that standard were provided.

Independent Auditor's report – continued

3. Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. The accounting for the Press, as described in the basis for qualified opinion in section 2 of our report, is a key audit matter. We summarise below the other key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

KPMG

Independent Auditor's report – continued

	The risk	Our response
Group and Parent University: Income from postgraduate and professional and non-matriculated courses	**2017–18 vs 2018–19 income**	Our procedures included:
(Included within Tuition Fees and Education Contract Income of: Group: £332.5million (2017:£307.2 million) Parent University: £319.3 million (2017: £295.3 million)) *Refer to page 51 (accounting policy) and page 62 (financial disclosures).*	Some academic provision does not fall into a single academic year and therefore activity may take place in more than one period. There is a significant risk that income from postgraduate students and students on professional and non-matriculated courses, is not recognised in the correct year of the financial statements as a result of the manual calculation involved.	▶ **Control design:** Assessing the design of controls established to record student details in the student system. ▶ **Control operation:** For a sample of students, agreeing student data to source documentation, including enrolment forms and college records, to assess whether students are enrolled. ▶ **Tests of details:** For a sample of postgraduate, professional and other non-matriculated courses, testing whether the related income had been recorded in the correct year with reference to supporting documentation, including sales invoices, course timetables, student registration forms and fee schedules Our results: ▶ We found the timing of recognition of income from postgraduate and professional and non-matriculated courses to be acceptable. (2017 result: acceptable).

Independent Auditor's report – continued

	The risk	Our response
Group and Parent University: Publishing income Group: £798million (2017:N/A) Parent University: £646.2 million (2017: £N/A)) *Refer to page 52 (accounting policy) and page 63 (financial disclosures).*	**2017–18 vs 2018–19 Income** The Press operates to a 31 March year end and the 31 July group year end process straddles the peak book sales season for the Press in many territories, which typically has a relatively greater level of sales returns. There is also a potential incentive for component management to inflate revenue prior to the year end in order to meet performance targets. We have therefore assessed there to be a significant risk of book sales being recognised in the incorrect period.	Our procedures included: ▶ **Control reperformance:** Testing an automated control which ensures an effective match between order, despatch and invoice of goods. ▶ **Tests of details:** ▶ Agreeing a sample of sales transactions in July and August 2018 to delivery documentation. ▶ Testing the accuracy of the historical returns provision against actual returns, including credit notes issued after the reporting date. Our results: ▶ We found the timing of recognition of book sales to be acceptable. (2017 result: N/A).

Independent Auditor's report – continued

	The risk	Our response
Group and Parent University : Research grants and contracts income	**2017–18 vs 2018–19 income**	Our procedures included:
(£579.7 million(2017:£564.9 million)) *Refer to page 53 (accounting policy) and page 63 (financial disclosures).*	Research grants and contracts income is generally recognised in line with the related expenditure, including apportioned overhead costs. There is a significant risk that inappropriate apportionment of overhead costs over time, can result in recognition of income in the incorrect accounting period. **Accounting application** There is a related significant risk that non-compliance with grant terms and conditions results in income not being recognised in line with the University's accounting policies or relevant accounting standards. Non-compliance with grant terms and conditions may also result in clawback of funding by research funders.	► **Control design:** Assessing the design of the control framework for monitoring the research projects ledger and research grants and contract income, including the process for confirming that overhead rates are apportioned in accordance with the contract terms. ► **Tests of details:** ► Analysing research project data to identify projects with income, expenditure, debtor or creditor balances meeting certain criteria (such as value, length of project, start and end dates) during the year and considering whether the accounting treatment for those projects is in line with accounting standards by reference to grant agreements and other supporting documentation. ► Assessing research activity by funder for any results that were inconsistent with our understanding of the University's research activity in the year. ► For a sample of research projects, testing whether expenditure was in line with the terms and conditions of the relevant contract and overhead rates were set at the level specified in the grant agreement, to assess whether associated income was included in the correct period and accounted for in accordance with the requirements of the relevant accounting standards. ► Assessing the outcomes of inspection visits by research funders for a sample of research projects, to identify potential clawback of funds recognised in year. Our results: ► We found the timing of recognition of income from research grants and contracts to be acceptable (2017 result: acceptable). ► We found the accounting application for income from research grants and contracts to be acceptable (2017 result: acceptable).

Independent Auditor's report – continued

	The risk	Our response
Group and Parent University: Pension obligations Group and Parent University: Oxford University Press Group Pension Scheme: Present value of funded defined benefit obligations £758.9 million (2017:N/A) Defined benefit scheme net provision £168.4 million (2017:N/A) Group: USS and OSPS: Deficit recovery plan provisions £178.3 million (2017: £194.1 million)) Parent University: USS and OSPS: Deficit recovery plan provisions £174.8 million (2017: £190.1 million) Refer to pages 54 to 55 (accounting policy) and page 88 (financial disclosures).	**Subjective valuation** The Group is a member of a number of defined benefit schemes, including the Universities Superannuation Scheme (USS), Oxford Staff Pension Scheme (OSPS) and the Oxford University Press Group Pension Scheme. The latter is included in the Group and Parent University accounts for the first time in 2017/18. Small changes in the assumptions and estimates used to value the Group's and Parent University's gross pension obligations (including deficit recovery plan liabilities) would have a significant effect on the Group's and Parent's net pension provisions.	Our procedures included: ▶ **Control design:** Assessing the control framework regarding monitoring of the assumptions used to calculate the pension obligations. ▶ **Benchmarking assumptions:** ▶ Challenging, with the support of our own actuarial specialists, the key assumptions applied in the valuation of the Oxford University Press Group Pension Scheme obligation, being the discount rate, inflation rate and mortality/ life expectancy; and the discount rate applied in the valuation of the USS and OSPS, against externally derived data. ▶ **Historical comparison:** ▶ Evaluating the track record of key assumptions applied in the valuation of the USS and OSPS deficit recovery plan provisions, being future salary inflation and staff numbers, against historic accuracy of forecasts used in the calculation. ▶ **Assessing transparency:** Considering the adequacy of the disclosures in respect of the sensitivity of the pension obligations to these assumptions. Our results: ▶ We found the valuation of the pension obligations to be acceptable. (2017 result: acceptable).

KPMG

Independent Auditor's report – continued

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £22.5 m (2017: £13m*), determined with reference to a benchmark of group total income of £2,237.0 m (2017:

£1,400.4m*), of which it represents 1% (2017: 1%).

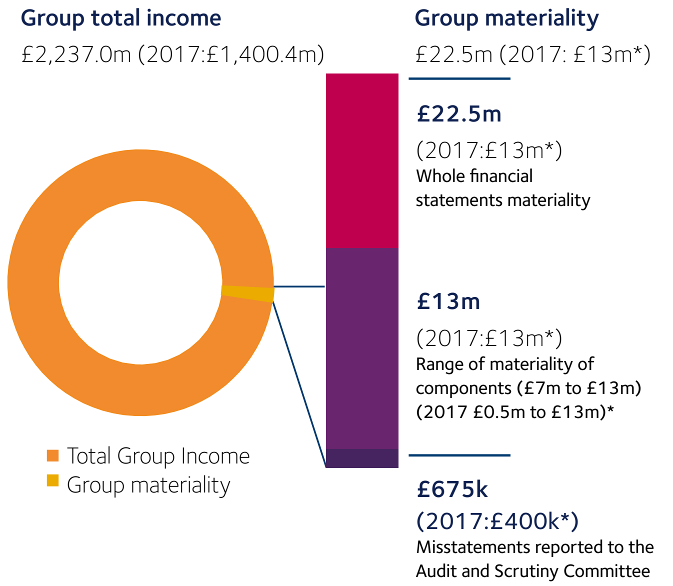
Materiality for the University financial statements was set at £20.0m (2017: £13m*), determined with reference to a benchmark of University total income of £2,007.6m (2017: £1,345.4m), of which it represents 1% (2017: 1%).

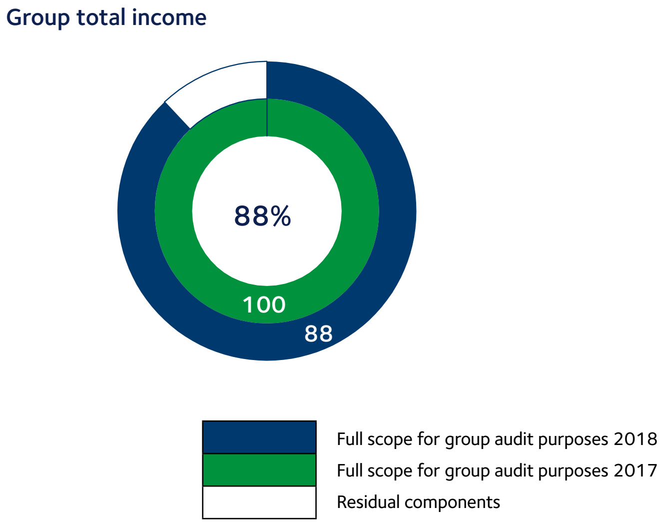
We consider total income, rather than a surplus-related benchmark, to be the appropriate benchmark as the University is a not-for-profit organisation.

We agreed to report to the Audit and Scrutiny Committee any corrected or uncorrected identified misstatements exceeding £675k (2017:£400k), in addition to other identified misstatements that warranted reporting on qualitative grounds. Of the group's 65 (2017: 21) reporting components, we subjected 9 (2017: 8) to audits for group reporting purposes.

The reporting components subject to audits for group reporting purposes within the scope of our work accounted for the following percentages of the group's results: 88% (2017: 100%) of Group total income and 98% (2017: 99%) of Group total assets.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £7m to £13m, having regard to the mix and size and risk profile of the Group across the components. The work on 8 of the 9 components (2017: 7 of the 8 components) was performed by component auditors, with the audit of the academic University component being performed by the Group team. None of the other components individually represented more than 3% of total group revenue, or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these components.





KPMG

Independent Auditor's report – continued

5. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

6. Qualified report on the other information in the *Financial Statements* to 31 July 2018

Council is responsible for the other information, which comprises the Operational Review, Financial Review, Governance Statement, and Statement of Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work, except for the consequential effects of the matter described in the "Basis for qualified opinion" section of our report on the related comparative disclosures in the other information, we have not identified material misstatements in the other information.

7. Respective responsibilities

Council responsibilities

As described more fully in their statement set out on pages 26–27, the Council is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the University or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with Council and senior management (as required by auditing standards), and from inspection of the University's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including higher education financial reporting regulation and legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of higher education and charity law recognising the nature of the University's activities. As required by auditing standards, our work in respect of these was limited to enquiry of Council and senior management, and inspection of regulatory and legal correspondence.

KPMG

Independent Auditor's report – continued

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Report on other legal and regularity requirements

We are required to report on the following matters under the Office for Students and Research England Audit Codes 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 Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Statutes;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them; and
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Council of the University in accordance with the University's Statutes. Our audit work has been undertaken so that we might state to the Council 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 University and the Council for our audit work, for this report, or for the opinions we have formed.

Michael Rowley

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway Birmingham
B4 6GH

30 November 2018

FINANCIAL STATEMENTS

Consolidated and University Statements of Comprehensive Income

For the year ended 31 July 2018

All activities relate to continuing operations.

	Note	Consolidated 2017/18 incl Press £'m	Consolidated 2016/17 excl Press £'m	University 2017/18 incl Press £'m	University 2016/17 excl Press £'m
Income					
Tuition fees and education contracts	1	332.5	307.2	319.3	295.3
Funding body grants	2	186.9	194.6	186.9	194.6
Research grants and contracts	3	579.1	564.9	575.7	559.0
Publishing services	4	798.0	-	646.2	-
Other income	5	227.8	227.7	166.3	187.5
Investment income	6	18.3	14.4	18.8	14.3
Total income before donations		**2,142.6**	**1,308.8**	**1,913.2**	**1,250.7**
Donations and endowments	7	93.2	88.4	93.2	91.5
Donation of heritage assets	7,15	1.2	3.2	1.2	3.2
Total Income		**2,237.0**	**1,400.4**	**2,007.6**	**1,345.4**
Expenditure					
Staff costs	8	1,001.0	714.8	932.1	696.3
Staff costs - movement in pensions provision	26,8	(18.7)	(6.5)	(18.2)	(9.3)
Operating expenditure	10	1,024.0	576.2	908.9	530.9
Depreciation/amortisation	10,13,14	145.5	102.6	142.4	102.2
Interest and other finance costs	9	28.6	9.9	28.0	9.9
Total Expenditure		**2,180.4**	**1,397.0**	**1,993.2**	**1,330.0**
Surplus before other gains		**56.6**	**3.4**	**14.4**	**15.4**
Gains on investments	6	308.3	218.1	303.8	212.9
Share of surplus/(deficit) on Joint Ventures	17	1.3	(0.2)	2.5	-
Surplus before tax		**366.2**	**221.3**	**320.7**	**228.3**
Taxation	11	(11.3)	(1.6)	(1.9)	(1.3)
Minority Interest		(0.2)	-	-	-
Surplus after tax		**354.7**	**219.7**	**318.8**	**227.0**
Changes in defined benefit pension scheme liability	26	32.3	-	32.3	-
Currency translation differences on foreign currency net investments		(0.9)	-	2.0	-
Effective portion of changes in fair value of cash-flow hedges	25	3.8	-	3.8	-
Total Comprehensive Income		**389.9**	**219.7**	**356.9**	**227.0**
Represented by:					
Unrestricted comprehensive income for the year		214.7	129.8	183.3	139.7
Endowment comprehensive income for the year		171.2	79.6	169.6	77.0
Restricted comprehensive income for the year		4.0	10.3	4.0	10.3
		389.9	**219.7**	**356.9**	**227.0**

The figures for 2016/17 do not include the activities of the Oxford University Press. Further details can be found in note 36 of these statements.

Consolidated and University Statements of Changes in Reserves

For the year ended 31 July 2018

	Endowment Reserves		Income and Expenditure Reserves		Total excl Non Controlling Interest	Non Controlling Interest	Total Group
Consolidated	**Permanent £'m**	**Expendable £'m**	**Restricted £'m**	**Unrestricted £'m**	**£'m**	**£'m**	**£'m**
Balance at 31 July 2016	**773.2**	**136.6**	**77.7**	**2,025.1**	**3,012.6**	**-**	**3,012.6**
Income	16.4	18.0	32.7	1,333.3	1,400.4	-	1,400.4
Expenditure	(16.4)	(6.2)	(22.4)	(1,352.0)	(1,397.0)	-	(1,397.0)
Surplus/(deficit)	**-**	**11.8**	**10.3**	**(18.7)**	**3.4**	**-**	**3.4**
Reserves transfer	(10.2)	-	-	10.2	-	-	-
Other comprehensive income	65.7	12.3	-	138.3	216.3		216.3
Balance at 31 July 2017 - excl Press	**828.7**	**160.7**	**88.0**	**2,154.9**	**3,232.3**	**-**	**3,232.3**
Balance at 1 August 2017 - Press	**-**	**-**	**-**	**460.9**	**460.9**	**1.5**	**462.4**
Balance at 1 August 2017 - Total	**828.7**	**160.7**	**88.0**	**2,615.8**	**3,693.2**	**1.5**	**3,694.7**
Income	5.0	36.1	24.4	2,171.5	2,237.0	-	2,237.0
Expenditure	(16.7)	(6.4)	(20.4)	(2,136.9)	(2,180.4)	-	(2,180.4)
Surplus/(deficit)	**(11.7)**	**29.7**	**4.0**	**34.6**	**56.6**	**-**	**56.6**
Other comprehensive income	121.1	37.0	-	175.2	333.3	-	333.3
Reserves transfer	(15.4)	10.5	-	4.9	-	-	-
Balance at 31 July 2018	**922.7**	**237.9**	**92.0**	**2,830.5**	**4,083.1**	**1.5**	**4,084.6**
University							
Balance at 31 July 2016	**706.9**	**136.6**	**77.7**	**2,017.0**	**2,938.2**	**-**	**2,938.2**
Income	16.4	18.0	32.7	1,278.3	1,345.4	-	1,345.4
Expenditure	(16.5)	(6.2)	(22.4)	(1,284.9)	(1,330.0)	-	(1,330.0)
Surplus/(deficit)	**(0.1)**	**11.8**	**10.3**	**(6.6)**	**15.4**	**-**	**15.4**
Other comprehensive income	60.6	12.3	-	138.7	211.6	-	211.6
Reserves Transfer	(7.6)	-	-	7.6	-	-	-
Balance at 31 July 2017 - excl Press	**759.8**	**160.7**	**88.0**	**2,156.7**	**3,165.2**	**-**	**3,165.2**
Balance at 1 August 2017 - Press	**-**	**-**	**-**	**456.7**	**456.7**	-	**456.7**
Balance at 1 August 2017 - Total	**759.8**	**160.7**	**88.0**	**2,613.4**	**3,621.9**	**-**	**3,621.9**
Income	5.2	36.1	24.4	1,941.9	2,007.6	-	2,007.6
Expenditure	(16.8)	(6.4)	(20.4)	(1,949.6)	(1,993.2)	-	(1,993.2)
Surplus/(deficit)	**(11.6)**	**29.7**	**4.0**	**(7.7)**	**14.4**	**-**	**14.4**
Other comprehensive income	116.7	37.0	-	188.8	342.5	-	342.5
Reserves transfer	(12.7)	10.5	-	2.2	-	-	-
Balance at 31 July 2018	**852.2**	**237.9**	**92.0**	**2,796.7**	**3,978.8**	**-**	**3,978.8**

The figures for 2016/17 do not include the activities of the Oxford University Press. Further details can be found in note 36 of these statements.

Consolidated and University Balance Sheets

For the year ended 31 July 2018

	Note	Consolidated 2018 incl Press £'m	Consolidated 2017 excl Press £'m	University 2018 incl Press £'m	University 2017 excl Press £'m
Non-current assets					
Intangible assets and goodwill	13	75.4	1.2	72.4	1.4
Property, plant and equipment	14	1,454.6	1,365.7	1,445.1	1,364.7
Heritage assets	15	86.8	85.3	86.8	85.3
Investments	16	3,589.6	2,158.5	3,601.4	2,094.9
		5,206.4	**3,610.7**	**5,205.7**	**3,546.3**
Current assets					
Intangibles assets - pre-publication	18	19.2	-	18.4	-
Inventories and work-in-progress	18	76.8	2.9	58.6	1.3
Trade and other receivables					
- due within one year	19	510.1	232.7	460.8	233.0
- due after one year	20	6.1	5.9	27.2	5.9
Investments	21	160.5	109.5	108.8	107.5
Cash and cash equivalents	22	335.0	287.5	291.5	272.5
		1,107.7	**638.5**	**965.3**	**620.2**
Creditors: amounts falling due within one year	23	(842.5)	(535.9)	(788.5)	(525.2)
Net current assets		**265.2**	**102.6**	**176.8**	**95.0**
Total assets less current liabilities		**5,471.6**	**3,713.3**	**5,382.5**	**3,641.3**
Creditors: amounts falling due after more than one year	24	(1,007.6)	(260.1)	(1,029.3)	(260.1)
Provisions for liabilities					
Pension provisions - deficit recovery plans	26	(178.3)	(194.1)	(174.8)	(190.1)
Pension provisions - defined benefit schemes	26	(168.4)	-	(168.4)	-
Other provisions	27	(32.7)	(26.8)	(31.2)	(25.9)
Total net assets		**4,084.6**	**3,232.3**	**3,978.8**	**3,165.2**
Reserves					
Endowment Reserves					
- Permanent	28	922.7	828.7	852.2	759.8
- Expendable	28	237.9	160.7	237.9	160.7
		1,160.6	**989.4**	**1,090.1**	**920.5**
Restricted reserves					
- Income and expenditure reserve	29	92.0	88.0	92.0	88.0
Unrestricted reserves					
- Income and expenditure reserve		2,830.5	2,154.9	2,796.7	2,156.7
		2,922.5	**2,242.9**	**2,888.7**	**2,244.7**
Minority Interests		1.5	-	-	-
Total reserves		**4,084.6**	**3,232.3**	**3,978.8**	**3,165.2**

The figures for 2017 do not include the assets and liabilities of the Oxford University Press. Further details can be found in note 36 of these statements.

The Financial Statements were approved by Council on 26 November 2018 and signed on its behalf by:

Prof L. Richardson
Vice-Chancellor

Prof A. Trefethen
Pro-Vice-Chancellor

G. F. B. Kerr
Director of Finance

Consolidated Statement of Cash Flows

For the year ended 31 July 2018

Cash flows from operating activities	Note	Consolidated 2017/18 incl Press £'m	Consolidated 2016/17 excl Press £'m
Surplus for the year		**389.9**	**219.7**
Adjustment for:			
Depreciation	10, 14	118.4	102.6
Amortisation of intangibles	13	27.1	0.2
(Gain) on investments	6	(308.3)	(218.1)
Decrease in pre-publication cost	18	0.4	-
Decrease in inventories	18	3.9	-
(Increase) in receivables	19, 20	(11.8)	(13.3)
Increase in payables	23, 24	75.5	78.1
Increase in other provisions	27	4.1	15.2
(Decrease) in pension provisions	26	(47.8)	(6.6)
Heritage assets non-cash donation	15	(1.2)	(3.2)
Taxation payable		11.3	1.6
Unrealised exchange rate loss		2.6	1.5
Adjustment for investing or financing activities:			
Investment income	6	(18.3)	(14.4)
Interest payable	9	28.6	9.9
Endowment income	7	(47.9)	(43.7)
Capital grant income		(59.6)	(81.2)
(Profit) on disposal of property, plant and equipment	14	(0.3)	-
Net cash flows from operating activities		**166.6**	**48.3**
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	14	2.4	-
Capital grants receipts		47.8	52.4
Proceeds from sale of intangible fixed assets	13	0.2	-
Tax recovered (paid)	11	20.8	(1.6)
Payments to acquire heritage assets	15	(0.3)	(1.6)
Payments to acquire property, plant and equipment	14	(156.2)	(139.3)
Payments to acquire intangible assets	13	(22.9)	-
Net disinvestment/(investment) in current investments	21	73.4	(58.4)
Net (investment)/disinvestment in non-current investments	16	(1,012.4)	117.4
Investment income	6	14.8	13.6
Net cash flows from investing activities		**(1,032.4)**	**(17.5)**
Cash flows from financing activities			
Interest paid on borrowings and finance leases	9	(7.9)	(6.6)
Endowment cash received		47.9	50.2
Repayment of borrowings	24	(2.5)	(2.4)
New borrowings	24	744.7	-
Net cash flows from financing activities		**782.2**	**41.2**
Net (decrease)/increase in cash and cash equivalents		**(83.6)**	**72.0**
Cash and cash equivalents at beginning of year - as reported		287.5	217.1
Cash and cash equivalents at beginning of year - Press		255.4	-
Cash and cash equivalents at beginning of year - total		542.9	217.1
Effect of foreign exchange rate changes		(0.5)	(1.6)
Cash and cash equivalents at end of year		**458.8**	**287.5**
Reconciliation to cash and cash equivalents			
Cash at bank and in hand	22	335.0	287.5
Term deposits		123.8	-
Cash and cash equivalents	**22**	**458.8**	**287.5**

The figures for 2016/17 do not include the cash flows of the Oxford University Press. Further details can be found in note 36 of these statements.

Statement of Accounting Policies

1. Basis of Accounting

The Financial Statements have been prepared under the historical cost convention, modified to include certain items at fair value in accordance with the applicable accounting standard FRS 102 (Financial Reporting Standard 102) and the Statement of Recommended Practice: on Accounting for Further and Higher Education (FEHE SORP).

The University is a public benefit entity and has applied the relevant public benefit requirements of FRS 102.

The functional currency of the University is Pounds Sterling, the currency of the United Kingdom, the primary economic environment the University operates in. The consolidated Financial Statements are also presented in Pounds Sterling. Foreign operations are included in accordance with the policies set out in policy 3.

Judgements made by management in the application of these accounting policies that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed at the end of these policies.

Inclusion of Oxford University Press

This is the first year that the University has presented Financial Statements including the activities of Oxford University Press (the Press) and its subsidiaries. After a change in the University Statutes and Regulations, this change has been made to follow the requirements of FRS102 and show the turnover, assets and liabilities of the legal entity. However due to the timing of the change in the Statutes and Regulations, full auditable comparative amounts cannot be produced without excessive cost. The Press is the department of the University that deals with educational and academic publishing and the subsidiary companies which relate to that activity.

An explanation of how the inclusion of the Press has affected the reported financial position, financial performance and cash flows of the University is provided in note 36.

Greater clarification of the University's accounting policies has been included for matters in which the Press is a material part of the University.

The University has complied with the requirements of FRS 102, the FEHE SORP, and HEFCE/OfS accounts guidance in preparation of the Financial Statements.

2. Scope of the Financial Statements

Basis of consolidation

The Financial Statements (apart from the University's own balance sheet, income statement and related notes) consolidate the accounts of the University and of its subsidiary undertakings for the financial year to 31 July 2018.

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

The Financial Statements do not consolidate the accounts of the Oxford University Student Union and its subsidiary company, as they are separate and independent legal entities in which the University has no financial interest and it does not exercise direct control or dominant influence 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 departments of the University.

Non-company charitable subsidiaries, including trusts, are aggregated into the University accounts where they meet the definition of a 'Special Trust' as per section 287 of the Charities Act 2011. Where a trust does not meet the definition of a special trust, but control can be demonstrated by the University, it is consolidated.

Investment funds where the University is the majority investor, but does not exercise any management control are excluded from consolidation in accordance with the provisions of Section 9 of FRS 102, and accounted for as Investment Assets.

In the Consolidated Financial Statements, joint ventures are accounted for using the 'Equity Method'. They are initially recognised at transaction cost adjusted each year to reflect the University's share of the joint ventures' Comprehensive Income, recognised through Other Comprehensive Income. The joint ventures are reviewed to ensure that the investment is worth the carrying amount and a provision against the value created, if necessary.

In the Consolidated Financial Statements, associated undertakings are accounted for using the 'Equity Method'. They are initially recognised at transaction cost adjusted each year to reflect the University's share of the associates' Comprehensive Income, recognised through Other Comprehensive Income.

Statement of Accounting Policies – continued

Going concern

After making enquiries, Council has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future.

The University prepares budgets and forecasts on an annual basis and operates an ongoing 5 year forecast sustainability review in line with HEFCE/OfS guidance. The going concern nature of the University has been considered for a period of greater than 12 months from the date of approval of the Financial Statements.

Detailed cash flow forecasts covering a period of greater than 12 months have been prepared and the University is satisfied that it can meet its day-to-day working capital needs out of cash and liquid investments. Council is not aware of any material uncertainties which would prevent the University from continuing as a going concern.

For these reasons, it continues to adopt the going concern basis in preparing the accounts.

3. Foreign Currencies

Transactions in foreign currencies are recorded in the local currency of the entity at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates prevailing at the balance sheet date. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

The University, and in particular the publishing and investment functions, undertake some hedging activity for foreign exchange.

The University designates certain derivatives as hedging instruments in respect of the foreign exchange risk of forecast cash flows.

At the inception of the hedge relationship, the University documents the relationship between the hedging instruments and the hedged cash flows, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on a continual basis the University assesses whether the hedging instrument is highly effective in offsetting the designated hedge risk.

The effective portion of changes in the fair value of the designated hedging instrument is recognised in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts previously recognised in Other Comprehensive Income and included in the reserves are reclassified to the Statement of Comprehensive Income in the periods in which the hedged item affects the Statement of Comprehensive Income or when the hedging relationship ends.

Hedge accounting is discontinued when the University revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss included in the reserves at that time is reclassified to the Statement of Comprehensive Income when the hedged item is recognised in the Statement of Comprehensive Income. When a forecast cash flow is no longer expected to occur, any gain or loss that was recognised in Other Comprehensive Income is reclassified immediately to the Statement of Comprehensive Income.

4. Income

University income falls into eight main material categories:

- tuition fees and educational contracts
- provision of other goods and services
- publishing services
- royalty income
- investment income
- research grants and contracts
- funding body grants
- donated and endowment income

Income recognition is determined by the nature of the transaction, income source, and whether or not the transaction has commercial substance.

Transactions with commercial substance

Where a transaction has commercial substance it is accounted for as a revenue transaction. Income is recognised in line with the provision of the associated goods or services, with reference to the terms of the contract.

Statement of Accounting Policies – continued

Tuition fees and educational contracts

Fee income is stated gross of any expenditure and credited to the Statement of Comprehensive Income over the period students study. 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.

Tuition and other course fees relate directly to the provision of specific academic and non-academic courses. Income is recognised on a pro-rata basis across the length of the course, in line with the provision of the courses to students.

Professional course fees and other educational contracts are accounted for as for service contracts below.

Provision of other goods and services

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customer.

Where services are being rendered, but are not complete at the end of the period income is recognised with reference to the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

Publishing services

Income is stated net of trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Income from the sale of goods is recognised when the goods are physically delivered to the customer. Income from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Provision has been made for expected sales returns after the balance sheet date on the basis of the historical level of such returns augmented by additional provisions made in accordance with FRS 102, where in the opinion of management these are required. The movement in the returns provision is recognised within income and other operating expenses.

Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of relevant agreements.

Investment income

Refer to policy 13 for investment income recognition policy.

Agency income

Funds the University receives and disburses as paying agents on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk.

Transactions without commercial substance

Where the University receives income on a basis that is without commercial substance it accounts for this on a Non-Exchange Transaction basis. A Non-Exchange Transaction is defined as when:

"An entity receives value from another entity without directly giving approximately equal value in exchange".

Performance model

Income is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and performance related conditions specified in the agreement are met. In the absence of performance conditions income is recognised in full as soon as it becomes receivable.

Performance conditions are defined as follows:

"A condition that requires the performance of a particular level of service or units of output to be delivered, with payment of, or entitlement to, the resources conditional on that performance".

Resources received in advance of completion of performance conditions are recognised on the balance sheet as deferred income and released to the Statement of Comprehensive Income as conditions are met. Where grants are received in arrears, accrued revenue or receivable assets are recognised in line with income.

Government grants

Both revenue and capital government grants are accounted for under the HEFCE/OfS/Research England funding grants Performance Model.

For funding grants relating to a single academic year income is recognised in full in the period to which the grant relates. Grants relating to more than a single year are recognised pro-rata across the term of the grant.

Non-government grants, donations and endowments

Grant and donation income received from a non-governmental source is accounted for under the Performance Model.

Income is recognised as Donation and Endowment income, with the exception of funding for the purposes of research which is recognised as 'Research Grants and Contracts'.

Statement of Accounting Policies – continued

Non-government grant and donation income is split into four classes:

- Non-government grants and donated income with performance conditions
  - Income is recognised within the Statement of Comprehensive Income when receivable (legal/contractual commitment) and performance conditions have been met.
- Donations with restrictions
  - A donation is considered to have a restriction when the gift agreement contains: "A requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance-related condition."
  - Income with restrictions, but no performance conditions, is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and recorded within restricted reserves.
  - As the funding is expended against the restriction it is transferred to unrestricted reserves by way of a reserves transfer.
- Donations without restrictions
  - Income with neither restrictions nor performance conditions is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and recorded within unrestricted reserves.
  - The University on occasion receives donations and endowments which either take the form of a bequest which will be paid upon the death of the donor or will be paid in a series of tranches. It is the University's policy to recognise the income on these donations and endowments once it has a legal or constructive right to receive them, with the amounts due from the donors recognised on the Balance Sheet as Donations and Endowments Receivable.
- Endowments
  - Refer to policy 5 for income recognition policy for endowments.

Capital grants

Grants, both government and non-government grants, for the purpose of purchasing or constructing specific assets are recognised as income upon the asset being brought into use, or in line with phase completion of large construction projects. Grants where the University has discretion over the assets purchased/built are recognised in full as income when the grant becomes receivable. Government grants are taken as income as they become receivable unless the grant has associated performance conditions.

Grant income is only recognised across the useful life of an asset to the extent that the grant specifically funds the operation/maintenance of the asset.

Research income

Income recognition for research funding is dependent upon the source of the funding and the nature of the transaction. Income is classified as 'Research Grants and Contracts' regardless of source when it meets the Frascati definition of research.

The following specific research income recognition criteria have been applied;

Research funding from United Kingdom Research Councils and the European Commission is received on the basis of reimbursing the University for costs incurred in performance of the research. Income is recognised in line with expenditure which creates a right to receive funding from these bodies.

Funding from charities and industry is recognised on bases set out in the terms of individual funding agreements. In the majority of cases income is recognised on a reimbursement basis, with income recognised as costs are incurred for which the University has a right to reimbursement.

The following specific research income recognition criteria have been applied:

- Where funding is from a government body, expenditure on the grant purpose is presumed to be the performance condition unless specifically disallowed under the funding agreement.;
- Funding from charities and industry is accounted for as non-government grant income unless it is demonstrable that a revenue transaction has taken place with near equal value being exchanged.

5. Endowments

Endowments are a class of donation where the donor requires the original gift be invested, with the return to be spent against the donor's charitable aims. The donor can specify that the capital can be spent (expendable endowment) or maintained in perpetuity (permanent endowment).

Endowments are classified as 'Non-Exchange

Statement of Accounting Policies – continued

Transactions' and are accounted for under the Performance Model. The original endowment gift is recognised as 'Donation and Endowment' income when receivable.

Permanent endowments

- Permanent restricted
  Donor has indicated the original gift be maintained in perpetuity, with investment income spent on the restricted purposes defined by the donor.
- Permanent unrestricted
  Donor has indicated the original gift be maintained in perpetuity, with investment income spent on the restricted purposes of the University.

Upon initial income recognition permanent endowments are recorded as endowment capital within permanent endowment reserves.

Investment income and endowment spend is accounted for under the Total Return model.

Total Return

The University operates a Total Return endowment investment management policy for permanent endowments and an associated Total Return Accounting policy. Total Return Accounting allows the spending of permanent endowment investment gains regardless of whether they are realised/unrealised capital gains or dividend/interest income.

Investment gains on permanent endowment assets are recognised in the Statement of Comprehensive Income as accrued. The gains are recorded within the University's permanent endowment reserves as unapplied return.

For permanent restricted endowments unapplied return is transferred to unrestricted reserves as expenditure is incurred against the charitable purposes of each endowment.

For permanent unrestricted endowments, unapplied return is transferred to unrestricted reserves under a spend rule based on the estimated long term investment real rate of return. This is calculated as a percentage (currently 4.0%) of the value of the brought forward endowment.

Indexation of permanent endowment capital

UK charity law requires the University to maintain the charitable benefit of all permanent endowments in perpetuity. The University has adopted a policy of indexing brought forward permanent endowment capital by the Consumer Price Index (CPI) to maintain the original capital value in real terms. A transfer is made on an annual basis from unapplied return to an indexation reserve (a subset of permanent endowment capital).

Expendable endowments

- Expendable restricted
  The donor has indicated the original gift may be spent, but unspent funds be invested. The original gift and investment gains are to be spent on restricted purposes defined by the donor.

Expendable restricted endowments upon initial income recognition are recognised within expendable endowment reserves.

Investment income is recognised within the Statement of Comprehensive Income as accrued and recorded as accumulated income within expendable endowment reserves.

Accumulated income is released to unrestricted reserves as a reserves transfer in line with spend against the restricted purposes of each endowment.

6. Employee Benefits

Short-term employee benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year employees render service to the University. A liability is recognised at each balance sheet date to the extent that employee holiday allowances have been accrued but not taken, the expense being recognised as staff costs in the Statement of Comprehensive Income.

Post-employment benefits (pensions)

The three principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the OUP Group Pension scheme (OUP Group) and the University of Oxford Staff Pension Scheme (OSPS). The University also contributes on behalf of its employees to a number of other pension schemes including Superannuation Arrangements of the University of London (SAUL), Medical Research Council Pension Scheme (MRCPS), overseas schemes and NHS Pension Scheme.

The principal schemes are all defined benefit schemes, which are externally funded and until April 2016 were contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries. However, the defined benefit portion of the OSPS scheme is no longer available to new members.

USS, OSPS, SAUL, and MRCPS are multi-employer schemes for which it is not possible to identify the assets and liabilities belonging to individual institutional members due to the mutual nature of the schemes and therefore

Statement of Accounting Policies – continued

these schemes are accounted for as defined contribution retirement benefit schemes.

The OUP Group scheme is not a multi-employer scheme and is therefore accounted for as a defined benefit scheme under FRS102 Section 28.

The University contributes to USS, OUP Group, OSPS, SAUL and MRCPS 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.

The amount charged to the Statement of Comprehensive Income represents the contributions payable to each scheme in respect of the accounting period, excluding any extra costs incurred related to clearing scheme deficits already provided for.

For defined benefit schemes which are not accounted for as multi-employer schemes, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The net interest cost on the net defined benefit liability is reported as other finance expense in the Statement of Comprehensive Income. Actuarial gains and losses, together with the return on plan assets, are recognised immediately as Other Comprehensive Income.

Most defined benefit schemes are funded, the assets of the schemes being held separately from those of the group in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of any related deferred tax, is presented separately after other net assets on the face of the balance sheet.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the multi-employer schemes as determined by the scheme management. The associated expense is recognised in the Statement of Comprehensive Income.

7. Leases and Service Concession Arrangements

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

Leased assets acquired by finance lease and the associated lease liability are stated at the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The University recognises finance leases only for agreements of £100k or above in line with the minimum value at which Property, Plant and Equipment is capitalised.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Future commitments under operating leases are disclosed in note 33.

Any lease premiums or incentives are recognised as a reduction in expense spread evenly over the minimum lease term. The difference between expenditure recognised and cash flow benefits received is recognised as a liability released to the Statement of Comprehensive Income over the lease term.

Service concession arrangements

Service concession arrangements are finance lease arrangements whereby the lessor also provides services (e.g. maintenance and operation) alongside provision of the assets. Service concession arrangements are accounted for on the same basis as finance leases except for the apportionment of payments.

Payment under the service concession arrangement is allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Statement of Accounting Policies – continued

8. Intangible Assets and Goodwill

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 useful life of between five and ten years on a straight-line basis. A full year of amortisation is taken in the year of acquisition.

Goodwill is assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. The recoverable amount of goodwill is the present value of the future cash flows of the cash-generating units of which the goodwill is a part.

Negative goodwill relating to non-monetary assets is released to the Statement of Comprehensive Income as those assets are recovered through depreciation or sale. Negative goodwill in excess of the fair value of the non-monetary assets is released to the Statement of Comprehensive Income in the period in which the non-monetary assets are recovered.

Acquired licences

Acquired publishing lists in intangible assets are amortised on a straight-line basis over their estimated economic life deemed to be between three and ten years, in accordance with FRS 102, the period being determined by the nature of the list acquired.

Assets are assessed for indicators of impairment at each balance sheet date (FRS 102 section 27). If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. Assets are considered to be impaired if their recoverable value is less than book value. The recoverable amount of a Fixed Asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss on assets, the prior impairment loss is reversed only to the extent that it does not lead to a revised carrying amount higher than if no impairment had been recognised.

Software licences

Software licenses costing over £50k and with a longer than 12 month life are capitalised as intangible assets. The licences are then amortised over the useful life of up to 5 years or the remaining length of the license, whichever is shortest.

Intangible current assets - pre-publication (FRS 102 section 18)

Pre-publication external costs attributable to individual print publications are capitalised and amortised over 12 months from the date of publication. Editorial salaries and the related overheads are not included.

Other internally generated intangibles

No internally generated intangibles are capitalised as the future inflow of economic benefits cannot be shown to be probable.

Research and development costs are written off to the Statement of Comprehensive Income as incurred.

9. Property, Plant and Equipment

Property, Plant and Equipment (PPE) consists of equipment, software and vehicles costing over £50k and capital building projects over £100k, land and completed buildings having a useful economic life of greater than 1 year and not intended for resale.

Property, Plant and Equipment (other than properties held for investment purposes) is stated at cost and depreciated on a straight-line basis over the following periods:

- Freehold buildings: 30–50 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
- Refurbishment on leasehold properties: 20 years or the period of the lease if shorter
- Equipment: 5–10 years unless the research project or expected asset life is lower

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

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. Assets are considered to be impaired if their recoverable value is less than book value. The recoverable amount of a PPE asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss on assets, the prior impairment loss is reversed only to the extent that it does not lead to a revised carrying amount higher than if no impairment had been recognised.

Statement of Accounting Policies – continued

Borrowing costs

Borrowing costs relating to purchase or construction of PPE assets are recognised as an expense in the Statement of Comprehensive Income in the period in which they are incurred.

10. Heritage Assets

Works of art and other valuable artefacts (heritage assets) acquired since 1 August 1999 and valued at over £50k 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.

11. 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 Property, Plant and Equipment, are capitalised at their current value and depreciated in accordance with the policy set out above. The value of the donation is included in the Statement of Comprehensive Income in the year they are received.

12. Repairs and Maintenance

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

13. Investments Basis of Valuation

All investments will initially be recognised at cost and subsequently measured at fair value at each reporting date. Where fair value cannot be reliably measured or investments are not publicly traded, they will be measured at cost less impairment.

Investments in listed shares and venture capital vehicles (where shares are publicly traded or their fair value can be reliably measurable) are measured at market value.

Investment properties will be measured at fair value, based on the valuation undertaken by an independent Chartered Surveyor and updated annually for market movement. A selection of properties will be visited and revalued each year, with every property revalued every three years, with other properties valued by a desk based review by the independent Chartered Surveyor.

Investments in subsidiaries and associated undertakings are accounted for under the Cost Model and recognised at transaction cost less accumulated impairment losses.

Revaluation

All gains and losses on investment assets, both realised and unrealised, are recognised in the Statement of Comprehensive Income as they accrue.

External entities

Until the creation of the Oxford Collegiate Feeder Fund on 1 July 2018, external entities such as Colleges and other bodies closely associated with the University could invest in the Oxford Endowment and Oxford Capital Funds. Since it was not possible to show the specific investments of these entities in the various funds, the amounts held on their behalf by the University were shown as a deduction from the University's Investment Assets.

Since 1 July 2018, the external entities can invest directly in the Oxford Collegiate Feeder Fund and no deduction is required.

14. Inventories and Work in Progress

Inventories and work in progress are valued at the lower of cost and selling price less costs to sell. Cost includes all direct expenditure except that, in the case of finished books and work in progress, editorial salaries and the related overheads are not included. Development costs associated with the compilation of major new reference works, the revenues from which are long deferred, are written off as they are incurred. Development costs associated with electronic publications are also written off as they are incurred.

Selling price less costs to sell is the amount for which the stock can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from its existing state to a finished condition.

Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Consumables are charged to the Statement of Comprehensive Income as purchased or released from stores.

Statement of Accounting Policies – continued

15. 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 publishing sales, 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.

The publishing activities have current tax, which is wholly composed of non-United Kingdom tax, provided at amounts expected to be paid (or recovered) using the taxation rates and laws which have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 mostly covenanted to the University and paid under Gift Aid, to the extent that the companies have distributable reserves, which negates that liability.

However, commercial activity undertaken outside the UK may be subject to tax in these jurisdictions.

16. Cash and Cash Equivalents

Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. These include term deposits and other instruments held as part of the University's treasury management activities.

Cash and cash equivalents contains sums relating to endowment reserves which the University is restricted as to how they are disbursed. Note 28 summarises the assets restricted in their use.

17. Financial Instruments

As allowable under FRS 102 the University has adopted the option to apply the recognition, measurement and disclosure requirements of sections 11 and 12 of FRS 102.

Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income.

The University has debt instruments through long-term unsecured bonds issued in December 2017 and listed on the London Stock Exchange. The bonds were initially recognised at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the bonds are measured at amortised cost using the effective interest rate method. Under this method the transaction costs are accounted for as additional expense over the term of the bonds (see note 24).

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Statement of Accounting Policies – continued

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.

19. Public Benefit Concessionary Loans

Where loans are made at below the prevailing market rate of interest, not repayable on demand and made for the purpose of furthering the objectives of the University, they are classified as concessionary loans.

Concessionary loans are initially measured at the amount paid and adjusted at the period end to reflect any accrued income receivable. Should a loan be judged as irrecoverable it is written off to the Statement of Comprehensive Income in the period in which it becomes irrecoverable.

20. Segment Information

The University operates in a number of different classes of business. For the purpose of segmental reporting, classes of business have been identified by reference to the nature of the activity and management organisation (see note 12).

21. Accounting for Jointly Controlled Entities, Assets, and Operations

Jointly controlled entities

The University accounts for its share of jointly controlled entities using the equity method.

Investments in jointly controlled entities are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the Profit or Loss and Other Comprehensive Income of the Joint Operation.

The joint ventures are reviewed to ensure that the investment is worth the carrying amount and a provision against the value created, if necessary.

Jointly controlled assets and operations

The University accounts for jointly controlled assets and operations based upon its share of costs incurred, and recognises its share of liabilities incurred pro-rata. Income and expenditure is recognised based upon the University's share.

22. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the Financial Statements when:

a) the University has a present obligation (legal or constructive) as a result of a past event;

b) it is probable that an outflow of economic benefits will be required to settle the obligation; and

c) a reliable estimate can be made of the amount of the obligation.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

23. Legal Form

The University is a civil corporation established under common law, which was formally incorporated by the Act for Incorporation of Both Universities 1571 under the name of 'The Chancellor Masters and Scholars of the University of Oxford'.

The University is incorporated in the United Kingdom

Principal Office

University of Oxford
University Offices
Wellington Square
Oxford
OX1 2JD

Accounting Judgements and Estimates

The University prepares its consolidated financial statements in accordance with FRS102 as issued by the Financial Reporting Council, the application of which often requires judgements to be made by management when formulating the consolidated financial position and results. Under FRS102, management is required to adopt those accounting policies most appropriate to the circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows. In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the University; it may later be determined that a different choice would have been more appropriate.

Management considers that certain accounting estimates and assumptions relating to revenue, debtors, fixed assets and provisions are its critical accounting estimates. A discussion of these critical accounting estimates is provided below and should be read in conjunction with the disclosure of the Group's significant accounting policies provided on page 50–59. Management has discussed its critical accounting estimates and associated disclosures with the external auditors, its Finance Committee and its Audit and Scrutiny Committee. In the case of the Press any estimates and disclosures have been discussed with relevant Press and University committees.

A provision has been made for the expected costs to remove the asbestos and for the demolition of the current Tinbergen Building and additionally for the related costs to provide alternative services in different buildings for students and staff.

Investment valuations are shown at the latest funding valuation provided by third parties.

Spinout valuations are shown at the latest funding valuation but are reviewed for any potential impairment.

Inventory is reviewed for obsolete, slow-moving or defective stock and a provision is made as necessary.

In the Press, provision has been made for expected sales returns after the balance sheet date on the basis of the historical level of such returns augmented by additional provisions made in accordance with FRS 102, where in the opinion of management these are required. The movement in the returns provision is recognised within turnover and cost of sales.

Research revenue from the Research Councils and European Commission is recognised in line with expenditure which in the judgement of the University creates the right to receive funding from these bodies. Research revenue from charities and industry is recognised in most cases on a reimbursement basis as costs are incurred which it is judged creates the right to reimbursement.

Pensions include key assumptions on discount rates, salary inflation and staff numbers in the future. Sensitivity analysis has been provided in the Pension note on changes in these assumptions. The costs of the USS and OSPS deficit recovery plans have been estimated based on a model devised by USS and the British Universities Finance Directors Group. The model uses the additional costs included in the deficit recovery plan, adjusts accordingly to management judgement of estimated changes in staffing levels and pay increases, and is discounted based on corporate bond levels having a maturity of a similar length to the recovery plan. The scheme actuary reviews the funding of the USS every year and undertakes a formal actuarial valuation every three years, at which time the deficit recovery plan may be amended.

The 2017 actuarial valuation of USS has been undertaken but this has not yet been formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year. Based on the inputs to the model, the following sensitivity analysis outlines the potential impact on the existing liability of £131.6 million (assuming the same discount rate of 2.2%).

Accounting Judgements and Estimates – continued

Current Employer Contribution Rate	Possible Increased Employer Contribution Rate	Increase in Deficit
18% (2.1% deficit contributions)	19% (3.1% deficit contributions)	£57.7 million
18% (2.1% deficit contributions)	21.9% (6% deficit contributions)	£213.9 million
Remaining duration of deficit recovery plan	Revised duration of deficit recovery plan	Cost of increase in duration
13 years	17 years	£32 million

For the OUP Group Pension Scheme sensitivity analysis and key assumptions have been provided, and costs estimated using actuarial information.

Investment properties are revalued every three years on a rolling basis. The holiday pay provision is calculated using a sample of University departments.

Depreciation is calculated on a straight-line basis over the estimated useful economic lives of the related assets.

A provision for bad and doubtful debts is calculated using a formula based on the age of the overdue debt. The formula is applied consistently each year but necessarily requires a degree of estimation. Specific provision is made for individual debts where recovery is believed to be uncertain and this requires an element of judgement.

JUDGEMENTS	NOTE
Income recognition	1–7
Amortisation of Intangible Fixed Assets	13
Depreciation of Property, Plant and Equipment	14
Investment valuations	16
Valuation of investment properties	16
Provision for obsolete or defective inventory	18
Indexation of permanent endowment capital	28

ESTIMATION UNCERTAINTIES AND ASSUMPTIONS	
Provision for irrecoverable receivables	19
Calculation of short-term employee benefit accrual	8
Calculation of the provision for funding of pension deficits	26
Calculation of the provision for funding of pensions under defined benefit schemes	26
Calculation on Tinbergen Building provision	27

Notes to the Financial Statements

1. Tuition fees and education contracts

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Full-time students				
Home	97.8	98.5	97.8	98.5
EU	20.4	18.6	20.4	18.6
Overseas and other fees	99.7	94.0	99.7	94.0
Part-time students				
Home	8.3	6.6	8.3	6.6
EU	1.7	1.4	1.7	1.4
Overseas and other fees	21.4	15.8	21.4	15.8
Other Fees and education contracts				
Professional and non-matriculated courses	36.8	30.9	23.6	19.0
Examination and other fees	1.4	0.6	1.4	0.6
Research training support grants	45.0	40.8	45.0	40.8
	332.5	**307.2**	**319.3**	**295.3**

2. Funding body grants

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Recurrent grants				
HEFCE/OfS/Research England	156.0	157.2	156.0	157.2
Specific grants				
Museums, Galleries and Collections Fund	3.6	3.4	3.6	3.4
Higher Education Innovation Fund	5.2	2.9	5.2	2.9
HEFCE/OfS capital grants	20.3	30.9	20.3	30.9
Other	1.8	0.2	1.8	0.2
	186.9	**194.6**	**186.9**	**194.6**

On 31 March 2018 HEFCE closed with responsibilities being transferred to the Office for Students (OfS) and Research England. The basis of funding has not changed during 2017/18.

The HEFCE/OfS/Research England recurrent grant is the annual funding for the purposes of Teaching, Research and Knowledge Exchange. Each grant relates to a specific academic year and each grant is recognised in full in the year to which it relates.

The Museums, Galleries and Collections Fund is provided by HEFCE/OfS/Research England to support museums and galleries in the HE sector that have research significance beyond their home institution. Within the University grant funding is provided to support the Ashmolean, Pitt Rivers Museum, Museum of Natural History and the Museum of the History of Science. Grants are awarded on an academic year basis to fund specific operations of each of the museums, income is recognised in full in the academic year in which the operations have been performed.

The Higher Education Innovation Fund (HEIF) is provided by HEFCE/OfS/Research England to support Knowledge Exchange between members of the HE Sector and the wider-community. HEIF funding is allotted on an annual basis and becomes receivable once the University has provided an approved Knowledge Exchange strategy for the funding. Income is recognised on an annual basis once the strategy has been approved.

HEFCE/OfS/Research England capital grants are those grants from HEFCE/OfS/Research England provided for the purposes of purchasing or building of capital assets; they generally do not specify particular assets and income is recognised in full once the University has a right to receive the grant.

Notes to Financial Statements – continued

3. Research grants and contracts

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
UK funders				
Research councils	153.2	146.4	153.2	146.4
UK government and health authorities	77.2	68.9	77.2	68.9
UK charities	153.2	155.8	153.2	155.8
UK industry and commerce	25.3	22.9	25.3	22.9
EU funders				
European Commission and other EU government bodies	62.6	66.3	62.5	66.3
EU based charities	2.3	1.8	2.3	1.8
EU based industry and commerce	16.7	10.2	16.7	10.2
Non-EU funders				
Other government	22.4	23.0	20.6	23.0
Other charities	26.9	27.2	26.9	27.2
Other industry and commerce	38.2	35.8	36.7	29.9
RDEC	1.1	6.6	1.1	6.6
	579.1	**564.9**	**575.7**	**559.0**

Research grants and contract income includes £20m (2017: £20.4m) in respect of capital funding. Research grants and contracts excludes funding body quality related research income.

4. Publishing Services

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Publishing Services – UK	117.2	-	172.7	-
Publishing Services – Asia Pacific	226.7	-	156.8	-
Publishing Services – North America	177.4	-	173.4	-
Publishing Services – Europe	153.5	-	97.0	-
Publishing Services – Latin America	47.9	-	13.5	-
Publishing Services – Central Asia, Middle East, North Africa	36.5	-	28.9	-
Publishing Services – Sub-Saharan Africa	38.8	-	3.9	-
	798.0	**-**	**646.2**	**-**

This represents income of the Press and associated subsidiaries.

Notes to Financial Statements – continued

5. Other income

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Residences, catering and conferences	5.1	5.0	4.6	4.6
Other services rendered	54.7	54.8	8.9	7.7
National Health Service	15.0	15.6	15.0	15.6
Foreign exchange gain	5.3	7.3	5.7	7.2
Royalty income	50.7	6.6	37.0	1.7
Receipts from educational activities	13.9	13.2	13.9	13.2
Rental income from operating leases	16.3	14.8	16.1	14.7
Other income	47.5	39.5	45.6	51.9
Capital grants	19.3	29.9	19.3	29.9
Other income	**227.8**	**186.7**	**166.1**	**146.5**
Transfer from the Press	–	41.0	0.2	41.0
	227.8	**227.7**	**166.3**	**187.5**

The transfer from the Press to the rest of the University was shown as income in 2016/17. In 2017/18 it is an internal transfer and does not appear in Consolidated Income. The University only figure has transfers from Press subsidiaries.

Capital Grant income is external funding other than research or from HEFCE for assets capitalised in year and includes grants for Physics Beecroft Building £13.5m, Bio-Escalator £11.0m (City Deal) and the Iffley Road Sports Centre £5.5m.

Total rentals receivable under operating leases

	Land and Buildings			
	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Receivable during the year	15.1	14.8	14.9	14.8
Future minimum lease receivables due:				
Not later than 1 year	12.6	12.8	12.6	12.8
Later than 1 year and not later than 5 years	12.7	7.8	12.7	7.8
Later than 5 years	21.1	15.0	21.1	15.0
Total future lease receivables due	**46.4**	**35.6**	**46.4**	**35.6**

Notes to Financial Statements – continued

6. Investment income

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Profit on disposal of spinout company investments	4.0	4.5	4.0	4.5
Other income and interest from investments	14.3	9.9	14.8	9.8
	18.3	**14.4**	**18.8**	**14.3**

Profit on disposal of spinouts includes:

£0.8m (2017: £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 24). £2.7m (2017: £1.7m) release of deferred income from Oxford Sciences Innovation plc for the right to purchase a percentage share of share capital in spinout companies formed by the University (see note 34).

Other income from investments includes £5.2m from the Press in 2017/18.

Investment Gains

Analysis of Gains on Investments	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Investments held in the Oxford Funds	174.0	181.5	169.3	176.3
Strategic Capital Account	32.3	-	32.3	-
Spinouts	36.9	32.2	36.9	32.2
Investment properties held directly	44.6	(1.6)	44.6	(1.6)
Other investments	20.5	6.0	20.7	6.0
	308.3	**218.1**	**303.8**	**212.9**

Investment properties held directly includes investment Gains of £22.1m for the Press in 2017/18. The Strategic Capital Account is structured to allow the University to regularly draw down from holdings in global equities, global corporate bonds and UK focused short-term sovereign bonds.

7. Donations and endowments

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Donations				
Donations with restrictions	24.4	29.5	24.4	29.5
Donations without restrictions	20.9	15.2	20.9	18.3
Endowments				
New endowments and transfers	47.9	43.7	47.9	43.7
Total Donations and Endowments	**93.2**	**88.4**	**93.2**	**91.5**
Donations of heritage assets	1.2	3.2	1.2	3.2
Total Donations, Endowments and Donations of Heritage Assets	**94.4**	**91.6**	**94.4**	**94.7**

Details of material heritage assets donated in the year can be found in note 15.

Notes to Financial Statements – continued

8. Staff costs

	Note	Consolidated 2017/18 incl Press £'m	Consolidated 2016/17 excl Press £'m	University 2017/18 incl Press £'m	University 2016/17 excl Press £'m
Staff costs:					
Wages and salaries		810.7	567.7	750.3	552.2
Social security costs		73.3	56.6	68.7	54.8
Pension costs as paid		117.0	90.5	113.1	89.2
		1,001.0	714.8	932.1	696.3
Pension Provisions	26	(18.7)	(6.5)	(18.2)	(9.3)
Total Staff costs		**982.3**	**708.3**	**913.9**	**687.0**

	2017/18 incl Press FTE	2016/17 excl Press FTE
Average staff numbers by major category:		
Academic	1,769	1,766
Research	4,577	4,639
Teaching and Research Support	2,969	2,760
Library and Museum Services	501	503
Publishing	5,971	–
Central Support Services	1,677	1,655
Technical and Crafts	582	588
Ancillary	502	496
University average staff numbers	18,548	12,407
Subsidiaries	281	314
Average number of full-time equivalent staff	**18,829**	**12,721**

The Committee to Review the Salaries of Senior University Officers is the committee responsible for setting and reviewing the pay of the Vice-Chancellor.

- In setting salary levels, the Committee takes into account Oxford's scale, complexity and position as a world-leading University. Benchmarking information is used and interpreted based on the scale, structure and ambition of the University. Where a decision has been made to recruit internationally, or there is a retention challenge from an overseas institution, the Committee may take into account evidence about the international market for comparable roles as well as the market rate in UK universities for jobs of comparable scale and type.
- The basic salary for the role of Vice-Chancellor was set by the Committee in 2007/08. Since that time the University has improved its relative standing; today it is ranked first in the Times Higher Education global rankings. The University has also grown in size and complexity, with revenue increasing by 75% to more than £2.2bn today. The salary for the role of Vice-Chancellor has not increased beyond inflation despite this considerable increase in standing, size and complexity because successive Committees have prioritised the need to limit pay inflation during a period of austerity.
- Full details of the Committee's membership, remuneration policy and other associated policies can be found on the University's website www.admin.ox.ac.uk/media/global/wwwadminoxacuk/localsites/personnel/documents/reward/Remuneration_Policy_for_Senior_University_Officers.pdf

Notes to Financial Statements – continued

8. Staff costs continued

	2017/18 £'000	2016/17 £'000
The emoluments of the Vice-Chancellor who served during the year were:		
Basic Salary	360	354
Benefits -taxable		
Membership of private healthcare scheme	5	5
Travel for dependents	5	–
Relocation	–	5
Total taxable emoluments of the VIce-Chancellor	**370**	**364**
Pension contributions and payments in lieu of pension contributions	59	64
	429	428
Non-taxable benefits	18	18
	447	446

- The Vice-Chancellor's remuneration is comprised of a basic salary plus benefits. There is no performance-related salary paid to the Vice-Chancellor nor to key management personnel of the Academic University. The current Vice-Chancellor does not receive income from any external appointments.
- The role of Vice-Chancellor is required to reside in a specified property whilst in post to enable the post holder to fulfil a number of duties ("representative occupier"). The market value of the residential element of the property, including utilities, was £18,310 (2016/17: £18,145) and this is reflected in "non-taxable benefits" above.
- The Vice-Chancellor made payments through the Salary Exchange Scheme which is available to all staff who are members of the Universities Superannuation Scheme (USS) and Oxford Staff Pension Scheme (OSPS).
- The Vice-Chancellor's basic salary and total remuneration expressed as a multiple of median basic salary (and total remuneration, including both taxable and non-taxable benefits) is as follows:
  - Academic staff: 5.8 times median basic salary (6.8 times median total remuneration - for all other than the Vice-Chancellor this excludes college allowances or benefits such as housing and private medical insurance).
  - Academic University and subsidiary staff (14,211 employees): 9.8 times median basic salary (12.1 times total remuneration).
  - All staff (21,286 employees): 10.7 times median basic salary (12.8 times total remuneration). "All staff" comprises "Academic university and subsidiary staff" listed above plus 5,917 staff employed in educational publishing activities (of which 3,752 are employed overseas) plus 1,158 staff employed on temporary contracts through the University's Temporary Staffing Services (TSS) or on contracts with no fixed hours.
- No trustee has received any remuneration or waived payments from the University during the year in respect of their services as trustees (2017:£Nil). The total expenses paid to or on behalf of a trustee were £1,122 (2017: £1,262). This represents travel and other expenses incurred in attending Council and related meetings.

Notes to Financial Statements – continued

8. Staff costs continued

Salary banding

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 and in lieu of pension contributions) exceeded £100k are set out in the table below. The guidance issued by the OfS means that amounts reimbursed by the National Health Service and bonus payments are no longer included in these figures. The prior year has been restated on this basis.

Salary banding	2017/18 incl Press no.	2016/17 excl Press restated no.
£100,000 to £104,999	103	71
£105,000 to £109,999	27	23
£110,000 to £114,999	27	8
£115,000 to £119,999	17	10
£120,000 to £124,999	18	13
£125,000 to £129,999	19	4
£130,000 to £134,999	15	7
£135,000 to £139,999	8	5
£140,000 to £144,999	9	6
£145,000 to £149,999	11	5
£150,000 to £154,999	11	9
£155,000 to £159,999	7	3
£160,000 to £164,999	9	3
£165,000 to £169,999	2	2
£170,000 to £174,999	6	2
£175,000 to £179,999	5	–
£180,000 to £184,999	3	1
£185,000 to £189,999	2	–
£190,000 to £194,999	1	–
£195,000 to £199,999	3	1
£200,000 to £204,999	5	4
£205,000 to £209,999	4	1
£210,000 to £214,999	1	–
£215,000 to £219,999	–	1
£220,000 to £224,999	2	1
£225,000 to £229,999	3	–
£235,000 to £239,999	1	–
£245,000 to £249,999	1	–
£250,000 to £254,999	1	1
£255,000 to £259,999	1	–
£295,000 to £299,999	1	–
£310,000 to £314,999	1	–
£350,000 to £354,999	–	1
£355,000 to £359,999	2	1
£360,000 to £364,999	2	–
£370,000 to £374,999	–	1
£375,000 to £379,999	1	–
£390,000 to £394,999	1	–
£645,000 to £649,999	1	–
	331	**184**

Salary bandings include 128 Press staff in 2017/18.

Notes to Financial Statements – continued

8. Staff costs continued

Compensation for loss of office

	2017/18 incl Press £'000	2016/17 excl Press £'000
Compensation for loss of office:		
Voluntary Redundancy Scheme	746	522
Other	2,287	1,719
Compensation payable	**3,033**	**2,241**

The number of staff receiving payments under the Voluntary Redundancy Scheme was 327 (2016/17: 369).

The severance payments were paid in cash funded from general income and expenditure reserves and were approved by the University's Remuneration Committee. The OfS now requires all compensation payments to be disclosed, while HEFCE only required those to higher-paid staff.

Key management personnel

	2017/18 incl Press £'000	2016/17 excl Press £'000
Key management personnel - total remuneration	**3,672**	**2,488**
Number of staff	14	12.5
Key management personnel - average remuneration	**262**	**199**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. This includes compensation paid to key management personnel defined as: the Registrar, Pro-Vice-Chancellors with portfolio, Heads of Division, the Chief Executive of the Press and the Director of Finance. The Vice-Chancellor is excluded from this figure and disclosed above.

Notes to Financial Statements – continued

9. Interest and other finance costs

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Interest on loans	8.1	6.6	7.5	6.6
Net charge on pension schemes	3.4	3.3	3.4	3.3
Interest on bond	12.3	-	12.3	-
Net charge on Press pension schemes	4.8	-	4.8	-
Total interest and other finance costs	**28.6**	**9.9**	**28.0**	**9.9**

10. Operating expenditure

	2017/18		2017/18	2016/17
	Staff incl Press £'m	Non-Staff incl Press £'m	Total incl Press £'m	Total excl Press £'m
Academic departments	293.0	136.3	429.3	415.4
Research grants and contracts	290.0	202.6	492.6	474.5
Academic services	36.4	20.5	56.9	57.4
Publishing	205.3	398.4	603.7	-
Residence, catering and conferences	0.5	0.4	0.9	0.8
Bursaries and scholarships	-	68.5	68.5	60.9
Premises	21.2	72.1	93.3	86.7
Administration	79.2	52.1	131.3	116.6
Payments to colleges	-	55.6	55.6	53.9
Other expenses	6.5	23.7	30.2	35.8
Tinbergen Building closure	-	3.9	3.9	27.5
Donation of assets	-	17.2	17.2	-
Total University	**932.1**	**1,051.3**	**1,983.4**	**1,329.5**
Subsidiary companies - HE	18.6	41.6	60.2	64.2
Subsidiary companies - publishing	50.3	76.6	126.9	-
Movement in pensions provision	(18.7)	-	(18.7)	(6.5)
Interest and other finance costs	-	28.6	28.6	9.9
Total Consolidated	**982.3**	**1,198.1**	**2,180.4**	**1,397.1**

Depreciation and amortisation £145.5m, Operating expenditure £1,024.0m, and interest payable £28.6m are combined in the non-staff figures of £1,198.1m.

The University has agreed that a third party will take over the operation of research assets which had been funded by a government grant received and recorded in the accounts of previous years. This has resulted in a write-down of £17.2m of freehold land and equipment.

Notes to Financial Statements – continued

10. Operating expenditure continued

Other operating expenses include

	Consolidated	
	2017/18 incl Press £'000	2016/17 incl Press £'000
Remuneration paid to auditors during the year was in respect of the following services:		
Audit of the consolidated University's annual financial statements	242	175
Fees for the non-statutory audit of the Press, its subsidiaries and for work on inclusion in the consolidated accounts	1,174	760
Audit of the Academic University subsidiaries' annual financial statements	126	118
Oxford Fund Audit	54	54
Total audit fees	**1,596**	**1,107**
Services relating to taxation	95	50
Research grant certification services	222	251
Assurance/VAT advice (OUEM)	–	30
Other non-audit services	86	–
Total non-audit fees	**403**	**331**
Total fees to auditors	**1,999**	**1,438**

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.

11. Taxation

	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Current Tax				
UK Corporation Tax	0.7	1.6	–	1.3
Non-UK Corporation Tax	10.6	–	1.9	–
Taxation charge for the year	**11.3**	**1.6**	**1.9**	**1.3**

Within Taxation, amounts are included in respect of the following matters:

Oxford University Press Pakistan, a branch of the University, has claimed exemption from taxation on its profits for the period 1979–2013. The matter is pending final conclusion at the Supreme Court of Pakistan. Taxation has been provided in the accounts based on management's calculation of potential tax liabilities if the case is decided against the Press.

The Indian Tax Authority has assessed the Indian branch as "resident" since 1993, whereas in the view of management it should be assessed as non-resident. Provisions are held reflecting the potential impact of differing interpretations of Oxford University Press India's tax status.

There were no material reconciling items to average applicable rates for 2017 relating to items in respect of prior years.

The majority of the UK tax charge relates to an additional RDEC claim made in 2016/17 but relating to 2014/15.

Notes to Financial Statements – continued

11. Taxation continued

Factors affecting the tax charge	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Total Comprehensive Income	389.9	219.7	356.9	227.0
Surplus on ordinary activities multiplied by the standard rate of corporation tax of 19% (2017: 19.67%)	74.1	43.2	67.8	44.7
Less Tax due on surplus falling within charitable exemption	(65.7)	(41.6)	(66.5)	(43.4)
Effect of overseas tax rates	4.1	-	1.2	-
Permanent differences	(1.2)	-	(0.6)	-
Taxation charge for the year	**11.3**	**1.6**	**1.9**	**1.3**

12. Segmental information

The reportable segments for the combined group are:

University – Academic: Teaching and research divisions with associated services and administration, investment and subsidiaries

University – Press: Publishing and related services, carried out by Oxford University Press

Year to 31 July 2018	University – Academic £'m	University – Press £'m	Eliminations and adjustments £'m	Total £'m
INCOME				
External	**1,386.9**	**850.1**	**-**	**2,237.0**
Transfers between segments	205.6	-	(205.6)	**-**
Total income	1,592.5	850.1	(205.6)	**2,237.0**
Surplus for the year	437.5	158.0	(205.6)	**389.9**
Included in surplus for the year:				
Investment income	13.1	5.2	-	**18.3**
Depreciation and amortisation	112.1	33.4	-	**145.5**
Interest payable	22.4	6.2	-	**28.6**
Gain on investments	285.3	22.1	0.9	**308.3**
Additions to non-current assets	1,203.8	122.3	21.1	**1,347.2**
Assets	**5,483.6**	**830.5**	**-**	**6,314.1**
Liabilities	**(1,813.9)**	**(415.6)**	**-**	**(2,229.5)**
Net Assets	**3,669.7**	**414.9**	**-**	**4,084.6**

Notes to Financial Statements – continued

12. Segmental Information continued

Year to 31 July 2017	University – Academic £'m	University – Press £'m	Eliminations and adjustments £'m	Total £'m
INCOME				
External	**1,400.4**	**-**	**-**	**1,400.4**
Transfers between segments	–	–	–	**-**
Total income	1,400.4	–	–	**1,400.4**
Surplus for the year	219.7	–	–	**219.7**
Included in surplus for the year:				
Investment income	14.4	–	–	**14.4**
Depreciation and amortisation	102.6	–	–	**102.6**
Interest payable	9.9	–	–	**9.9**
Gain on investments	218.1	–	–	**218.1**
Additions to non-current assets	142.0	–	–	**142.0**
Assets	**4,249.2**	**-**	**-**	**4,249.2**
Liabilities	**(1,017.0)**	**-**	**-**	**(1,017.0)**
Net Assets	**3,232.2**	**-**	**-**	**3,232.2**

Eliminations and adjustments

The following eliminations and adjustments reconcile the total of segment amounts to the consolidated amounts in these financial statements.

The Press makes a transfer to the academic University. In 2018 it was £205.6m (including a triennial transfer) (2017: £41m).

Curiosity Carnival – Oxford's European Researchers' Night

Notes to Financial Statements – continued

13. Intangible assets and goodwill

Consolidated	Negative goodwill £'m	Goodwill £'m	Software licences £'m	Acquired lists £'m	Total £'m
Cost					
As at 1 August 2017 – excl. Press	(5.8)	8.6	2.2	–	**5.0**
As at 1 August 2017 – Press		102.9	86.7	129.0	**318.6**
As at 1 August 2017 – Total	**(5.8)**	**111.5**	**88.9**	**129.0**	**323.6**
Additions	–	–	18.4	4.3	**22.7**
Disposals	–	–	(4.2)	–	**(4.2)**
As at 31 July 2018	**(5.8)**	**111.5**	**103.1**	**133.3**	**342.1**
Amortisation					
As at 1 August 2017 – excl. Press	(5.6)	8.6	0.8	–	**3.8**
As at 1 August 2017 – Press	–	73.1	63.1	103.6	**239.8**
As at 1 August 2017 – Total	**(5.6)**	**81.7**	**63.9**	**103.6**	**243.6**
Charge for Year	–	11.9	8.9	6.3	**27.1**
Disposals	–	–	(4.0)	–	**(4.0)**
As at 31 July 2018	**(5.6)**	**93.6**	**68.8**	**109.9**	**266.7**
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.					
Carrying Amount					
As at 31 July 2018	**(0.2)**	**17.9**	**34.3**	**23.4**	**75.4**
As at 1 August 2017 – Total	**(0.2)**	**29.8**	**25.0**	**25.4**	**80.0**
As at 1 August 2017 – Press	**-**	**29.8**	**23.6**	**25.4**	**78.8**
As at 1 August 2017 – excl Press	**(0.2)**	**-**	**1.4**	**-**	**1.2**

University	Goodwill £'m	Software licences £'m	Acquired lists £'m	Total £'m
Cost				
As at 1 August 2017 – excl Press	–	2.2	–	**2.2**
As at 1 August 2017 – Press	99.0	77.0	127.1	**303.1**
As at 1 August 2017 – Total	**99.0**	**79.2**	**127.1**	**305.3**
Additions	–	17.4	4.3	**21.7**
Disposals	–	(2.7)	–	**(2.7)**
As at 31 July 2018	**99.0**	**93.9**	**131.4**	**324.3**
Amortisation				
As at 1 August 2017 – excl Press	–	0.8	–	**0.8**
As at 1 August 2017 – Press	71.8	54.5	101.7	**228.0**
As at 1 August 2017 – Total	**71.8**	**55.3**	**101.7**	**228.8**
Charge for Year	11.4	8.1	6.3	**25.8**
Disposals	–	(2.7)	–	**(2.7)**
As at 31 July 2018	**83.2**	**60.7**	**108.0**	**251.9**
Carrying amount				
As at 31 July 2018	**15.8**	**33.2**	**23.4**	**72.4**
As at 1 August 2017 – Total	**27.2**	**23.9**	**25.4**	**76.5**
As at 1 August 2017 – Press	**27.2**	**22.5**	**25.4**	**75.1**
As at 1 August 2017 – excl Press	**-**	**1.4**	**-**	**1.4**

Notes to Financial Statements – continued

14. Property, Plant and Equipment

Consolidated	Land and Buildings Freehold £'m	Leasehold £'m	Equipment & machinery £'m	Assets under construction £'m	Total £'m
Cost					
As at 1 August 2017 – excl Press	1,616.2	26.6	181.6	110.7	**1,935.1**
Press at 1 August 2017	86.8	2.9	56.5	-	**146.2**
Total at 1 August 2017	**1,703.0**	**29.5**	**238.1**	**110.7**	**2,081.3**
Additions	(5.4)	0.2	26.3	129.1	**150.2**
Completed	127.0	-	9.6	(136.6)	**-**
Disposals	(0.5)	(2.4)	(38.3)	-	**(41.2)**
As at 31 July 2018	**1,824.1**	**27.3**	**235.7**	**103.2**	**2,190.3**
Depreciation					
As at 1 August 2017 - excl Press	477.3	7.7	84.4	-	**569.4**
Press at 1 August 2017	41.7	0.6	43.3	-	**85.6**
Total at 1 August 2017	**519.0**	**8.3**	**127.7**	**-**	**655.0**
Charge for the year	61.8	1.3	55.3	-	**118.4**
Disposals	(0.2)	(0.3)	(37.2)	-	**(37.7)**
As at 31 July 2018	**580.6**	**9.3**	**145.8**	**-**	**735.7**
Net book value					
As at 31 July 2018	**1,243.5**	**18.0**	**89.9**	**103.2**	**1,454.6**
As at 1 August 2017- incl Press	**1,184.0**	**21.2**	**110.4**	**110.7**	**1,426.3**
As at 1 August 2017- excl Press	**1,138.9**	**18.9**	**97.2**	**110.7**	**1,365.7**
Leased assets included above:					
Net book value					
As at 31 July 2018	**-**	**18.0**	**-**	**-**	**18.0**
As at 1 August 2017- incl Press	**-**	**21.2**	**-**	**-**	**21.2**
As at 1 August 2017- excl Press	**-**	**18.9**	**-**	**-**	**18.9**

All Property, Plant and Equipment are stated at historic cost.

Land and buildings (Consolidated and University) includes £85.8m (2017: £84.4m) of freehold land on which no depreciation is charged. The 2017 figure does not include land held by the Press.

During 2016/17 the £56.2m of Freehold Building depreciation included £6.8m of accelerated depreciation relating to the closure of the Tinbergen building. Following closure of the building, all associated assets were written off.

There are 'claw back' provisions within the agreement on the Radcliffe Observatory Quarter (ROQ) site with 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) include properties financed and occupied by the University on NHS sites with a net book value of £15.7m (2017: £16.5m).

Equipment additions include £1.4m (2017: £4.8m) of labour capitalisation relating to internal IT resource, which has been applied to major IT projects. The largest spend on a single project was the Chorus Network Readiness Project.

The University has agreed that a third party will take over the operation of research assets which had been funded by a government grant received and recorded in the accounts of previous years. This has resulted in a write-down of £17.2m of freehold land and equipment.

Notes to Financial Statements – continued

14. Property, Plant and Equipment continued

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 102 section 2.8 Reporting the Substance over form, as the risks and rewards of occupancy vest in the University, the building is included in fixed assets. At 31 July 2018 the fixed assets of the University included a cost of £62.7m (2017: £62.7m) in respect of the building.

University	Land and Buildings Freehold £'m	Land and Buildings Leasehold £'m	Equipment & machinery £'m	Assets under construction £'m	Total £'m
Cost					
As at 1 August 2017 – excl Press	1,613.3	26.6	178.6	110.8	**1,929.3**
Press at 1 August 2017	81.0	1.6	43.5	-	**126.1**
Total at 1 August 2017	**1,694.3**	**28.2**	**222.1**	**110.8**	**2,055.4**
Additions	(7.4)	0.1	25.6	129.0	**147.3**
Completed	127.0	-	9.6	(136.6)	**-**
Disposals	(0.4)	(1.0)	(37.3)	-	**(38.7)**
As at 31 July 2018	**1,813.5**	**27.3**	**220.0**	**103.2**	**2,164.0**
Depreciation					
As at 1 August 2017 - excl Press	475.1	7.7	81.8	-	**564.6**
Press at 1 August 2017	40.0	0.4	34.0	-	**74.4**
Total at 1 August 2017	**515.1**	**8.1**	**115.8**	**-**	**639.0**
Charge for the year	61.1	1.4	54.1	-	**116.6**
Disposals	(0.2)	(0.2)	(36.3)	-	**(36.7)**
As at 31 July 2018	**576.0**	**9.3**	**133.6**	**-**	**718.9**
Net book value					
As at 31 July 2018	**1,237.5**	**18.0**	**86.4**	**103.2**	**1,445.1**
As at 1 August 2017- incl Press	**1,179.2**	**20.1**	**106.3**	**110.8**	**1,416.4**
As at 1 August 2017- excl Press	**1,138.2**	**18.9**	**96.8**	**110.8**	**1,364.7**
Leased assets included above:					
Net book value					
As at 31 July 2018	**-**	**18.0**	**-**	**-**	**18.0**
As at 1 August 2017- incl Press	**-**	**18.9**	**-**	**-**	**18.9**
As at 1 August 2017- excl Press	**-**	**18.9**	**-**	**-**	**18.9**

15. 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.

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

The cost of new heritage asset acquisitions in 2017/18 was £0.3m (2017:£1.6m). The main acquisition was the Talbot Mundy Family Album for a total of £0.3m, paid for by private donations. Disposals are unlikely as most donations have conditions preventing disposal, and there were no disposals in 2017/18. The costs of donated assets are based on valuations by experts in the relevant field.

Notes to Financial Statements – continued

15. Heritage assets continued

Heritage assets	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m
Brought forward	**64.3**	**66.6**	**77.0**	**80.5**	**85.3**
Acquisitions purchased with specific donations	1.1	0.3	–	1.5	0.3
Acquisitions purchased with University funds	0.3	0.1	1.3	0.1	–
Total cost of acquisitions purchased	**1.4**	**0.4**	**1.3**	**1.6**	**0.3**
Value of acquisitions by donation	**0.9**	**10.0**	**2.2**	**3.2**	**1.2**
Carried forward	**66.6**	**77.0**	**80.5**	**85.3**	**86.8**

Heritage assets of £1.2m were donated in the year (2017: £3.2m). The largest donation was £0.8m for the Archive of Robert Bridges, Poet Laureate from 1913–1930. These donations are shown as a separate item in the Statement of Comprehensive Income.

Expenditure required to preserve heritage assets is recognised in the Statement of Comprehensive Income when incurred.

16. Non-current investments

	Note	Consolidated 2018 incl Press £'m	Consolidated 2017 excl Press £'m	University 2018 incl Press £'m	University 2017 excl Press £'m
Investments stated at market value:					
Spinout companies		155.0	114.3	155.0	114.3
Investment property		209.2	203.3	209.2	203.3
Oxford Funds		2,115.0	–	2,056.3	–
Global and Private equities		336.4	720.8	332.5	717.7
Public equity		–	1,280.0	–	1,280.0
Credit		–	228.5	–	228.5
Other assets		–	0.2	–	0.2
Pledges		18.5	8.5	18.5	8.5
Third party managed		109.7	110.6	109.3	87.1
Short-term Bonds		640.5	492.9	640.5	492.9
Investments stated at cost:					
Subsidiary and Associated undertakings		7.6	–	104.4	14.9
		3,591.9	**3,159.1**	**3,625.7**	**3,147.4**
Less: amounts attributable to outside bodies		(2.3)	(1,000.6)	(24.3)	(1,052.5)
Total at end of year		**3,589.6**	**2,158.5**	**3,601.4**	**2,094.9**
Investment assets held are split between reserves as follows:					
Income and expenditure reserves		2,533.6	1,223.0	2,604.6	1,228.2
Endowment reserves	28	1,056.0	935.5	996.8	866.7
		3,589.6	**2,158.5**	**3,601.4**	**2,094.9**
Held on behalf of outside bodies		2.3	1,000.6	24.3	1,052.5
		3,591.9	**3,159.1**	**3,625.7**	**3,147.4**

In 2017 the University acted as corporate trustee for investments managed by OUEM (its investment management subsidiary) and therefore investments owned by outside parties were shown as part of investments stated at market value with a corresponding deduction for the amounts attributable to outside bodies.

In 2018 the University has appointed a corporate body as the trustee for investments managed by OUEM and therefore only the University's interest in the Oxford Funds is shown in investments stated at market value.

The investment market value gain is shown in note 6.

Notes to Financial Statements – continued

16. Non-current Investments continued

Investment Properties	TOTAL Consolidated £'m	University £'m
Fair value at 1 August – excl Press	203.3	203.3
Fair value at 1 August – Press	110.8	110.8
Fair value at 1 August – Total	**314.1**	**314.1**
Capital expenditure	3.1	3.1
Exchange adjustments	(0.2)	(0.2)
Transfer in	3.0	3.0
Transfer out	(0.7)	(0.7)
Oxford Funds	(135.5)	(135.5)
Disposal	(19.8)	(19.8)
Additions	0.6	0.6
Revaluation	44.6	44.6
Fair value at 31 July	**209.2**	**209.2**

17. Investment in subsidiaries and associates

Subsidiaries

As at 31 July 2018 the University exercised control of the following subsidiary undertakings (excluding dormant undertakings):

	Country of incorporation	Nature of activity	% Interest
Instruct Academic Services Ltd	England	Scientific facilities-sharing infrastructure services	100
Endowment Estates Limited	England	Investment management services	100
Oxford Ltd	England	Retail and other trading activities	100
Oxford Advanced Research Centres Ltd	England	Head office activities	100
Oxford Mutual Ltd[1]	England	Provision of discretionary cover	100
Oxford Research South Africa Ltd[7]	England	Social policy research	100
Oxford Saïd Business School Ltd	England	Executive education	100
Oxford University (Beijing) Science & Technology Co. Ltd	China	Clinical research	100
Oxford University (Suzhou) Science & Technology Co. Ltd[5]	China	Mathematical, Physical and Life Sciences research	100
OUC Investments Ltd	England	Head office activities	100
Oxford University Development (North America), Inc.	United States of America	Office administration	100
Oxford University Endowment Management Ltd	England	Investment management services	100
Oxford University Fixed Assets Ltd	England	Building management and utilities	100
Oxford University Innovation Centres Ltd	England	Innovation technology research services	100
Oxford University Innovation Ltd	England	Commercial exploitation of intellectual property	100
Oxford University Innovation (Hong Kong) Ltd[2]	Hong Kong	Commercial exploitation of intellectual property	100
Oxford University Trading Ltd	England	General trading activities	100
The Gray Laboratory Cancer Research Trust[3]	England	Radiobiology research	100
TOF Corporate Trustee Limited[5]	England	Fund management activities	100
University of Oxford China Office Ltd	Hong Kong	Fundraising and alumni relations	100
Voltaire Foundation Ltd	England	Publishing	100
James Martin 21st Century (UK) Trust[4]	England	Endowment management	100

Notes to Financial Statements – continued

17. Investment in subsidiaries and associates continued

Press subsidiaries

	Country of incorporation	Nature of activity	% Interest
Oxford University Press Argentina S.A. [5 6]	Argentina	Publishing	100
Oxford University Press do Brasil Publicacoes Limitada [5 6]	Brazil	Publishing	100
Oxford University Press (Shanghai) Limited [5 6]	China	Publishing	100
Oxford University Press (China) Limited [6]	China (Hong Kong)	Publishing	100
Oxford University Press (Cyprus) Limited [6]	Cyprus	Publishing	100
bab.la GmbH [5 6]	Germany	Publishing	100
Oxford University Press GmbH [5 6]	Germany	Publishing	100
OUPs India Private Limited [5 6]	India	Publishing	100
Oxford University Press India Private Limited [5 6]	India	Publishing	100
Oxford University Press Srl [5 6]	Italy	Publishing	100
Oxford University Press Kabushiki Kaisha [6]	Japan	Publishing	100
Oxford University Press East Africa Limited [5 6]	Kenya	Publishing	100
Oxford University Press Korea Limited [5 6]	Korea, Republic of	Publishing	100
Oxford University Press Lesotho (Proprietary) Limited [5 6]	Lesotho	Publishing	100
Oxford University Press (Macau) Limited [5 6]	Macau	Publishing	100
Dentingan Kejayaan Sdn Bhd [6]	Malaysia	Property Management	100
Oxford Fajar SDN BHD [5 6]	Malaysia	Publishing	70
Oxford Publishing (Malaysia) SDN BHD [5 6]	Malaysia	Publishing	100
Oxford University Press Mexico SA de CV [5 6]	Mexico	Publishing	100
Oxford University Press Namibia (Proprietary) Limited [5 6]	Namibia	Publishing	100
Oxford University Press Polska sp. z o.o. [5 6]	Poland	Publishing	100
Oxford University Press (Singapore) Pte Ltd [5 6]	Singapore	Publishing	100
OUP SA (Properties) Ltd [3]	South Africa	Property Management	100
Oxford University Press Orbis Proprietary Limited [5 6]	South Africa	Publishing	100
Oxford University Press Southern Africa Proprietary Limited [6]	South Africa	Publishing	75
Oxford University Press España S.A [5 6]	Spain	Publishing	100
Oxford University Press Tanzania Limited [5 6]	Tanzania, United Republic of	Publishing	100
Oxford Yayincilik Limited Sirketi [5 6]	Turkey	Publishing	100
Epigeum Limited [6]	England	Publishing	100
OELT Limited [6]	England	Publishing	100
Oxford Information Limited [6]	England	Publishing	100
Oxford Publishing Limited [6]	England	Publishing	100
Oxford Reference Limited [6]	England	Publishing	100
Oxuniprint Limited [6]	England	Publishing	100
Epigeum Inc [5 6]	United States	Publishing	100

[1] Oxford Mutual Ltd is a company limited by guarantee. The members of Oxford Mutual Limited are the University, Instruct Academic Services Limited, Oxford University 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.

[2] Oxford University Innovation (Hong Kong) Ltd is a wholly-owned subsidiary of Oxford University Innovation Ltd

[3] The Gray Laboratory Cancer Research Trust is a company limited by guarantee. The sole member is the University.

[4] The James Martin Trust is a charitable trust incorporated in the United Kingdom where the University has the power to appoint the majority of the trustees.

[5] Owned by a subsidiary undertaking

[6] Year end of 31 March – management accounts used to provide 31 July results

Notes to Financial Statements – continued

17. Investment in subsidiaries and associates continued

As part of the Mortiz-Heyman endowment the University invests in the Sequoia Heritage fund through SCHF OU, LP. The University has a majority share of the capital and reserves of SCHF OU, LP but has no demonstrable control so it is not treated as a subsidiary, instead it is recognised as an investment asset.

All subsidiary undertakings have been included within the consolidated Financial Statements.

Subsidiary undertakings prepare accounts to 31 July each year except for: Jenner Vaccine Foundation, and Press subsidiaries as noted above which draws up accounts to 31 March, and Oxford University (Beijing) Science and Technology Co Ltd. Oxford (Suzhou) Science and Technology Ltd and Oxford University Clinic LLP to 31 December each year.

University holdings in subsidiaries	£'m
Cost	
As at 1 August 2017- excl Press	14.9
Press as at 1 August 2017	77.0
Total as at 1 August 2017	**91.9**
Capital reduction	-
Addition	12.5
As at 31 July 2018	**104.4**

Joint ventures

The Jenner Vaccine Foundation is a charitable company limited by guarantee set up for the purpose of researching novel human and animal vaccines. The University has the right to appoint half of the directors, with the other half appointed by the Pirbright Institute, and the Foundation is accounted for as a joint venture using the equity method based upon its Financial Statements prepared to 31 March 2018 and management accounts to 30 June 2018.

During the course of 2016/17, the University acquired joint control of African Research Collaboration for Health (ARCH). This is a charitable company limited by guarantee set up to promote research on diseases in Africa and in particular Kenya.

University joint ventures	Proportion of nominal value of ordinary shares held	Country of incorporation	Value as at 1 August 2017	Share of surplus/ deficit for year	Value as at 31 July 2018
ITEXT Limited	50	England	0.5	-	0.5
Oxford International AQA Examinations Ltd	50	England	1.2	(1.2)	-
African Research Collaboration for Health Ltd	50	Kenya	1.9	2.5	4.4
Jenner Vaccine Foundation	50	England	0.6	-	0.6
Total			**4.2**	**1.3**	**5.5**

Notes to Financial Statements – continued

17. Investment in subsidiaries and associates continued

Associates

As at 31 July 2018 the University exerted significant influence but not control or joint control over the following associated undertakings (excluding any dormant undertakings).

	Country of incorporation	Nature of activity	% Interest
Designer Carbon Materials Ltd	UK	Commercial exploitation of intellectual property	50
SugarOx Ltd	UK	Commercial exploitation of intellectual property	50
Isis Changzhou International Technology Transfer Centre Co. Ltd [8]	China	Technology transfer	40
Oxford Vacmedix UK Ltd	UK	Commercial exploitation of intellectual property	34
Smith Institute (limited by guarantee)	UK	Knowledge transfer	33
Oxford Ancestors Ltd	UK	Commercial exploitation of intellectual property	32
Reox Ltd	UK	Commercial exploitation of intellectual property	31
Suzhou Isis International Technology Transfer Co. Ltd [9]	China	Technology transfer	30
Oxford Risk Research and Analysis Ltd	UK	Commercial exploitation of intellectual property	30
Oxford Electromagnetic Solutions Ltd	UK	Commercial exploitation of intellectual property	28
TdeltaS Ltd	UK	Commercial exploitation of intellectual property	28
Oxtex Ltd	UK	Commercial exploitation of intellectual property	27
Shenzhen Zhongjin International Technology Transfer Center Ltd [10]	China	Technology transfer	25
Kepler Energy Ltd	UK	Commercial exploitation of intellectual property	23
Minervation Ltd	UK	Commercial exploitation of intellectual property	22
NightstaRx Ltd	UK	Commercial exploitation of intellectual property	21
Aurox Ltd	UK	Commercial exploitation of intellectual property	20
Celleron Therapeutics Ltd	UK	Commercial exploitation of intellectual property	20
Mind Foundry Ltd	UK	Commercial exploitation of intellectual property	20
Oxcept Ltd	UK	Commercial exploitation of intellectual property	20
Oxford Multispectral Ltd	UK	Commercial exploitation of intellectual property	20

The associated undertakings prepare accounts to various year ends.

Associate valuation	Consolidated £'m
Share of net assets of associate undertakings as at 31 July 2017-Total	**0.4**
Share of surplus/(deficit) of associate undertakings for the year 2017/18	–
Share of net assets of associate undertakings as at 31 July 2018	**0.4**

[7] Registered as an external company in South Africa

[8] Oxford University Innovation (Hong Kong) Limited has entered into a joint venture with the Changzhou government in China.

[9] Isis Innovation (Hong Kong) Limited has established a Sino-foreign joint venture in partnership with the Suzhou city government and Oxlink Investment Consulting Co. Ltd (Oxlink). Oxlink is a company registered in PRC.

[10] Isis Innovation (Hong Kong) Limited has established a Sino-foreign joint venture in partnership with Shenzhen City Jinyucheng Science & Technology Co. Ltd (Jinyucheng), and Shenzhen City Guochuang Lianhe Science & Technology Investment Co. Ltd (Guochuang). Jinyucheng and Guochuang are companies registered in PRC.

Notes to Financial Statements – continued

18. Inventories and work-in-progress

	Consolidated		University	
	2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
Raw materials for publishing	1.3	-	0.5	-
Work in progress and printed sheets	5.9	2.9	4.8	1.3
Bound books	67.0	-	51.8	-
Other goods for resale	2.6	-	1.5	-
	76.8	**2.9**	**58.6**	**1.3**
Intangible assets pre-publication costs	**19.2**	**-**	**18.4**	**-**

There is no material difference between the balance sheet value of stocks and their replacement cost.

19. Trade and other receivables falling due within one year

	Consolidated		University	
	2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
Research grants receivable	104.0	112.0	104.5	112.7
Research and development expenditure credit	-	34.2	-	34.2
Prepayments and accrued income	23.3	20.6	19.7	17.9
Derivative financial assets	2.0	-	2.0	-
Other trade receivables	278.1	51.5	200.0	40.9
Other receivables	102.7	14.4	117.1	14.5
Amounts due from subsidiaries	-	-	17.5	12.8
	510.1	**232.7**	**460.8**	**233.0**

20. Receivables amounts falling due after more than one year

	Consolidated		University	
	2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
Derivative financial assets	0.3	-	0.3	-
Amounts due from subsidiaries	-	-	21.1	-
Other receivables	5.8	5.9	5.8	5.9
	6.1	**5.9**	**27.2**	**5.9**

Other receivables includes loans to staff for housing in conjunction with recruitment and endowments receivable on payment plans over more than one year.

21. Current investments

	Consolidated		University	
	2018 £'m	2017 £'m	2018 £'m	2017 £'m
As at 1 August 2017 – excl. Press	109.5	51.1	107.5	49.9
Press – as at 1 August 2017	190.5	–	145.4	-
Total as at 1 August 2017	300.0	51.1	252.9	49.9
(Disposals)/additions	(139.5)	58.4	(144.1)	57.6
	160.5	**109.5**	**108.8**	**107.5**

In 2017 the University acted as corporate trustee for investments managed by OUEM (its investment management subsidiary) and therefore investments owned by outside parties were shown as part of investments stated at market value with a corresponding deduction for the amounts attributable to outside bodies. In 2018 the University has appointed a corporate body as the trustee for investments managed by OUEM and therefore only the University's interest in the Oxford Funds is shown in investments stated at market value.

22. Cash and cash equivalents

Consolidated	Note	At 1 August 2017 excl Press £'m	Press £'m	Total £'m	Cash flows £'m	31 July 2018 £'m
Cash and cash equivalents		187.7	68.0	255.7	71.2	**326.9**
Cash and cash equivalents held in Oxford Funds	16	72.1	–	72.1	(72.1)	**-**
Investment assets cash		27.7	–	27.7	(19.6)	**8.1**
		287.5	**68.0**	**355.5**	**(20.5)**	**335.0**

University	Note	At 1st August 2017 excl Press £'m	Press £'m	Total £'m	Cash flows £'m	31 July 2018 £'m
Cash and cash equivalents		187.8	75.1	262.9	20.5	**283.6**
Cash and cash equivalents held in Oxford Funds	16	72.1	–	72.1	(72.1)	**-**
Investment assets cash		12.6	–	12.6	(4.5)	**8.1**
		272.5	**75.1**	**347.6**	**(56.1)**	**291.5**

Notes to Financial Statements – continued

23. Creditors: amounts falling due within one year

	Note	Consolidated		University	
		2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
Research grants creditors		297.5	281.8	297.5	281.8
Accruals and deferred income		246.2	129.1	216.2	112.9
Capital grants with performance conditions		15.2	26.9	15.2	26.9
Unsecured bank loans	24	4.7	2.6	3.6	2.6
Bank overdrafts		2.2	–	–	–
Derivative financial liabilities		2.0	–	2.0	–
Social security and other taxation payable		52.2	27.2	46.5	27.2
Trade payables		222.5	68.3	207.5	69.2
Amounts due to subsidiaries		–	–	–	4.6
		842.5	**535.9**	**788.5**	**525.2**

24. Creditors: falling due after more than one year

	Consolidated		University	
	2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
Oxford Sciences Innovation plc	24.5	24.1	24.5	24.1
Technikos	2.5	3.3	2.5	3.3
Grant to Turing Institute	1.3	2.0	1.3	2.0
Bank loans	225.0	227.7	225.0	227.7
100-year bonds issued	744.7	–	744.7	–
Other creditors	5.7	–	3.6	–
Derivative financial liabilities	0.9	–	0.9	–
Amounts due to subsidiaries	–	–	23.8	–
Loan to Blavatnik School of Government	3.0	3.0	3.0	3.0
	1,007.6	**260.1**	**1,029.3**	**260.1**

	Consolidated		University	
	2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
Analysis of unsecured bank loans:				
Due between one and two years	2.8	2.7	2.8	2.7
Due between two and five years	17.6	14.4	17.6	14.4
Due in five years or more	204.6	210.6	204.6	210.6
	225.0	**227.7**	**225.0**	**227.7**

Notes to Financial Statements – continued

24. Creditors: falling due after more than one year continued

	Press Loans £'m	Loan 1 £'m	Loan 2 £'m	Loan 3 £'m	Total £'m
Bank Loans					
Amount borrowed	2.0	25.0	25.0	200.0	**252.0**
Amount outstanding at 31 July 2018	2.0	2.7	25.0	200.0	**229.7**
Interest rate		5.13 %	5.07 %	2.55%	**-**
Final repayment date		April 2019	June 2047	June 2045	**-**
Amount due within one year	2.0	2.7	–	–	**4.7**
Amount due between one and two years	–	–	–	2.8	**2.8**
Amount due between two and five years	–	–	–	17.6	**17.6**
Amount due after five years	–	–	25.0	179.6	**204.6**
	2.0	**2.7**	**25.0**	**200.0**	**229.7**

During 2007, the University entered into an agreement with Technikos LLP to fund the Institute of Biomedical Engineering over a 15-year period following completion of a new building. The building was completed on 1 October 2007. Cash of £12m had been received from Technikos by July 2010. The total balance that had not been set against costs at 31 July 2018 was £2.5m in Creditors over one year, £0.8m in Creditors: under one year.

The University entered into an agreement with Oxford Sciences Innovation plc (OSI) in 2015/16. In return for 50% of its stake in each company spun out from Medical Science and Mathematical, Physical and Life Sciences over a period of 15 years, the University received a 5% non-dilutable stake in OSI. This stake was initially valued at £17.5m but an additional fundraising has taken place since of £9.3m. The investment is treated as deferred income and is released to the Statement of Comprehensive Income over the 15-year period of the agreement. The amount due to be released in 2018/19 is included in Creditors: within one year, with the remaining balance included in Creditors over one year.

Bond

On 9 December 2017, the University issued £750m of 2.54% unsecured bonds due December 2117. The bonds were issued at 99.3% of their principal amount and the proceeds of issue, less directly attributable transaction costs amounted to £744.7m. The bonds are listed on the London Stock Exchange. Interest at 2.54% is payable on December each year. Unless previously redeemed, the bonds will be redeemed at their principal amount of £750m on 7 December 2117. After initial recognition of the bonds at proceeds of issue less all transactions costs directly attributable to the issue, the bonds are measured at amortised cost using the effective interest rate method. Under this method the discount at which the Bonds were issued and the transaction cost are accounted for as additional interest expense over the term of the bonds.

Notes to Financial Statements – continued

25. Financial instruments

The carrying values of the Group and the University's financial assets and liabilities are summarised by the categories below:

Financial assets	Note	2018 incl Press £'m	2017 excl Press £'m
Measured at fair value through the profit or loss			
Derivative financial assets maturing within 12 months		2.0	-
Derivative financial assets maturing after more than 12 months		0.3	-
Global and private equities, public equity, spinout companies	16	491.4	2,115.1
Measured at undiscounted amount receivable			
Trade and other receivables	19	510.1	232.7
Equity instruments measured at cost less impairment			
Current asset unlisted investments	19	160.5	109.5
		1,164.3	**2,457.3**

Financial liabilities	Note	2018 incl Press £'m	2017 excl Press £'m
Measured at fair value through profit or loss			
Derivative financial liabilities maturing within 12 months		2.4	-
Derivative financial liabilities maturing after more than 12 months		0.9	-
Measured at amortised cost			
Bond		744.7	-
Loans payable	23,24	229.7	230.3
Measured at undiscounted amount payable			
Liabilities due after more than one year		37.9	32.4
Trade and other payables	23	222.5	68.3
		1238.1	**331.0**

Derivative Financial Instruments

Derivatives that are designated and effective as hedging instruments are carried at fair value.

Nature and Extent of Risks Arising from Financial Instruments

In the ordinary course of its activities, the University manages a variety of financial risks including credit risk, liquidity risk, market or interest rate risk and foreign currency risk.

Credit risk

Credit risk is the risk that the University would incur a financial loss if a counterparty were to fail to discharge its obligations to the University. The University is exposed to credit risk in respect of its financial assets held with various counterparties. The University aims to minimise its counterparty credit risk exposure by monitoring the size of its credit exposure to, and the creditworthiness of, counterparties, including setting appropriate exposure limits and maturities.

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties raising cash to meet its obligations when they fall due. Obligations are associated with financial liabilities and capital commitments. The University monitors its exposure to liquidity risk by regularly monitoring its liabilities and commitments and holding appropriate levels of liquid assets. Liquidity and cash forecasts are reviewed by the Director of Finance on a regular basis.

Market Risk

The University seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Interest rate risk

The University is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. The University takes into account the

Notes to Financial Statements – continued

25. Financial instruments continued

possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions. The University's main financing relates to 100 year bonds. The interest rate attached to the bond is fixed over the term.

Foreign currency risk

Risk analysis is an integral part of University's investment decision making and portfolio management. Geographical and foreign currency exposures and the liquidity of the underlying portfolio are consistently evaluated. An in-house performance and risk system has been developed to provide the ability to review The Oxford Funds' performance, understand the risks and evaluate them on a real-time basis.

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 Press Group Treasury manages foreign currency transactional exposure in relation to forecast foreign currency sales and purchases by the publishing business units. In order to manage the foreign currency risk, Group Treasury enters into foreign currency forward contracts and/or foreign exchange swaps, with approved counterparties, to hedge the volatility in cash flows due to fluctuations in exchange rates.

The approach adopted by The Press Group Treasury to assess prospective effectiveness of hedging instruments in hedging hedged items is an economic basis.The Press Group Treasury puts in place hedging instruments on an economic basis in the context of forecast transactions relating to a financial year, and periodically assesses the degree to which an economic correspondence remains, to ensure that the degree of effectiveness of the hedge in mitigating any currency volatility is reported. To the extent that there exist either over-hedging in terms of quantum, or timing differences between the hedging instrument and the forecast exposure hedged item, an ineffective portion is calculated.

Consolidated and University	Current		Non-current	
	2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
Forward foreign currency contracts for investments	-	417.2	-	-
Forward foreign currency contracts for publishing - assets	2.0	-	0.3	-
Forward foreign currency contracts for publishing - liabilities	(2.4)	-	(0.9)	-
Forward foreign currency contracts for research	58.0	53.6	-	-
	57.6	**470.8**	**(0.6)**	**-**

Such contracts are initially recognised at fair value on the date on which the contract is entered into and are subsequently re-measured to fair value. Forward currency contracts are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value are recognised in Statement of Comprehensive Income. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The nominal value of current research hedging contracts in place at 31 July 2018 was £58m and the contracts when marked to market showed an unrealised loss of £0.1m. In 2017 the value was £53.6m and the contracts, when marked to market, showed an unrealised gain of £1.3m.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (i.e. a hedge against a highly probable forecast cash flow) is recognised in the effective portion of changes in fair value of cash flow hedges. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness recognised in the Statement of Comprehensive Income.

26. Pension scheme provisions

Deficit recovery plans - provisions re defined benefit pension schemes treated as defined contributions schemes.

Consolidated	USS £'m	OSPS £'m	Other £'m	Total £'m
At 1 August 2017	142.2	50.6	1.3	**194.1**
Utilised in year	-	-	(0.5)	**(0.5)**
(Release)/additions in year	(13.2)	(5.6)	0.1	**(18.7)**
Interest release	2.6	0.8	-	**3.4**
At 31 July 2018	**131.6**	**45.8**	**0.9**	**178.3**

University	USS £'m	OSPS £'m	Other £'m	Total £'m
At 1 August 2017	138.5	50.3	1.3	**190.1**
Utilised in year	-	-	(0.5)	**(0.5)**
(Release)/additions in year	(12.7)	(5.5)	-	**(18.2)**
Interest release	2.6	0.8	-	**3.4**
At 31 July 2018	**128.4**	**45.6**	**0.8**	**174.8**

The University is a member of the Universities Superannuation Scheme (USS) and Oxford Staff Pension Scheme (OSPS) multi-employer pension schemes, both of which are in deficit. The University has recognised a provision for its commitments under the agreed deficit reduction plans for each scheme. In calculating these provisions the University has estimated that salary numbers will increase at an average of 3% pa for future years for OSPS and 3% pa for USS, and pay rates will increase by 2% pa for all staff and the liability is discounted at a 15 year corporate bond rate of 2.2% (2017: 1.9%). A sensitivity analysis to changes in salary and discount rate changes is shown in note 35.

The University (including the Press) has also recognised a provision in respect of pension provisions for retired staff members of Federated Superannuation System for Universities and Employees' Pension Scheme who receive pension supplements and other unfunded commitments (see note 35).

Defined Benefit Pension Scheme Provisions as defined benefits

	Consolidated £'m	University £'m
At 1 August 2017 – Press	196.5	196.5
Employer contributions in excess of service charge	(0.6)	(0.6)
Net interest on net defined benefit liability	4.8	4.8
Remeasurement of liability recognised in comprehensive income	(32.3)	(32.3)
At 31 July 2018	**168.4**	**168.4**

Press pensions

The Press operates a number of staff retirement schemes throughout the world.

The actuarial net gain for the year of £32.3m comprised a gain on the Group Pension Scheme of £30.1m and net gains on other schemes of £2.2m. The decrease in the actuarial loss in the year was due to the changes in gilt yields and inflation rates.

Notes to Financial Statements – continued

27. Other provisions

Consolidated	Building dilapidation Tinbergen £'m	Building dilapidation Castle Mill £'m	Other £'m	Total £'m
At 1 August 2017 - excl Press	20.5	2.1	4.2	**26.8**
At 1 August 2017 - Press	-	-	1.3	**1.3**
At 1 August 2017 - Total	**20.5**	**2.1**	**5.5**	**28.1**
Transfer from income and expenditure account	3.9	3.6	0.4	**7.9**
Utilised in year	(2.4)	(0.4)	(0.5)	**(3.3)**
At 31 July 2018	**22.0**	**5.3**	**5.4**	**32.7**

University	Building dilapidation Tinbergen £'m	Building dilapidation Castle Mill £'m	Other £'m	Total £'m
At 1 August 2017 - excl Press	20.5	2.1	3.3	**25.9**
At 1 August 2017 - Press	-	-	1.3	**1.3**
At 1 August 2017 - Total	**20.5**	**2.1**	**4.6**	**27.2**
Transfer from income and expenditure account	3.9	3.6	(0.2)	**7.3**
Utilised in year	(2.4)	(0.4)	(0.5)	**(3.3)**
At 31 July 2018	**22.0**	**5.3**	**3.9**	**31.2**

The "Other" provision relates to provisions for tax, potential repayments to a sponsor and permanent health insurance provided by the Press. The building dilapidations provisions relate to remedial work on Castle Mill graduate accommodation and costs associated with the closure and demolition of the Tinbergen Building.

Notes to Financial Statements – continued

28. Endowment funds

There are no endowments within the Press.

Permanent endowments

Consolidated	Unrestricted Capital £'m	Unrestricted Unapplied return £'m	Unrestricted Total £'m	Restricted Capital £'m	Restricted Unapplied return £'m	Restricted Total £'m	Total £'m
Capital – Original gift	80.2	–	**80.2**	272.7	–	**272.7**	**352.9**
Capital – Indexation reserve	24.5	–	**24.5**	54.5	–	**54.5**	**79.0**
Unapplied return	–	161.5	**161.5**	–	235.3	**235.3**	**396.8**
Balance as at 31 July 2017	**104.7**	**161.5**	**266.2**	**327.2**	**235.3**	**562.5**	**828.7**
Investment income less expenses	–	(0.2)	**(0.2)**	–	(0.6)	**(0.6)**	**(0.8)**
New endowments	0.3	–	**0.3**	5.5	–	**5.5**	**5.8**
Reclassification to expendable endowments	–	–	**-**	–	(4.8)	**(4.8)**	**(4.8)**
Indexation	2.6	(2.6)	**-**	8.2	(8.2)	**-**	**-**
Market value gains	–	21.8	**21.8**	–	99.3	**99.3**	**121.1**
Released to unrestricted reserves	–	(10.6)	**(10.6)**	–	(16.7)	**(16.7)**	**(27.3)**
Balance as at 31 July 2018	**107.6**	**169.9**	**277.5**	**340.9**	**304.3**	**645.2**	**922.7**
Represented by:							
Capital – Original gift	80.5	–	**80.5**	278.2	–	**278.2**	**358.7**
Capital – Indexation reserve	27.1	–	**27.1**	62.7	–	**62.7**	**89.8**
Unapplied return	–	169.9	**169.9**	–	304.3	**304.3**	**474.2**
	107.6	**169.9**	**277.5**	**340.9**	**304.3**	**645.2**	**922.7**

University	Unrestricted Capital £'m	Unrestricted Unapplied return £'m	Unrestricted Total £'m	Restricted Capital £'m	Restricted Unapplied return £'m	Restricted Total £'m	Total £'m
Capital – Original gift	29.6	–	**29.6**	269.8	–	**269.8**	**299.4**
Capital – Indexation reserve	13.9	–	**13.9**	54.5	–	**54.5**	**68.4**
Unapplied return	–	153.8	**153.8**	–	238.2	**238.2**	**392.0**
Balance as at 31 July 2017	**43.5**	**153.8**	**197.3**	**324.3**	**238.2**	**562.5**	**759.8**
Investment income less expenses	–	(0.2)	**(0.2)**	–	(0.6)	**(0.6)**	**(0.8)**
New endowments	0.3	–	**0.3**	5.7	–	**5.7**	**6.0**
Reclassification to expendable endowments	–	–	**-**	–	(4.8)	**(4.8)**	**(4.8)**
Indexation	1.1	(1.1)	**-**	8.2	(8.2)	**-**	**-**
Market value gains		17.4	**17.4**	–	99.3	**99.3**	**116.7**
Released to unrestricted reserves	–	(7.9)	**(7.9)**	–	(16.8)	**(16.8)**	**(24.7)**
Balance as at 31 July 2018	**44.9**	**162.0**	**206.9**	**338.2**	**307.1**	**645.3**	**852.2**
Represented by:							
Capital – Original gift	29.9	–	**29.9**	275.5	–	**275.5**	**305.4**
Capital – Indexation reserve	15.0	–	**15.0**	62.7	–	**62.7**	**77.7**
Unapplied return	–	162.0	**162.0**	–	307.1	**307.1**	**469.1**
	44.9	**162.0**	**206.9**	**338.2**	**307.1**	**645.3**	**852.2**

Notes to Financial Statements – continued

28. Endowment funds continued

As required by Charities Law, to apply Total Return Accounting to permanent endowments the University has made a significant judgement as to the rate at which expenditure can be made against unapplied return. This ensures that benefit can be derived both now and in perpetuity.

This is achieved by the investment of endowment funds within the Oxford Collegiate Feeder Fund which returns each year a cash dividend of 4% of holding value. The University considers 4% to represent a reasonable estimate of the long-term return on investment achievable above inflation.

A transfer to unrestricted reserves for restricted permanent endowments expenditure is recognised to the extent of the spend in the year against the restricted purposes and for unrestricted permanent endowments the transfer to unrestricted reserves is based on the long-term real rate of return which is estimated at 4%.

To ensure the preservation of original endowment capital in real terms the University has adopted a policy of indexing brought forward permanent endowment capital each year by the Consumer Price Index (CPI).

Restricted expendable endowments

	Consolidated			University		
	Capital £'m	Accumulated income £'m	Total £'m	Capital £'m	Accumulated income £'m	Total £'m
Balance as at 31 July 2017	**146.7**	**14.0**	**160.7**	**146.7**	**14.0**	**160.7**
New endowments	36.4	-	**36.4**	36.4	-	**36.4**
Reclassification	-	4.8	**4.8**	-	4.8	**4.8**
Transfer from creditors	4.6	1.1	5.7	4.6	1.1	**5.7**
Investment income less expenses	-	(0.3)	**(0.3)**	-	(0.3)	**(0.3)**
Market value gains	-	37.0	**37.0**	-	37.0	**37.0**
Expenditure	-	(6.4)	**(6.4)**	-	(6.4)	**(6.4)**
Balance as at 31 July 2018	**187.7**	**50.2**	**237.9**	**187.7**	**50.2**	**237.9**

Endowment assets

To ensure that endowment gifts provide the greatest benefit possible and where appropriate to ensure that their charitable benefit is maintained in perpetuity the University invests unspent endowment reserves and capital in a mixture of investment vehicles. These balances are recognised on the Balance Sheet within the balances held for Investments and Cash and Cash Equivalents as follows:

Investments	Note	Consolidated 2018 £'m	Consolidated 2017 £'m	University 2018 £'m	University 2017 £'m
Oxford Funds		951.9	-	893.1	-
Global equities		6.2	5.6	6.2	5.6
Private equity		-	183.7	-	183.7
Public equity		-	449.6	-	404.4
Investment property		39.7	73.7	39.7	73.7
Credit		-	72.2	-	72.2
Pledges		18.5	8.5	18.5	8.5
Third party managed		81.6	95.7	81.2	72.1
Other assets		0.7	46.5	0.7	46.5
	16	**1,098.6**	**935.5**	**1,039.4**	**866.7**
Current asset investments		17.0	35.7	15.1	35.7
Cash and cash equivalents		45.0	18.2	35.6	18.1
Balances as at 31 July 2018		**1,160.6**	**989.4**	**1090.1**	**920.5**

Notes to Financial Statements – continued

28. Endowment funds continued

Endowment purposes

Endowments, both permanent and expendable, fall into the following categories for the year to 31 July 2018.

	Balance at 1 August 2017 £'m	Investment gains £'m	Investment income less expenses £'m	New endowments £'m	Expenditure and transfer £'m	Transfer from Creditors £'m	Balance at 31 July 2018 £'m
General academic	**365.1**	52.0	(0.4)	23.5	(14.0)	5.7	**431.9**
Academic posts	**288.8**	49.5	(0.4)	11.4	(10.2)	-	**339.1**
Scholarship funds	**272.2**	45.6	(0.2)	3.7	(6.9)	-	**314.4**
Support for libraries and museums	**40.2**	7.8	(0.1)	3.6	(2.2)	-	**49.3**
Societies	**17.7**	1.6	-	-	(0.1)	-	**19.2**
Prize funds	**5.4**	1.6	-	-	(0.3)	-	**6.7**
Total	**989.4**	**158.1**	**(1.1)**	**42.2**	**(33.7)**	**5.7**	**1,160.6**

Material endowments

The following endowment funds are considered to be individually material to the University:

	Nuffield Benefaction £'m	James Martin 21st Century Foundation £'m	Moritz-Heyman £'m
Balance as at 31 July 2017			
Capital – Original gift	3.1	50.6	49.6
Capital – Indexation reserve	0.7	10.6	2.0
Unapplied return	94.3	7.9	22.4
	98.1	**69.1**	**74.0**
Investment gains and income	7.4	3.9	12.5
Expenditure	(2.5)	(2.8)	(2.2)
Balance as at 31 July 2018	**103.0**	**70.2**	**84.3**
Represented by:			
Capital – Original gift	3.1	50.6	49.6
Capital – Indexation reserve	0.8	12.1	3.3
Unapplied return	99.1	7.5	31.4
	103.0	**70.2**	**84.3**

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

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 or other projects to support disadvantaged students or applicants.

Total return accounting can lead to negative unapplied total return especially in the short term as the total return

Notes to Financial Statements – continued

28. Endowment funds continued

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 (2017:NIL).

29. Restricted reserves

The University has received charitable donations and gifts with restricted purposes falling into the following categories.

All reserves generated by the Press are for unrestricted purposes.

Consolidated	As at 31 July 2017 £'m	New donations & grants £'m	Restricted expenditure £'m	As at 31 July 2018 £'m
General academic	**18.4**	11.9	(10.8)	**19.5**
Academic posts	**2.6**	2.4	(1.7)	**3.3**
Scholarship funds	**7.1**	5.7	(5.6)	**7.2**
Support for libraries	**1.2**	1.9	(1.2)	**1.9**
Support for museums	**1.9**	1.3	(1.1)	**2.1**
Donated heritage assets	**54.3**	1.2	-	**55.5**
Mixed use buildings	**2.5**	-	-	**2.5**
	88.0	**24.4**	**(20.4)**	**92.0**

University	As at 31 July 2017 £'m	New donations & grants £'m	Restricted expenditure £'m	As at 31 July 2018 £'m
General academic	**18.4**	11.9	(10.8)	**19.5**
Academic posts	**2.6**	2.4	(1.7)	**3.3**
Scholarship funds	**7.1**	5.7	(5.6)	**7.2**
Support for libraries	**1.2**	1.9	(1.2)	**1.9**
Support for museums	**1.9**	1.3	(1.1)	**2.1**
Donated heritage assets	**54.3**	1.2	-	**55.5**
Mixed use buildings	**2.5**	-	-	**2.5**
	88.0	**24.4**	**(20.4)**	**92.0**

Notes to Financial Statements – continued

30. Linked charities

The University administers, either directly or indirectly, a number of charitable institutions. Under paragraph 28(1) of Schedule 3 of the Charities Act 2011, these institutions are referred to as "paragraph 28" or "linked" charities. They fall under the umbrella of the University's charitable status and are exempt from registration with the Charities Commission. The University maintains a detailed register of its linked charities and for those with income of more than £100k publishes information via its gateway page at: www.ox.ac.uk/about/organisation/university-as-a-charity. The financial results of those linked charities are disclosed below.

The Colleges of the University are specifically excluded from being Connected Charities under the 2011 Charities Act being established as charitable entities in their own right.

	As at 31 July 2017 £'m	Incoming resources including investment gains £'m	Outgoing resources and expenditure £'m	As at 31 July 2018 £'m
James Martin 21st Century (UK) Trust	**69.1**	4.4	(3.3)	**70.2**
The Gray Laboratory Cancer Research Trust	**(0.1)**	1.4	(1.4)	**(0.1)**
Aggregated into the University Financial Statements				
University of Oxford Development Trust Fund	**1,298.4**	68.4	(11.6)	**1,355.2**
Oxford University Law Foundation	**0.6**	0.1	-	**0.7**
Excluded from the University and group accounts as they are not controlled by the University				
Oxford University Boat Club	**3.9**	0.3	(0.3)	**3.9**
Oxford University Rugby Club	**0.1**	0.3	(0.3)	**0.1**
Oxford University Women's Boat Club	**0.1**	0.3	(0.3)	**0.1**
Out of the Blue	**0.1**	-	(0.1)	**-**
Smaller sports charities	**0.2**	1.3	(1.1)	**0.4**
Smaller non-sports charities	**0.4**	0.3	(0.1)	**0.6**
Excluded from the University and group accounts as the University does not derive direct benefits from their activities				
Nuffield Dominions Trust	**27.6**	9.9	(0.4)	**37.1**
College Contributions Fund	**65.0**	9.6	(2.5)	**72.1**

Further details about the University's Connected charities are available via the University's gateway page at www.ox.ac.uk/about/organisation/university-as-a-charity.

31. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2018.

	Consolidated		University	
	2018 incl Press £'m	2017 excl Press £'m	2018 incl Press £'m	2017 excl Press £'m
At the end of the year the University had major capital commitments for building projects as follows:				
Contracted for:	40.6	104.0	40.6	104.0
At the end of the year the University had commitments to invest additional funds within its investment portfolio				
	-	331.0	-	331.0

At 31 July 2018, the University had no commitments to invest additional funds as investments committed by the new Collegiate Feeder Fund are not University commitments.

Notes to Financial Statements – continued

32. Contingent liabilities

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 the value not falling below £100m.

On 29 June 2007, the University entered into an agreement with the Trustees of the Oxford University Press Group Pension Scheme to eliminate the scheme deficit over a period of years. As security for the payment by the University of its agreed contributions to the Oxford University Group Pension Scheme, the University has granted a floating charge of up to £50m over certain assets held by the Press.

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. Lease obligations

Total rentals payable under operating leases:

	Land and buildings			
	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Payable during the year	**4.6**	**4.8**	**4.6**	**4.8**
Future minimum lease payments due:				
Not later than 1 year	12.1	3.0	11.8	3.0
Later than 1 year and not later than 5 years	24.8	11.1	27.2	11.1
Later than 5 years	36.4	21.0	38.3	21.0
Total lease payments due	**73.3**	**35.1**	**77.3**	**35.1**

	Other equipment			
	Consolidated		University	
	2017/18 incl Press £'m	2016/17 excl Press £'m	2017/18 incl Press £'m	2016/17 excl Press £'m
Payable during the year	**4.3**	**-**	**3.3**	**-**
Future minimum lease payments due:				
Not later than 1 year	1.8	-	1.1	-
Later than 1 year and not later than 5 years	1.8	-	1.1	-
Later than 5 years	-	-	-	-
Total lease payments due	**3.6**	**-**	**2.2**	**-**

Notes to Financial Statements – continued

34. Related Parties

During the year ended 31 July 2018 the University had transactions with entities and individuals which fell within the definition of Related Parties under Section 33 of FRS 102. Transactions are disclosed where key management personnel, including all 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 Council or Senior Officer was also a director or trustees of the related party. This excludes the colleges which are separate legal entities.

Related party	Nature of relationship	Income £'000	Expenditure / transfers £'000	Balance due to/ (from) the University £'000
Adaptimmune Limited	A senior manager is a non-executive director	114	-	1
British Academy	Member of Council is a Fellow	73	73	47
BTG International Ltd	A senior manager is a non-executive director	13	-	-
Engineering & Physical Sciences Research Council	Member of Council is a member of Peer Review College	1,021	-	(11,364)
Hong Kong Baptist University	Member of Council is a visiting professor	17	-	-
Imperial College London	A pro-vice-chancellor is a member of two advisory boards and a member of Council is a visiting professor	932	1,395	101
JISC Collections and Janet Limited	A pro-vice-chancellor is a trustee	-	1,662	-
John Wiley & Sons Inc	A pro-vice-chancellor is an editorial board member for a journal	279	36	(7)
Max Planck Institute	Member of Council is a member of the Scientific Advisory Board	119	13	-
Medical Research Council	Member of Council is a Strategy Board member	87	723	(5,092)
Nanjing University	Member of Council is a researcher	75	-	-
Optical Society of America	A pro-vice-chancellor is a researcher	-	19	-
Oxford Archaeology Limited	Member of Council is a trustee	-	88	-
Oxford Sciences Innovation Plc	A senior manager is a non-executive director	14	-	-
Research Libraries UK	Member of Council is a director	-	11	-
Rhodes University Sa	Member of Council is a visiting professor	12	-	-
The Company of Biologists Ltd	Member of Council is the Chairman and a trustee	-	18	-
The Russell Group of Universities	Vice-Chancellor sits on the board	-	75	-
UK Biobank Limited	Member of Council is the CEO	-	636	(7)
University and College Union (UCU)	2 Member of Council are members	44	-	10
Universities UK	Vice-Chancellor is a member of the board of directors	-	214	(95)
University of Calgary	Member of Council is a Research Professor	271	-	(37)
Wellcome Trust	3 centres are directed by Oxford academics	42	85	1,837
Transactions with joint ventures and associates:				
Jenner Vaccine Foundation		138	-	(21)

Notes to Financial Statements – continued

34. Related Parties continued

The results have been restricted to a minimum limit of £10k for either Income or Expenditure.

There were no transactions in the year between the University and key management personnel other than remuneration.

The University of Oxford, in the form of 'The Chancellor Masters and Scholars of the University of Oxford', is the ultimate controlling entity of the group consolidated into these Financial Statements. It has a number of wholly owned subsidiaries, as set out in note 17, which as per Section 33 of FRS 102 are not considered to be related parties.

During the year, the University made grants and other payments totalling £733k (2017: £488k) to the Oxford SU (formerly OUSU) and its wholly-owned subsidiary.

The Alan Turing Institute: The Institute has been created as a government initiative to fund a national centre for data science and analysis, and is a joint venture between five universities who are all making grants to the Institute. The University as a founding partner has agreed to make a grant of £5m to the new Institute. The unpaid commitment has been recorded as a creditor at 31st July 2018.

Bond issue: During the year the University issued a 100-year bond. JP Morgan Cazenove (where a member of Council is a vice chairman) were the sole book runner for the bond. This member of Council did not participate in any of the University bond meetings and recused himself from Council meetings for connected items.

Oxford Sciences Innovation plc (OSI): The University has signed a 15-year agreement with OSI for the funding and development of spinout companies based on research from the Maths, Physical and Life Sciences and Medical Sciences Divisions. The University has a 5% equity non-dilutable stake in OSI and a further indirect holding of 4% through the Oxford Collegiate Feeder Fund.

The University provides support to spinout companies in which it has invested via Oxford University Innovation.

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	**2018** **£'m**	**2017** **£'m**
Medical Research Council	58.3	56.8
Science and Technology Facilities Council	11.6	10.4
Engineering and Physical Sciences Research Council	42.7	42.8
Arts & Humanities Research Council	3.5	4.0
Biotechnology & Biological Sciences Research Council	12.6	11.3
Natural Environmental Research Council	7.7	6.3
Economic & Social Research Council	5.9	5.2
	142.3	**136.8**

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 £55.6m to the colleges via its Joint Resource Allocation Method (JRAM) (see note 10) out of HEFCE/OFS funding and fee income (2017: £53.9m).

The University made a final payment of £1m to the College Contributions Fund in 2018 (2017: £1m). The Fund finances a scheme which provides support to colleges with relatively low assets. The University agreed to make these payments to help build up a permanent endowment to provide income grants. Grants are awarded to colleges to improve services in key areas, including the provision of bursaries, scholarships, libraries, IT, and teaching support.

Notes to Financial Statements – continued

34. Related Parties continued

Other areas of interaction with the colleges are as follows:

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

Other external funds/trusts: Certain external trusts provide research and other funding to the University and some colleges. A number of these trusts (note 28) are allowed to participate in the Oxford Collegiate Feeder Fund, and such assets held on their behalf by the University are included in the deduction from Fixed Asset Investments (see note 16).

35. 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 Oxford University Press (OUP) Group scheme (for UK employees). The schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and pensionable salary) and until April 2016 were contracted out from the State Second Pension Scheme. The assets of the schemes are each held in separate trustee-administered funds. USS and OSPS 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 102 paragraph 28.11, 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. From 1 October 2017 OSPS introduced a defined contribution section for new entrants and closed the existing defined benefit scheme and from 1 April 2018 changes introduced will break the final salary link for certain members. The OUP Group scheme is a single employer scheme under FRS102 and is therefore accounted for as a defined benefit scheme.

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.

As the only employer in the OUP Group scheme, any funding shortfall falls on the University.

The University also has a small number of staff in other pension schemes, including the National Health Service Pension Scheme (NHSPS), the Superannuation Arrangements of the University of London (SAUL) and the Medical Research Council Pension Scheme (MRCPS). The University's participation in NHSPS is in respect of employees who meet certain eligibility criteria, including being an active member of the scheme prior to joining the University. 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 whose units transferred from other MRC funded institutions. Pension schemes are also provided for employees contracted in other countries according to the laws and regulations of those countries.

The University has made available a National Employment Savings Trust for non-employees who are eligible under automatic enrolment regulations to pension benefits.

Schemes accounted for under FRS 102 paragraph 28.11 as defined contribution schemes

Actuarial valuations

The last full actuarial valuation of the NHSPS was performed as at 31 March 2012. The 2012 valuation reported scheme liabilities of £240bn. 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 agreed that the employer contributions rate would increase from 14.0% to 14.3% from 1 April 2015. With the introduction of the new pension arrangements based on Career Average Revalued Earnings, the 2015 Scheme, the contributions will be 14.3% for a four-year period and the rate will be reassessed at the next valuation to be carried out as at 31 March 2016. NHSPS is in a similar position to USS in that in the event of the withdrawal of a participating employer the remaining participating employers will assume responsibility for any increased contributions arising.

Notes to Financial Statements – continued

35. Pension schemes continued

The last full actuarial valuation of SAUL was performed as at 31 March 2017. The 2017 valuation reported a surplus on a technical provisions basis of £56m and was 102% funded. From 1 April 2016 the employers' contribution rate increased by 3% to 16% for the period to 31 March 2020 in accordance with the deficit recovery plan. On 1 April 2016 a number of changes were made to the benefits provided including closure of the final salary plan, with all members now building up benefits on a Career Average Revalued Earnings basis at an accrual rate of 1/75ths. In SAUL the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

Qualified actuaries periodically value the USS, OSPS, MRCPS, OUP group and SAUL 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.

	USS	OSPS
Date of valuation:	31/03/2014	31/03/2016
Date valuation results published:	24/07/2015	28/04/2017
Value of liabilities:	£46.9bn	£661m
Value of assets:	£41.6bn	£528m
Funding surplus / (deficit):	(£5.3bn)[a]	(£133m)[b]
Principal assumptions:		
• Investment return	5.2% [c] pa	-
• Rate of interest (periods up to retirement)	-	Gilts' +1.2%
• Rate of interest (periods up after retirement)	-	Gilts' +1.2%
• Rate of increase in salaries	RPI + 1%pad	RPI + 1%pa
• Rate of increase in pensions	CPI pad	Average RPI/CPI pa
Mortality assumptions:		
• Assumed life expectancy at age 65 (males)	24.2 yrs	22.4 yrs
• Assumed life expectancy at age 65 (females)	26.3 yrs	24.7 yrs
Funding Ratios:		
• Technical provisions basis	89%	80%
• Statutory Pension Protection Fund basis	82%	67%
• 'Buy-out' basis	54%[e]	42%
• Estimated FRS 102 Total Funding level	77%[e]	82%
Recommended employer's contribution rate (as % of pensionable salaries):	18%[e]	23%, decreasing to 19% from 01/08/2017[f]
Effective date of next valuation:	31/03/2017	31/03/2019

a. USS's actuarial valuation as at 31 March 2014 takes into account the revised benefit structure effective 1 April 2016 agreed both by the Joint Negotiating Committee and the Trustee in July 2015 following the Employers' consultation which concluded in June 2015. Key changes agreed include: for Final Salary section members, the benefits built up to 31 March 2016 were calculated as at that date using pensionable salary and pensionable service immediately prior to that date and going forwards will be revalued in line with increases in official pensions (currently CPI); all members accrue a pension of 1/75th and a cash lump sum of 3/75ths of salary each year of service in respect of salary up to a salary threshold, initially £55,000 pa, with the threshold applying from 1 October 2016; member contributions are 8% of salary; a defined contribution benefit for salary above the salary threshold at the total level of 20% of salary in excess of the salary threshold; and optional additional contributions payable into the defined contribution section from 1 October 2016 of which the first 1% of salary is matched by the employer. Further details about the changes may be reviewed on

Notes to Financial Statements – continued

35. Pension schemes continued

USS' website, www.uss.co.uk. For the period up to 1 April 2016 the employer deficit contribution was 0.7% pa of salaries based on the assumptions made. After allowing for those changes, the actuary established a long-term employer contribution rate of 18% pa of salaries for the period from 1 April 2016 to 31 March 2031. On the assumptions made and with the salary threshold and defined contribution section implemented this gives rise to deficit contributions of at least 2.1% p.a of salaries. At 31 March 2018 USS reported that the estimated funding deficit was £8.4 bn (88% funded).

b. OSPS' actuarial valuation as at 31 March 2016 identified a required long-term employer contribution rate of 17.3% of total pensionable salaries, with a funding deficit of £133m. The valuation results reflect a number of changes to benefits that were agreed following an Employers' consultation in early 2017, including from 1 April 2017 a change in indexation based on the average of RPI and CPI; from 1 October 2017 a defined contribution section for new entrants and from 1 April 2018 breaking the final salary link for certain members and increased employee contributions. The actuary has certified that the recovery plan should eliminate the deficit by 30 June 2027. The next triennial valuation is due with an effective date of 31 March 2019.

c. USS' actuary has assumed that the investment return is 5.2% in year 1, decreasing linearly to 4.7% over 20 years.

d. USS' actuary has assumed that general pay growth will be CPI in year 1, CPI + 1% in year 2 and RPI + 1% pa thereafter. It is assumed that CPI is based on the RPI assumption (market derived price inflation of 3.6% pa less an inflation risk premium) less RPI/CPI gap of 0.8% pa.

e. As noted above (note a) the USS employer contribution rate is 18% of salaries from 1 April 2016. Prior to that date it was 16% of salaries. The total employer contributions include provisions for the cost of future accrual of defined benefits (DB) (net of member contributions to the DB section), deficit contributions, administrative expenses of 0.4% of salaries and from the implementation of the salary threshold the employer contribution towards defined contribution benefits including employer matching contributions and certain investment management costs relating to the DC section.

f. As noted above (note b), the OSPS employer contribution rate required for future service benefits in the defined benefit section alone is 17.3% of total pensionable salaries from 1 April 2018. The employer contribution rate was 23% from 1 August 2016 to 31 July 2017. It was agreed that employer contribution rate would be 19% for both defined benefits members and defined contributions members who join on or after 1 October 2017. Part of contribution for defined contribution members would be paid to the defined benefit section to cover the deficit recovery plan, the provision of ill-health and death-in-service benefits and the expenses of administering the defined contribution section.

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:

USS		
Assumption	Change in assumption	Impact on USS liabilities
Initial discount rate	increase / reduce by 0.25%	decrease / increase by £0.8bn
Discount rate in 20 years' time	increase / reduce by 0.25%	decrease / increase by £1.1bn
RPI inflation	increase / decrease by 0.1%	increase / decrease by £0.8bn
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £0.5 bn
OSPS		
Assumption	Change in assumption	Impact on OSPS liabilities
RPI inflation	increase / decrease by 1%	decrease / increase by £73m
Rate of salary growth	increase / decrease by 0.5%	increase / decrease by £13m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £18m

Notes to Financial Statements – continued

35. Pension schemes continued

Deficit recovery plans

In line with FRS 102 paragraph 28.11A, the University has recognised a liability for the contributions payable for the agreed deficit funding plan. The principal assumptions used in these calculations are tabled below:

	OSPS	USS
Finish date for deficit recovery plan	30/06/2026	31/03/2031
Average staff number increase	3.00%	3.00%
Average staff salary increase	2.00%	2.00%
Average discount rate over period	1.95%	2.20%
Effect of 0.5% change in discount rate	2.5m	8.3m
Effect of 1% change in staff growth	3.3m	8.3m

A provision of £178.3m has been made at 31 July 2018 (2017–£194.1m) for the present value of the estimated future deficit funding element of the contributions payable under these agreements, using the assumptions shown. The provision reduces as the deficit is paid off according to the pension recovery scheme.

Pension charge for the year

The pension charge recorded by the University during the accounting period (excluding pension finance costs) was equal to the contributions payable after allowance for the deficit recovery plan as follows:

Scheme	2017/18 £'m	2016/17 £'m
Universities Superannuation Scheme	59.3	63.5
Press Group scheme - UK	14.1	-
Press Group - Overseas schemes	7.7	-
University of Oxford Staff Pension Scheme	6.6	14.5
NHS Pension Scheme	3.9	4.0
MRC	0.5	0.5
Other schemes – contributions	0.2	1.5
Total	**92.3**	**84.0**

These amounts include £10.8m (2017: £8.6m) contributions payable to defined contribution schemes at rates specified in the rules of those plans.

Included in other creditors are pension contributions payable of £13.3m (2017: £11.1m).

Notes to Financial Statements – continued

35. Pension schemes continued

Defined benefit schemes accounted for as such

Press pensions

The Press operates a number of staff retirement schemes throughout the world. The total pension cost for the group charged to operating profit was £21.8m, of which £7.7m relates to overseas schemes.

Of the amount charged to operating profit £9.9m represents contributions payable to defined contribution schemes at rates specified in the rules of those plans.

Amounts recognised in the balance sheet were as follows:

Scheme	**2018 £'m**
Group Pension Scheme	
Present value of funded obligations	(758.9)
Fair value of scheme assets	597.0
	(161.9)
Overseas schemes	
Present value of funded obligations	(8.3)
Fair value of scheme assets	7.2
	(1.1)
Present value of unfunded obligations	(5.4)
	(168.4)
Amounts in the balance sheet	
Liabilities	(772.6)
Assets	604.2
	(168.4)
Amounts recognised in the Statement of Comprehensive Income were as follows:	
Current service cost	(21.8)
Net interest on net defined benefit liability	(4.8)
Total	**(26.6)**

Included in employee contributions in the year was £3.0m (2017: £3.4m) relating to the salary sacrifice scheme.

The net pension liability for the year of £168.4m comprised a loss on the Group Pension scheme of £161.9m and net losses on other schemes of £6.5m. The reduction in the actuarial deficit in the year was due to a gain on the liabilities as a result of changes to the assumptions and market movements during the year.

The major scheme ('the Group Pension Scheme') is a funded defined benefit pension scheme providing retirement benefits to UK employees based on final pensionable salary and length of service. The assets of the scheme are held in a separate trustee-administered fund. The most recent triennial valuation for funding purposes was performed as at 31 March 2015 revealing a shortfall (technical provisions minus value of assets) of £26m. A recovery plan was prepared by the Trustees of the Group Pension Scheme on 9 February 2016 and agreed with The Chancellor, Masters and Scholars of the University of Oxford, through the Delegates of the Press trading as Oxford University Press. Under the recovery plan, the Press paid a contribution of £7m into the Scheme in February 2016 and agreed that the remaining funding shortfall will be eliminated by continued Press contributions of 19% pa of pensionable salaries. As at 1 April 2016, this rate of 19% pa of pensionable salaries exceeded the Press's future service contribution rate for CARE benefits of 12.4% pa of pensionable salaries. At the valuation date, based on market conditions at that date, the funding shortfall was expected to be eliminated by 30 September 2022 at the latest. For the year beginning 1 August 2018, based on the estimated pensionable salaries at that date, it is expected that the contribution paid will be about £7.7m.

There is a charge of £50m in favour of the Trustees over specified Press assets as protection against any outstanding past service deficit.

Notes to Financial Statements – continued

35. Pension schemes continued

Changes in the present value of the defined benefit obligation of the Group Pension Scheme were as follows:	**2017/18 £'m**
Plan liabilities at 1 August	769.1
Employer service cost	11.7
Interest cost	19.2
Plan participants' contributions	3.2
Remeasurement of the defined benefit obligation	(30.1)
Benefits paid from plan assets	(14.2)
Plan liabilities at 31 July	**758.9**

Changes in the fair value of the Group Pension Scheme assets were as follows:	**2017/18* £'m**
Market value at 1 April	579.7
Interest income	14.5
Return on scheme assets greater/(less) than discount rate	1.7
Benefits paid from plan assets	(14.2)
Employer contributions	12.1
Employee contributions	3.2
Market value at 31 March	**597.0**

The group expects to contribute £7.7m to the Group Pension Scheme in the year 2018/19.

The major categories of the Group Pension Scheme assets as a percentage of total scheme assets were as follows:	**2018**
Equities	23.5%
Corporate bonds	5.8%
Gilts	0.5%
Property	4.5%
Threadneedle Dynamic Real Return	10.1%
M&G Episode Allocation	10.0%
Hedge funds	8.0%
Indexed linked bonds	34.4%
Cash and other	3.2%
	100.0%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) in relation to the Group Pension Scheme were:	**2018**
Discount rate	2.6%
Price inflation (RPI)	3.4%
Price inflation (CPI)	2.4%
Rate of salary increase*	3.9%
Pension increases for in-payment benefits	2.4%
Pension increases for deferred benefits	2.4%
Scheme participant census date	31/03/2015

* plus promotional salary scale

Notes to Financial Statements – continued

35. Pension schemes continued

Expected lifetime

The expected lifetime of a participant who is age 60 and the expected lifetime (from age 60) of a participant who will be aged 60 in 15 years are shown in years below. The mortality tables used for the 2018 FRS102 disclosures are the SAPS2 normal tables based on amounts, with multipliers of 90% for males and 95% for females. Allowance has been made for future improvements in line with CMI core projections (CMI 2014) with a 1.25% pa long-term trend from 2007 and CMI 2017 core projections with a 1.25% pa long-term trend from 2015.

	2018 FRS 102 assumptions	
Age	Males	Females
60	27.7	29.3
60 in 15 yrs	28.8	30.5

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are estimated below:

Assumption	Change in Assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by c. 2.4%
CPI Inflation	Increase/decrease by 0.1%	Increase/decrease by c. 2.0%
Salary	Increase/decrease by 0.1%	Increase/decrease by c. 0.4%
Base table multipliers	Increase/decrease by 5%	Decrease/increase by c. 1.5%
Future mortality improvements	1.25% pa to 1.5% pa long-term trend	Increase by c. 1.5%–2.0%

The actuarial gains and losses recognised in the combined statement of comprehensive income arose from changes in assumptions concerning the discount rate, price inflation, and pension commutation to cash.

A copy of the full actuarial valuation report and other further details on the scheme are available on the relevant website: www.uss.co.uk, www.nhsbsa.nhs.uk/Pensions, www1.admin.ox.ac.uk/finance/epp/pensions/schemes/osps/, www.saul.org.uk/, www.ouppensions.com.

Notes to Financial Statements – continued

36. Inclusion of the Press

This is the first financial year for which the University has prepared its accounts including the activities of the Press and its subsidiaries. The accounting policies, auditor opinion, governance statements, statement of internal control, operational review and financial review all reflect the inclusion of the activities of the Press from 1 August 2017. However, activities of the Press have not been included in the results shown for the financial year 2016/17. This exclusion was driven by three factors:

(1) Stock sampling was not carried out in July 2016 to support opening balance sheet for the Press and its subsidiaries for the financial year 2016/17;

(2) Reconstruction of opening balance sheet values through tracking of stock sufficient for audit purposes would have been prohibitively resource-intensive and risked significant delay to the production of the University's financial statements; and

(3) Material risk that an audit opinion could not be provided on reconstructed opening balance sheet values for the Press and its subsidiaries for the financial year 2016/17.

It should be noted that from financial year 2018/19 onwards, prior year balances will reflect the activities of the Press and its subsidiaries.

	Group aggregated at 1 August 2017			
Balance Sheet	**As reported £'m**	**Press £'m**	**Adjustments £'m**	**Total £'m**
Intangible assets and goodwill	1.2	78.8	-	**80.0**
Property, plant and equipment	1,365.7	60.6	-	**1,426.3**
Heritage assets	85.3	-	-	**85.3**
Investments	2,158.5	109.1	-	**2,267.6**
	3,610.7	**248.5**	**-**	**3,859.2**
Current assets				
Intangibles assets - pre-publication	-	19.7	-	**19.7**
Inventories and work-in-progress	2.9	78.2	-	**81.1**
Trade and other receivables				
- due within one year	232.7	300.8	-	**533.5**
- due after one year	5.9	0.5	-	**6.4**
Investments	109.5	190.5	-	**300.0**
Cash and cash equivalents	287.5	68.0	-	**355.5**
	638.5	**657.7**	**-**	**1,296.2**
Creditors: amounts falling due within one year	(535.9)	(238.0)	-	**(773.9)**
Total assets less current liabilities	**3,713.3**	**668.2**	**-**	**4,381.5**
Creditors: amounts falling due after more than one year	(260.1)	(7.9)	-	**(268.0)**
Provisions for liabilities				
Pension provisions	(194.1)	(196.5)	-	**(390.6)**
Other provisions	(26.8)	(1.3)	-	**(28.1)**
Total net assets	**3,232.3**	**462.5**	**-**	**3,694.8**
Reserves				
Endowment reserves				
- Permanent	828.7	-	-	**828.7**
- Expendable	160.7	-	-	**160.7**
Restricted reserves				
- Income and expenditure reserve	88.0	-	-	**88.0**
Unrestricted reserves				
- Income and expenditure reserve	2,154.9	461.0	-	**2,615.9**
Minority Interest	-	1.5	-	**1.5**
Total reserves	**3,232.3**	**462.5**	**-**	**3,694.8**

Notes to Financial Statements – continued

36. Inclusion of the Press continued

Balance sheet	University aggregated 1 August 2017 As reported £'m	Press £'m	Adjustments £'m	Total £'m
Intangible assets and goodwill	1.4	75.1	-	**76.5**
Property, plant and equipment	1,364.7	51.6	-	**1,416.3**
Heritage assets	85.3	-	-	**85.3**
Investments	2,094.9	188.2	-	**2,283.1**
	3,546.3	**314.9**	**-**	**3,861.2**
Current assets				
Intangibles assets - pre-publication	-	18.6	-	**18.6**
Inventories and work-in-progress	1.3	59.5	-	**60.8**
Trade and other receivables				
- due within one year	233.0	245.7	-	**478.7**
- due after one year	5.9	25.7	-	**31.6**
Investments	107.5	145.4	-	**252.9**
Cash and cash equivalents	272.5	75.1	-	**347.6**
	620.2	**570.0**	**-**	**1,190.2**
Creditors: amounts falling due within one year	(525.2)	(201.3)	-	**(726.5)**
Total assets less current liabilities	**3,641.3**	**683.6**	**-**	**4,324.9**
Provisions for liabilities				
Creditors: amounts falling due after more than one year	(260.1)	(29.1)	-	**(289.2)**
Pension provisions	(190.1)	(196.5)	-	**(386.6)**
Other provisions	(25.9)	(1.3)	-	**(27.2)**
Total net assets	**3,165.2**	**456.7**	**-**	**3,621.9**
Reserves				
Endowment reserves				
- Permanent	759.8	-	-	**759.8**
- Expendable	160.7	-	-	**160.7**
Restricted reserves				
- Income and expenditure reserve	88.0	-	-	**88.0**
Unrestricted reserves				
- Income and expenditure reserve	2,156.7	456.7	-	**2,613.4**
Total reserves	**3,165.2**	**456.7**	**-**	**3,621.9**

Notes to Financial Statements – continued

36. Inclusion of the Press continued

The effects on the current year figures of the inclusion of the Press are as below:

Statement of Comprehensive Income	Group for the year ended 31 July 2018			
	University-Academic and other £'m	Press £'m	Adjustments £'m	Total £'m
Income				
Tuition fees and education contracts	332.5	-	-	**332.5**
Funding body grants	186.9	-	-	**186.9**
Research grants and contracts	579.1	-	-	**579.1**
Publishing income	-	798.0	-	**798.0**
Other income	386.5	46.9	(205.6)	**227.8**
Investment income	13.1	5.2	-	**18.3**
Total income before donations	**1,498.1**	**850.1**	**(205.6)**	**2,142.6**
Donations and endowments	93.2	-	-	**93.2**
Donation of heritage assets	1.2	-	-	**1.2**
Total income	**1,592.5**	**850.1**	**(205.6)**	**2,237.0**
Expenditure				
Staff costs	745.4	255.6	**-**	**1,001.0**
Staff costs - movement in pensions provision	(18.7)	-	-	**(18.7)**
Operating expenditure	582.0	442.0	-	**1,024.0**
Depreciation/amortisation	112.0	33.5	-	**145.5**
Interest and other finance costs	22.3	6.3	-	**28.6**
Total expenditure	**1,443.0**	**737.4**	**-**	**2,180.4**
Surplus/(deficit)	**149.5**	**112.7**	**(205.6)**	**56.6**
Gains on investments	286.2	3.6	18.5	**308.3**
Share of surplus/(deficit) on Joint Ventures	2.5	(1.2)	-	**1.3**
Surplus before tax	**438.2**	**115.1**	**(187.1)**	**366.2**
Taxation	(0.7)	(10.6)	-	**(11.3)**
Minority Interest	-	(0.2)	-	**(0.2)**
Surplus after tax	**437.5**	**104.3**	**(187.1)**	**354.7**
Changes in defined benefit pension scheme liability	-	32.3	-	**32.3**
Other Comprehensive Income	-	17.6	(18.5)	**(0.9)**
Effective portion of changes in fair value of cash-flow hedges	-	3.8	-	**3.8**
Total Comprehensive Income	**437.5**	**158.0**	**(205.6)**	**389.9**
Represented by:				
Unrestricted comprehensive income for the year	262.3	158.0	(205.6)	**214.7**
Endowment comprehensive income for the year	171.2	-	-	**171.2**
Restricted comprehensive income for the year	4.0	-	-	**4.0**
	437.5	**158.0**	**(205.6)**	**389.9**

Notes to Financial Statements – continued

36. Inclusion of the Press continued

Statement of Comprehensive Income	**University for the year ended 31 July 2018**			
	University-Academic and other	**Press**	**Adjustments**	**Total**
	£'m	**£'m**	**£'m**	**£'m**
Income				
Tuition fees and education contracts	319.3	-	-	**319.3**
Funding body grants	186.9	-	-	**186.9**
Research grants and contracts	575.7	-	-	**575.7**
Publishing Income	-	646.2	-	**646.2**
Other income	345.4	37.0	(205.6)	**176.8**
Investment income	12.9	5.9	-	**18.8**
Total income before donations	**1,440.2**	**689.1**	**(205.6)**	**1,923.7**
Donations and endowments	93.2	-	-	**93.2**
Donation of heritage assets	1.2	-	-	**1.2**
Total income	**1,534.6**	**689.1**	**(205.6)**	**2,018.1**
Expenditure				
Staff costs	726.8	205.3	**-**	**932.1**
Staff costs - movement in pensions provision	(18.2)	-	-	**(18.2)**
Operating expenditure	540.6	368.3	-	**908.9**
Depreciation/amortisation	111.8	30.6	-	**142.4**
Interest and other finance costs	22.3	5.7	-	**28.0**
Total expenditure	**1,383.3**	**609.9**	**-**	**1,993.2**
Surplus/(deficit)	**151.3**	**79.2**	**(205.6)**	**24.9**
Gains on investments	281.7	3.6	18.5	**303.8**
Share of surplus/(deficit) on Joint Ventures	3.7	(1.2)	-	**2.5**
Surplus/(deficit) before tax	**436.7**	**81.6**	**(187.1)**	**331.2**
Taxation	-	(1.9)	-	**(1.9)**
Surplus/(deficit) after tax	**436.7**	**79.7**	**(187.1)**	**329.3**
Changes in defined benefit pension scheme liability	-	32.3	-	**32.3**
Other Comprehensive income	-	20.5	(18.5)	**2.0**
Effective portion of changes in fair value of cash-flow hedges	-	3.8	-	**3.8**
Total Comprehensive Income	**436.7**	**136.3**	**(205.6)**	**367.4**
Represented by:				
Unrestricted comprehensive income for the year	263.1	136.3	(205.6)	**193.8**
Endowment comprehensive income for the year	169.6	-	-	**169.6**
Restricted comprehensive income for the year	4.0	-	-	**4.0**
	436.7	**136.3**	**(205.6)**	**367.4**

The adjustments reflect the Press transfer to the academic University and the transfer of a functional property to investment property with a subsequent revaluation.

Notes to Financial Statements – continued

36. Inclusion of the Press continued

Cash flow statement	Group for the year ended 31 July 2018			
	University-Academic and other £'m	Press £'m	Adjustments £'m	Total £'m
Cash flows from operating activities				
Surplus for the year	**437.5**	**158.0**	**(205.6)**	**389.9**
Adjustment for:				
Depreciation	112.4	6.0	-	**118.4**
Amortisation of intangibles	(0.3)	27.4	-	**27.1**
(Gain) on investments	(286.2)	(22.1)	-	**(308.3)**
Decrease in pre-publication cost	-	0.4	-	**0.4**
(Increase)/decrease in inventories	(0.5)	4.4	-	**3.9**
(Increase) in receivables	(10.9)	(0.9)	-	**(11.8)**
Increase in payables	73.4	2.1	-	**75.5**
Increase in other provisions	4.1	-	-	**4.1**
(Decrease) in pension provisions	(19.2)	(28.6)	-	**(47.8)**
Heritage assets non-cash donation	(1.2)	-	-	**(1.2)**
Taxation payable	0.7	10.6	-	**11.3**
Unrealised exchange rate (gain)/loss	(2.4)	5.0	-	**2.6**
Adjustment for investing or financing activities:			-	
Investment income	(13.1)	(5.2)	-	**(18.3)**
Interest payable	27.2	1.4	-	**28.6**
Endowment income	(47.9)	-	-	**(47.9)**
Capital grant income	(59.6)	-	-	**(59.6)**
Profit on disposal of property, plant and equipment	-	(0.3)	-	**0.3**
Net cash flows from operating activities	**214.0**	**158.2**	**(205.6)**	**166.6**
Cash flows from investing activities				
Proceeds from sale of property plant and equipment	-	2.4	-	**2.4**
Capital grants receipts	47.8	-	-	**47.8**
Proceeds from sale of intangible fixed assets	-	0.2	-	**0.2**
Tax received / paid	34.7	(13.9)	-	**20.8**
Payments to acquire heritage assets	(0.3)	-	-	**(0.3)**
Payments to acquire property, plant and equipment	(151.0)	(5.2)	-	**(156.2)**
Payments to acquire intangible assets	(0.2)	(22.7)	-	**(22.9)**
Net (investment)/disinvestment in current investments	73.4	-	-	**73.4**
Net disinvestment/(investment) in non-current investments	(1,008.7)	(3.7)	-	**(1,012.4)**
Investment income	9.6	5.2	-	**14.8**
Net cash flows from investing activities	**(994.7)**	**(37.7)**	**-**	**(1,032.4)**

Notes to Financial Statements – continued

36. Inclusion of the Press continued

Cash flow statement continued	University-Academic and other £'m	Press £'m	Adjustments £'m	Total £'m
	Group for the year ended 31 July 2018			
Cash flows from financing activities				
Interest paid on borrowings and finance leases	(6.5)	(1.4)	-	**(7.9)**
Endowment Cash Received	47.9	-	-	**47.9**
Repayment of borrowings	(2.5)	-	-	**(2.5)**
New borrowings	744.7	-	-	**744.7**
Net cash flows from financing activities	**783.6**	**(1.4)**	**-**	**782.2**
Net (decrease)/increase in cash and cash equivalents	**2.9**	**119.1**	**(205.6)**	**(83.6)**
Cash and cash equivalents at beginning of year - as reported	287.5	-	-	**287.5**
Cash and cash equivalents at beginning of year - Press	-	255.4	-	**255.4**
Cash and cash equivalents at beginning of year - total	**287.5**	**255.4**	**-**	**542.9**
Effect of foreign exchange rate changes	3.4	(3.9)	-	**(0.5)**
Transfer from Press to University	-	(205.6)	205.6	**-**
Cash and cash equivalents at end of year	**293.8**	**165.0**	**-**	**458.8**
Reconciliation to cash and cash equivalents				
Cash at bank and in hand	293.8	41.2	-	**335.0**
Term deposits	-	123.8	-	**123.8**
Cash and cash equivalents	**293.8**	**165.0**	**-**	**458.8**

Notes to Financial Statements – continued

36. Inclusion of the Press continued

Balance sheet	Group at 31 July 2018			
	University-Academic and other £'m	Press £'m	Adjustments £'m	Total £'m
Non-current assets				
Intangible assets and goodwill	1.7	73.7	-	**75.4**
Property, plant and equipment	1,397.3	57.3	-	**1,454.6**
Heritage assets	86.8	-	-	**86.8**
Investments	3,454.8	134.8	-	**3,589.6**
	4,940.6	**265.8**	**-**	**5,206.4**
Current assets				
Intangible assets - pre-publication	(0.1)	19.3	-	**19.2**
Inventories and work-in-progress	3.0	73.8	-	**76.8**
Trade and other receivables				
- due within one year	208.2	301.9	-	**510.1**
- due after one year	5.8	0.3	-	**6.1**
Investments	32.5	128.0	-	**160.5**
Cash and cash equivalents	293.6	41.4	-	**335.0**
	543.0	**564.7**	**-**	**1,107.7**
Creditors: amounts falling due within one year	(603.3)	(239.2)	-	**(842.5)**
Total assets less current liabilities	**4,880.3**	**591.3**	**-**	**5,471.6**
Creditors: amounts falling due after more than one year	(1,001.0)	(6.6)	-	**(1,007.6)**
Provisions for liabilities				
Pension provisions	(178.2)	(168.5)	-	**(346.7)**
Other provisions	(31.4)	(1.3)	-	**(32.7)**
Total net assets	**3,669.7**	**414.9**	**-**	**4,084.6**
Reserves				
Endowment reserves				
- Permanent	922.7	-	-	**922.7**
- Expendable	237.9	-	-	**237.9**
Restricted reserves				
- Income and expenditure reserve	92.0	-	-	**92.0**
Unrestricted reserves				
- Income and expenditure reserve	2,417.1	413.4	-	**2,830.5**
Minority Interest	**-**	**1.5**	**-**	**1.5**
Total reserves	**3,669.7**	**414.9**		**4,084.6**

Notes to Financial Statements – continued

36. Inclusion of the Press continued

Balance Sheet	University at 31 July 2018 University-Academic and other £'m	Press £'m	Adjustments £'m	Total £'m
Non-current assets				
Intangible assets and goodwill	1.8	70.6	-	**72.4**
Property, plant and equipment	1,396.3	48.8	-	**1,445.1**
Heritage assets	86.8	-	-	**86.8**
Investments	3,388.2	213.2	-	**3,601.4**
	4,873.1	**332.6**	**-**	**5,205.7**
Current assets				
Intangible assets - pre-publication	-	18.4	-	**18.4**
Inventories and work-in-progress	1.6	57.0	-	**58.6**
Trade and other receivables				
- due within one year	214.4	246.4	-	**460.8**
- due after one year	5.8	21.4	-	**27.2**
Investments	14.9	93.9	-	**108.8**
Cash and cash equivalents	263.0	28.5	-	**291.5**
	499.7	**465.6**	**-**	**965.3**
Creditors: amounts falling due within one year	(583.0)	(205.5)	-	**(788.5)**
Total assets less current liabilities	**4,789.8**	**592.7**	**-**	**5,382.5**
Creditors: amounts falling due after more than one year	(1,001.0)	(28.3)	-	**(1,029.3)**
Provisions for liabilities				
Pension provisions	(174.7)	(168.5)	-	**(343.2)**
Other provisions	(29.9)	(1.3)	-	**(31.2)**
Total net assets	**3,584.2**	**394.6**	**-**	**3,978.8**
Reserves				
Endowment reserves				
- Permanent	852.2	-	-	**852.2**
- Expendable	237.9	-	-	**237.9**
Restricted reserves				
- Income and expenditure reserve	92.0	-	-	**92.0**
Unrestricted reserves				
- Income and expenditure reserve	2,402.1	394.6	-	**2,796.7**
Total reserves	**3,584.2**	**394.6**	**-**	**3,978.8**

Notes to Financial Statements – continued

37. Post balance sheet event

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The extent to which the judgement will increase the liabilities in the Oxford Staff Pension Scheme and the OUP Group Pension Scheme is not possible to identify at this point. For the University's other defined benefit scheme, USS, the provision included within the financial statements at note 26 will only be impacted to the extent the change in benefits increases cash financing.

Graduate students before a lecture

Photography

p2 (*from top*) Oxford University Images/Rob Judges, Oxford University Images/Nasir Hamid, Mark Acres Oxford University Press, Ian Wallman; p3 (*from top*) Ian Wallman, Oxford University Images/Photovibe, John Cairns, Oxford University Images/Greg Smolonski; pp4,5,17 John Cairns; p22 Jack Hobhouse; p25 Oxford University Images/John Cairns; p73 Ian Wallman and p114 Oxford University Images/John Cairns.

Produced by the Finance Division, University of Oxford, 2018

Designed by the University of Oxford Design Studio