



Financial Statements

Year ended 31 July 2003

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Financial highlights

Results

During the year to 31 July 2003 (2002 figures are bracketed) the University Group:

- Generated turnover of £99.2 million (£91.1 million)
- Incurred an operating deficit of £0.6million (£2.9 million deficit)
- Generated an historical cost surplus of £354,000 (£1.5 million deficit)
- Increased income by £8.1 million, or 9% (£3.2 million)
- Increased expenditure by £5.9 million, or 6% (5.5 million)
- Generated a net inflow of cash from operating activities of £1.8 million (inflow 2002 - £8.2 million)
- Spent 58% (59%) of income on payroll costs

Financial strength

At the balance sheet date the University Group had:

- Cash and short-term deposits of £1.6 million (£7.4 million)
- Net current liabilities of £5.6 million (£2.6 million)
- Total net assets of £86.6 million (£86.2 million)

Investments and borrowings

During the year the University Group:

- Invested £24.9 million in acquiring tangible fixed assets (£17.4 million)
- Increased borrowing by £17.1 million (£5.9 million)

Staff and students

During the year the University Group:

- Employed 2,743 members of staff (2,797)
- Taught directly or through collaborative provision and distance learning higher education (HE) students, analysed as follows:

	Full-time	Other	2002-03 Total	2001-02 Total	Increase / (Decrease)
Home/EU					
Undergraduate	8,595	2,496	11,091	10,170	9%
Postgraduate	1,359	3,775	5,134	4,013	28%
International					
Undergraduate	1,100	195	1,295	1,110	16%
Postgraduate	615	349	964	921	5%
2002-03 Total HE students	11,669	6,815	18,484	16,214	14%
2001-02 Totals	10,703	5,511	16,214		
Increase / (Decrease)	9%	24%	14%		

Board of Governors

The membership of the Board for the year ended 31 July 2003 was as follows:

Independent members

Danby Bloch (Chair)	Director, Taxbriefs Limited
Neil Ashley	Chairman of a number of public companies
Lorna Beckford	International Diversity Consultant
Angela Coulter	Chief Executive, Picker Institute Europe
Margaret Dawes	Retired partner of KPMG
Geoff Donnelly (from 1 April 2003)	Self-employed management consultant
David Lewis	Senior partner, Norton Rose
Susan Purves	Vice President, Human Resources, Astra Zeneca Limited
Tim Stevenson (Deputy Chair)	Chairman of Travis Perkins plc
Martin Wilkinson	Self-employed financial and management consultant

Co-opted members

Tom Nuttall	President of the Students' Union
Ann Black	Elected representative of the non-teaching staff Senior analyst/programmer, Directorate of Learning Resources
Janet Thorn (to 21 November 2002)	Elected representative of the teaching staff Senior Lecturer in Nutrition, School of Biological and Molecular Sciences
Robert Langridge (from 21 November 2002)	Elected representative of the teaching staff Lecturer in Planning, School of Built Environment
Graham Badman	Strategic Director of Finance & Legal Services, Kent County Council
David Deeks	Co-ordinating Secretary for the Methodist Church
Shereen Karmali	Oxfordshire County Councillor

Ex officio

Professor Graham Upton	Vice-Chancellor, Oxford Brookes University
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Finance and Resources Committee

Danby Bloch (Chair)	Governor
Angela Coulter	Governor
Margaret Dawes	Governor
Tim Stevenson	Governor
Martin Wilkinson (Deputy Chair)	Governor

Audit Committee

Neil Ashley (Chair)	Governor
Stephen Dexter (Deputy Chair)	Partner, Grant Thornton
William Alden	Managing Director, The Alden Group
David Shelmerdine	Managing Director of Central England Audit & Consultancy
Graham Badman	Governor
Ray Mackie	Chairman of Universe Group plc
Robert Langridge (from 13 December 2002)	Governor
Ann Black (to 13 December 2002)	Governor

Remuneration Committee

Danby Bloch (Chair)	Governor
Shereen Karmali	Governor
Professor Graham Upton	Vice-Chancellor and Governor
Tim Stevenson	Governor
Margaret Dawes	Governor

Employment Committee

Danby Bloch (Chair)	Governor
Graham Badman	Governor
Shereen Karmali	Governor
Susan Purves	Governor
Lorna Beckford	Governor
Martin Wilkinson	Governor

Senior Management Team

Professor Graham Upton	Vice-Chancellor
Professor Linda Challis	Deputy Vice-Chancellor, Academic Affairs
Rex Knight	Deputy Vice-Chancellor and Registrar
Professor Susan McRae	Pro Vice-Chancellor, Research
Howard Colley	Pro Vice-Chancellor, Academic Development

Advisors

Bankers	Barclays Bank plc Oxford Corporate Banking Centre PO Box 858 11 West Way Oxford OX2 0XP		
External Auditors	Blueprint Audit Limited Clifton House Bunnian Place Basingstoke Hampshire RG21 7JE	Internal Auditors	KPMG 2 Cornwall Street Birmingham B3 2DL

Report of the Board of Governors for the year ended 31 July 2003

Period of accounts

The Board of Governors of Oxford Brookes University presents its results, including the results of its subsidiaries and associated companies, for the year ended 31 July 2003.

Financial review

The year 2002-03 has been one of very significant achievement. The University's strategic review was completed and we have planned out our route for the next seven years.

Following on from the disappointment of 2001-02, when the University incurred its first ever historical cost deficit, it is much more pleasing to be able to report to you the University's return to surplus in 2002-03, even if it is at the very modest level of £354,000. The major achievement of generating even this modest surplus is emphasised when it is considered that the University's original forecast for the year was a deficit of £3.7 million. This is a testament to all those staff who worked so hard to achieve this outcome.

	2003	2002	Increase/ (decrease)
	£000	£000	%
Income	99,217	91,076	9 %
Expenditure	99,985	94,113	6 %
Operating surplus/(deficit)	(622)	(2,953)	-
Historical cost (deficit)/surplus	354	(1,508)	-

Between 2001-02 and 2002-03 the University's total income increased by over £8 million, boosting the University's turnover to £99 million, and cost increases were contained at below £6 million. This is the first year since 1998 that the University has been able to contain its cost increases at below the level of the increases in Income. This is quite remarkable in a year where the University was again required to absorb cost increases far in excess of the inflation additions to its publicly funded activity - most notably on National Insurance, employers' pension costs and building and liability insurance.

The University's programme of restructuring and cost reduction was successfully concluded in the year at a cost some £1 million less than originally anticipated. Close working between the University and the trade unions led to the successful redeployment of many staff from redundant posts into vacant posts elsewhere in the University, minimising the distress for the individuals and cost to the University.

The programme of planned asset sales commenced and in the year surplus on sale of assets of £377,000 was achieved.

Other key areas of performance in the year are:

- total income from Funding Councils increased by 5.5% - up 30% over five years and accounts now for 34% of total income as compared to 38% five years ago
- income from research grants and contracts increased by over 17% - up more than 100% in five years
- income from undergraduate international fees has increased 12% - up 33% in five years
- postgraduate, short and full cost fees increased 43% - up 130% in five years
- Health authority contracts increased 17% - up 82% in five years.

The University estate

In 2002-03 the University finalised its estates strategy which will see increasing levels of investment over the next seven years as we address the backlog maintenance issues identified through a recent condition survey and respond to the changing needs of our stakeholders. In addition the completion of the University's development programme for halls of residence, which provides more than 1,000 additional residences, has allowed a critical review of the University's other student accommodation. The University has agreed to a programme of disposal of a number of houses and small less modern halls of residence, which commenced in 2002-03 and is expected to be completed in 2003-04.

During 2002-03:

- work commenced on the HEFCE funded project to improve access across the estate
- the former site of Milham Ford School in Oxford was acquired for conversion as the new home of the University's School of Health and Social Care. In addition, a property in Swindon was acquired to secure the School's activities there
- development of 750 units of student residential accommodation through the Public/Private Partnership was completed
- the first phase of Clive Booth Hall of Residence was completed.

The coming year

2003-04 is the year that the University will move forward on its new strategic path and will move the emphasis on to delivery and performance against strategic objectives. Priorities for the year are:

- implementing the project to enable semesters to be introduced by 2004
- targeting investment in the improvement of University research
- continuing the implementation of the University's Information Processes and Systems (IPS) strategy
- for the new School of Health and Social Care to be operational by September 2004
- commencing two major building projects, partially funded by the Higher Education Funding Council for England (HEFCE), which will result in the replacement of over 10,000m² of the University's estate
- completing the asset disposal programme which is intended to raise £6 million.

Employees

The University is committed to providing equal opportunities to all through its employment practices, services and access to its facilities. The University is striving to create a working environment where all employees and potential employees have fair and equal access to available opportunities and unbiased treatment.

The University continues to recognise its social and statutory duty to employ disabled persons and is doing all that is practicable to meet this responsibility. Full and fair consideration is given to the recruitment, training, career development and promotion of disabled persons, bearing in mind the aptitude and ability of the individual concerned.

The University is conscious of the need to keep employees informed of the progress and future plans of the University and of the mutual benefit that is engendered by good internal communications. This is achieved through staff representation on the Board of Governors and the Academic Board. In addition, the Joint Committees of Management and Staff provide valuable channels for communication and consultation on all matters. Employees are also informed of major developments by the distribution of committee papers and reports in the staff newsletter.

The University has agreed a Health and Safety Policy to meet its obligations as a corporate body. A Health and Safety Committee exists to ensure that the policy is followed and that issues of concern are investigated and resolved.

Insurance of Governors

The University maintains insurance for its Governors in respect of their duties as Governors of the University.

Creditor payment policy

The University generally pays creditors 30 days from invoice date unless specified otherwise in the terms of the contract. Group creditor days at 31 July 2003 amounted to 11 days. (2002: 18 days). The reason for the drop was the high capital expenditure during the year, on short payment terms.

Charitable status

Where activities undertaken by the University may fall outside the terms of its charitable status, these are undertaken through Oxford Brookes Enterprises Limited. The majority of the profits of that company are covenanted to the University annually, thereby minimising corporation tax on the profits generated. All the activities operated directly by the University are of a charitable nature and as such not liable to corporation tax.

Statement of Board of Governors' responsibilities

In accordance with the Education Reform Act 1988 the Board is responsible for the overall administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the requirements of HEFCE and the Statement of Recommended Practice on accounting in HE institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed with HEFCE, the Board, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board has to ensure that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board has taken reasonable steps to:

- ensure that funds from HEFCE, the Learning and Skills Council (LSC) and the Teaching Training Agency (TTA), are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and the funding agreements with the LSC and TTA, and any other conditions that the Funding Councils or Agency may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and to prevent and detect fraud
- secure the economical, efficient and effective management of the University's resources and expenditure.

Corporate governance statement

Introduction

The University is committed to best practice in all aspects of its corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The Board of Governors and Senior Management Team

The Board of Governors, which meets formally six times a year, is responsible for the University's long-term objectives and for strategies in relation to the educational character and mission of the University and for providing overall financial and organisational control. The Board comprises three executive and 14 non-executive governors and there is a clear separation of the role of the non-executive Chair from that of Chief Executive, the Vice-Chancellor. The Board has determined that the Vice-Chancellor shall be the person designated as responsible for satisfying the Board that all conditions of receiving and using grant aid from HEFCE have been met. The Board has also delegated the responsibility for the University's operations to the Vice-Chancellor who, supported by the Senior Management Team, implements the Board's policies and develops and manages the University's business.

A majority of the Board must by law be independent of the University, and they bring with them a wealth of expertise from their respective fields of business and professional activity. Board members are appointed in accordance with the requirements of the Education Reform Act 1988 and appointment processes and terms of office are laid out in the procedures for the appointment of Governors adopted by the Board. The normal term of appointment is four years, after which members may be eligible for reappointment. No Board member may serve for more than two consecutive terms of four years, other than the Vice-Chancellor and the student Governor, who may remain members as long as they hold the position of Vice-Chancellor and President of the Students' Union respectively.

Finance and Resources Committee

The purpose of the Finance and Resources Committee is to advise the Board on the following matters:

- advising the Vice-Chancellor on a recommendation to the Board for the coming year's recurrent and capital budgets, and on the cash flow forecast and draft balance sheet arising therefrom
- considering for approval by the Board a rolling five-year strategic plan, including financial plans (both revenue and capital) projected cash flow and balance sheets, taking account of the requirements of the Funding Councils
- recommending an estates strategy to the Board
- reviewing and recommending to the Board borrowing or other financial vehicles necessary to fund the strategy, and the release of funds for specific projects
- approving the acquisition or disposal of land and buildings
- advising the Board in their consideration of budget monitoring statements.

Audit Committee

The Audit Committee meets at least three times a year and is currently chaired by Mr Neil Ashley, a non-executive Governor of the University. A further two non-executive Governors, plus four co-opted members, comprise the Committee. The Committee is responsible for advising the Board on:

- the effectiveness of the internal audit service and ensuring that their recommendations are appropriately executed
- the effectiveness of the internal control and risk management procedures
- the work of the external auditors and whether they are effectively carrying out their responsibilities to the Board of Governors by reporting that the University's financial statements present a true and fair view of the year's activities
- the existence of satisfactory arrangements to promote economy, efficiency and effectiveness. The Committee is also responsible for recommending the approval of the Annual Accounts.

Remuneration Committee

The Remuneration Committee, chaired by Mr Danby Bloch, the Chair of the Board of Governors, and comprising three other non-executive governors and the Vice-Chancellor, meets as necessary to review the policy for the remuneration of the senior staff appointed by the Board of Governors. The Vice-Chancellor is excluded from matters concerning his/her own remuneration.

Employment Committee

The Employment Committee, also chaired by the Board of Governors and comprising five other non-executive governors, meets three times a year. It is responsible for overseeing the University's Human Resources (HR) Strategy for delivering policy, for the implementation of the HR Strategy and for such industrial relations and employment issues as may be referred to it by the Board of Governors or the Vice-Chancellor.

Senior Management Team and Vice-Chancellor's Advisory Group

The Senior Management Team of the University comprises the Vice-Chancellor, who has overall managerial responsibility, two Deputy Vice-Chancellors, each with specific areas of responsibility, which when combined cover all the activities of the University, and two Pro Vice-Chancellors with specific responsibility for learning and teaching, and research. The team meets on a fortnightly basis. On alternate weeks the team meets formally with the Deans of School and Directors, as the Vice-Chancellor's Advisory Group.

Academic Board

The Academic Board of the University is chaired by the Vice-Chancellor and comprises representatives of both the academic and related areas of the University who are appointed by election. The Academic Board is responsible for:

- general issues relating to the research, scholarship, teaching and courses at the University, including criteria for the admission of students; the appointment and removal of internal and external examiners; policies and procedures for assessment and examination of the academic performance of students; the content of the curriculum; academic standards and the validations and review of courses; the procedures for the award of qualifications and honorary academic titles; and the procedures for the exclusion of students for academic reasons
- considering the development of the academic activities of the University and the resources needed to support them and for advising the Vice-Chancellor and the Board of Governors thereon
- advising on such other matters as the Board of Governors or the Vice-Chancellor may refer to the Academic Board.

Internal control

The key elements of the University's systems of internal financial control, which are designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash-flow budgets
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review
- comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and the Board of Governors
- a professional internal audit team whose annual programme is approved by the Audit Committee.

Any systems of internal financial control can, however, only provide reasonable, but not absolute, assurance against material mis-statement or loss.

Risk management

The key elements of the University's approach during the year were:

- a workshop to update the University's approach and attitude to risk. This included active participation from senior managers and Governors
- a workshop to identify, evaluate and categorise by severity risks which impacted on the achievement of strategic objectives
- the production of an updated risk register
- the development of risk improvement plans to address the two highest categories of risk and the confirmation of the delegation of responsibility to manage the less significant risks
- regular monitoring by the Vice-Chancellor's Advisory Group of the risks with the highest category of severity and of the implementation of improvement plans
- the establishment of the Risk Management Working Group, a small group of senior managers, chaired by the Deputy Vice-Chancellor (Academic Affairs), to review both the output of the risk management process but also to consider

improvements and developments to the process itself. The Group assisted the Vice-Chancellor's Advisory Group by evaluating the adequacy of responses to the most severe risks and directly monitoring the second highest category of risks. The group also advised on the reports to the Board of Governors and Audit Committee, and reviewed the University's risk management policy. The Group has no delegated authority itself but provides an effective forum to allow the Deputy Vice-Chancellor (Academic Affairs) and the Director of Finance and Legal Services to fulfil their responsibilities

- regular reports both to the Board and the Audit Committee on the development of the process, the most severe risks and progress with improvement plans
- implementation of a training programme to ensure that all schools and directorates had a number of staff who had benefited from risk management training
- high level involvement and support which included the Vice-Chancellor taking an active part in three of the risk workshops and chairing the Vice-Chancellor's Advisory Group which considered the risk register and improvement plans and other reports on key aspects of the University's performance. All members of the Vice-Chancellor's Advisory Group took an active part in at least one of the various workshop
- that the Internal Audit team based their plan of work on the University's risk analysis, modified by their assessment. In addition, the Internal Audit Team reviewed the University's system of risk management
- that the University prepared a plan of improvement and refinement of its system of risk management for 2003-04 based upon the evaluation of the effectiveness of the system in operation for 2002-03.

Review of the effectiveness of internal control and risk management

At its meetings in October and December 2003 the Board considered the effectiveness of the arrangements for internal control and risk management that had been in place for the financial year to 31 July 2003. The Board concluded, based upon the report from the Vice-Chancellor, endorsed by the Vice-Chancellor's Advisory Group and the Annual Report of the Audit Committee, that the arrangements in place were satisfactory to provide effective internal control and risk management throughout the year.

Going concern

After making appropriate enquiries, the Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Danby Bloch
Chair of Governors

Professor Graham Upton
Vice-Chancellor

Independent auditors' report

We have audited the financial statements on pages 12 to 31, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 10 and 11.

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

Respective responsibilities of the Board of Governors

The Board of Governors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Audit Code of Practice issued by the Higher Education Funding Council for England (HEFCE), and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with HEFCE and with the Funding Agreement with the Teacher Training Agency (TTA).

We also report to you if, in our opinion, the Governors' report is not consistent with the financial statements, if the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Governors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Accounting Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by HEFCE. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the University's Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

Opinion

- The financial statements give a true and fair view of the state of the affairs of the University at 31 July 2003 and of the deficit and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions;
- In all material respects income from HEFCE and TTA, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- In all material respects income has been applied in accordance with the University's Articles of Government and, where appropriate, with the Financial Memorandum dated July 1998 with HEFCE, and with the Funding Agreement with the TTA covering 1 August 2002 to 31 July 2003.

Date: 16 December 2003
Blueprint Audit Limited
Registered Auditor
Basingstoke

Statement of principal accounting policies and estimation techniques

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of inherited land and buildings at valuation and in accordance with both the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions and applicable Accounting Standards.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the University and its subsidiaries and joint venture companies. The University's interests in joint ventures have been accounted for under the equity method.

The consolidated financial statements do not include those of the Oxford Brookes University Students' Union as it is an entity in which the University has no financial interest and no control or significant influence over policy decisions.

Recognition of income

Recurrent grant income from HEFCE, TTA and LSC represents the support received towards the education, training and research activities of the University and is credited direct to the income and expenditure account.

Income from research, other services rendered and specific donations has been included in the financial statements to the extent of related expenditure incurred during the period, including any contribution towards overhead costs. HEFCE research income is credited direct to the income and expenditure account.

Grants received for capital purposes are credited to the deferred capital grants account and released to match the related depreciation charges. Grants due but not received for expenditure incurred on tangible fixed assets are shown as other debtors and grants received but not yet utilised are shown as payments received on account.

All tuition fee income is presented on an accruals basis.

Tangible fixed assets

Assets are shown at cost, or, in the case of freehold and leasehold properties vested in the University under the Education Reform Act 1988, at valuation. The valuation as at 1 April 1991 was carried out by an independent firm of chartered surveyors and rating consultants on the basis of depreciated replacement cost in the case of buildings, except where a market value was more appropriate, and current use market value in the case of land.

The University has adopted the transitional arrangements under FRS15 (Tangible Fixed Assets). Those assets presented in the accounts based on valuation at 1 April 1991 will be retained at that valuation and will not be revalued in future years.

All buildings are regularly reviewed for indications of impairment. Where there is an impairment the difference between the assessed recoverable value of the building and its written down cost is charged to the Income and Expenditure Account.

Equipment costing less than £5,000 is generally written off in the year of acquisition. All other equipment is capitalised. Depreciation is provided on all capitalised tangible fixed assets, other than freehold land, at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	10 to 50 years
Leasehold property	Length of the lease
Building alterations and improvements	5 to 20 years
Educational equipment	3 to 10 years
Fixtures and fittings	5 to 10 years
Computer equipment	3 to 5 years
Motor vehicles	3 to 5 years

Stocks and work in progress

Catering, building maintenance, trading and other bulk stock holdings are included at the lower of cost and net realisable value. Work in progress is valued at actual cost. Library books and other consumable stocks held by academic departments are excluded.

Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University is registered for value-added tax (VAT) but is unable to recover input tax on the majority of its purchases, education and research being exempt activities under VAT legislation.

Maintenance of premises

The cost of maintenance is charged to the income and expenditure account as incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

Pension schemes

Retirement benefits to employees of the University are provided by defined benefit schemes that are funded by contributions from the University and employees. Payments are made to the Teachers' Pension Scheme, the Universities' Superannuation Scheme and the Local Government Pension Scheme administered by Oxfordshire County Council. These are all independently administered schemes. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

Revaluation reserve

The revaluation reserve represents the net book value at the balance sheet date of the tangible fixed assets to which the University acquired unrestricted title on 1 April 1989 as a result of the Education Reform Act 1988, less the amount outstanding on the relevant Consolidated Loans Fund at that date. A sum equal to the depreciation charge on these assets is transferred from the revaluation reserve to the income and expenditure account each year.

Operating leases

Rental costs in respect of operating leases are charged to the income and expenditure account in equal annual instalments over the periods of the leases.

Finance leases

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the purchase price of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as finance charges which are amortised over the lease term to give a constant rate of charge on the remaining balance of obligations.

Investments

Both short-term and long-term investments are included in the balance sheet at the lower of cost and net realisable value.

Consolidated income and expenditure account

	Notes	2003 £000	Restated 2002 £000
INCOME			
Funding Council grants	1	34,061	32,440
Academic fees and support grants	2	40,055	33,631
Research grants and support contracts	3	5,106	4,351
Other operating income	4	19,717	20,185
Interest receivable	5	278	469
Total income		99,217	91,076
EXPENDITURE			
Staff costs	6	57,825	53,868
Depreciation	11	4,461	5,041
Other operating expenses	8	35,302	33,339
Interest payable	9	2,397	1,865
Total expenditure	10	99,985	94,113
Deficit after depreciation of assets at valuation and before tax		(768)	(3,037)
Share of profit of joint ventures	13	146	84
Operating deficit after depreciation of assets at valuation and taxation		(622)	(2,953)

Note of historical cost surpluses and deficits

	Notes	2003 £000	Restated 2002 £000
Operating deficit after depreciation of assets at valuation		(622)	(2,953)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	976	1,445
		<u>354</u>	<u>(1,508)</u>

All the above results wholly relate to continuing operations.

Statement of consolidated total recognised gains and losses

	Notes	2003 £000	Restated 2002 £000
Operating deficit after depreciation of assets at valuation		(622)	(2,953)
Prior year adjustment	18	494	-
Total gains and losses recognised since last report		<u>(128)</u>	<u>(2,953)</u>

Consolidated balance sheet as at 31 July 2003

	Notes	2003 £000	Restated 2002 £000
Fixed assets			
Tangible assets	11	140,532	120,313
Investments	12	34	64
Share in gross assets of joint ventures		680	359
Share in gross liabilities of joint ventures		(882)	(707)
Share of net liabilities in joint venture	13	(202)	(348)
		140,364	120,029
Current assets			
Stocks and work in progress	14	270	270
Debtors - amounts falling due after one year	15	393	386
Debtors - amounts falling due within one year	15	6,355	6,902
Short term deposits	25	1,000	6,500
Cash at bank and in hand	25	631	903
		8,649	14,961
Creditors - amounts falling due within one year	16	(14,252)	(17,517)
Net current liabilities		(5,603)	(2,556)
Total assets less current liabilities		134,761	117,473
Creditors - amounts falling due after more than one year	17	(48,166)	(31,251)
Total assets less liabilities		86,595	86,222
Deferred capital grants	18	7,894	6,899
Reserves			
Revaluation reserves	19	46,286	47,262
Revenue reserves	20	32,415	32,061
Total Funds		86,595	86,222

These financial statements were approved by the Board on 5 December 2003 and signed on its behalf by:

Danby Bloch
Chair of Governors

Professor Graham Upton
Vice-Chancellor

Corporation balance sheet as at 31 July 2003

	Notes	2003 £000	Restated 2002 £000
Fixed assets			
Tangible assets	11	138,645	118,341
Investments	12	1,034	1,064
		139,679	119,405
Current assets			
Stocks and work in progress	14	187	166
Debtors - amounts falling due after one year	15	393	386
Debtors - amounts falling due within one year	15	6,429	7,769
Short term deposits		1,000	6,500
Cash at bank and in hand		407	-
		8,416	14,821
Bank loans and overdrafts	16	-	(452)
Creditors - amounts falling due within one year	16	(13,371)	(15,842)
Net current liabilities		(4,955)	(1,473)
Total assets less current liabilities		134,724	117,932
Creditors - amounts falling due after more than one year	17	(48,166)	(31,251)
Total assets less liabilities		86,558	86,681
Deferred capital grants	18	7,894	6,899
Reserves			
Revaluation reserves	19	46,286	47,262
Revenue reserves	20	32,378	32,520
Total Funds		86,558	86,681

These financial statements were approved by the Board on 5 December 2003 and signed on its behalf by:

Danby Bloch
Chair of Governors

Professor Graham Upton
Vice-Chancellor

Consolidated cash flow statement

	Notes	2003 £000	2002 £000
Net cash inflow from operating activities	22	1,820	8,241
Returns on investments and servicing of finance			
Interest received		278	469
Interest paid		(2,397)	(1,865)
Total cash outflow after investment return and servicing of finance		(2,119)	(1,396)
Taxation		18	-
Capital expenditure and financial investment			
Tangible fixed assets acquired	11	(24,897)	(17,363)
Proceeds from sale of fixed assets		594	-
Deferred capital grants received		1,743	779
Net cash outflow from investing activities		(22,560)	(16,584)
Acquisitions and disposals			
Sale of interest in a joint venture		-	321
Cash outflow before use of liquid resources and financing		(22,841)	(9,418)
Management of liquid resources	25	5,500	(6,074)
Financing			
New loans	24	18,000	24,532
Reimbursement of debt charges		-	185
Capital element of leases		(315)	-
Consolidated loan repayment		(80)	-
Repayment	24	(536)	(18,801)
		17,069	5,916
Reduction in cash	25	(272)	(9,576)

The principles of FRS1 have been adopted in presenting the cash flow statement. Cash at bank and in hand includes cash in hand and bank deposits repayable within 24 hours without penalty. All other bank deposits are included in short-term deposits.

Notes to the financial statements

1 – Funding Council grants

	2003	Restated 2002
	£000	£000
Recurrent grants		
Teaching: HEFCE	26,042	24,552
Teaching: TTA	2,832	3,004
Teaching: LSC	154	160
Research: HEFCE	2,145	2,405
Specific grants		
Reimbursement of debt charge interest	3	14
Special initiatives	2,215	1,582
Deferred grants released in year (Note 18)		
HEFCE	670	723
	34,061	32,440

2 – Academic fees and support grants

	2003	Restated 2002
	£000	£000
Full-time undergraduate students charged home fees	8,257	8,220
Full-time undergraduate students charged overseas fees	6,533	5,846
Part-time students	716	977
Research student tuition fees	348	349
Health authorities	8,338	7,147
Postgraduate, short and full-cost course fees	15,863	11,092
	40,055	33,631

The academic fee element of income from Health Authorities has been re-analysed in the current year. In previous years it has been disclosed under other operating income. The comparative figures have been restated.

3 – Research grants and support contracts

	2003	2002
	£000	£000
Research councils	1,008	914
UK-based charities	511	575
UK central government, local authorities	1,682	1,537
UK industry, commerce, public corporations	1,086	501
European Commission	522	555
Other EU	8	10
Other overseas	121	222
Other sources	168	37
	5,106	4,351

4 – Other operating income

	2003 £000	Restated 2002 £000
Residences, catering and conferences	11,775	11,513
Other services rendered	2,629	2,344
Health authorities	600	797
Profit on disposal of fixed assets	377	-
Sale of interest in joint ventures	-	222
Released from deferred capital grants (Note 18)	78	46
Other income	4,258	5,263
	<u>19,717</u>	<u>20,185</u>

5 – Interest receivable

	2003 £000	2002 £000
Bank interest	256	457
Other loan interest	22	12
	<u>278</u>	<u>469</u>

6 – Staff

	2003 £000	2002 £000
(a) Employment costs		
Wages and salaries	50,072	46,988
Social security costs	3,506	3,350
Other pension costs (Note 27)	4,043	3,317
Recruitment costs etc	204	213
	<u>57,825</u>	<u>53,868</u>

(b) Number of staff

The average number of employees during the year was made up as follows:

	Number	Number
Teaching and research including management	852	863
Part time lecturers	631	662
Administrative, professional, technical and clerical	1,012	999
Manual	248	273
	<u>2,743</u>	<u>2,797</u>

(c) Remuneration of higher paid staff (excluding employers' pension contributions)

	Number	Number
£70,001 - £80,000	7	1
£80,001 - £90,000	-	1
£90,001 - £100,000	1	1
£120,001 - £130,000	-	1
£130,001 - £140,000	1	-

7 – Emoluments of Governors

(a) The remuneration received by Governors of the University is wholly in respect of their duties as members of staff

(b) Governors receiving emoluments (excluding employers' pension contributions) were as follows:

	2003	2002
	£000	£000
Ann Black	32	30
Robert Langridge	41	33
Janet Thorn	35	33
Professor Graham Upton	137	128
	245	224

The other Governors received no remuneration.

(c) The emoluments of the Chair and highest paid Governors were:

	2003	2002
	£000	£000
Chairman: Danby Bloch	-	-
Highest paid Governor: Graham Upton:		
Salary	137	128
Benefit in kind	-	-
Employers' pension	69	13

During the year the Board, on the recommendation of the Remuneration Committee, approved the purchase of two additional years of service within the Universities' Superannuation Scheme for the Vice-Chancellor at an initial cost of £55,876. The Vice-Chancellor has agreed to bear 33% of the cost of this enhancement by a reduction in his salary of £4,656 in each of the next four years, commencing 2003-04. This arrangement was submitted to HEFCE for approval and approval was received in a letter dated 24 July 2003.

(d) Governors are eligible to join the pension scheme applicable to their post in the University. Details of these schemes are set out in Note 27.

8 – Other operating expenses

	2003	2002
	£000	£000
Severance payments	1,445	1,365
Premises related:		
Maintenance	6,436	7,321
Rent	3,741	2,906
Books, publications and periodicals	1,187	1,300
Information technology related equipment. Supplies and consumables	2,537	2,278
Other equipment supplies and consumables	836	780
Food and catering supplies and services	1,503	1,998
Stationery, photocopying and printing	790	1,263
Temporary staff, professional services and consultants	3,485	3,139
Other hired and contracted services	1,606	1,345
Examiners' fees	148	74
Communications and marketing	1,075	1,074
Placements, teaching practice and educational visits	791	517
Conferences, training and tuition fees	748	706
Subscriptions and copyright fees	465	679
Transport and travel related	2,282	2,440
Students' Union Grant	669	555
External auditors' remuneration in respect of audit services	49	43
Equipment operating lease rentals	568	443
Insurance	546	367
Other costs	4,395	2,746
	35,302	33,339

9 – Interest payable

	2003	2002
	£000	£000
Bank loans (repayable wholly or partly in more than five years)	2,089	1,483
Lease (repayable wholly or partly in more than five years)	305	333
Consolidated Loans Fund (repayable within five years, by instalments)	3	15
Other (including finance leases)	-	34
	2,397	1,865

10 – Analysis of expenditure by activity

	Staff costs	Depreciation	Other operating expenses	Interest payable	Total
	£000	£000	£000	£000	£000
Academic schools	36,051	135	8,004		44,190
Academic support services	4,221	47	2,417		6,685
Administration	8,556	283	9,289	58	18,186
Residences, catering and conferences	2,743	469	6,447	2,339	11,998
Premises	2,560	3,490	4,367		10,417
Research	1,913	20	2,591		4,524
Other costs	1,781	17	2,187		3,985
	<u>57,825</u>	<u>4,461</u>	<u>35,302</u>	<u>2,397</u>	<u>99,985</u>

The depreciation charge has been funded by:

	Note	2003 £000	Restated 2002 £000
Deferred capital grants released	18	748	769
Revaluation reserve released	19	976	1,445
General income		2,737	2,827
		<u>4,461</u>	<u>5,041</u>

11 – Tangible fixed assets

	Assets in course of construction £000	Freehold land and buildings £000	Long leasehold property £000	Equipment £000	Total £000
Group					
Cost or valuation					
At 1 August 2002	5,005	113,960	20,731	20,483	160,179
Additions	22,423	1,252	691	531	24,897
Disposals	-	(235)	-	(26)	(261)
At 31 July 2003	27,428	114,977	21,422	20,988	184,815
Depreciation					
At 1 August 2002	-	(18,294)	(2,699)	(18,873)	(39,866)
Charge for the year	-	(2,597)	(861)	(1,003)	(4,461)
Disposals	-	19	-	25	44
At 31 July 2003	-	(20,872)	(3,560)	(19,851)	(44,283)
Net book value					
At 31 July 2003	27,428	94,105	17,862	1,137	140,532
At 31 July 2002	5,005	95,666	18,032	1,610	120,313
Corporation					
Cost or valuation					
At 1 August 2002	5,005	112,163	20,494	19,393	157,055
Additions	22,423	1,252	691	511	24,877
Disposals	-	(235)	-	(26)	(261)
At 31 July 2003	27,428	113,180	21,185	19,878	181,671
Depreciation					
At 1 August 2002	-	(18,192)	(2,638)	(17,884)	(38,714)
Additions	-	(2,561)	(837)	(958)	(4,356)
Disposals	-	19	-	25	44
At 31 July 2003	-	(20,734)	(3,475)	(18,817)	(43,026)
Net book value					
At 31 July 2003	27,428	92,446	17,710	1,061	138,645
At 31 July 2002	5,005	93,971	17,856	1,509	118,341

As a result of the Education Reform Act 1988, freehold and leasehold properties occupied by the University together with the equipment contained therein were vested in the University with effect from 1 April 1989. A professional valuation was carried out in 1992 on the inherited buildings. The valuation, which was as at 1 April 1991, was on the basis of depreciated replacement costs in the case of buildings except where a market value was more appropriate and current use market value in the case of land. The total valuation amounted to £64,380,000.

The University has received grant funding from HM Treasury sources towards certain buildings with a cost of £2,836,000. If the University sells these buildings then it will be required to pay the proceeds to HM Treasury unless it is able to use the proceeds in accordance with the scheme set out within the Financial Memorandum with HEFCE. The largest single item affected is the library on the University's Headington Campus.

The Governors have considered the contractual terms of the Private Finance Initiative relating to the construction and management of the new Cheney halls of residence on land owned by the University:

- The design and construction of the accommodation is being undertaken by a private sector provider who will also operate the halls over a thirty-year period. It is estimated that construction costs will be £24 million. Under the agreement the University has the right to reserve all or part of the accommodation each year. At the end of the thirty-year agreement the legal ownership of the property will revert to the University at no cost. The tangible fixed assets do not include a valuation of this reversionary interest. If the asset had been developed directly by the University conventionally, at the cost indicated, then the application of the University's accounting policies would result in a net book value in 2033 of £9.4 million.
- The risk and rewards have been assessed in accordance with FRS5 – Substance of Transactions. The Governors consider that the substantial risks and rewards associated with the accommodation project have been transferred to the private sector provider. The accounts do not therefore include the Cheney halls of residence as an asset of the University.

The University is in the process of negotiating the sale of a portion of the land relating to Milham Ford. At the present time the asset is shown under assets under course of construction within fixed assets.

12 – Investments

	2003		2002	
	Group £000	Corporation £000	Group £000	Corporation £000
At 1 August	64	1,064	64	1,064
Additions	-	-	-	-
Less impairment	(30)	(30)	-	-
At 31 July	34	1,034	64	1,064

Investments include £34,000 for 34,093 ordinary shares in CVCP Properties plc. The investment of £30,000 in Resource for Urban Design Information Limited was written down to £1 during the year. The remaining investment of the corporation represents one million one hundred £1 shares in Oxford Brookes Enterprises Limited, a wholly owned subsidiary.

13 – Share of net liabilities of joint ventures – group

Joint Ventures	Issued share capital	% control	Country of incorporation	Activities
Oxford Institute of Legal Practice Limited	Limited by guarantee	50%	England & Wales	Legal courses
			2003 £000	2002 £000
Share of net liabilities as at 1 August			348	333
Share of profit for the year			(146)	(84)
Net liabilities eliminated on disposal of interest in joint venture*			-	99
Share of net liabilities as at 31 July			202	348
Group share of joint ventures' turnover			1,424	1,032
Group share of joint ventures' interest payable			21	37

*The University sold its 50% share in Oxford Bio-Innovation Limited in 2002 for £321,000, generating a profit on disposal of £222,000.

14 – Stocks

	2003		2002	
	Group £000	Corporation £000	Group £000	Corporation £000
Raw materials and consumables	270	187	270	166
	270	187	270	166

15 – Debtors

	2003		2002	
	Group £000	Corporation £000	Group £000	Corporation £000
Amounts falling due after more than one year				
Amount due from joint venture company	393	393	386	386
Amount falling due within one year				
Trade debtors	4,030	3,416	4,114	3,588
Amount due from subsidiary companies	-	962	-	2,142
Amount due from joint ventures	-	-	254	254
Prepayments and accrued income	2,130	1,914	1,917	1,649
Other debtors	195	137	599	136
Tax recoverable	-	-	18	-
	6,355	6,429	6,902	7,769

16 – Creditors: amounts falling due within one year

	2003		2002	
	Group £000	Corporation £000	Group £000	Corporation £000
Bank loans and overdraft	741	741	389	841
Amount repayable on Consolidated Loans Fund	-	-	80	80
Finance leases and other loans	197	197	315	315
Payments received in advance	5,767	5,474	4,357	4,215
Trade creditors	853	764	2,478	2,333
Social security costs	1,537	1,526	1,262	1,262
Accruals	2,360	1,862	7,460	6,072
Other creditors	2,797	2,807	1,176	1,176
	14,252	13,371	17,517	16,294

17 – Creditors: amounts falling due after more than one year

	2003		2002	
	Group £000	Corporation £000	Group £000	Corporation £000
Long-term bank loans (a)	41,069	41,069	23,957	23,957
Lease (b)	7,097	7,097	7,211	7,211
Finance Leases and other loans (c)	-	-	83	83
	48,166	48,166	31,251	31,251

- (a) The interest rates on the bank loans currently vary between 5.61% and 7.5%. The loans are due to be repaid by 2029 according to an agreed repayment schedule. These loans are secured on certain freehold properties.
- (b) In May 1999 the University granted a lease on a hall of residence for 10 years, extendable for a further 20 years by the University, to CITYTWOINC, a wholly owned subsidiary of a finance company, in exchange for a lease premium. In return CITYTWOINC granted a reciprocal lease to the University for a similar period for the payment of an annual lease that increases each year at the rate of 3%. If the University does not extend the lease at year 10, or for any reason it is necessary under the lease contract to cancel the lease, then the University is obliged to purchase the shares of CITYTWOINC at a price that ensures the return of any remaining net investment to the finance company.
- (c) The interest payable on the Consolidated Loans Fund is based on the average cost of borrowing by Oxfordshire County Council. This varies from year to year and was 5.68% for the year ended 31 March 2003 (2002: 6.085%). This debt was fully repaid in the year 2003 according to an agreed repayment schedule.

Maturity analysis of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term creditors and accruals at 31 July 2003, was as follows:

	2003		2002	
	Group £000	Corporation £000	Group £000	Corporation £000
Within 1 year	938	938	783	783
Between 2 and 5 years	10,669	10,669	6,858	6,858
Over 5 years by instalments	22,798	22,798	24,314	24,314
Over 5 years not by instalments	14,699	14,699	-	-
	49,104	49,104	31,955	31,955

18 – Deferred capital grants – group and corporation

	HEFCE	Other grants	Total
	£000	£000	£000
At 1 August 2002 (restated)			
Buildings	5,613	529	6,142
Equipment	683	74	757
Total	6,296	603	6,899
Receivable			
Buildings	5	1,495	1,500
Equipment	243	-	243
Total	248	1,495	1,743
Released to Income and Expenditure			
Buildings	444	32	476
Equipment	226	46	272
Total	670	78	748
At 31 July 2003			
Buildings	5,174	1,992	7,166
Equipment	700	28	728
Total	5,874	2,020	7,894

Prior year adjustment

A prior year adjustment has been included in the accounts to reflect a recalculation of deferred grant release. This has resulted in an increase in reserves of £372,000 in 2002, £170,000 in 2001 and a reduction of £49,000 in 2000.

19 – Revaluation reserve – group and corporation

This reserve relates to fixed assets transferred from Oxfordshire County Council at valuation less the outstanding balance on the Consolidated Loans Fund.

	2003	2002
	£000	£000
At 1 August	47,262	48,627
Transfer from income and expenditure account in respect of depreciation	(976)	(1,445)
Consolidated Loans Fund principal reimbursed	-	80
At 31 July	46,286	47,262

20 – Revenue reserves

	2003		2002	
	Group	Corporation	Group	Corporation
	£000	£000	£000	£000
Balance at 1 August	31,567	32,026	33,447	34,337
Prior year adjustment	494	494	-	-
Balance as at 1 August restated	32,061	32,520	33,447	34,337
Surplus before tax and exceptional items	(622)	(1,118)	(3,325)	(3,756)
Depreciation on revalued assets	976	976	1,445	1,445
	32,415	32,378	31,567	32,026

21 – Financial commitments – group and corporation

	2003 £000	2002 £000
(a) Capital Commitments		
Contracted for	5,427	10,137
Authorised but not contracted for	9,630	3,631

(b) Operating Leases

At 31 July 2003 the group had annual commitments under operating leases as follows:

	2003		2002	
	Group Land and Buildings £000	Corporation Other £000	Group Land and Buildings £000	Corporation Other £000
Expiring within one year	1,942	-	2,244	-
Expiring within two to five years	153	21	38	21
Expiring after five years	261	-	376	-
	2,356	21	2,658	21

(c) Lease commitments

The University has entered into a contract with a private sector provider to build, operate and service halls of residence. In accordance with the provisions of FRS5 these halls are not shown as assets in the balance sheet and no associated financing has been recognised. Under the agreement the University can commit to renting the accommodation on an annual basis. The expenditure committed for 2003-04 is £2.6 million.

22 – Reconciliation of consolidated operating deficit to net cash inflow from operating activities

	Notes	2003 £000	Restated 2002 £000
Operating deficit after depreciation of assets at valuation		(622)	(2,953)
Share of loss/(profit) of joint venture companies		(146)	(84)
Interest receivable	5	(278)	(469)
Interest payable	9	2,397	1,865
Release of capital grant	18	(748)	(769)
Depreciation	11	4,461	5,041
Profit on disposal of fixed assets	4	(377)	-
Investment impairment		30	-
Profit on sale of interest in joint venture	4	-	(222)
Decrease/(increase) in stocks		-	58
Decrease/(increase) in debtors		18	1,269
(Decrease)/increase in creditors		(2,915)	4,505
Net cash inflow from operating activities		1,820	8,241

23 – Reconciliation of net cash flow to movements in net debt

	Notes	2003 £000	Restated 2002 £000
Decrease cash in the year		(272)	(9,576)
(Decrease)/increase in short-term deposits		(5,500)	6,074
Increase in debt	24	(18,000)	(24,532)
Repayment of debt	24	930	18,801
Change in net debt		(22,842)	(9,233)
Net debt at 1 August	25	(24,631)	(15,398)
Net debt at 31 July	25	(47,473)	(24,631)

24 – Analysis of changes in consolidated financing during the year

	Consolidated Loans Fund	Property finance leases	Bank loans	Finance leases etc	Total
	£000	£000	£000	£000	£000
At 1 August 2001	266	7,384	18,101	552	26,303
New loans	-	-	24,532	-	24,532
Repayments	(186)	(78)	(18,287)	(250)	(18,801)
At 31 July 2002	80	7,306	24,346	302	32,034
New loans	-	-	18,000	-	18,000
Repayments	(80)	(96)	(536)	(218)	(930)
At 31 July 2003	-	7,210	41,810	84	49,104

25 – Analysis of changes in net debt

	2003		Cash flow		2002	
	£000	£000	£000	£000	£000	£000
Cash at bank and in hand		631		(272)		903
Short-term deposits		1,000		(5,500)		6,500
Short-term investment loans		-		-		-
Debt due within one year	(938)		(155)		(783)	
Debt due after one year	(48,166)		(16,915)		(31,251)	
		(49,104)		(17,070)		(32,034)
		(47,473)		(22,842)		(24,631)

26 – Interests in group undertakings

Listed below are the University's interests in subsidiaries and joint ventures consolidated in the financial statements. All companies are registered in England and have a financial year-end of 31 July unless otherwise stated.

Name of company	Nature of Business	Percentage of voting rights held by University
Subsidiaries		
Oxford Brookes Enterprises Limited	Trading activities, including the supply of library, print services and nurse training contracts	100
Oxford Brookes Environmental Resources Limited	Research	100
Joint Ventures		
Oxford Institute of Legal Practice Limited	Education	50
Oxford Centre for Rugby Excellence Limited (year end is 30 November)	Dormant	50

27 – Pension schemes

The two principal pension schemes for the University's staff are the Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are both independently administered schemes. The schemes are defined benefit schemes that are funded by contributions from the University and its employees.

The TPS is valued every five years by the Government Actuary. Contributions are paid by the University at the rate specified by the government actuary. The LGPS is valued every three years by a professionally qualified independent actuary using the projected unit method. The rates of contribution are determined by the actuary.

The institution also participates, for a strictly limited membership, in the Universities' Superannuation Scheme (USS), a pension scheme that also provides benefits based on final pensionable salary. The assets of the USS are held in a separate trustee-administered fund. The pension valuation is assessed using the projected unit method. The level of contributions paid by the employing institutions takes into account the surpluses disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

Pension summary

	TPS	LGPS	USS Past Service Liabilities	USS Future Service Liabilities
	31/3/01	31/3/01	31/3/99	31/3/99
Latest actuarial valuation	31/3/01	31/3/01	31/3/99	31/3/99
Investment returns per annum	7.0%	6.85%	4.5%	5.5%
Salary rate increase per annum	5.0%	4.3%	3.6%	3.5%
Pension increase per annum	5.0%	2.5%	2.6%	2.5%
Market value of assets at date of last valuation	£142,880m*	£685m	£18,870m	
Proportion of members actual benefits covered by the actual valuation of the assets:	100%	91%	108%	

* The assets of TPS are notional assets.

The total pension cost for the University and its subsidiaries was:

	2003 £000	2002 £000
Contributions to TPS	1,934	1,405
Contributions to LGPS	2,023	1,828
Contributions to USS and other schemes	86	84
	4,043	3,317

The contributions of the institution are presently 13.5% of pensionable salary to TP, 14% for USS, and for LGPS since 1 April 2003 10.56% for salaried staff and 8.8% for manual staff. Between 1 April 2002 and 31 March 2003 the institution's contribution rates to the LGPS were 9.54% for salaried staff and 7.95% for manual staff.

FRS17 Disclosures

Teachers Pension Scheme (TPS)

Under the definitions set out in FRS17 Retirement Benefits, the TPS is a multi-employer pension scheme. The University is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the University has used the exemption in FRS17 and contributions to the scheme and has accounted for its contribution to the scheme as if it were a defined contribution scheme. The University has set out above the information available on the deficit in the scheme.

Universities' Superannuation Scheme (USS)

The USS is a defined benefits scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify its share of the underlying assets and liabilities in the scheme and hence, using the exemption under FRS17, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme.

Local Government Pension Scheme (LGPS)

The LGPS is regulated by statute, with separate regulations for (a) England and Wales, and (b) Scotland. The benefits of the LGPS are determined nationally by regulation and meet the definition of a defined benefit scheme.

It is a funded scheme, with some 100 separate funds administered locally by administering authorities. Each fund has many employing authorities. The Oxfordshire County Council is the administering authority with the District Councils in their County being employing authorities within that scheme. Each fund will also have scheduled and admitted bodies, such as education institutions, whose employees are members of the LGPS. The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme.

In line with the requirements of FRS17, the University has obtained actuarial valuations of its share of the scheme assets and liabilities as at 31 July 2003 and 31 July 2002. The required disclosures are set out below:

Major assumptions:

	2003 % pa	2002 % pa
Inflation rate	2.50	2.50
Discount rate	5.40	5.90
Expected return on assets	7.05	7.20
Expected rate of salary increases	4.30	4.30
Rate of pension increases in payment	2.50	2.50
Rate of pension increases in deferment	2.50	2.50

Scheme assets and expected rate of return

	At 31 July 2003		At 31 July 2002	
	£000	% pa	£000	% pa
Equities	23,929	8.00	21,864	8.00
Property	1,781	6.70	1,268	5.90
Corporate bonds	2,626	4.70	4,091	5.90
Fixed interest gilts	3,901	5.40	529	4.90
Cash	2,454	3.50	2,153	4.50
Total	34,691		29,905	

The following amounts were measured in accordance with the requirements of FRS17 at 31 July:

	2003	2002
	£m	£m
Total market value of assets	34.7	29.9
Present value of scheme liabilities	60.2	46.4
Deficit in the Scheme - Net pension deficit	(25.5)	(16.5)

If the above amounts had been recognised in the financial statements, the Institution's net assets and general reserve would be as follows at 31 July 2003:

	2003	2002
	£m	£m
Net assets excluding pension asset	86.6	86.2
Net pension deficit	(25.5)	(16.5)
Net assets including pension liability	61.1	69.7
General reserve excluding pension liability	31.7	31.6
Pension reserve	(25.5)	(16.5)
General reserve including pension reserve	6.2	15.1

Additionally, if the pension cost had been recognised in accordance with FRS17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2003.

Analysis of amounts charged to the income and expenditure account

	2003	2002
	£000	£000
Current service costs	3,600	2,497
Past service costs	-	-
Financing:		
- (gain)/loss due to curtailments	288	-
- expected return on pension scheme	(2,324)	(2,363)
- interest on expected scheme liabilities	2,646	2,403
- net return	610	40
Total charge to income and expenditure before deduction for tax	4,210	2,537

Analysis of amounts recognised in statement of total recognised gains and losses:

	2003	2002
	£000	£000
Actual return less actual loss on pension Scheme assets	1,213	7,993
Experience gains and losses arising on Scheme liabilities	-	1
Changes in assumptions underlying the present value of Scheme liabilities	5,847	-
Total actuarial loss recognised	7,060	7,994

The total movement in the Institution's share of the scheme's deficit during the year is made up as follows:

	2003	2002
	£000	£000
Deficit in Scheme at 1 August 2002	(16,475)	(7,733)
Movement in year:		
- current service cost	(3,600)	(2,497)
- contributions	2,200	1,789
- past service costs	-	-
- curtailment cost	(288)	-
- other financial income/ (charge)	(322)	(40)
- actuarial gain/(loss)	(7,059)	(7,994)
Deficit in Scheme at 31 July 2003	(25,544)	(16,475)

The full actuarial valuation at 31 July 2003 showed an increase in the deficit from £16,475,000 to £25,544,000. Employer contributions increased to 10.56% of pensionable pay on 1 April 2003.

The gains and losses for the year ended 31 July 2003 were as follows:

Difference between the expected and actual return on scheme assets:

	2003	2002
Amount (£000)	1,213	7,993
% of Scheme assets	3.50%	27%

Experience gains and losses on scheme liabilities:

Amount (£000)	-	1
% of the present value of Scheme liabilities	0%	0%

Total amount recognised in the statement of total recognised gains and losses:

Amount (£000)	7,059	7,994
% of the present value of Scheme liabilities	11.72%	17%

28 – Access funds

The University received and distributed HEFCE Access Funds as follows:

	2003	2002
	£000	£000
At 1 August	79	(16)
Grant received	566	615
Interest accrued	8	1
Distributed to students	(617)	(521)
At 31 July	36	79

Access funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are, therefore, excluded from the income and expenditure account.

29 – Contingent liabilities

The University has a potential contingent liability in respect of claims by part-time staff who may have had rights to belong to the Teachers Pension Scheme or the Local Government Pension Scheme. A final ruling on this case by the House of Lords is still awaited. It has not been possible to quantify the University's potential liability at the date of these accounts.

30 – Related party transactions

Due to the nature of the University's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. A register of Governors' interests is maintained by the University. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procedures. The following transactions, relating to the Oxford Institute of Legal Practice Limited, were identified which should be disclosed under FRS8 (Related Party Disclosures):

Oxford Institute of Legal Practice Limited

Three of the Institute's nine directors are appointed by the University. These are listed below with their positions in the University:

Rex Knight	Deputy Vice-Chancellor and Registrar
David Lewis	Governor
Susan McRae	Pro Vice-Chancellor, Research

The Institute was financed by interest-bearing loans from the University and the University of Oxford. The loan balances due to this University are shown in Note 15.

In addition, most of the Institute's expenses are borne by the University in the first instance and recharged to them monthly. The value of these recharges for the year was £1,323,749 (2002: £955,266).