



Financial Statements
Year ended 31 July 2005

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Financial highlights

Results

During the year to 31 July 2005 (2004 figures are bracketed) the University Group:

- Ø Generated turnover of £117 million (£111 million)
- Ø Generated an operating surplus of £0.018 million (£0.4 million)
- Ø Generated an historical cost surplus of £2.9 million (£4.6 million)
- Ø Increased income by £5.7 million, or 5% (£12.2 million)
- Ø Increased expenditure by £6.1 million, or 5% (£10.6 million)
- Ø Generated a net inflow of cash from operating activities of £8.1 million (inflow 2004: £8.9 million)
- Ø Generated a profit on sale of assets of £0.9 million (£1.9 million)
- Ø Spent 59% (57%) of income on payroll costs

Financial strength

At the balance sheet date the University Group had:

- Ø Cash and short-term deposits of £4.9 million (£10.1 million)
- Ø Net current liabilities of £2.7 million (£0.8 million)
- Ø Total net assets of £90 million (£90.7 million)

Investments and borrowings

During the year the University Group:

- Ø Invested £14.3 million in acquiring tangible fixed assets (£10.0 million)
- Ø Decreased borrowing by £1 million (increased by £3.1 million)
- Ø Through asset sales raised cash of £1.7 million (£5.4 million)

Staff and students

During the year the University Group:

- Ø Employed 2,736 members of staff (2,679)
- Ø Taught directly or through collaborative provision and distance learning higher education students, analysed as follows:

	Full-time	Other	2004-05 Total	2003-04 Total	Increase / (Decrease)
Home/EU					
Undergraduate	9,110	3,176	12,286	11,384	8%
Postgraduate	1,303	2,642	3,945	4,160	(5)%
International					
Undergraduate	1,190	209	1,399	1,475	(5)%
Postgraduate	699	240	939	921	2%
2004-05 Total HE students	12,302	6,267	18,569	17,940	4%
2003-04 Totals	12,169	5,771	17,940		
Increase / (Decrease)	1%	9%	4%		

Board of Governors

The membership of the Board for the year ended 31 July 2005 was as follows:

Independent members

Tim Stevenson	Chairman of Travis Perkins plc
Neil Ashley	Chairman of a number of public companies
John Bateman (from December 2004)	Chief Executive of Milton Park
Lorna Beckford	International Diversity Consultant
Angela Coulter	Chief Executive, Picker Institute Europe
Geoff Donnelly	Self-employed management consultant
Jill Judson	Headteacher, Cherwell School
David Laskow-Pooley (from May 2005)	Chief Executive of Surface Therapeutics
Glen McFarlane (from May 2005)	Chief Executive Afonics
Susan Purves	Retired Vice President, Human Resources, Astra Zeneca Limited
Martin Wilkinson	Self-employed financial and management consultant

Co-opted members

Louise Slator (from August 2004)	President of the Students' Union
Ann Black	Elected representative of the non-teaching staff Senior analyst/programmer, Directorate of Learning Resources
Shereen Karmali	Oxfordshire County Councillor
Robert Langridge	Elected representative of the teaching staff Lecturer in Planning, School of Built Environment
Frances Young	Representative of the Methodist Church

Ex officio

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

Martin Wilkinson (Chair)	Governor
John Bateman (from 4 March 2005)	Governor
Geoff Donnelly	Governor
Tim Stevenson	Governor
Angela Coulter	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
Ray Mackie	Chairman of Universe Group plc
Robert Langridge	Governor
Shereen Karmali	Governor

Remuneration Committee

Tim Stevenson (Chair)	Governor
Shereen Karmali	Governor
Professor Graham Upton	Vice-Chancellor and Governor
Susan Purves	Governor

Employment Committee

Susan Purves (Chair)	Governor
Shereen Karmali	Governor
Tim Stevenson	Governor
Lorna Beckford	Governor
Martin Wilkinson	Governor

Nominations Committee

Tim Stevenson	Governor
Jill Judson	Governor
Lorna Beckford	Governor
Ann Black	Governor
Dr Petra Wend (from 1 June 2005)	Deputy Vice-Chancellor, Academic
Professor Graham Upton	Vice-Chancellor, Oxford Brookes University

Senior Management Team

Professor Graham Upton	Vice-Chancellor
Professor Linda Challis (to December 2004)	Deputy Vice-Chancellor, Academic Affairs
Dr Petra Wend (from 1 June 2005)	Deputy Vice-Chancellor, Academic
Rex Knight	Deputy Vice-Chancellor and Registrar
Professor Susan McRae (to August 2005)	Pro Vice-Chancellor, Research
Professor Howard Colley (to December 2004)	Pro Vice-Chancellor, Academic Development
Professor John Raftery (from January 2005)	Pro Vice-Chancellor, External Affairs

Advisors

Bankers	Barclays Bank plc Oxford Corporate Banking Centre PO Box 858 11 West Way Oxford OX2 0XP		
External Auditors	Tenon Audit Ltd 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 2005

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 2005.

Financial review

The University has continued to make excellent progress in implementing the strategies that were agreed towards the end of 2003. The agreed strategies are intended to place the University firmly on the path of transition from the best 'new' University to being one of the best Universities.

One of the University's eight key objectives is to be 'financially self-sustaining', and we are pleased to report that the University's performance in 2004-05 continues its progress towards this objective.

The historic cost surplus of £2.9 million for 2004-05 is extremely pleasing as this is approximately £1 million more than originally budgeted. What is more remarkable is that this result was achieved during a year which has had significant adverse variances in both the University's costs and income; these adverse variances have been dealt with successfully. The University's continued success in re-establishing its financial viability is set out below:

	2005	2004	2003	2002	2001
	£000	£000	£000	£000	£000
Income	116,786	111,059	98,849	91,076	87,508
Expenditure	116,768	110,623	99,985	94,113	88,628
Operating surplus / (deficit)	234	449	(999)	(2,953)	(1,181)
Historical cost surplus / (deficit)	2,912	4,615	354	(1,058)	20

It is important to recognise that this excellent result is partially attributable to the impact of asset sales, nevertheless as the table below demonstrates the University is sustaining its underlying improved performance.

	2005	2004	2003	2002	2001
	£000	£000	£000	£000	£000
Historical cost surplus / (deficit) for the year	2,912	4,615	354	(1,508)	20
<i>Plus</i> Severance payments	905	907	1,445	1,365	468
<i>(Less)</i> Profit on sale of assets	921	1,926	377	222	43
<i>(Less)</i> Revaluation realised on asset sales	671	1,276			
Underlying performance surplus / (deficit)	2,225	2,320	1,422	(365)	445

Between 2003-04 and 2004-05 the University's total income increased by just under £6 million, boosting the University's turnover to £117+ million, and cost increases by just over £6 million.

The principal areas of increase in income were:

- € increase in funding council grants of £3.3 million. This is due mainly to success in bidding for HEFCE special funding.
- € increase in tuition fee income of £2.1 million. This is due mainly to increased home / EU undergraduate student activity.
- € increased research grant income of £0.73 million.

The principal cost increases in the year were:

- € staffing costs increased by nearly £6 million. This is due to some increased staffing on a full time equivalent basis, the annual pay increases, increased National Insurance contributions, increased pension contributions, and the cost of introducing the national framework operation for support staff. (The figures reported in note 6(b) represent actual numbers of people, not full time equivalents);
- € depreciation increased by nearly £1 million, being the consequence of the completion of a number of major capital projects.

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. During 2004-05:

- € work continued on the HEFCE funded project, to improve access across the estate, raised a total of £1,680K from the sale of Heyford Hill and the clubhouse used by the Rowing Club
- € work was concluded on a new research building, the Buckley Building, funded partially through SRIF and partially by the University
- € work was concluded on a postgraduate teaching facility on the Wheatley campus
- € construction commenced on a new building for the School of Technology, to be built at the Wheatley campus and incorporating a training and development facility for the motor sports industry, partially funded by HEFCE and SEEDA.

The coming year

In 2005-06 the momentum in implementation of the University's new strategy will accelerate. Priorities for the year are:

- € targeting investment in the improvement of University research
- € continuing the implementation of the University's Information Processes and Systems (IPS) strategy
- € completing the technology building at Wheatley
- € completing the asset disposal programme which is intended to raise a further £4 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 2005 amounted to 10 days. (2004: 10 days).

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 gift aided annually to the University, 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

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 fourteen 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 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 the Chair of the Board of Governors, and comprising two 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 is chaired by Susan Purves and comprising four 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 Executive Board

The senior Management Team of the University comprises the Vice Chancellor, who has overall managerial responsibility, two Deputy Vice Chancellors, each with a specific area of responsibility, which when combined cover all the activities of the University, and two Pro Vice Chancellors with specific responsibility for, respectively, external relations and research. The Team meets formally on a fortnightly basis. On alternate weeks the team meets with the Deans of School and Directors, and is constituted as the Executive Board. The Executive Board's role derives from the executive powers of the Vice Chancellor. It is constituted in order to focus on decision making and also serves as a body which can be used by the Vice Chancellor for briefing, consultation and communication with senior managers as a group. The objective of the Executive Board is to ensure that an appropriate level of consideration is given to strategic decisions, that there is accountability for those decisions and improved communication with the wider senior management group is achieved. Specifically, the Executive Board determines:

- € strategic and operational plans
- € the annual budget and financial forecasts for the Vice Chancellor to propose to the Board of Governors for approval
- € the implementation of policies as necessary and monitoring of the University's performance against plans
- € determination and oversight of the processes by which strategic and operational planning are undertaken, resources allocated and targets, including student numbers, are achieved
- € implementation and monitoring of the University's risk management strategy
- € consideration of reports on value for money
- € day to day 'business as usual' matters concerning the management of the University.

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, a proportion of whom are elected representatives. 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 of the Board of Governors, 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 misstatement or loss.

Risk management

The key elements of the University's approach during the year, designed to discharge the responsibilities of the Board of Governors, were:

- € a workshop to update the University's approach and attitude to risk. This included active participation from senior management
- € two workshops 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 Executive Board of the risks with the highest category of severity and of the implementation of improvement plans
- € regular meetings of the Risk Management Working Group, a small group of senior managers, chaired by a Deputy Vice-Chancellor, to review both the output of the risk management process but also to consider improvements and developments to the process itself and the development of additional risk management procedures at an operational level. The Group assisted the Executive Board 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
- € training courses on project risk management, as part of the regular provision offered by the University's dedicated training unit, the Oxford Centre for Staff Learning and Development
- € high level involvement and support which included the Vice-Chancellor taking an active part in two of the risk workshops and chairing the Executive Board which considered the risk register and improvement plans and other reports on key aspects of the University's performance. Most members of Executive Board took an active part in at least one of the various workshops
- € 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 implemented a plan of improvement and refinement of its system of risk management for 2005-06 based upon the evaluation of the effectiveness of the system in operation for 2004-05.
- € a workshop convened to specifically review the main risks to the University's financial plans, and to predetermine what actions might be taken if certain events occurred.

Review of the effectiveness of internal control and risk management

At its meeting in December 2005 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 2005. The Board concluded, based upon the report from the Vice-Chancellor, endorsed by Executive Board 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.

Tim Stevenson
Chair of Governors
09 December 2005

Professor Graham Upton
Vice-Chancellor
09 December 2005

Independent auditors' report

We have audited the financial statements on pages 13 to 35, 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 11 and 12.

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 Auditing 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 2005 and of the surplus 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 Memoranda dated July 1998 and October 2003 with HEFCE, and with the Funding Agreement with the TTA covering 1 August 2004 to 31 July 2005.

09 December 2005
Tenon 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 the LSC represents the support receivable 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 receivable 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 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	The lower of the length of the lease or 50 years
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

No depreciation is charged on assets in the course of construction.

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. A sum equal to the depreciation charge on these assets is transferred from the revaluation reserve to the income and expenditure account each year. The assets were revalued in 1991.

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 for the year ended 31 July 2005

	Notes	2005 £000	2004 £000
INCOME			
Funding Council grants	1	40,837	37,520
Academic fees and support grants	2	46,280	44,160
Research grants and support contracts	3	5,783	5,051
Other operating income	4	23,312	23,912
Interest receivable	5	574	416
Total income		116,786	111,059
EXPENDITURE			
Staff costs	6	69,190	63,590
Depreciation	11	5,766	4,741
Other operating expenses	8	38,798	39,160
Interest payable	9	3,014	3,132
Total expenditure	10	116,768	110,623
Surplus after depreciation of assets at valuation and before tax		18	436
Share of profit of joint ventures	13	216	13
Operating surplus after depreciation of assets at valuation		234	449
Exceptional item: gain on disposal of assets		921	1,926
Operating surplus after depreciation of assets at valuation and exceptional item		1,155	2,375

All the above results wholly relate to continuing operations

Note of historical cost surpluses and deficits

	Notes	2005 £000	2004 £000
Operating surplus after depreciation of assets at valuation		1,155	2,375
Realisation of revaluation gain		671	1,276
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	1,086	964
		<u>2,912</u>	<u>4,615</u>

Statement of consolidated total recognised gains and losses

	Notes	2005 £000	2004 £000
Operating surplus after depreciation of assets at valuation		1,155	2,375
Impairment of buildings on Gipsy Lane site	11	<u>(3,612)</u>	-
Total gains and losses recognised since last report		<u>(2,457)</u>	<u>2,375</u>

Consolidated balance sheet as at 31 July 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	11	142,885	142,991
Investments	12	34	34
Share in gross assets of joint ventures		730	845
Share in gross liabilities of joint ventures		<u>(703)</u>	<u>(1,034)</u>
Share of net assets/(liabilities) in joint venture	13	<u>27</u>	<u>(189)</u>
		142,946	142,836
Current assets			
Stocks and work in progress	14	1,586	935
Debtors - amounts falling due after one year	15	515	547
Debtors - amounts falling due within one year	15	7,427	7,067
Current asset investments	16	8,802	9,694
Cash at bank and in hand	26	<u>318</u>	<u>390</u>
		18,648	18,633
Creditors - amounts falling due within one year	17	<u>(21,391)</u>	<u>(19,456)</u>
Net current liabilities		(2,743)	(823)
Total assets less current liabilities		140,203	142,013
Creditors - amounts falling due after more than one year	18	<u>(50,229)</u>	<u>(51,309)</u>
Total assets less liabilities		89,974	90,704
Deferred capital grants	19	11,355	9,628
Reserves			
Revaluation reserves	20	38,677	44,046
Revenue reserves	21	<u>39,942</u>	<u>37,030</u>
Total funds		89,974	90,704

These financial statements were approved by the Board on 9 December 2005 and signed on its behalf by:

Tim Stevenson
Chair of Governors

Professor Graham Upton
Vice-Chancellor

Corporation balance sheet as at 31 July 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	11	140,761	141,171
Investments	12	1,034	1,034
		<u>141,795</u>	<u>142,205</u>
Current assets			
Stocks and work in progress	14	1,488	864
Debtors - amounts falling due after one year	15	515	547
Debtors - amounts falling due within one year	15	8,926	8,605
Current asset investments	16	8,802	9,694
Cash at bank and in hand		-	-
		<u>19,731</u>	<u>19,710</u>
Creditors - amounts falling due within one year	17	<u>(20,803)</u>	<u>(19,312)</u>
Net current (liabilities)/assets		<u>(1,072)</u>	<u>398</u>
Total assets less current liabilities		140,723	142,603
Creditors - amounts falling due after more than one year	18	<u>(50,229)</u>	<u>(51,309)</u>
Total assets less liabilities		<u>90,494</u>	<u>91,294</u>
Deferred capital grants	19	11,355	9,628
Reserves			
Revaluation reserves	20	38,677	44,046
Revenue reserves	21	40,462	37,620
Total funds		<u>90,494</u>	<u>91,294</u>

These financial statements were approved by the Board on 9 December 2005 and signed on its behalf by:

Tim Stevenson
Chair of Governors

Professor Graham Upton
Vice-Chancellor

Consolidated cash flow statement

	Notes	2005 £000	2004 £000
Net cash inflow from operating activities	23	<u>8,134</u>	8,838
Returns on investments and servicing of finance			
Interest received		574	416
Interest paid		<u>(3,014)</u>	(3,132)
Total cash outflow after investment return and servicing of finance		<u>(2,440)</u>	(2,716)
Taxation		-	-
Capital expenditure and financial investment			
Tangible fixed assets acquired		(14,314)	(10,023)
Proceeds from sale of fixed assets		1,713	5,442
Deferred capital grants received		<u>2,704</u>	3,675
Net cash outflow from investing activities		<u>(9,897)</u>	(906)
Cash inflow/(outflow) before use of liquid resources and financing		(4,203)	5,216
Management of liquid resources	26	5,142	(8,694)
Financing			
New loans	25	-	4,200
Capital element of leases	25	(136)	(198)
Repayment	25	<u>(875)</u>	(765)
		<u>(1,011)</u>	3,237
Reduction in cash	26	<u>(72)</u>	(241)

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 liquid resources.

Notes to the financial statements

1 – Funding Council grants

	2005 £000	2004 £000
Recurrent grants		
Teaching: HEFCE	28,151	27,950
Teaching: TTA	4,096	3,872
Teaching: LSC	211	229
Research: HEFCE	1,896	1,914
Specific grants		
Special initiatives	5,490	2,889
Deferred grants released in year (note 19)		
HEFCE	993	666
	40,837	37,520

2 – Academic fees and support grants

	2005 £000	2004 £000
Full-time undergraduate students charged home fees	9,101	8,633
Full-time undergraduate students charged overseas fees	6,966	7,402
Part-time students	804	787
Research student tuition fees	810	791
Health Authorities	9,483	9,032
Postgraduate, short and full-cost course fees	19,116	17,515
	46,280	44,160

3 – Research grants and support contracts

	2005 £000	2004 £000
Research Councils	1,985	1,761
UK-based charities	986	617
UK Central Government, Local Authorities	980	1,392
UK industry, commerce, Public Corporations	871	574
European Commission	485	326
EU other	210	175
Other overseas	83	108
Other sources	183	98
	5,783	5,051

4 – Other operating income

	2005 £000	2004 £000
Residences, catering and conferences	16,000	15,720
Other services rendered	2,843	2,922
Health Authorities	-	400
Released from deferred capital grants (note 19)	130	67
Other income	4,339	4,803
	<u>23,312</u>	<u>23,912</u>

5 – Interest receivable

	2005 £000	2004 £000
Bank interest	574	397
Other loan interest	-	19
	<u>574</u>	<u>416</u>

6 – Staff

	2005 £000	2004 £000
(a) Employment costs		
Wages and salaries	58,031	53,491
Social security costs	4,634	4,246
Other pension costs (note 28)	6,148	5,399
Recruitment costs etc	377	454
	<u>69,190</u>	<u>63,590</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	893	864
Part time lecturers	534	538
Support	1,309	1,277
	<u>2,736</u>	<u>2,679</u>

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

	Number	Number
£70,001 - £80,000	5	5
£80,001 - £90,000	7	4
£90,001 - £100,000	3	2
£130,001 - £140,000	-	-
£140,001 - £150,000	1	1
£150,001 - £160,000	-	-
£160,001 - £170,000	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:

	2005	2004
	£000	£000
Ann Black	36	34
Robert Langridge	37	43
Professor Graham Upton	162	150
	<hr/> 235	<hr/> 227

The other Governors received only directly reimbursable expenses arising out of the performance of their duties.

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

	£000	£000
Chair: Tim Stevenson	-	-
Highest paid Governor: Graham Upton:		
salary	162	150
employers' pension contribution	14	14
	<hr/> 176	<hr/> 164

(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 28.

8 – Other operating expenses

	2005 £000	2004 £000
Severance payments	905	907
Premises related:		
Maintenance	6,809	6,017
Rent	4,982	5,743
Books, publications and periodicals	1,323	1,269
Information technology related equipment; supplies and consumables	2,260	2,742
Other equipment supplies and consumables	818	831
Food and catering supplies and services	1,751	1,724
Stationery, photocopying and printing	1,512	1,537
Temporary staff, professional services and consultants	4,385	3,963
Other hired and contracted services	1,733	1,527
Examiners fees	197	110
Communications and marketing	1,404	1,575
Placements, teaching practice and educational visits	623	691
Conferences, training and tuition fees	931	997
Subscriptions and copyright fees	578	553
Transport and travel related	2,061	2,057
Students' Union grant	476	708
External auditors' remuneration in respect of audit services	44	43
Equipment operating lease rentals	1,225	895
Insurance	593	510
Other costs	4,188	4,761
	38,798	39,160

9 – Interest payable

	2005 £000	2004 £000
Bank loans (repayable wholly or partly in more than five years)	2,719	2,767
Lease (repayable wholly or partly in more than five years)	295	365
	3,014	3,132

10 – Analysis of expenditure by activity

	Staff costs	Other operating expenses	Depreciation	Interest payable	Net
Academic Departments	43,159	10,493	309	-	53,961
Academic Services	4,878	2,520	652	-	8,050
Administration and central services	11,021	6,082	299	-	17,402
Residences, Catering and Conferences	3,476	8,256	1,022	2,543	15,297
Premises	3,113	5,314	3,418	471	12,316
Research	2,568	2,749	-	-	5,317
Other costs	975	3,384	66	-	4,425
	<u>69,190</u>	<u>38,798</u>	<u>5,766</u>	<u>3,014</u>	<u>116,768</u>

The depreciation charge has been funded by:

	Note	2005 £000	2004 £000
Deferred capital grants released	19	1,123	733
Revaluation reserve released	20	1,086	964
General Income		<u>3,557</u>	<u>3,044</u>
		<u>5,766</u>	<u>4,741</u>

11 – Tangible fixed assets

	Assets in course of construction	Freehold land and buildings	Long leasehold property	Equipment	Total
	£000	£000	£000	£000	£000
Group					
Cost or valuation					
At 1 August 2004	-	147,642	21,244	22,788	191,674
Reclassifications	-	(4,250)	-	-	(4,250)
Diminution in value	-	(5,064)	-	-	(5,064)
Additions	5,930	5,396	3	2,985	14,314
Disposals	-	(991)	(21)	(108)	(1,120)
At 31 July 2005	5,930	142,733	21,226	25,665	195,554
Depreciation					
At 1 August 2004	-	(23,657)	(4,474)	(20,552)	(48,683)
Charge for the year	-	(3,377)	(937)	(1,452)	(5,766)
Diminution in value	-	1,452	-	-	1,452
Disposals	-	221	15	92	328
At 31 July 2005	-	(25,361)	(5,396)	(21,912)	(52,669)
Net book value					
At 31 July 2005	5,930	117,372	15,830	3,753	142,885
At 31 July 2004	-	123,985	16,770	2,236	142,991
Corporation					
Cost or valuation					
At 1 August 2004	-	145,845	21,007	21,641	188,493
Reclassifications	-	(4,250)	-	-	(4,250)
Diminution in value	-	(5,064)	-	-	(5,064)
Additions	5,930	5,393	3	2,458	13,784
Disposals	-	(991)	(21)	(67)	(1,079)
At 31 July 2005	5,930	140,933	20,989	24,032	191,884
Depreciation					
At 1 August 2004	-	(23,483)	(4,365)	(19,474)	(47,322)
Charge for the year	-	(3,340)	(913)	(1,304)	(5,557)
Diminution in value	-	1,452	-	-	1,452
Disposals	-	221	15	68	304
At 31 July 2005	-	(25,150)	(5,263)	(20,710)	(51,123)
Net book value					
At 31 July 2005	5,930	115,783	15,726	3,322	140,761
At 31 July 2004	-	122,362	16,642	2,167	141,171

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.

During the year the University sold inherited assets with a net book value of £646,000 generating sales proceeds of £1,301,000.

The reduction in value during the year results from a review of the future value of buildings situated on the Gipsy Lane site. This has resulted in a reduction in net book value in use of an inherited building of £3,612,000.

The University is in the process of negotiating the sale of a portion of the land relating to Milham Ford. That part held for resale has been attributed a value of £4,250,000 and has been transferred to current asset investments.

A Private Finance Initiative relating to the construction and management of the new Cheney halls of residence on land owned by the University has been undertaken.

The design and construction of the accommodation was undertaken by a private sector provider who also operates the halls over a thirty year period. The construction costs totalled £18.2 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. A long term debtor contains a valuation of this reversionary interest. The application of this accounting policy results in a net book value in 2034 of £4.6 million.

The risks 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 a tangible asset of the University.

12 – Investments

	2005		2004	
	Group £000	Corporation £000	Group £000	Corporation £000
At 1 August	34	1,034	34	1,034
At 31 July	34	1,034	34	1,034

Investments include £34,000 for 34,093 ordinary shares in CVCP Properties plc. 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
			2005	2004
			£000	£000
Share of net liabilities at 1 August			(189)	(202)
Share of profits for the year			216	13
Taxation			-	-
Balance at 31 July			27	(189)
Group share of joint venture's turnover			1,532	1,419
Group share of joint venture's interest payable			21	19

14 – Stocks

	2005		2004	
	Group £000	Corporation £000	Group £000	Corporation £000
Raw materials & consumables	292	205	251	180
Research work-in-progress	1,294	1,283	684	684
	1,586	1,488	935	864

15 – Debtors

	2005		2004	
	Group £000	Corporation £000	Group £000	Corporation £000
Amounts falling due after more than one year				
Amount due from joint venture company	211	211	395	395
Cheney Hall residual value	304	304	152	152
	515	515	547	547
Amount falling due within one year				
Trade debtors	3,713	3,306	4,722	4,326
Amount due from subsidiary companies	-	3,661	-	2,793
Amount due from joint ventures	349	349	186	186
Prepayments and accrued income	1,228	568	1,057	497
Other debtors	2,137	1,042	1,102	803
	7,427	8,926	7,067	8,605

16 – Current asset investments

	2005		2004	
	Group £000	Corporation £000	Group £000	Corporation £000
Short term deposits	4,552	4,552	9,694	9,694
Land held for resale	4,250	4,250	-	-
	8,802	8,802	9,694	9,694

17 – Creditors: amounts falling due within one year

	2005		2004	
	Group £000	Corporation £000	Group £000	Corporation £000
Bank loans and overdraft	941	1,062	895	1,228
Finance leases and other loans	160	160	137	137
Payments received in advance	7,825	7,802	5,894	5,833
Trade creditors	2,669	2,500	3,261	2,847
Social security costs	1,717	1,717	1,631	1,641
Accruals	5,056	4,670	4,713	4,446
Other creditors	3,023	2,892	2,925	3,180
	21,391	20,803	19,456	19,312

The University has entered into an arrangement with a financial training organisation and the Association of Chartered Certified Accountants to provide an accredited MBA course. As part of the arrangement a bank account has been opened in the name of Oxford Brookes University. At the year end the account held fees in advance of £861,000. The bank account and associated deferred income have not been shown in the financial statements as the University do not have unfettered access to these funds.

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

	2005		2004	
	Group	Corporation	Group	Corporation
	£000	£000	£000	£000
Long-term bank loans (a)	43,429	43,429	44,349	44,349
Lease (b)	6,800	6,800	6,960	6,960
	50,229	50,229	51,309	51,309

- (a) The interest rates on the bank loans currently vary between 4.45% and 7.41%. 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 ten 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.

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 2005, was as follows:

	2005		2004	
	Group	Corporation	Group	Corporation
	£000	£000	£000	£000
Within one year	1,101	1,101	1,032	1,032
Between 2-5 years	5,239	5,239	4,949	4,949
Over five years by instalments	40,590	40,590	41,864	41,864
Over five years not by instalments	4,400	4,400	4,496	4,496
	51,330	51,330	52,341	52,341

19 – Deferred capital grants – group and corporation

	HEFCE £000	Other grants £000	Total £000
At 1 August 2004			
Buildings	5,717	2,277	7,994
Equipment	1,626	8	1,634
Total	7,343	2,285	9,628
Due within one year (transferred from short term creditors)			
Buildings	1,118	-	1,118
Equipment	-	90	90
	1,118	90	1,208
Receivable			
Buildings	1,634	156	1,790
Equipment	426	488	914
Total	2,060	644	2,704
Released to Income and Expenditure			
Buildings	(382)	(92)	(474)
Equipment	(611)	(38)	(649)
Total	(993)	(130)	(1,123)
At 31 July 2005			
Due within one year (transferred to short term creditors)			
Buildings	(428)	(91)	(519)
Equipment	(513)	(30)	(543)
Total	(941)	(121)	(1,062)
Due greater than one year			
Buildings	7,659	2,250	9,909
Equipment	928	518	1,446
Total	8,587	2,768	11,355

20 – Revaluation reserve – group and corporation

This reserve relates to fixed assets transferred from Oxfordshire County Council at valuation.

	2005 £000	2004 £000
At 1 August	44,046	46,286
Realisation of gain on asset disposal	(671)	(1,276)
Transfer from income and expenditure account in respect of depreciation	(1,086)	(964)
Impairment of buildings on the Gipsy Lane site	(3,612)	-
At 31 July	38,677	44,046

21 – Revenue reserves

	2005		2004	
	Group £000	Corporation £000	Group £000	Corporation £000
At 1 August	37,030	37,620	32,415	32,378
Surplus before tax and exceptional items	1,155	1,085	2,375	3,002
Realisation of gain on asset disposal	671	671	1,276	1,276
Depreciation on revalued assets	1,086	1,086	964	964
At 31 July	39,942	40,462	37,030	37,620

22 – Financial commitments – group and corporation

(a) Capital commitments

	2005 £000	2004 £000
Contracted for	6,899	6,898
Authorised but not contracted for	17,110	14,000

(b) Operating leases

At 31 July 2005 the group had annual commitments under operating leases as follows:

	2005 Land and buildings £000	2005 Other £000	2004 Land and buildings £000	2004 Other £000
Expiring within one year	38		38	-
Expiring within 2-5 years	145	1,233	145	1,071
Expiring after five years	2,869		2,995	-
	<u>3,052</u>	<u>1,233</u>	<u>3,178</u>	<u>1,071</u>

(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 amount committed is £2,803,596 in 2006 (2005: £2,785,000).

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

	Notes	2005 £000	2004 £000
Operating profit after depreciation of assets at valuation		1,155	2,375
Share of profit of joint venture companies		(216)	(13)
Interest receivable	5	(574)	(416)
Interest payable	9	3,014	3,132
Release of capital grant	19	(1,123)	(733)
Depreciation	11	5,766	4,741
Profit on disposal of fixed assets		(921)	(1,926)
Decrease in stocks and work in progress		(651)	378
(Increase)/decrease in debtors		(328)	(1,910)
Increase/(decrease) in creditors		<u>2,012</u>	<u>3,210</u>
Net cash inflow from operating activities		<u>8,134</u>	<u>8,838</u>

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

	Notes	2005 £000	2004 £000
Decrease cash in the year		(72)	(241)
(Decrease)/increase in short-term deposits		(5,142)	8,694
Increase in debt	25	-	(4,200)
Repayment of debt	25	1,011	963
Change in net debt		<u>(4,203)</u>	<u>5,216</u>
Net debt at 1 August	26	<u>(42,257)</u>	<u>(47,473)</u>
Net debt at 31 July	26	<u>(46,460)</u>	<u>(42,257)</u>

25 – Analysis of changes in consolidated financing during the year

	Property finance leases £000	Bank loans £000	Finance leases etc £000	Total £000
At 1 August 2003	7,210	41,810	84	49,104
New loans	-	4,200	-	4,200
Repayments	(114)	(765)	(84)	(963)
At 31 July 2004	7,096	45,245	-	52,341
Repayments	(136)	(875)	-	(1,011)
At 31 July 2005	6,960	44,370	-	51,330

26 – Analysis of changes in net debt

	2005		Cash flow		2004	
	£000	£000	£000	£000	£000	£000
Cash at bank and in hand		318		(72)		390
Short-term deposits		4,552		(5,142)		9,694
Debt due within one year	(1,101)		(69)		(1,032)	
Debt due after one year	(50,229)		1,080		(51,309)	
		(51,330)		1,011		(52,341)
		(46,460)		(4,203)		(42,257)

27 – 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 Services Limited	Dormant	
Joint Ventures		
Oxford Institute of Legal Practice Limited	Education	50
Oxford Centre for Rugby Excellence Limited (year end is 30 November)	Dormant	50

28 – 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 31/3/02	USS Future Service Liabilities 31/3/02
Latest actuarial valuation	31/3/01	31/3/04		
Investment returns per annum	7.0%	7.4%	5%	6%
Salary rate increase per annum	5.0%	4.4%	3.7%	3.7%
Pension increase per annum	5.0%	2.9%	2.7%	2.7%
Market value of assets at date of last valuation	£142,880m*	£638m	£19,938m	
Proportion of members actual benefits covered by the actual valuation of the assets:	100%	65%	101%	

* The assets of TPS are notional assets.

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

	2005 £000	2004 £000
Contributions to TPS	3,021	2,834
Contributions to LGPS	3,049	2,521
Contributions to USS and other schemes	78	44
	6,148	5,399

The contributions of the institution are presently 13.5% of pensionable salary to TPS, 14% for USS, and for LGPS since 1 April 2005 13.5% for salaried staff and 11.25% for manual staff. Between 1 April 2004 and 31 March 2005 the institution's contribution rates to the LGPS were 11.64% for salaried staff and 9.7% for manual staff.

FRS17

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 2005 and 31 July 2004. The required disclosures are set out below:

Major assumptions:

	2005 % pa	2004 % pa
Inflation rate	2.70	2.90
Discount rate	5.00	5.70
Expected return on assets	6.70	7.30
Expected rate of salary increases	4.20	4.70
Rate of pension increases in payment	2.70	2.90
Rate of pension increases in deferment	2.70	2.90

Scheme assets and expected rate of return

	At 31 July 2005		At 31 July 2004	
	£000	% pa	£000	% pa
Equities	39,848	7.40	31,972	8.00
Property	2,451	6.40	2,160	7.00
Corporate bonds	9,251	4.60	6,913	5.20
Cash	3,900	4.70	2,161	4.80
Total	55,450		43,206	

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

	2005 £m	2004 £m
Total market value of assets	55.5	43.2
Present value of scheme liabilities	(85.4)	(71.1)
Deficit in the Scheme - Net pension deficit	(29.9)	(27.9)

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 2005:

	2005 £m	2004 £m
Net assets excluding pension liability	90.0	92.0
Net pension deficit	(29.9)	(27.9)
Net assets including pension liability	60.1	64.1
General reserve excluding pension liability	39.9	37.1
Pension reserve	(29.9)	(27.9)
General reserve including pension reserve	10.0	9.2

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 2005.

Analysis of amounts charged to the income and expenditure account

	2005 £000	2004 £000
Current service costs	3,870	4,377
Past service costs	-	64
Financing:		
- expected return on pension scheme	(3,290)	(2,540)
- interest on expected scheme liabilities	4,170	3,388
- net return	880	848
Total charge to income and expenditure before deduction for tax	4,750	5,289

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

	2005 £000	2004 £000
Actual return less expected return on pension scheme assets	6,350	1,842
Experience gains and losses arising on scheme liabilities	(1,200)	(330)
Changes in assumptions underlying the present value of scheme liabilities	(5,810)	(1,131)
Total actuarial (gain)/loss recognised	(660)	381

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

	2005 £000	2004 £000
Deficit in Scheme at 1 August 2004	(27,891)	(25,544)
Movement in year:		
- current service cost	(3,870)	(4,377)
- contributions	-	2,561
- past service costs	-	(64)
- expected return on pension fund assets	3,290	2,540
- other financial income/(charge)	(4,170)	(3,388)
- actuarial gain/(loss)	(660)	381
Deficit in Scheme at 31 July 2005	(33,301)	(27,891)

The full actuarial valuation at 31 July 2004 showed an increase in the deficit from £27,891,000 to £33,301,000. Employer contributions increased to 13.5% of pensionable pay on 1 April 2005.

The gains and losses for the year ended 31 July 2005 were as follows:

Difference between the expected and actual return on scheme assets:

	2005	2004
Amount (£000)	6,350	1,842
% of scheme assets	11.50%	4.30%

Experience gains and losses on scheme liabilities:

	2005	2004
Amount (£000)	(1,200)	(330)
% of the present value of scheme liabilities	-1%	0%

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

Amount (£000)	(660)	1,131
% of the present value of scheme liabilities	-0.80%	1.60%

29 – Access funds

The University received and distributed HEFCE Access Funds as follows:

	2005 £000	2004 £000
At 1 August	-	36
Grant received	687	566
Interest accrued	9	3
Distributed to students	<u>(696)</u>	<u>(605)</u>
At 31 July	<u>-</u>	<u>-</u>

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.

30 – TTA Bursary Fund

The University received and distributed TTA Bursary Funds as follows:

	2005 £000	2004 £000
As at 1 August	253	165
Income	2,539	2,723
Payments to Students	<u>(2,549)</u>	<u>(2,635)</u>
Balance as at 31 July	<u>243</u>	<u>253</u>

TTA Bursary 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.

31 – 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.

32 – 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
Diana Woodhouse	Assistant Dean, School of Social Science and Law
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 £1,555,061 (2004: £2,010,618).