



Financial Statements

For the year ended 31 July 2010

The text pages and cover of
this publication were designed
by students in the University's
Department of Typography
& Graphic Communication
Printed by the Design & Print
Studio

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President's foreword

The Council of the University, whose members are listed on the following page, is the governing body and is responsible for the strategic leadership of the University as well as its financial stewardship.

The University operates in a challenging and competitive environment. It needs to marshal its resources carefully in order to sustain its mission in teaching, research and enterprise. Much has been achieved in recent years, and the University rightly remains ambitious of the experience it can provide to its students, the environment which it can provide to support its academic staff, and the value and relevance of the contribution it can make to the community at large.

Our financial performance in the last year reflects a number of pressures, and we recognise the need to examine our cost structure with rigour. The funding model for universities is currently the object of some considerable debate and we look forward to the outstanding issues being resolved in the coming months. It is already apparent, however, that we will need to be even more focused on delivering value for money to the constituencies we serve and we should embrace this in a positive spirit. While a number of difficult decisions may be ahead, we believe these will be outweighed by the opportunities available to the University to build on existing areas of strength in the coming years and develop new ones. Overall, we are determined to remain one of the leading research orientated universities in the UK. Given the scale and reach of our recent and current investment programme, we are confident of achieving this.

The University is well served by its Council members, and I would like to thank them for their contributions in the last year.

Christopher Fisher

President of the Council

26 November 2010

The Council

Class 1. x officio

The Vice-Chancellor ¹

Class 6. One member of the Academic Staff of the University elected from among their own number in such a manner and under such conditions as are prescribed by the Council for the election of members of the Academic Staff to the Senate under Statute XVI

Dr I. Mueller-Harvey, Diplchem, MSc, PhD, CChem, FRSC

Class 7. One member of the staff of the University not being a member of the Academic Staff elected in such a manner as the Council shall from time to time determine

Mrs H.M. Dominick

Class 8. One member of Convocation not being an employee or registered student of the University appointed as provided in Ordinances

Dr A.M. Hodge, MBE; BSc, PhD

Class 9. Two officers of the Students' Union and two alternates as determined from time to time by the Council after consultation with the Students' Union

Ms J. Lazarczyk (The President of the Students' Union)

Mr T. Gilchrist (The Vice-President (Academic Affairs) of the Students' Union)

Secretary: The University Secretary

1 Member of Remuneration Committee

2 Chair of Audit Committee

3 Chair of Appointments, Remuneration and Strategy and Finance Committees

4 Chair of Support Services Policy Committee

Officers of the University in 2009–2010

Chancellor

Sir John Madejski OBE DL, Hon DLitt, Reading

Vice-Chancellor

Professor Gordon Marshall, CBE; BA, Stirling; DPhil, Oxford; FBA; AcSS

President of the Council

C.C. Fisher, BA, Reading; MPP, Harvard

Vice-President of the Council

Mrs J.M. Scott, BSc, St Andrews; CEng, CITP, FBCS

Treasurer

Dr P.T. Warry, MA, Oxford; LLB, London; PhD, Reading; CEng, FREng, FIET, FIMechE, FCMA

Deputy Vice-Chancellor

Professor T.A. Downes, BA, BCL, Oxford

Pro-Vice-Chancellors

Professor D.C. Berry, BSc, CNAA; DPhil, Oxford; CPsychol, AFBPsS, AcSS
(until 31 July 2010)

Heads of Directorate

University Secretary and Director of Governance

K.N. Hodgson, BA, Leicester

Director of Academic Services

R.J. Messer, BA, Oxford; PhD, Birmingham

Director of External Affairs

S.P.R. Horan, LLB, Southampton; Barrister at Law

Director of Facilities Management

C. Robbins, BSc, Portsmouth; FRICS

Director of Finance and Corporate Services

D.C.L. Savage, BA, London; FCCA

Director of Student Services

J.A. Gandhi, LLB, Exeter; BCL, Oxford

Auditors

KPMG LLP

Operating and financial review

Introduction

This report presents the Group's results and activities for the year to 31 July 2010.

Scope of the financial statements

The Group financial statements include the results of the University of Reading, the Research Endowment Trust, the National Institute for Research in Dairying Trust, the Hugh Sinclair Trust, the Beckett International Foundation, the Greenlands Trust, Henley Management College (1945) Limited, University of Reading (Greenlands) Limited, University of Reading Science and Technology Centre Limited, Reading Real Estate Foundation, Henley Management College (South Africa) Section 21A and Henley Business School (Hong Kong). These statements exclude the results of the University's other subsidiary companies on the goentHo) L onaud12yen

of disciplines in the environmental, physical and life sciences, arts and humanities, business and social sciences.

Overall, research grant income was some £31.5m, from around 600 awards during the year. The University is always seeking to increase its share of research grant income including sharing good practice across Faculties.

The University is ranked in the top 20 most successful UK higher education institutions in securing grants from UK research councils.

The Design Innovation Research Centre (DIRC) was opened in January within the School of Construction Management and Engineering. The new research centre will create novel engineering solutions for designers of buildings and infrastructures in the digital age.

The Technologies for Sustainable Built Environments (TSBE) Centre opened in October with the aim of training 50 research engineers in sustainable built environments and building energy management. The research and training focuses on improving energy management in Britain's new and existing housing stock and investigating the built environment's impact on local and global climate.

Enterprise

The University is located at the heart of the Thames Valley cluster of established and developing high-technology and research led companies in a diverse range of fields. It is uniquely positioned to support and respond to their needs.

The University has taken advantage of its excellent track record in research and its location to build good relationships with business and to provide and develop commercial services. It has defined an Enterprise Strategy which focuses on enhancing research excellence, enriching the student experience, providing high quality services and promoting public service. The interaction between the corporate world and the academic researchers is a potent tool for the advancement of knowledge and is one which the University is actively pursuing and aims to extend further. The University's relationships with the corporate world also provide opportunities for academics to participate in cutting-edge commercial research and 'real-world' application.

As a world-class research institution, the University seeks actively to develop long-lasting relationships with commercial organisations. Many

company Whitfield Solar Europa SL. There are now plans to tap into a wealth of commercial opportunities, both in Europe and farther afield. The company has recently secured a large order to supply solar concentrators to Australia.

Another spin-out company, GradFutures Limited, provides a next-generation graduate recruitment website using the Destinations® careers management web content.

The Reading Real Estate Foundation (RREF), a charitable company controlled by the University of Reading, has expanded its network of companies that are members of its mentoring scheme which matches students studying real estate and planning with professionals working within the property industry. RREF currently has over 260 mentoring partnerships. Mentors are encouraged to offer expert advice and guidance to the students.

The University of Reading's Careers Advisory Service once again ran its successful Summer Enterprise Experience & Discovery scheme (SEED) which offers valuable paid summer work experience for students, as well as providing local companies and organisations with welcome additional resources. Companies, organisations and charities take on students for eight weeks over the summer to work on specific projects.

The University is one of the leading centres in the UK for developing and managing Knowledge Transfer Partnerships (KTPs). These programmes allow businesses of all sizes from a wide range of industries and sectors to access the expertise of academics and researchers in the University, helping them address issues in the development of commercial applications.

During the year, Professor Rachel McCrindle was awarded the 2010 Knowledge Transfer Partnership's (KTP) Academic Excellence Award, in recognition of her outstanding contribution to KTP. She has been a major supporter of KTP over the past 12 years and has either led or supervised a large number of projects throughout this period. Professor McCrindle was also awarded the Higher Education Academy Engineering Subject Centre's Teaching Award 2010, which recognises outstanding contributions to learning and teaching.

Giving something back to the local community

The University is keen to encourage participation by, and engagement with, the local community. It works with local schools in a variety of ways to encourage young people to enjoy learning and achieve their potential in a stimulating environment.

The University also works in partnership with Reading Voluntary Action to promote staff volunteering with local charities, schools and other voluntary organisations.

The Department of Film, Theatre and Television produced a short film for the Thames Valley Safe Drive Stay Alive road safety campaign, to increase awareness of road safety issues in young people.

A new law clinic for Reading, offering free professional legal advice, was launched as a joint initiative between the University of Reading's School of Law, legal firm Shoosmiths, East Reading advice centre CommuniCare and the charity LawWorks. The monthly free legal surgery provides a

service to those unable to pay for legal advice in areas such as consumer, debt, employment and landlord and tenant law.

Environmental policy

The University of Reading takes its environmental responsibilities seriously and aims to manage its operations in ways that are environmentally sustainable, economically feasible and socially responsible. The University is committed to achieving the highest standards of environmental performance, preventing pollution and minimising the impact of its operations. The University sets challenging targets to continually improve its performance and these are reviewed and updated annually. The University is actively seeking to reduce its consumption of materials and minimise waste. The University also monitors, measures and reports on its performance in relation to its impact on the environment.

The University has made significant progress on environmental issues since 2009. It has reduced its carbon footprint by 25%, improved its energy efficiency, and implemented a range of measures to reduce waste and improve environmental performance. The University is committed to continuing to improve its environmental performance and to working with its staff and students to achieve its goals.

Human resources

The University aims to be an employer of choice, and it works hard to

publications and forums. The University values the contributions made by its staff and student representatives on the University's Council and committees. Feedback provided by key stakeholders in specific consultation exercises and day-to-day interactions, relationships with the trade unions and student representative bodies and local business and community representatives have also informed the University's decision making process, and allowed active engagement in the University's opera-

The University of Reading can boast one of the most successful Annual Funds in UK higher education. Since the Annual Fund was established in 2004, over £2.2 million has been raised to enhance the educational and extra-curricular experience enjoyed by current and future generations of students. This year over 80 current students took part in two telephone campaigns, telephoning almost 2,000 Reading alumni and raising £370,000, with one in three alumni called choosing to make a gift. Alongside this, donors pledged a further £130,000 in response to mailings, emails and through online giving. The University currently has over 5,000 donors from 58 countries across the world.

Summary of the Group and University financial performance in the year

A summary of the Group Income & Expenditure account is as follows:

	2010 £'000	2009 £'000
Income	221,821	225,360
Expenditure	226,029	221,858
(Debit) / surplus before tax	(4,208)	3,502
Tax	25	21
(Debit) / surplus after tax	(4,183)	3,523
Exceptional items	3,087	15,980
(Debit) / surplus after exceptional items	(1,096)	19,503
Surplus transferred from accumulated income in endowment reserves	1,485	89
Surplus for year	389	19,592

The consolidated results for the year show a surplus of £389,000. The previous year's surplus included exceptional items relating to the business combination with Henley Management College. In the current year there were exceptional items relating to sales of land and buildings and to goodwill on the business combination with Reading Real Estate Foundation.

Group income

The Group's income can be analysed as follows:

	2010 £'000	2009 £'000	Increase / (decrease) £'000	Increase / (decrease) %
Funding body grants	65,335	62,797	2,538	4.0
Tuition fees and education contracts	70,455	63,866	6,589	10.3
Research grants and contracts	31,720	29,944	1,776	5.9
Other income	51,755	65,268	(13,513)	(20.7)
Endowment and investment income	2,556	3,485	(929)	(26.7)
Total income	221,821	225,360	(3,539)	(1.6)

Funding body grants rose by 4.0% this year due to increases in matched funding, TDA funding and various other grants.

There was a 10.3% rise in tuition fees and education contracts. This was due to a number of factors including an increase in overseas students, an

Production Unit. This has created a central food production facility with distribution via forwarding kitchens and will help to remove the distinction between 'central' and 'halls' catering. New catering outlets are being developed and existing ones will be refurbished.

The Business School and the Hopkins Building opened to wide acclaim during the year. The Hopkins Building is home to the University's new facilities for biomedical and pharmaceutical sciences. The Students' Union Nursery became fully functioning during the year and achieved full occupation.

The University is currently constructing a new purpose-built home for its School of Film, Theatre & Television in the heart of the Whiteknights campus. The £11.8 million project will create a dedicated space for three theatre performance areas, a screening room, film editing rooms, TV studio, costume and make up areas, rehearsal spaces and prop store, as well as staff offices. It is hoped to occupy the building by Easter 2011.

The University has commenced a major refurbishment of its London Road campus, the original home of the University in the heart of Reading. The £21 million investment in the University's academic infrastructure will create a new London Road home for the University's Institute of Education, which trains nearly 1,000 teachers every year. The project also allows for the sensitive conservation of many of the historic and listed buildings on the site. The works will be complete by summer 2011. The completion of the sale of the University's adjacent Mansfield Hall site, which was surplus to the University's requirements, made a major contribution to the funding for this project.

Refurbishment works at Thames Court at Greenlands were completed in January. The Thames Court refurbishment project is part of a £3m programme of building works at Greenlands, which includes the Greenlands Trust Suite and Academic Resource Centre. The work included refurbishing 44 existing bedrooms and redecorating associated common areas.

The capital programme is being financed using a mixture of funding sources. The University issued a £70m bond in 2007 to provide core funding; in June 2009 it agreed a £60m facility with Barclays Bank to finance the residential redevelopment noted above; the University has also received £25m capital funding from HEFCE for the period to 31 March 2011; in February the University disposed of its Mansfield Hall site for £15.5m; and, finally, the University has since put in place a £50m facility with Barclays Bank plc to provide the balance of funding.

Investmentsa-8(o)13(n)11(d i)-21(n 2)4(0)- -39(i)16(t)-he ba

economic climate. A key objective of the University is to continue to generate operating surpluses at a level that is academically and economi

Governance statement

Responsibilities of the University's Council and structure of corporate governance

The University is committed to the highest standards of governance and continues to review its processes and framework to refine its governance arrangements. In developing its approach the University has drawn on the Combined Code on Corporate Governance. In addition the University has referred to guidelines published by Higher Education Funding Council for England (HEFCE), the British Universities Finance Directors Group (BUFDG) and the Committee of University Chairs (CUC) including the CUC Governance Code of Practice. This statement sets out how the University has applied the relevant corporate governance recommendations during the year.

The Council's responsibilities include the management of the affairs of the University and it is required to present audited financial statements each year.

- the Audit Committee, which is independent and advisory, reports directly to the Council. This Committee is responsible for considering the findings of internal and external audit, the management responses and progress against implementation plans and has an overview of the internal and external audit functions. It also has oversight of the internal control system, risk management arrangements and the framework for ensuring economy, efficiency and effectiveness including governance arrangements. The Audit Committee monitors compliance with regulatory requirements. It meets three times a year and has the right of access to information it considers necessary. While senior executives have the right to attend meetings of the Committee, they are not members of the

health. The systems for risk management and internal controls exist to manage and control the risk of failure to achieve academic and business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the University and this is reviewed regularly by the Senior Management Board, Strategy and Finance Committee and the Council. This process was in place throughout the year under review and up to the date of approval of the financial statements.

In accordance with the University's Charter and Statutes and the Financial Memorandum with HEFCE, the University's Council is ultimately responsible for the management of the affairs of the University, advancing its interests, promoting teaching and research and providing an excellent student experience.

A key responsibility of the Council is to ensure an effective system of

- a Risk Management Group reporting to the Senior Management Board and led by the Deputy Vice-Chancellor oversees risk management at the University. The University has developed its Corporate Plan with specific reference to the key risks identified for the University. The Risk Management Group also oversees work on major incident and business continuity planning.
- a framework for managing risk is in place and includes a risk register. Each key risk is assigned to named members of the Senior Management Board. Each risk has also been assigned to the appropriate committee to monitor the operation of the associated controls within their broader remit. The risks are prioritised based on the likelihood of an event arising from a particular risk and an assessment of the anticipated impact. The assigned priority helps focus resources on critical areas.
- corporate and subsidiary risk registers held at school and directorate level which document controls, mitigating actions and early warning mechanisms in place to manage each risk. These registers are assessed by the Risk Management Group who consider the risks identified, their interactions and interdependencies, the exposure and the proposed processes for managing these risks. Schools and directorates also report on their risk management arrangements to the Risk Management Group. The registers are directly linked to and inform the Corporate and Operational Plans.
- internal and external audit review the system of risk management and internal controls on an ongoing basis. The internal audit programme is driven by the strategic, operational and financial risks potentially affecting the University with each risk being reviewed by internal audit on a three year rolling programme. In discharging its plan, internal audit gives assurance on the quality and reliability of the risk management framework and the controls which protect the University against exposure to risk and reviews compliance with policies and procedures.

The development of a risk management framework over recent years has been an evolutionary process. Significant work on embedding the framework and raising awareness across the University has been undertaken and further efforts are underway to ensure staff at school level are able to participate in and inform the process.

Register of interests

The University Secretary maintains a register of interests for Council members, lay members of University committees and senior members of staff.

Preparation of the financial statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further & Higher Education 2007 and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the University, the Council, through its designated officer 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 Group and University and of the surplus or deficit and cash flows for that year. In preparing the financial statements, the Council is required 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, and
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of these financial statements.

The Council has taken reasonable steps to:

- ensure that the University's funds have been applied in accordance with the University's statutes, the Financial Memorandum agreed with HEFCE and the funding agreement with the Training and Development Agency for Schools (TDA) as appropriate
- 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 prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the University's resources and expenditure, and
- ensure that material risks are identified and managed appropriately

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- comprehensive financial regulations are reviewed and developed by the Strategy and Finance Committee and amendments are subject to approval by the Council
- the internal audit team undertake an annual programme of work which is reviewed and approved by the Audit Committee
- the Audit Committee reviews the effectiveness of risk management, control and governance arrangements and
- the Head of Internal Audit Services is responsible for providing reasonable assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

Information held on the University's website

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

Report of the Remuneration Committee

The Remuneration Committee, one of the five principal committees of the Council, determines on the authority of the Council the remuneration of each individual member of the University's senior executive and academic leadership and management, specifically the Vice-Chancellor, the Professoriate and equivalent non-academic staff. It has the power to make recommendations to the Council on the contractual arrangements and the terms and conditions of employment for such staff.

The Committee has six members, five of whom are lay members of the Council and the other the Vice-Chancellor. It is chaired by the President of the Council. The University Secretary and Director of Governance is its Secretary and the Director of Human Resources is in attendance at its meetings. No employees of the University are present when their own remuneration is under consideration. The Committee reports directly to the Council and receives reports and recommendations from its Professorial Staff Salaries Advisory Group and its Senior Staff Salaries Advisory

Independent auditors' report to the Council of the University of Reading

We have audited the Group and University financial statements (the 'financial statements') of the University of Reading for the year ended 31 July 2010 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheet, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements 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 therein.

This report is made solely to the University Council, as a body, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to it 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 Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Council and auditors

The responsibilities of the University Council for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England in 2007, the 'Statement of Recommended Practice: Accounting for Further and Higher Education', applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Governance Statement on pages 25 to 31.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

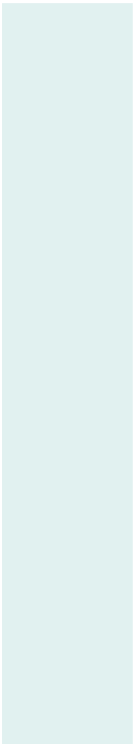
We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 'Statement of Recommended Practice: Accounting for Further and Higher Education'. We also report to you whether income from funding bodies, grants and income 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, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England dated June 2008 and the Financial Memorandum with the Training and Development Agency for Schools. We also report to you whether in our opinion other information contained within the Operating and Financial Review is not consistent with the financial statements.

In addition, we report to you if, in our opinion, the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Income and expenditure account for the year ended 31 July 2010

		Consolidated	
		2010	2009
		£'000	£'000
Income			
Note 1	Funding body grants	65,335	62,797
2	Tuition fees and education contracts	70,455	63,866
3	Research grants and contracts	31,720	29,944
4	Other operating income	51,755	65,268
5	Endowment and investment income	2,556	3,485
Total income		221,821	225,360
Expenditure			
6	Staff costs	132,340	129,905
9	Other operating expenses	73,854	74,216
12	Depreciation of tangible fixed assets	15,772	13,194
8	Interest and other finance costs	4,063	4,543
Total expenditure		226,029	221,858
(Deficit) / surplus on continuing operations		(4,208)	3,502
10	Taxation credit	25	21
(Deficit) / surplus after depreciation and tax		(4,183)	3,523
Exceptional items			
11	Goodwill	250	16,558
20	Reorganisation costs	0	(578)
9	Profit on disposal of fixed assets	2,837	0

Statement of total recognised gains and losses



Balance sheet as at 31 July 2010

		Consolidated		University	
		2010	2009	2010	2009
		£'000	£'000	£'000	£'000
Fixed assets					
Note 12	Tangible assets	390,698	328,536	368,032	305,470
13	Investment properties	21,984	27,117	21,984	27,117
14	Investments	139	127	85	76
		412,821	355,780	390,101	332,663
15	Endowment assets	78,818	71,638	8,032	7,119
Current assets					
	Stock	1,622	1,730	1,622	1,686
16	Debtors	25,975	27,468	30,698	27,840
17	Current asset investments	4,829	6,029	1,976	7,064
	Cash at bank and in hand	0	8,391	0	8,099
		32,426	43,618	34,296	44,689
18	Creditors: Amounts falling due within one year	(120,893)	(71,011)	(123,072)	(77,878)
	Net current liabilities	(88,467)	(27,393)	(88,776)	(33,189)
	Total assets less current liabilities	403,172	400,025	309,357	306,593
19	Creditors: Amounts falling due after more than one year	(70,608)	(70,670)	(70,608)	(70,670)
20	Provisions for liabilities and charges	(350)	(883)	(316)	(501)
	Net assets before deducting the pension liability	332,214	328,472	238,433	235,422
31	Net pension liability	(21,628)	(14,028)	(21,628)	(14,028)
	Net assets after deducting the pension liability	310,586	314,444	216,805	221,394
21	Deferred capital grants	110,643	114,172	130,954	131,107
15	Endowments				
	Expendable	71,654	65,299	868	780
	Permanent	7,164	6,339	7,164	6,339
		78,818	71,638	8,032	7,119
Reserves					
22	General reserves	108,099	102,716	64,793	57,250
22, 31	Pension fund reserve	(21,628)	(14,028)	(21,628)	(14,028)
22	Revaluation reserve	34,654	39,946	34,654	39,946
		121,125	128,634	77,819	83,168
	Total funds	310,586	314,444	216,805	221,394

The financial statements on pages 37 to 65 were approved by Council on 26 November 2010, and signed on its behalf by:

C C Fisher
President of the Council

G Marshall CBE
Vice-Chancellor

D C L Savage
Director of Finance & Corporate Services

Statement of principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable accounting standards.

The financial statements are prepared on a going concern basis and under the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated financial statements include the University, the University's subsidiary companies and the University's Trusts. Certain companies wholly owned by the University have not been included in these consolidated statements on the grounds of non-materiality.

In accordance with Financial Reporting Standard 2, the activities of the Students' Union have not been consolidated because the University does not control its activities.

Recognition of income

Recurrent grants from funding councils are recognised in the period to which they relate.

Fee income is stated gross of any bursaries and scholarships and net of any discounts and credited to the income and expenditure account over the period in which the students are studying.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants or donations from funding councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to customers in relation to orders received or when the terms of the contract have been satisfied.

of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit to the extent that it is not covered by a previous revaluation surplus.

University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements being added to the gross carrying amount of the tangible fixed asset concerned.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July.

Land is held freehold and is not depreciated as it is considered to have an indefinite useful life.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July.

value. Depreciation is not provided on freehold buildings held for investment purposes; such properties are not held for consumption but for investment and the Council considers that systematic annual depreciation would be inappropriate.

Borrowing costs

Borrowing costs directly relating to expenditure on the construction, development or major refurbishment of fixed assets are capitalised. The amount capitalised is calculated using the University's weighted average cost of borrowings over the period from the commencement of the work until the date of practical completion. The capitalisation of finance costs

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Intra-Group transactions

Gains or losses on any intra-group transactions are eliminated in full.

6 Staff costs**Analysis of staff costs**

	Consolidated	
	2010	2009
	£'000	£'000
Salaries	107,357	105,779
Social security costs	9,029	8,992
Pension costs	14,637	13,814
Other staff and pension costs	1,317	1,320
	132,340	129,905

Remuneration of higher paid staff, excluding employer's pension contributions:

	2010	2009
	Number	Number
£100,001 to £110,000	8	8
£110,001 to £120,000	7	5
£120,001 to £130,000	0	2
£130,001 to £140,000	3	3
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	1
£170,001 to £180,000	1	1
£180,001 to £190,000	1	0
£190,001 to £200,000	0	0
£200,001 to £210,000	0	0
£210,001 to £220,000	0	0
£220,001 to £230,000	0	0
£230,001 to £240,000	0	1
£240,001 to £250,000	1	1
£250,001 to £260,000	0	0
£260,001 to £270,000	1	0
	22	22

Compensation for loss of office paid to a senior post holder

	2010	2009
	£	£
	0	103,390

Average number of full-time equivalent members of staff:

	Consolidated	
	2010	2009
	Number	Number
Academic	710	711
Research	360	365
Management and specialist	736	716
Technical	193	187
Other	1,062	1,011
	3,061	2,990

7 Emoluments of the Vice-Chancellor

	2010	2009
	£	£
Emoluments	249,989	246,771
Pension contributions	29,475	36,732

In addition to the sums above, the Vice-Chancellor received a one-off payment of £91,596. This represents the total of sums which have been accrued in an unfunded pension scheme, outside the USS, since 2003. £81,828 was disclosed as pensions contributions in previous years and the remainder of £9,768 was accrued during 2009/10. Following pensions rule changes which came into force during the year, the fund was dissolved and the Remuneration Committee approved the payment of the balance to the Vice-Chancellor.

8 Interest and other finance costs

	Consolidated	
	2010 £'000	2009 £'000
On bank loans, overdrafts and other loans		
Repayable within 5 years, not by instalments	286	316
Repayable wholly or partly in more than five years	2,288	2,848
Finance leases	19	80
Pension finance interest	1,470	1,299
	4,063	4,543

Interest of £2,204,000 has been capitalised in the year to 31 July 2010 (2009 – £918,000) and is included within tangible fixed assets. Total aggregate capitalised finance costs to date within the cost of tangible fixed assets at 31 July 2010 were £3,613,000 (2009 – £1,409,000).

9 Analysis of total expenditure by activity

	Staff costs	Other operating expenses	Depreciation	Interest payable	2010	2009
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Academic schools	76,571	28,391	968	52	105,982	90,727
Academic services	8,645	4,688	1,228	0	14,561	10,141
Administration and central services	13,477	14,133	231	0	27,841	31,437
Premises (excl. residential and catering)	10,206	13,433	9,826	2,517	35,982	33,383
Residences, catering & conferences	6,176	4,288	2,499	0	12,963	16,290
Research grants and contracts	15,390	6,728	259	0	22,377	21,192
Other expenses	1,875	2,193	761	1,494	6,323	18,688
	132,340	73,854	15,772	4,063	226,029	221,858

	Consolidated	
	2010 £'000	2009 £'000
Other operating expenses include:		
Council members' expenses	2	1
External auditors' remuneration		
– audit of these financial statements	109	81
– tax advisory services	236	271
– other non-audit services	43	47
Operating lease rentals		
– land and buildings	94	0
– plant and equipment	585	566
Exceptional items include:		
Gain on disposal of Mansfield Hall	(1,788)	0
Gain on disposal of land for Enterprise Centre	(1,049)	0

Council members do not receive remuneration or fees in respect of their services as Council members. The expenses of Council members incurred in the performance of their duties including attendance at Council meetings are reimbursed by the University. All such reimbursements are subject to approval by the Secretary to the Council. During the year 3 members of Council were reimbursed in connection with travel and subsistence expenses incurred (2009: 5).

During the year the University sold the land and buildings on the site of Mansfield Hall which is adjacent to the London Road campus. The site was surplus to the University's requirements. The net proceeds were £15,387,000 giving rise to a profit on disposal of £1,788,000.

During the year the University granted a 150 year lease of a section of land on the Whiteknights campus to a developer. An upfront premium of £1,500,000 was received. The developer will construct an Enterprise Centre on the site which it will lease to the University for 25 years. The net proceeds of £1,049,000 being the premium less associated disposal costs has been credited to profit on disposal during the year to reflect the underlying substance of the two leases which is that of a sale and operating leaseback. This reflects the very long period of the lease of the land and the proximity of the premium to the fair value of the land.

12 Tangible fixed assets

Consolidated

Cost or valuation

At 1 August 2009

[illegible]

15 **ndowment assets (continued)****Consolidated**

	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital value	1,293	65,067	3,385	68,452	69,745
Accumulated income	25	232	1,636	1,868	1,893
At 1 August	1,318	65,299	5,021	70,320	71,638
Net additions	0	(381)	(112)	(493)	(493)
Gain on disposal of assets	97	1,175	286	1,461	1,558
Surplus of income over expenditure / (expenditure over income)	60	(1,677)	132	(1,545)	(1,485)
Increase in value of endowment investment properties	0	2,359	0	2,359	2,359
Increase in value of endowment asset investments	92	4,879	270	5,149	5,241
At 31 July	1,567	71,654	5,597	77,251	78,818
Represented by:					
Capital value	1,483	71,427	3,932	75,359	76,842
Accumulated income	84	227	1,665	1,892	1,976
	1,567	71,654	5,597	77,251	78,818

University

	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital value	1,293	553	3,385	3,938	5,231
Accumulated income	25	227	1,636	1,863	1,888
At 1 August	1,318	780	5,021	5,801	7,119
Net additions	0	0	(112)	(112)	(112)
Gain on disposal of assets	97	44	286	330	427
Increase in value of endowment asset investments	92	49	270	319	411
Surplus of income over expenditure / (expenditure over income)	60	(5)	132	127	187
At 31 July	1,567	868	5,597	6,465	8,032
Represented by:					
Capital value	1,483	643	3,932	4,575	6,058
Accumulated income	84	225	1,665	1,890	1,974
	1,567	868	5,597	6,465	8,032

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20 Provisions for liabilities

	Consolidated		University	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
At 1 August	883	50	501	50
Brought in on acquisition	0	850	0	0
Transfer (to) / from income and expenditure account	(231)	451	0	451
Utilised in the year	(302)	(468)	(185)	0
At 31 July	350	883	316	501
Represented by:				
Reorganisation costs	266	451	266	451
Overseas tax provision	70	432	0	0
Other provisions	14	0	50	50
	350	883	316	501

Reorganisation costs provided for at 31 July 2010 consist of expenditure committed to in respect of restructuring the senior management of Henley Business School. The provision is expected to be utilised by 30 September 2010.

23 Reconciliation of (deficit) / surplus on continuing operations to net cash inflow from operating activities

to net cash inflow from operating activities	Consolidated	
	2010	2009
	£'000	£'000
(Debit) / surplus on continuing operations	(4,208)	3,502
Depreciation	15,772	13,194
Exchange differences	(43)	(17)
Deferred capital grants released to income	(4,194)	(3,532)
Endowment and investment income	(2,556)	(3,485)
Interest payable	4,063	4,543
Exceptional items	2,836	(578)
Difference between pension charge and cash contributions	(2,292)	(478)
Decrease / (increase) in stock	108	(118)
Decrease in debtors	6,271	7,838
Decrease in creditors	(3,418)	(231)
(Decrease) / increase in provisions	(533)	883
(Profit) / loss on disposal of fixed assets	(2,850)	2
Net cash inflow from operating activities	8,956	21,523

30 Lease obligations

	Land and buildings £'000	Plant and equipment £'000	2010 £'000	Land and buildings £'000	Plant and equipment £'000	2009 £'000
Consolidated						
Operating leases due:						
within one year	8	195	203	0	189	189
in two to five years	61	390	451	0	378	378
	69	585	654	0	567	567
	Land and buildings £'000	Plant and equipment £'000	2010 £'000	Land and buildings £'000	Plant and equipment £'000	2009 £'000
University						
Operating leases due:						
within one year	0	195	195	0	189	189
in two to five years	0	390	390	0	378	378
	0	585	585	0	567	567

31 Pension schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Reading Employees' Pension Fund (UEPF). USS provides benefits based on final pensionable salary for academic and related employees for all UK universities. The UEPF scheme provides benefits for other members of University staff. Contributions are also paid to the Teachers Pension Scheme (TPS) for a small number of staff.

Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables used were as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – no age rating

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

31 Pension schemes (continued)

At the valuation date, the value of the assets of the scheme was £28,842.6m and the value of the scheme's technical provisions was £28,135.3m indicating a surplus of £707.3m. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 107% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and

31 Pension schemes (continued)**University of Reading employees' Pension Fund (UEPF)**

The University participates in the UEPF, which is a funded defined benefit pension scheme in the UK where contributions are held in a separate trustee-administered fund. A full actuarial valuation was carried out at 31 July 2008 and updated to 31 July 2010 by a qualified independent actuary. The service cost has been calculated using the projected unit method.

The University paid contributions at a rate of 24.1% of salary throughout the year and an additional amount of £1.5m. From 1 August 2010 the rate remains at 24.1% with an additional amount of £1.75m for the year ended 31 July 2011.

	2010 £'000	2009 £'000
Analysis of movement in benefit obligation		
At 1 August	95,023	98,451
Current service cost	2,745	3,493
Interest cost	5,997	5,759
Member contributions	925	899
Age related rebates	346	663
Past service cost	333	79
Benefits paid	(4,050)	(3,072)
Actuarial losses / (gains)	13,294	(11,249)
At 31 July	114,613	95,023
Analysis of movement in scheme assets		
Fair value at 1 August	80,995	80,729
Expected return on scheme assets	4,527	4,460
Actuarial gains / (losses)	4,872	(6,734)
Employer contribution	5,370	4,050
Member contributions	925	899
Age related rebates	346	663
Benefits paid	(4,050)	(3,072)
Fair value at 31 July	92,985	80,995
Fair value of assets less benefit obligation	(21,628)	(14,028)
Components of pension cost		
Current service cost	2,745	3,493
Interest cost	5,997	5,759
Expected return on scheme assets	(4,527)	(4,460)
Past service cost	333	79
Total pension cost recognised in the income and expenditure account	4,548	4,871
Actuarial losses / (gains) immediately recognised	8,422	(4,515)
Total pension cost recognised in the statement of total recognised gains and losses	8,422	(4,515)
Cumulative amount of actuarial losses immediately recognised	32,155	23,733
Scheme assets		
The weighted-average asset allocation was as follows:		
Equities	54,008	48,042
Bonds and gilts	32,387	27,904
Property	3,990	1,934
Other	2,600	3,115
	92,985	80,995

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the expected return assumptions below.

32 Capital and other commitments

Provision has not been made for the following capital commitments:–

Consolidated & University

	2010 £'000	2009 £'000
Commitments contracted for	34,386	37,935

These commitments arise from contracts included in the ongoing capital programme.

The University leases the Reading Student Village from UPP (Reading) Limited and Reading St Georges from UPP (Reading St Georges) Limited. These leases are co-terminus in October 2050. The lease payments are calculated based on contracted lettings for annually agreed room nominations. In the year to 31 July 2010 these payments totalled £4.6m (2009 – £4.0m).

33 Contingent liabilities

The University reclaimed all the VAT incurred in the construction of the agriculture building at Earley Gate which was completed in 1996 and was the subject of a lease and leaseback arrangement with a third party. HM Revenue and Customs challenged this recovery of VAT and raised an assessment to tax for £1.2m. The University appealed this assessment and the appeal stood behind the Halifax and Huddersfield cases. The Halifax case has been adjudicated upon and it is expected that the University will need to settle part of the assessment. Discussions over the amount to be paid are underway and no agreement has yet been reached, while the University takes further legal advice on its position in the light of further case law.

The University has agreed to provide financial support to the following wholly owned subsidiary companies which had net liabilities at 31 July 2010.

	Net liabilities at 31 July 2010 £'000
The University of Reading Science & Technology Centre Limited	404
Henley Management College (1945) Limited	1,890
Henley Business School (Hong Kong)	121
Henley Management College (South Africa)	528
Henley Management College New Zealand	95

**34 Amounts disbursed as agent
– Consolidated & University**

	HEFCE Hardship Fund 2010 £'000	HEFCE Hardship Fund 2009 £'000	TDA Bursary 2010 £'000	TDA Bursary 2009 £'000
Balance brought forward at 1 August	31	10	566	249
Income				
Funding Council grants	183	214	1,726	2,057
Interest earned	1	6	0	0
	184	220	1,726	2,057
Expenditure				
Disbursed to students	(132)	(187)	(2,040)	(1,740)
Fund running costs	(31)	(12)	0	0
	(163)	(199)	(2,040)	(1,740)
Balance unspent at 31 July	52	31	252	566

The University acts only as a paying agent in relation to Funding Council hardship funds and TDA bursaries, distributing them to students. The funds received and related disbursements are therefore excluded from the income and expenditure account.

35 Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the Council (being drawn from the local community, businesses and private organisations) it is inevitable that transactions will take place with organisations in which a member of the Council may have an interest. All transactions involving organisations in which a member of the Council may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The following transactions were identified for disclosure under FRS 8:-

A senior member of University staff is a partner in Text Matters, an information design consultancy partnership. The University has paid £74,000 (2009 – £39,000) to this business for website design and other design services.

The University's financial statements include the following balances due from / (to) related parties

	2010 £'000	2009 £'000
Henley Business School (NZ) Ltd	0	61
Reading University Students' Union	406	220

The University paid the following grants to Reading University Students' Union	2010 £'000	2009 £'000
Core block grant	873	873
Specific grant	14	14
	887	887

The results and net liabilities of Henley Business School (NZ) Ltd are not included in these financial statements on the grounds that they are not material to the Group.

The University holds 50 £1 shares in Whitfield Solar Limited and 1,000 1p shares in GradFutures Limited, both of which are University spin-out companies.

On 1 August 2009 the University assumed control of Reading Real Estate Foundation, a company limited by guarantee in the United Kingdom and a registered charity.

36 Subsidiary undertakings

The University's subsidiary companies, wholly-owned or effectively controlled by the University, are as follows. These are all registered in England & Wales with the exception of Henley Business School (Hong Kong) Ltd, Henley Business School Limited (NZ) and Henley Management College (South Africa) Section 21A.

Name of company	Principal activity
Henley Business School Limited	Not currently trading
Henley Business School (Hong Kong) Limited	Management education
Henley Business School (NZ) Limited	Management education
Henley Business School (South Africa) Limited	Not currently trading
Henley Management College (1945) Limited	Management education
Henley Management College (South Africa) Section 21A	Management education
New Technology Institute Thames Valley Region	Dormant
Reading Real Estate Foundation	Real estate education
RREF Limited	Dormant
Stockmint Limited	Dormant
The University of Reading Foundation	Dormant
The University of Reading Science & Technology Centre Limited	Property letting business
University of Reading (Greenlands) Limited	Hospitality and lettings at Greenlands, Henley
Whiteknights Energy Limited	Dormant
Whiteknights Farming Limited	Dormant
Witan College Limited	Dormant

