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Financial Statements

For the year ended 31 July 2011

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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 Higher Education sector is currently undergoing significant challenges with constraints on funding and the future increases in tuition fees. The University has focused carefully on its financial plans in order to meet these challenges by maximising current and new sources of funding, carefully considering the level of tuition fees and seeking to reduce costs without impinging on the quality of teaching and research.

The University is confident that it can continue to provide excellence in teaching and produce the highest quality research so that Reading can continue to make a positive contribution to the experience of its many students and staff and to the community at large.

This year was Gordon Marshall's last year as Vice-Chancellor. I would like to thank him for the significant progress and achievements that have been made during his tenure. The Council has appointed Sir David Bell, currently Permanent Secretary, Department for Education, as the University's Vice-Chancellor and he will take up his appointment in January 2012. This is a most welcome appointment, reflecting the ambition and growing confidence of the University not only to meet the current challenges before us but to become a stronger and more successful institution in the years ahead.

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

Catherine Fiddes

President of the Council

25 November 2011

The Council

The Vice-Chancellor ¹
The Deputy Vice-Chancellor
The Pro-Vice-Chancellors
The Treasurer (from 31 July 2011)

One by Reading Borough Council (from 31 July 2011)

One by Reading Borough Council:
Councillor F. Pugh

One by Wokingham Borough Council:
Councillor P. Swaddle, BA

Mr T. Bartlam, BA, MA, FCA
Mr R. Buller, BSc

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

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

Mrs H.M. Dominick (elected 31 July 2011)

Mrs B. Edwards, BA, MA (elected 1 April 2011)

Mrs B. Edwards, BA, MA (elected 1 April 2011)

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

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

Mr K. Hobley (The President of the Students' Union)

Mr K. Hobley (The President of the Students' Union)

Mr A. Slater (The Vice-President (Academic Affairs) of the Students' Union)

Secretary: The University Secretary

1 Member of Remuneration Committee

2 Chair of Remuneration Committee

3 Chair of Audit Committee

4 Chair of Appointments Committee

5 Chair of Strategy and Finance Committee

6 Chair of Support Services Policy Committee

Officers of the University

Mr Sir John Madejski

Sir John Madejski, OBE, DL, Hon DLitt, Reading

Professor Gordon Marshall

Professor Gordon Marshall, CBE; BA, Stirling; DPhil, Oxford; FBA; AcSS
(until 31 July 2011)

Professor T.A. Downes

Professor T.A. Downes, BA, BCL, Oxford (until 1 April 2011)

Professor T.A. Downes

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

C.C. Fisher

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

Mr R. Dwyer

Mr R. Dwyer, BSc, FCIPD (until 1 April 2011)

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

Dr P.T. Warry

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

Professor R.L. Robson

Professor R.L. Robson, BA, York; PhD, Wales

Professor C.M. Williams, BSc, PhD, London (until 31 July 2011) (until 31 July 2011)

K.N. Hodgson, BA, Leicester

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

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

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

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

C. Robbins, BSc, Portsmouth; FRICS

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

KPMG LLP

Operating and Financial review

Introduction

This report presents the Group's results and activities for the year to 31 July 2011.

Group financial statements

The Group financial statements include the results of the University of Reading and the trusts and subsidiaries listed below. These statements exclude the results of the University's other subsidiary companies on the grounds of immateriality.

- The Research Endowment Trust
- The National Institute for Research in Dairying Trust
- The Hugh Sinclair Trust
- The Beckett International Foundation
- The Greenlands Trust
- Henley Business School Limited
- Henley Management College (1945) Limited
- The University of Reading Science & Technology Centre Limited
- Reading Real Estate Foundation
- University of Reading (Greenlands) Limited
- Henley Management College (South Africa) Section 21A
- Henley Business School (South Africa) Limited
- The Henley Business School (South Africa)
- Henley Business School (Hong Kong) Limited
-

all. The University aims to encourage people of all backgrounds to participate in and benefit from its teaching, research and other activities.

The University's senior management have adopted a Corporate Plan which contains a range of closely monitored measures to ensure that the University will continue to deliver on its core objectives for the foreseeable future. The University constantly invests in new and improved facilities to allow it to enhance the quality of the teaching and research it provides.

The University and its subsidiaries also carry out teaching and research of a more commercial nature, for example in some of the courses run by Henley Business School and in research carried out for private sector organisations. The University is careful to ensure that the extent of these activities does not conflict with or detract from its core charitable purposes.

Teaching and learning

The University's admissions policy is to attract and admit the most able and motivated undergraduate and postgraduate students with the greatest potential to contribute to, and to benefit from, the education provided, irrespective of their background. The admissions procedures and the provision of bursaries are designed to support this policy fully.

The University currently has over 9,000 undergraduate and over 8,000 postgraduate students. It promotes among all its students excellence in their studies and the other activities in which they participate while at Reading such as sport, cultural and voluntary activities, and encourages the opportunities these activities provide for stimulating personal development and the wellbeing of the community. When students complete their studies, they are able to use the skills they have acquired, both academic and non-academic, in their lives and careers beyond Reading.

The University offers support to over 3,000 students through its access bursary scheme which allows it to recruit the most able students, regardless of financial background. The University aims to offer programmes of study that are attractive to a diverse range of potential students, have fair and transparent admissions policies, and provide financial support to low income students. The University has a comprehensive Student Complaints Procedure to deal swiftly and effectively with problems which arise during students' time at Reading.

The University seeks to encourage potential students to consider entering higher education and a range of methods are adopted including visits to schools and open days and events aimed at schools such as the Salters' Festival of Chemistry.

The University hosted the Association for Science Education's Annual Conference during the year, the biggest science education conference and exhibition in Europe. The conference was designed for all those involved in science education and speakers included Sir David Attenborough and Lord Robert Winston.

Research

The University is highly regarded, nationally and internationally, for the quality of its research, and is committed to enhancing its position as a leading research university. It aims to deliver outstanding research, a significant proportion of which is specifically designed to make a significant

cannot impact on knowledge, people or the economy, or to enhance or change society for the better.

The University is aware that research often raises ethical issues which need to be considered before a decision is taken on whether to carry out the research. The University's Research Ethics Committee considers all areas of research which may give rise to ethical issues and makes judgment on whether approval should be given for the research to be carried out.

years. The Scheme places students alongside teachers, to give help and to act as positive role models. It aims to raise the aspirations of pupils in schools and to encourage them to continue in their education.

The University provides facilities open to the public, including lectures and concerts, museums, sports facilities and other visitor attractions.

Financial Review

The Group's consolidated retained surplus after tax in the year to 31 July 2011 was £3.5m (2010: £0.4m). Total income for the year was £221m (2010: £222m).

The Group has net current liabilities of £145m (2010: £88m). However, shortly after the signing of the financial statements it is expected that these will be reduced significantly by the receipt of considerable funds in respect of a transfer of the University's student accommodation to a third party.

The University is nearing the end of its current capital investment programme. The financing for this programme comes from a mixture of sources and is expected to be complemented by the funds generated from the student accommodation transfer. During the year the University continued its estates critical maintenance programme with significant works carried out at London Road, Greenlands and the halls of residence.

Future Prospects

The UK economy continues to go through a difficult period. The higher education sector is currently undergoing significant challenges in the light of the 2010 Comprehensive Spending Review and the government's White Paper on Higher Education. The University has reshaped its academic activities to ensure they are well placed for the years ahead. It has set the level of its fees at £9,000 per annum for all undergraduate programmes once the government withdraws the great majority of state funding from higher education in 2012/13. However, the University is committed to ensuring that talent and potential are the only factors that dictate attendance at the University of Reading and will continue to offer a significant level of scholarships and bursaries to assist students where appropriate. The University will also seek to maximise its income from non-academic activities such as catering, sport and its investment portfolio.

Summary of Key Developments

Constantly striving to provide an excellent education for students while building on its position as one of the primary research institutions in the UK, the University is unashamedly proud of its achievements. This report gives details of the key developments over the course of this financial year.

The University has responded to the prevailing financial and political climate with specific measures to reshape the University. The University is making savings while ensuring that it remains research intensive and committed to excellence in teaching and world-renowned research. Specific measures to be taken in the coming year include merging the Faculty of Arts and Humanities with the Faculty of Social Sciences, merging the Academic Services and Student Services Directorates and restructuring within the Henley Business School.

After almost nine years as Vice-Chancellor, Professor Gordon Marshall left the University to take up the post of Director of the Leverhulme Trust. Under the leadership of Professor Marshall, the University has achieved concerted focus on research excellence in areas such as climate change, health and food security. In business education, the University's successful 2008 merger with Henley Management College has created a triple-accredited, world-leading business school. During his tenure, Professor Marshall has also overseen a period of huge investment in the University's estate to create facilities equal to its academic reputation. A £410 million capital programme has included the development of new halls of residence, catering and academic buildings.

The University increased its international activities during the year. It currently has around 3,000 international students studying in the UK and it has several teaching and research partnerships with institutions in other countries including Malaysia, China, South Africa, Hong Kong and Finland. The University intends to build on this foundation to become a global university. In Malaysia the University plans to deliver English Language and Executive Education programmes in the southern city of Johor Bahru from June 2012 through its Malaysian subsidiary company.

The University of Reading's new Enterprise Centre opened during the year and became home to a number of innovation and technology-based companies. The Enterprise Centre is a 55,000 square feet purpose-built business facility based on the Whiteknights campus. Designed as high-quality flexible space, it provides innovative and growth-orientated businesses with space to develop and grow with direct access to the University's research and enterprise expertise and talent pool of staff, students and graduates. The University also has planning permission for phase one of its plans for a Science and Innovation Park in the area, which will provide space for successful incubation businesses to expand.

The Minghella Building, the new home of the Department of Film, Theatre and Television, opened during the year. The building includes a state-of-the-art cinema, resources for shooting high definition digital DVD, editing suites, facilities for audio mixing, a sound studio, two fully-equipped theatre spaces, a multi-camera TV studio and mixing gallery and an excellent resource collection of films, recorded performances and TV programmes.

During the year the University relinquished its control of the Medical Practice which became an independent entity outside of the Group. The Medical Practice continues to provide its services to staff and students under this new arrangement.



The University has been ranked 164th internationally in the latest Times Higher rankings of the world's top universities, reaffirming the University's strong reputation among academics worldwide. In the United Kingdom, the University improved its position in all UK national league tables this year including a climb to 30th in the Sunday Times league table. The University scored very highly in a number of subjects, most notably land and property management, agriculture and food.

The University's Institute of Education, which trains over 1,000 teachers every year, was ranked in the top three education institutions nationally.

The University offers support to over 3,000 students through its access bursary scheme. The University's policy is to recruit the most able students, regardless of financial background.



The University is highly regarded, nationally and internationally, for the quality of its research, and is committed to enhancing its position as a leading research university. Reading's particular research priorities and internationally acknowledged expertise extends across a broad range of disciplines in the environmental, physical and life sciences, arts and humanities, business and social sciences.

Overall, research grant income was some £34.0m from around 650 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 University's Centre for Food Security opened in November, developing solutions to tackle issues such as nutrition, changes in climate and land use.

The University won a gold medal in the Continuous Learning Awards at this year's Chelsea Flower Show for its exhibition on the crucial cocoa research undertaken by the School of Biological Sciences. The University is home to the International Cocoa Quarantine Centre which plays a pivotal role in stopping the spread of pests and disease on cocoa, whilst ensuring that research centres and cocoa plantations worldwide have access to new and interesting types of cocoa.

The Research Councils UK and Universities UK published a report, Big Ideas for the Future, which pulled together the leading research projects currently taking place across UK universities. The report featured five of the University of Reading's world-leading research areas on personalising healthcare, new mechanisms to control thrombosis, prediction, a happy future, and the future of democracy.

Further examples of the many research projects undertaken at the University during the year include:

- investigating how unhealthy saturated fats in cows' milk can be reduced
- a project to interlink and harmonise differing catalogues of species
- the development of a tool that can guide the future design of planning and development schemes for eco-cities
- groundbreaking research in understanding how to control blood clotting



The University is located at the heart of the Thames Valley cluster of established and developing high-technology and research led companies

public service. The interaction between the corporate world and 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 businesses are taking advantage of the University's expertise, knowledge and facilities through collaborative research, consultancy, Knowledge Transfer Partnerships, licensing of intellectual property, etc.

for organisations whose total electricity consumption is greater than



consideration for job vacancies for which they are suitable applicants, and that staff and students who are disabled or become disabled are provided with reasonable adjustments and other practical, technical and personal support as needed.

A range of training initiatives, policies and procedures demonstrate the University's commitment to promote best practice in pursuing equality of opportunity.

Details of the University's Disability Equality Scheme, Gender Equality Scheme and Race Equality Policy are available on the University's website.



The University received over £2m in philanthropic income in 2010/11, with a further £2.5m in new gifts and pledges to be realised over the next five years. Since the establishment of the Development & Alumni Relations Office (DARO) in 2004, almost £27m has been secured in donations. These gifts come from a variety of sources – including companies, charitable trusts, individuals, and, in particular, alumni – for a variety of projects, such as professorships, research bursaries and prizes.

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, around £2.7 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 over 2,000 Reading alumni and raising £395,000, with 42% of alumni called choosing to make a gift. Alongside this, donors pledged a further £90,000 in response to mailings, emails and through online giving. The University currently has almost 6,000 donors from 65 countries.



A summary of the Group income & expenditure account is as follows:

	2011 £'000	2010 £'000
Income	221,195	221,821
Expenditure	218,817	226,029
Surplus / (deficit) before tax	2,378	(4,208)
Tax	(238)	25
Surplus / (deficit) after tax	2,140	(4,183)
Exceptional items	0	3,087
Surplus / (deficit) after exceptional items	2,140	(1,096)
Surplus transferred from accumulated income in endowment reserves	1,352	1,485
Surplus for year	3,492	389

The consolidated results for the year show a surplus of £3,492,000. This result was largely due to gains arising on changes made to the University's

UEPF pension scheme which reduced the group's overall expenditure. Tax payable arose mostly on overseas operations.

The Group's income can be analysed as follows:

	2011	2010	Increase / (decrease)	Increase / (decrease)
	£'000	£'000	£'000	%
Funding body grants	57,675	65,335	(7,660)	(11.7)
Tuition fees and education contracts	71,539	70,455	1,084	1.5
Research grants and contracts	34,048	31,720	2,328	7.3
Other income	55,969	51,755	4,214	8.1
Endowment and investment income	1,964	2,556	(592)	(23.2)
Total income	221,195	221,821	(626)	(0.3)

Funding body grants fell by 11.7% this year due to one-off moderation funding received in the previous year and a reduction in the teaching fund.

The 1.5% rise in tuition fees and education contracts was mainly due to a reclassification of income previously reported within other income.

Research income rose by 7.3%. There was an increase in the amount of EU contracts as well as some reclassifications from other income.

Other income rose by 8.1%. This was due to the opening of two new halls of residence and a general growth in activities.

Endowment and investment income fell, reflecting a fall in investment returns in the current market.

A summary of the Group's expenditure is given below:

	2011	2010	Increase / (decrease)	Increase / (decrease)
	£'000	£'000	£'000	%
Staff costs	118,506	132,340	(13,834)	(10.5)
Other operating expenses	78,046	73,854	4,192	5.7
Depreciation	16,280	15,772	508	3.2
Interest payable	5,985	4,063	1,922	47.3
Total expenditure	218,817	226,029	(7,212)	(3.2)

Staff costs decreased by 10.5%, due largely to gains arising on changes made to the UEPF pension scheme. Changes were made to the scheme to ensure its longevity and to make the scheme more affordable. These changes, which are discussed in more detail further on in this report,

The financial statements report the deficit of the University's UEPF



The University recognises that to be attractive to students, sponsors and staff, it must continue to invest in its estates and facilities, and improve its teaching and research environment. This is balanced against the need to identify and achieve significant cost savings in the current economic climate. A key objective of the University is to continue to generate operating surpluses at a level that is academically and economically sustainable, so as to build the University's reserves and borrowing capacity, to help fund its future plans. The University's overall financial

Governance statement



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 the 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 Council has reviewed and continues to review the University's governance arrangements and is satisfied that the University has fully complied with HEFCE's guidelines throughout the financial year. The University's practices are mostly consistent with the provisions of the CUC Governance Code in Practice. Areas where practices differ from the Code are set out below:

- The Council has 30 members with effect from 1 August 2011 which represents a reduction from 33 in the previous year. The Council requires that the senior academic officers of the University be included in membership for purposes of accountability and values the presence of various categories of staff and students as a means of ensuring University-wide involvement in its work. Beyond this, lay members, whose contribution outwith meetings of the Council is an integral part of arrangements, form a clear majority.
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- 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 Committee. The Committee meets with both the internal and external auditors for independent discussions.
- the Remuneration Committee which determines the pay and conditions for the University's senior executive management, including the Vice-Chancellor, the Professoriate and equivalent non-academic staff. It has the power to make recommendations to the Council on remuneration and contractual arrangements. A report from the Remuneration Committee is included on pages 33 to 34.
- the Appointments Committee which meets termly and discharges the Council's responsibilities in respect of non-financial aspects of staffing matters. It also operates as the Nominations Committee in seeking and recommending persons to serve on the Council and other committees.
- the Support Services Committee which monitors and reports to the Council on the performance of support services.

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 internal and financial controls to support the achievement of the University's objectives while safeguarding the public and other funds.

The system of internal control is developed on an ongoing basis and is designed to identify the principal business, operational, compliance and financial risks to the achievement of aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

The Council, through the Strategy and Finance Committee, has overall responsibility for reviewing the effectiveness of the systems of internal

- 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

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
-

- 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.



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 has been chaired by

ment and without any special payments, the level of additional non-superannuable payment to be made to the Deputy Vice-Chancellor with effect from 1 August 2011 for such time as he carries out the duties of Acting Vice-Chancellor.

Christopher Fisher
Chairman

31 July 2011

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 2011 which comprise the Group income and expenditure account,

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

As part of our audit we have also considered whether the financial statements are prepared in accordance with the provisions of the Companies Act 2006 that relate to the financial statements of companies that are not listed on a stock exchange.

Income and expenditure account for the year ended 31 July 2011

		Consolidated	
		2011	2010
		£'000	£'000
Income			
1	Funding body grants	57,675	65,335
2	Tuition fees and education contracts	71,539	70,455
3	Research grants and contracts	34,048	31,720
4	Other operating income	55,969	51,755
5	Endowment and investment income	1,964	2,556
	Total income	221,195	221,821
Expenditure			
6	Staff costs – regular	131,323	132,340
6	Staff costs – exceptional	(12,817)	0
9	Other operating expenses	78,046	73,854
12	Depreciation of tangible fixed assets	16,280	15,772
8	Interest and other finance costs	5,985	4,063
	Total expenditure	218,837	226,029
	Surplus / (deficit) on continuing operations	2,378	(4,208)
10	Taxation (charge) / credit	(238)	25
	Surplus / (deficit) on continuing operations after taxation	2,140	
	Profit on disposal	0	2,837
11	Goodwill	0	250
	Surplus / (deficit) on continuing operations after goodwill	2,140	
15	Surplus for the year transferred from accumulated income in endowment funds	1,352	1,485
	Total surplus for the year	3,492	3,322

All items of income and expenditure arise from continuing operations. There is no material difference between the surplus reported above and that on an historical cost basis.

Balance sheet as at 31 July 2011

		Consolidated		University	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
12	Tangible assets	432,588	390,698	410,267	368,032
13	Investment properties	22,191	21,984	22,191	21,984
14	Investments	51	139	96	85
		480	42,81	32,5	39,101
15	Current assets	81,936	78,818	9,038	8,032
	Stock	1,700	1,622	1,700	1,622
16	Debtors	25,802	25,975	31,280	30,698
17	Current asset investments	9,449	4,829	2,583	1,976
		369	32,26	358	3429
18	Long-term assets: Amounts falling due within one year	(181,545)	(120,893)	(183,185)	(123,072)
	Long-term assets	32,12	93,12	29,0	30935
19	Long-term assets: Amounts falling due after more than one year	(70,645)	(70,608)	(70,645)	(70,608)
20	Long-term investments	(85)	(350)	(50)	(316)
		321,2	332,214	223,25	23833
31	Long-term liabilities	(11,600)	(21,628)	(11,600)	(21,628)
		3092	310,6	211,5	21685
21	Long-term assets	106,668	110,643	126,086	130,954
15	Expendable	73,848	71,654	950	868
	Permanent	8,088	7,164	8,088	7,164
		8,96	788	9038	8032
22	General reserves	98,315	108,099	53,629	64,793
22, 31	Pension fund reserve	(11,600)	(21,628)	(11,600)	(21,628)
22	Revaluation reserve	34,523	34,654	34,522	34,654
		121,238	121,125	75	789
		3092	310,6	211,5	21685

The financial statements on pages 37 to 67 were approved by Council on 25 November 2011, and signed on its behalf by:

C C Fisher
President of the Council

T A Downes
Acting Vice-Chancellor

D C L Savage
Director of Finance & Corporate Services

Cash flow statement for the year ended 31 July 2011

Statement of principal accounting policies



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.

Income from the sale of goods or services is credited to the income and

The funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes.

In line with FRS 17, contributions to the USS pension fund continue to be charged to the income and expenditure account as if the scheme were a defined contribution scheme because the scheme is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. As a result, the costs associated with USS represent the contributions payable to the scheme in respect of the accounting period.

In relation to the UEPF scheme, the income and expenditure account is charged under FRS 17 with the current service cost and any past service costs as is the net financing cost attributable to the pension liabilities and return on assets. Actuarial gains and losses on the scheme, including the differences between expected and actual return on scheme assets, are recognised in the statement of total recognised gains and losses. The surplus or deficit on the scheme is reported on the balance sheet with the scheme assets valued at market value and scheme liabilities measured on an actuarial basis using the projected unit method. The post retirement surplus or deficit is included on the University's balance sheet, net of the related amount of deferred tax. A surplus will only be included to the extent that it is recoverable through reduced contributions in the future or through refunds from the scheme.



Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are treated as if the asset had been purchased outright by the University. The assets are included in fixed assets and the capital element of the leasing commitments is reported as an obligation under finance leases within creditors. These assets are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding.

Costs in respect of operating leases are charged on a straight-line basis over the lease term.



The University uses derivative financial instruments to reduce exposure to interest rate movements. Such derivative financial instruments are not held for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these instruments are recognised by adjusting net interest payable over the term of the contract. In instances where the derivative financial instrument ceases to be a hedge for an actual asset or liability, it is marked to market and any resulting profit or loss recognised at that time.

Financial assets and liabilities are offset only when there is a legally enforceable right to set off the recognised amounts and where the University intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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Investment properties

Except in the year of acquisition, investment properties held by the University and its Trusts are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve except that any impairment in the value of an investment property is taken to the income and expenditure account for the period. In the year of acquisition, the cost of the property is used as a proxy for open market value. Depreciation is not provided on freehold buildings held for investment purposes; such properties are not held for consumption but for

are recognised on receipt or before receipt where there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowments

Where donations received can only be applied for a particular purpose or are to be retained for the benefit of the University in line with the donor's wishes they are accounted for as endowments. There are three main types of endowment, details of which are given below.

- i) Restricted permanent endowments – the income derived from a donation given to the University may be applied for a purpose specified by the donor where the donor has specified that the capital funds are to be held by the University in perpetuity.
- ii) Restricted expendable endowments – these are funds given to the University where the capital and income derived therefrom are to be applied for purposes specified by the donor.
- iii) Unrestricted permanent endowments – these are funds where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

The University's Trusts have been excluded from the University endowments and are included on consolidation.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historic cost less any provision for impairment in their value. Listed investments held as fixed, current or endowment assets have been included in the balance sheet at market value.

Stock

Stock is stated at the lower of cost and net realisable value after making due provision for obsolete and slow moving items.

Charitable status

The University is considered to pass the tests set out in Paragraph 1 of Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company 7-13(s)5(s 2)4(0)18(1)9 therefore 9(K7-13(s)5(sr5(d)-27(m)15(c c)1(0)1

Notes to the accounts

	Consolidated	
	2011 £'000	2010 £'000
Recurrent grant		
Higher Education Funding Council (HEFCE)	47,504	53,236
Training and Development Agency (TDA)	2,443	2,387
Specific grants		
Higher Education Academic Subject Centres	1,582	4,164
Higher Education Innovation Fund	1,900	1,663
Other	253	403
Deferred capital grants released in year:		
Buildings	3,147	2,605
Equipment	846	877
	55	6335

	Consolidated	
	2011 £'000	2010 £'000
Full-time home and EU students	30,944	31,228
Full-time international students	21,812	19,724
Part-time students	12,861	12,757
Research training support grants	3,698	4,577
Short course fees	1,278	1,406
Total fees paid by or on behalf of individual students	70,593	69,692
Education contracts	946	763
	71,539	70,455

	Consolidated	
	2011 £'000	2010 £'000
Research Councils and charities	21,116	20,773
Governmental	9,074	6,831
Industry and commerce	3,589	3,857
Releases from deferred capital grants	269	259
	34,048	31,720

	Consolidated	
	2011 £'000	2010 £'000
Residences, catering and conferences	23,908	20,551
Other income-generating activities	15,534	16,065
Other income	16,030	14,685
Release from deferred capital grants	497	454
	55,969	51,755

	Consolidated	
	2011 £'000	2010 £'000
Income from expendable endowments	1,457	2,064
Income from permanent endowments	269	257
Income from short-term investments	238	235
	1,964	2,556

	Consolidated	
	2011	2010
	£'000	£'000
Salaries	105,217	107,357
Social security costs	8,898	9,029
Pension costs – regular	15,083	14,637
Other staff and pension costs	2,125	1,317
	131,323	132,340
Pension costs – exceptional gains	(12,817)	0
	118,506	132,340

During the year significant changes were made to the UEPF which is a funded defined benefit pension scheme to which the University contributes. The changes took effect on 1 August 2011 and were designed to ensure that the scheme remains affordable and to reduce the scheme's overall deficit. The main change for existing members of the scheme was a switch from pensions being based on final salary to being based on career average earnings. This gave rise to a significant curtailment gain. The change of the key measure of inflation from the retail price index (RPI) to the consumer price index (CPI) gave rise to a further gain.

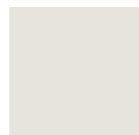
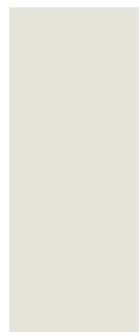
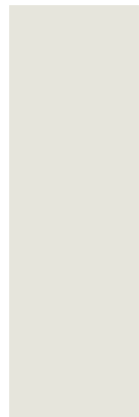
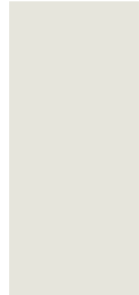
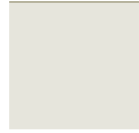
	Consolidated	
	2011	2010
	£'000	£'000
Curtailment gain arising on change from final salary to CARE basis	11,111	0
Gain arising on change from RPI to CPI	1,706	0
	12,817	0

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

	2011	2010
	Number	Number
£100,001 to £110,000	10	8
£110,001 to £120,000	6	7
£120,001 to £130,000	2	0
£130,001 to £140,000	3	3
£140,001 to £150,000	2	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	2	1
£180,001 to £190,000	0	1
£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	1	0
£240,001 to £250,000	0	1
£250,001 to £260,000	1	0
£260,001 to £270,000	0	1
	27	22

	2011	2010
	£	£
Compensation for loss of office paid to a senior post holder	266,000	0

	Consolidated	
	2011	2010
	Number	Number
Academic	712	710
Research	339	360
Management and specialist	702	736
Technical	161	193
Other	969	1,062
	2,883	3,061



10.1 Land and buildings

	Land and buildings £'000	Plant and machinery £'000	Equipment £'000	Assets in the course of construction £'000	Heritage assets £'000	Total £'000
At 1 August 2010	292,085	6,738	58,766	96,382	22,947	476,918
Additions	19,251	235	9,720	28,488	0	57,694
Disposals	0	0	(66)	0	0	(66)
Transfers	89,789	0	0	(89,789)	0	0
At 31 July 2011	391,125	6,973	68,420	34,981	22,947	545,506
At 1 August 2010	77,485	2,046	29,355	0	0	108,886
Charge for the year	10,029	347	5,053	0	0	15,429
Disposals	0	0	(36)	0	0	(36)
At 31 July 2011	87,514	2,393	34,372	0	0	124,279
At 31 July 2010	77,485	2,046	29,355	0	0	108,886
At 31 July 2011	214,600	4,692	29,411	96,382	22,947	368,032

Included in land and buildings above is land which is not depreciated as follows:

	Consolidated		University	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Land not depreciated	15,677	15,677	7,677	7,677

10.2 Equipment

The net book value and depreciation for the year of equipment held under finance leases and included in the table above are as follows:

	Consolidated & University	
	2011 £'000	2010 £'000
Net book value	0	0
Depreciation charge for the year	0	949

10.3 Heritage assets

Heritage assets include many unique items and collections which the University has accumulated since incorporation. These are held and maintained principally for their contribution to knowledge and culture. The University conserves these

The *Cole Museum* is a remarkable collection of zoological material built up in the period 1907 to 1939 by three main people, Professor Francis J Cole, Dr Nellie B Eales and Mr W E Stoneman. There are over 4,000 specimens including numerous skeletons of species only rarely displayed in the UK.

The *Herbarium* in the School of Plant Sciences was founded in 1900 and contains over 260,000 dried plant specimens. The collection is rich in specimens from Europe, North Africa, Macaronesia, the Middle East, temperate South America and the Falkland Islands. Ferns and fern allies are also represented on a worldwide scale. There are very significant British lichen and bryophyte holdings.

The *Ure Museum of Greek Archaeology* was formed in the early 1920s and contains the fourth largest collection of ancient Greek ceramics in the United Kingdom, as well as other objects from ancient Greece, Egypt and Rome. Its artefacts and archives document

Intangible assets	Consolidated & University	
	2011 £'000	2010 £'000
At 1 August	21,984	27,117
Additions	801	848
Disposals	(679)	(5,469)
Increase / (decrease) in value of properties in year	338	(512)
Permanent diminution in value	(253)	0
At 31 August	22,193	21,984

University of Reading – Note to the accounts					
University of Reading – Note to the accounts					
	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
	£'000	£'000	£'000	£'000	£'000
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
Net additions	0	(450)	26	(424)	(424)
Gain on disposal of assets	0	1,478	0	1,478	1,478
Surplus of income over expenditure / (expenditure over income)	137	(1,560)	71	(1,489)	(1,352)
Increase in value of endowment investment properties	0	626	0	626	626
Increase in value of endowment asset investments	182	2,100	508	2,608	2,790
					8,96
University of Reading – Note to the accounts:					
Capital value	1,665	73,632	4,467	78,099	79,764
Accumulated income	221	216	1,735	1,951	2,172
					8,96
University of Reading – Note to the accounts					
	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
	£'000	£'000	£'000	£'000	£'000
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
Net additions	0	0	26	26	26
Surplus of income over expenditure / (expenditure over income)	137	(5)	71	66	203
Increase in value of endowment asset investments	182	87	508	595	777
					9038
University of Reading – Note to the accounts:					
Capital value	1,665	730	4,467	5,197	6,862
Accumulated income	221	220	1,735	1,955	2,176
					9038

University of Reading – Note to the accounts	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Debtors	16,092	16,670	20,339	17,137
Amounts recoverable on research projects	5,152	6,195	5,152	6,195
Prepayments and accrued income	3,863	2,730	3,834	2,704
Amounts due from subsidiary undertakings	0	0	1,366	(6,195)
			5,074	5,519
University of Reading – Note to the accounts: Debtor 3 other				

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At 1 August	350	883	316	501
Transfer from / (to) income and expenditure account	1	(231)	0	0
Utilised in the year	(266)	(302)	(266)	(185)
	8	350	8	316
Provisions for:				
Reorganisation costs	0	266	0	266
Overseas tax provision	70	70	0	0
Other provisions	15	14	50	50
	8	350	8	316

Reorganisation costs provided for at 31 July 2010 consisted of expenditure committed to in respect of restructuring the senior management of Henley Business School. The provision was utilised during the year.

A liability to taxes in an overseas jurisdiction was identified in 2009 and a best estimate has been provided for in these financial

	Consolidated	
	2011 £'000	2010 £'000
Payments made to acquire tangible fixed assets	(58,231)	(86,773)
Payments made to acquire investment properties	(801)	(848)
Proceeds from sale of tangible fixed assets and investment properties	30	17,183
Net payments to acquire endowment fixed assets	(2,548)	(2,550)
Net payments to acquire endowment investments	(42)	(1,158)
Deferred capital grants received	784	713
		(1,000)

	Consolidated	
	2011 £'000	2010 £'000
Net cash acquired on the acquisition of Reading Real Estate Foundation	0	252
Net cash disposed on the divestment of Medical Practice	(601)	0

	Consolidated	
	2011 £'000	2010 £'000
(Increase) / decrease in current asset investments	(4,620)	1,200

	Consolidated	
	2011 £'000	2010 £'000
Unsecured loans	50,340	48,000
Amortisation of finance costs	(175)	(62)
Repayment of amounts borrowed	(43)	0
	6,122	1,938

	1 August 2010 £'000	Cash flows £'000	Disposals £'000	31 July 2011 £'000
Overdraft	(5,463)	1,450	(601)	(4,614)
Current asset investments	4,829	4,620	0	9,449
Debt due within one year	(60,000)	(50,085)	0	(110,085)
Debt due after one year	(70,608)	(37)	0	(70,645)
		(48,672)	(601)	(129,918)

Other 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 regular reviews of the funding levels. In particular, he 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 2011 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 the so-called 'real' rate. The technical provision, if it is assumed that the valuation rate of interest would be 6.4% per annum, which includes a 2% additional assumed investment return over the next 20 years, would be 40.3% per annum plus a 2% additional allowance for inflation increases in pension payments, with a contribution rate of 30.3% per annum.

would increase by 30.3% per annum.



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 £40,000 (2010 – £74,000) to this business for website design and other design services.

[illegible]



The University administers a number of trusts for its own general or specific purposes which are classified as exempt charities under paragraph (w) of Schedule 2 of the Charities Act 1993. The results of these trusts are included within the consolidated financial statements. The table below lists these trusts and the movements in their reserves during the year.

	1 August 2010	Income	Expenditure	Other gains and losses	31 July 2011
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	54,133	2,480	(2,267)	1,359	55,705
National Institute for Research in Dairying Trust	16,686	376	(458)	853	17,457
Hugh Sinclair Trust	4,555	66	(426)	426	4,621
Beckett International Foundation	54	3	(10)	0	47
Greenlands Trust	20,328	9	(608)	0	19,729
	95,756	2,934	(3,769)	2,638	97,559

The Research Endowment Trust provides funds for specific research and education projects at the University of Reading.

The National Institute for Research in Dairying Trust aims to promote and develop high quality research into agriculture and food.

The Hugh Sinclair Trust promotes research into human nutrition.

The Beckett International Foundation provides seminars and exhibitions on and promotes research into the works of Samuel Beckett. It also contributes to the preservation and cataloguing of the Samuel Beckett Archive held by the University of Reading.

The Greenlands Trust aims to advance education and learning in business and management studies and to carry out research and publish the useful results of such research.

