University of Reading

Financial Statements

For the year ended 31 July 2009

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

Treasurer's report

I am pleased to present the Group and University Financial Statements for 2008–09.

The Group's retained surplus of £19.6m arises largely as a result of accounting conventions surrounding the merger with Henley Management College on 1 August 2008 and is explained in more detail in the Operating and Financial Review which follows. The University's surplus on continuing operations of £1.0m demonstrates sound performance during a difficult economic and fiscal period and in an increasingly competitive environment.

The financial statements also report that the University has continued its ambitious capital investment programme spending £53.6m on academic and residential facilities and developing its campus infrastructure for the future. This programme is important to enable the University to continue to attract high calibre students, academics and other members of staff, to secure investment by leading research funding bodies and to develop partnerships with business and commercial organisations for the long-term.

As part of its residential building programme two new halls of residence are being constructed and the financing necessary for this was secured in June 2009 on attractive terms. Various other major capital projects were completed during the year including the new Henley Business School building, the extension to the International Capital Markets Association (ICMA) Centre building and the Hopkins Building for biomedical and pharmaceutical sciences.

The economic events and pressures over the last year continue to reinforce the need to focus on our areas of strength in order to provide students with the skills and education relevant in an ever evolving marketplace and to undertake cutting edge research developing knowledge, skills and solutions for industrial, commercial and other applications.

The financial results and the key developments reported in these statements demonstrate the University's accomplishments and ambition to build on and develop its reputation as an institution which is committed to providing an excellent qualification and an invaluable student experience. The University also continues to focus on resourcing and developing its research activities in a highly competitive environment.

The University's financial and resource planning processes are key elements of the corporate planning system. These financial statements demonstrate a track record of sound financial stewardship of the Group's funds, success in student recruitment particularly from overseas, an improving research funding picture and a financial strategy that allows the University to consider the future with confidence notwithstanding the economic pressures being faced domestically and internationally.

The University's financial highlights in the year to 31 July 2009 were as follows:

- *a 22% increase in Group income to £225m and a 15% increase in the University's income to £211m*
- *a Group surplus on continuing operations of £3.5m and a University surplus of £1.0m*

- *exceptional items surrounding the merger with Henley Management College which had a £16.0m positive impact on the Group's result, and*
- *University capital investment in the year of £53.6m*

The Group's net indebtedness, after allowing for the value of current asset investments, increased over the year from £59.5m to £67.0m, principally reflecting the continuing academic building programme.

The economic climate of the past two years has created particular challenges such as the adverse impact on the value of our endowment and pension fund assets. The future public funding of higher education is a clear risk for the University but it will be important for the University's long-term ambitions to be sustained during the present period of uncertainty and the likely short to medium-term reduction in public funding. To this end the University is continuing to seek opportunities that lessen its reliance on public funding.

There follows a detailed financial and operating review of the year's activities prepared by David Savage, Director of Finance and Corporate Services.

Peter Warry

Treasurer *26 November 2009*

Operating and financial review

Introduction

This report presents the Group and University results for the year to 31 July 2009.

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 Business School Limited, University of Reading (Greenlands) Limited, University of Reading Science and Technology Centre Limited and Henley Management College (South Africa) Section 21A. These statements exclude the results of the University's other subsidiary companies on the grounds of immateriality.

Summary of the Group and University financial performance in the year

The Group's consolidated retained surplus after tax in the year to 31 July 2009 is £19.6m (University – £5.6m deficit).

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

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Income	225,360	184,282	211,193	183,595
Expenditure	221,858	185,780	210,227	182,015
Surplus / (deficit) before tax	3,502	(1,498)	966	1,580
Tax	21	(6)	(8)	(6)
Surplus / (deficit) after tax	3,523	(1,504)	958	1,574
Exceptional items	15,980	0	(6,363)	0
Surplus / (deficit) after exceptional items	19,503	(1,504)	(5,405)	1,574
Surplus transferred (to) / from accumulated income in endowment reserves	89	2,067	(158)	(150)
Surplus / (deficit) for year	19,592	563	(5,563)	1,424

The results shown above are significantly affected by one-off transactions relating to the business combination with Henley Management College (HMC). The most significant of these entries have been shown as exceptional items. The largest of these, which contributed a surplus of £16.6m to the Group and a deficit of £3.4m to the University, arose from the transfer of the net assets of the College at 1 August 2008 into the Group at no cost other than associated legal and professional fees. The net assets mostly comprised the land and buildings at the College's Greenlands site. The University also transferred £2.4m to one of its trusts after combining with the College although this had no effect on the results of the Group.

£4.5m received on the extension of leases to 2050 of Reading Student Village and Reading St Georges is included in income as detailed in note 32.

University income

The University's income can be analysed as follows:

University	2009 £'000	2008 £'000	Increase %	Increase £'000
Funding body grants	62,797	63,545	(1.2)	(748)
Tuition fees and education contracts	63,900	46,420	37.7	17,480
Research grants and contracts	29,944	27,633	8.4	2,311
Other income	51,747	42,862	20.7	8,885
Endowment and investment income	2,805	3,135	(10.5)	(330)
Total income	211,193	183,595	15.0	27,598

Funding body grants have decreased by 1.2% due to a small drop in funding for the Institute of Education.

Tuition fees increased by around 38% which relates to a number of factors. These include fees generated by Henley Business School, which was created following the merger with HMC, an increase in students paying variable fees and an increase in overseas student numbers.

Research grants and contracts income has risen by £2.3m which is particularly pleasing in an increasingly competitive environment. This is due mainly to an increase in Research Council income with more projects falling under full economic costing. There was also an increase in EU framework projects within government funded research contracts.

Other income increased by 20.7% mainly due to the contribution of Henley Business School since the merger.

University expenditure

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

University	2009 £'000	2008 £'000	Increase %	Increase £'000
Staff costs	126,268	110,332	14.4	15,936
Other operating expenses	67,015	56,328	19.0	10,687
Depreciation	12,411	11,445	8.4	966
Interest payable	4,533	3,910	15.9	623
Total expenditure	210,227	182,015	15.5	28,212

Staff costs rose by 14.4% in the year. This was due to a combination of the increased staff levels from the inclusion of HMC staff, annual pay increases and other pay rises consequential upon the implementation of the Framework Agreement in 2006. Other operating expenses have increased by £10.7m largely as a result of the merger with HMC.

Economic context

The financial year was a difficult period for financial markets in the light of the slowing down of the UK and other major world economies and continued uncertainties in the banking sector. Inevitably this has had an impact on the University and its students in a variety of ways. For example, the University's endowments have lost value during the year and graduate employability has been adversely affected. However, while short-term expediency is important and it is important to keep tight control of costs in the current climate, the University strives to maintain its longer term vision.

In the current economic climate, universities such as Reading will play a key role in helping people improve their skills, re-train and adapt to the changing jobs market.

Overview of the financial position of the University at 31 July 2009

The University is facing short and medium-term financial risks. It is mid-way through a capital investment programme that requires further financial resources to complete. The financing is assumed to come from a combination of HEFCE capital funding and asset disposals. There must be at least some uncertainty about HEFCE's ability to continue capital funding at previous levels in the light of likely public sector expenditure reductions by central government. Similarly, the asset disposal programme has been affected by the economic downturn since late 2007. Work is in hand to explore alternative sources of funding to allow the capital programme to complete on schedule in 2012/13. At the same time, the University is over halfway through a significant critical maintenance programme which will complete in 2011/12. After this the University plans to increase the level of its operating surplus so as to provide internally generated funds for future capital investment. This strategy will inevitably come under pressure in the light of likely reductions in HEFCE revenue grant funding in the next few years and some restructuring of the University's activities seems likely to be necessary.

Fixed assets and capital investment programme

The University is carrying out a significant capital investment programme on its Whiteknights and London Road campuses.

Construction work on a new state-of-the-art hall of residence at the University began in July 2009. The project will help the University continue to attract the best students to Reading and to reduce its carbon footprint. The halls redevelopment scheme will create a new integrated community approach to student accommodation within the Whiteknights parkland setting. The first hall to get underway will be Mackinder Hall, which will replace the old Whiteknights Hall, demolished last autumn. It is expected that another new hall, Stenton Hall, will be located near the existing Childs Hall, which will be demolished in a subsequent phase of the project. The two halls will create a total of 965 student bedrooms arranged around leafy courtyards. The new halls will be ready for students to move in to for the 2010/11 academic year.

The new extension to the ICMA Centre building opened during the year. It has state-of-the-art new facilities including a new flagship 40-seat dealing room supported by Thomson Reuters, making the ICMA Centre the largest training facility of its kind in Europe. The dealing room runs the latest Thomson Reuters feeds on four plasma screens and there is also a ticker tape running the financial information in the atrium. It houses a 185-seat lecture theatre, seminar room, media centre and a dedicated research area. The latest AV equipment allows for live streaming of lectures and podcasts and there is a dedicated careers development office.

The prize winning new Henley Business School building was completed in June 2009. The new building includes a range of offices, breakout spaces, seminar rooms and a 275-seat lecture theatre enhanced by an attractive concourse including a café leading onto library facilities.

The Hopkins Building, on the Whiteknights campus, was formally opened in June 2009 by Kelvin Hopkins MP, son of the renowned British physicist, Harold Horace Hopkins, FRS. The £17 million building, which will be home to the University's new facilities for biomedical and pharmaceutical sciences, is named after Professor Hopkins, who invented rod-lens endoscopes that led to the development of modern key-hole surgery and who held the Professorship in Applied Optics at the University from 1967 until 1984. The prestigious and architecturally striking new facility seeks to emulate Professor Hopkins' reputation in biomedical research, housing multi-disciplinary activities focussing on the University's key areas of expertise in the biomedical and pharmaceutical sciences. The University's new Institute for Cardiovascular and Metabolic Research (ICMR) will be based in the Hopkins Building, alongside researchers in Pharmacology.

Other major capital projects completed during the year included:

- a state-of-the-art Chemical Analytical Facility
- an FMRI scanner within the Centre for Integrated Neuroscience and Neurodynamics
- Controlled Environment Rooms in Plant Sciences
- Campus Nursery for the children of students and staff run by the Reading University Students' Union.

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; and, finally, the University has plans for asset disposals over the next few years to provide the balance of funding.

Investments

The investments held by the University's trusts have fallen in value by £9.0m over the year to 31 July 2009. The University and its trusts hold some properties for their investment potential. These are carried at their market value. The value of the University's investment properties fell by £7.7m during the year and those of its trusts by £4.2m.

Net assets

The two primary pension schemes available to staff working for the University are the national universities pension scheme, the Universities Superannuation Scheme (USS), and the University's own defined benefit scheme, the University of Reading Employees' Pension Fund (UEPF). Most academic staff are members of the USS scheme but a significant number of staff are members of the UEPF scheme.

In common with the other members of USS the University made employer contributions to the scheme in 2008–09 equivalent to 14% of salary costs. This contribution rose to 16% in October 2009.

The financial statements report the deficit of the University's UEPF scheme on the balance sheet in line with the requirements of FRS 17. Pension fund deficits represent an issue across a wide range of sectors in the economy particularly following the downturn in financial markets experienced over the course of the last financial year and continuing increases in the life expectancy assumptions used by pension scheme actuaries. A triennial valuation of the scheme was carried out at 31 July 2008 and updated to 31 July 2009. The valuation at 31 July 2009 shows that the deficit on the scheme is £14.0m which represents a reduction of £3.7m from the 2008 figure (£17.7m).

The University has, over a number of years, steadily increased its contributions to the UEPF scheme by increasing the employer's contribution rate. It has also agreed to contribute an additional £15m to the fund over the course of 15 years.

At 31 July 2009 the Group had net current liabilities of £27.4m of which £12.0m is the drawn balance on the £60.0m facility with Barclays Bank and £8.6m represents deferred income. Deferred income is higher than in previous years as a result of the merger with HMC.

Cash flow

The net cash inflow from the University's operating activities in the year was £6.3m (£12.6m in 2007–08). The key factor giving rise to this inflow was the operating surplus generated. The extensive capital programme net of grants received contributed a cash outflow of £25.1m (£30.4m in 2007–08). This was funded by a reduction in current asset investments and new unsecured borrowing of £12.0m. As a result of the above, the overall University cash balance increased by £6.2m (£0.6m in 2007–08) in the year.

Key developments in the year

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 merged with Henley Management College (HMC) on 1 August 2008. The College was a leading global provider of executive education and MBA programmes. Bringing this together with Reading's world class international business research, undergraduate teaching and specialist masters programmes enables the University to deliver a broadly based business school of international repute, attracting the highest quality students and academics from across the UK and overseas and providing business organisations with high quality corporate learning and development programmes.

The new extension to the ICMA Centre building and the new Business School building were completed during the year at a combined cost of over £34m as detailed above.

In March 2009, the University Council decided to close the School of Health and Social Care with effect from September 2011 following an extensive review that concluded the strategic importance of the School to the University in the medium-term was limited.

Following the decision by the Government to withdraw a major stream of higher education funding, the University concluded that there was no alternative sustainable business model that would fund the public programmes run by the University's School of Continuing Education and the University Council decided in July 2009 to close the School as soon as practical.

The Institute of Education will be relocating from the Bulmershe Court campus to the London Road campus. The move should be complete by 2012 and includes extensive refurbishment of the London Road campus. This will allow the University to achieve full occupation at the London Road campus and consolidate its academic activities onto three campuses including the Greenlands campus at Henley-on-Thames.

The Institute of Education has been awarded a contract to deliver a vital new training course for those wishing to embark on a career in teaching. The Subject Knowledge Enhancement (SKE) programme offers a route into teaching for those wishing to train as teachers and possessing good general teaching qualities, but whose degrees do not provide them with the subject knowledge required. SKE covers four key subjects: French, Mathematics, Chemistry and Physics. Funded by the Training and Development Agency for Schools (TDA), the University's SKE programme is the only one in Berkshire and one of the largest in the country, with the potential to cater for around 150 students.

The University submitted an outline planning application in May 2009 for the first phase of its proposals to build a Science and Innovation Park on its own land adjacent to the M4 about two miles from the Whiteknights Campus. The Science and Innovation Park is designed to bring together innovative knowledge and technology based companies from both the local and international business communities.

Key achievements

The University has once again been ranked as one of the world's top 200 universities re-affirming the University's standing in the premier league of world universities.

The University's world renowned research record in agricultural sciences was recognised in the Thomson Reuters Essential Science Indicators. The University is ranked eighth in the world in agricultural sciences and is the only UK university to be ranked in the global top 20. The University of Reading has a long tradition in agricultural sciences.

During the year the University took over responsibility for the curation and maintenance of the National Fruit Collection. The collection is one of the biggest fruit collections in the world and is located at Brogdale Farm near Faversham in Kent. The project is supported by a team of academics providing expertise in horticulture, cryopreservation, molecular genetics, statistical analysis and information management.

Alongside the University's academic achievements, its students have performed exceptionally well in sport during the year. In Great Britain's 2008 Olympic Games success, the University's students and alumni combined to add three medals to the team's impressive haul.

The University's estate

The University of Reading finalised its Whiteknights Development Plan 2008–2018 in August 2008. The Plan creates a vision of a high quality environment that will facilitate student recruitment and retention of staff, providing the conditions in which teaching and research, students and staff, can flourish. The infrastructure developments are designed to enhance the University's academic activity and ensure that it continues to be regarded as one of the leading universities in the UK and internationally. A detailed review of all areas of the Plan was carried out in May 2009 focusing mainly on the period to 2013 although the Plan is designed to guide development over the next 25–30 years. At the same time, the 5 year £40m business critical maintenance programme at Whiteknights has continued on time and budget. It is due to complete by 31 July 2011.

In addition to the new developments at Whiteknights, the University completed the first phase of the £1m refurbishment of the Thames Court accommodation at Greenlands to support Henley Business School's executive education activities.

Teaching and learning

As an established and highly successful research-led UK university, the University aspires to produce graduates who have developed skills and knowledge of life-long value, have the confidence and enthusiasm to fulfil their personal ambitions and seek to make a difference in the world in which they live. This vision is enabled by providing a stimulating and challenging educational experience which is responsive to the needs of students and society at large within a welcoming and supportive learning and teaching community.

Applications from home and EU students for undergraduate courses rose by 9% this year. Applications from overseas students rose by 16%.

Around 5,200 students commenced their studies at the University during the year with the University receiving around six times this number of applications.

The University offers support to almost 2,000 students through its bursary scheme. The University spends over £2 million each year on bursaries with around 26% of fee income being spent annually on them. The University's policy is to recruit the most able students, regardless of financial background.

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. 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, and economics, business and social sciences.

Research grant income was approximately £30m from around 530 awards during the year. The University is always seeking to increase its share of research grant income including sharing good practice across Faculties.

The Research Assessment Exercise (RAE) carried out across higher education institutions by HEFCE will have an impact on future research funding. The RAE results confirmed that 88% of the University's research is internationally recognised with over 50% of it being rated as internationally excellent or world leading.

During the year the Institute of Cardiovascular and Metabolic Research and the Centre for Integrated Neuroscience and Neurodynamics were formally established in addition to the Simplification Centre that started in the previous year.

The University opened two major research platforms during the year, a new Chemical Analysis Facility and an FMRI scanning unit within the Centre for Integrated Neoroscience and Neurodynamics. The Chemical Analysis Facility consists of a suite of instruments for chemical analysis which will underpin the chemical aspects of world-class research at the University. The FMRI scanning unit will provide strong technical support for current and developing techniques in neuroscience.

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 a Strategy for Enterprise in support of its overall mission and goals. The interaction between the corporate world and the academic researchers is a potent tool for the advancement of knowledge and one which the University is actively pursuing and aims to further extend. 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 actively seeks to develop long-lasting relationships with commercial organisations. Many businesses are already taking advantage of our expertise, knowledge and facilities through collaborative research, consultancy, Knowledge Transfer Partnerships, licensing of intellectual property, use of high-quality leading-edge equipment, business incubation services, managed office and lab space, and graduate recruitment and placement services. Staff are actively encouraged to work with business and to turn their own business ideas into reality through the formation of spin-out companies.

The University has a Centre for Entrepreneurship within the Henley Business School.

During the year the University was invited to be one of the first universities to form part of the new Government University Enterprise Networks (UENs). The Networks will focus on establishing a culture of enterprise in universities by providing training, advice and encouragement to students and graduates who wish to develop their business ideas or wish to become innovative employees. The University will be one of the first universities represented on the UEN for science, technology, engineering and maths (STEM). Each UEN will be supported by sponsorship from privately owned companies that will give students first hand experience of enterprising workplaces.

One of the University's spin-out companies, Whitfield Solar Limited, continues to make good progress both technically and commercially. Intensive product development work resulted in the production of twelve complete units of which ten were sent to Spain and tested very successfully. The company has now established a subsidiary company in Spain, Whitfield Solar Europa SL. Plans are well advanced for an Early Adopter Programme to start late in 2009 with a pipeline of prospective customers identified.

Another spin-out company, GradFutures Limited, provides a next-generation graduate recruitment website using the Destinations® careers management web content. After intensive development work, www.gradfutures.com was launched in September 2008. The site now has over 3,000 registered users.

A team of bioscientists from the University won a national competition, the annual Biotechnology Young Entrepreneurs Scheme, by impressing a panel of judges with their proposals for a hypothetical company.

Over 140 students showcased their enterprising ideas to a panel of local business professionals as part of the Entrepreneurship Exhibition held at the University.

Knowledge Transfer

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.

Since its inception, the Centre has been responsible for over 150 Government-funded projects. This year, the University is celebrating 20 years of successful KTPs. During the year one of its projects won the award for Best Partnership North West England as part of the Knowledge Transfer Partnership Awards 2009. The award-winning project was run on behalf of, and in conjunction with, Riding for the Disabled and Carriage Drivers Association (RDA), who are based in Warwick. A University of Reading graduate with academic support from the University's School of Systems Engineering, worked on a project to move RDA from an outdated largely manual organisation to a dynamic and forward looking e-enabled enterprise.

Fundraising activities

The University received over £3.3m in philanthropic income in 2008/09, with a further £4.7m in new gifts to be realised over the next five years. Since the establishment of the Development & Alumni Relations Office (DARO) in 2004, over £20m 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, buildings, bursaries and prizes.

The University of Reading can boast one of the most successful Annual Fund telephone campaigns in UK higher education. Each year, DARO employs 100 students to call Reading graduates, update them on University life today and ask for their financial support by way of modest, regular gifts. 6,000 alumni are contacted each year, with one in three choosing to make a gift to the University that will be used on projects that have an immediate, positive impact on the student experience. To date, almost £2m has been raised through the fund, which has supported over 80 projects that enhance the University's provision of student financial support, innovative teaching and extra-curricular activities.

Giving something back to the local community

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

An employee and student volunteering project is run by the University in partnership with Reading Voluntary Action providing opportunities to support local charities, schools and other voluntary organisations.

The University has engaged with the local community in a range of other activities and initiatives during the year. Examples include:

- producing a compelling 20 minute fictional film aimed at raising awareness and debate about knife crime among children and young adults
- achieving official University Fairtrade Status
- launching a 'Blooming Students' greening of student gardens initiative.

Environmental policy

The University of Reading takes its environmental responsibilities seriously and is committed to the development of sustainable practices in order to minimise its carbon footprint. The University seeks to promote sound environmental management policies and practices in all aspects of its activities.

The University is committed to ensuring the best use of natural resources and help develop sustainable products and services in the way its staff, students and suppliers work. It is actively seeking to reduce its consumption of materials, minimise waste and promote and exchange best practice adopting environmentally sensitive policies and procedures. The University also monitors, measures and reports on its performance in relation to its impact on the environment.

The University recognises that further progress needs to be made to ensure it meets its responsibilities in this area, and further professional resources are being committed to this activity over the coming financial year.

An Environmental Awareness Campaign is to be launched as part of 'Green Week' in the Autumn Term 2009. A campaign to encourage recycling and minimise the waste generated as students vacated their properties at the end of the academic year built on the successes of the previous year's initiative.

On the academic side, during the year the University won over £6 million in funding from the Engineering and Physical Sciences Research Council for a new Centre that will help develop the engineers needed for Britain's future. The funding has established the Centre for Technologies for Sustainable Built Environments (TSBE) at the University, based on our leading expertise in sustainable building and energy generation and management.

Human resources

The University aims to be an employer of choice and it works hard to create a stimulating and supportive working environment where people can flourish with opportunities for individual professional and personal development and career progression. The University rewards staff who demonstrate exceptional performance, leadership and innovation.

The University values its highly skilled and dedicated staff. Many of the University's academic staff members are acknowledged to be world-leading experts in their field working at the cutting edge of their area of specialism.

The University actively engages with staff on a regular basis using a variety of methods including publications, the intranet, staff briefing meetings led by the Vice-Chancellor and the appointment of staff representatives to Council. The University also consults regularly with recognised trade unions to discuss issues affecting staff.

The HR department has been restructured to facilitate a focus on partnership and HR partners are establishing closer links with the areas they support. HR staff have been provided with mediation and change management training and the HR website has been improved.

A comprehensive range of training programmes for staff are available, designed to develop management and leadership capability as well as a wide range of practical skills that staff need for their day to day work. The merger with HMC has enabled access to a wide range of high quality management development programmes.

The University's new nursery is now open for business. This new facility is available to both staff and students and is home to some of the latest resources in child development. The new nursery is able to care for around 80 youngsters at any one time.

Health and safety

The University is committed to providing a healthy and safe environment for its students and staff. The Health & Safety Committee meet regularly and report annually to the Senior Management Board and to Council. It has adopted the Health and Safety Management Profile (HASMAP) system as the basis for a health and safety performance indicator. This system gives each grouping audited a grading against twelve performance indicators. Regular audits are carried out each year; nine audits were done in the current year. The target is that all units will achieve Level 2 performance across all indicators by 2011. Good progress is being made towards completing fire risk assessment and asbestos re-inspection programmes. Following a re-inspection of the Environment Agency their inspectors were fully satisfied with the improvements that had been made to the University's arrangements for the storage, use and disposal of radioactive substances. Work on building improvements to address fire safety issues is progressing well and relations with the Royal Berkshire Fire and Rescue Service remain positive.

Communication

The University values and invests in communication with staff, students and the local community using discussions, electronic and paper based publications and forum. 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 operations and development.

Equality and diversity

The University of Reading, in accordance with the specific provisions and general intention of its Charter, confirms its commitment to a comprehensive policy of equal opportunities in which individuals are selected, developed, appraised, promoted and otherwise treated on the basis of their relevant merits and abilities and are given equal opportunities within the University. This means that no applicant, student, employee, supplier, provider, contractor or user of facilities shall be treated more or less favourably than any other.

The University's policy of equal opportunities for all includes ensuring that all applicants including those with disabilities receive full and fair 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 needed.

A range of training initiatives, policies and procedures demonstrate the University's commitment to promote best practice in ensuring equality and diversity issues are addressed.

During the year an assessment was made of the University's policies and procedures of services for disabled students. The results were generally positive with a good overall understanding of disabled student issues and a good support infrastructure involving personal tutors, departmental disability representatives, the Disability Advisory Service and direction from disabled students. The University will now seek to develop more consistent practice in the administration of field trips, placements and work experience and continue to improve services to disabled students in general.

Professional indemnity

The University has professional indemnity cover in place for all members of staff and Council. This cover also extends to staff and members of Council who are appointed as directors to the boards of the University's subsidiaries.

Statement of disclosure of information to auditors

The Council members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware. Each member of Council confirms that they have taken all the steps that they ought to have taken as a member of Council to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

The future

The University recognises that to continue to be attractive to students, sponsors and staff it has to invest in its estates and facilities and continue to improve its teaching and research environment. A key objective will be to continue to generate 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 ambitious future plans. This challenge is that much greater in the current economic and financial climate.

The University continues to be one of the United Kingdom's leading research intensive universities, a major contributor to the knowledge economy, and internationally recognised for excellence in teaching and research. The University's overall financial position is sound, ensuring well-resourced academic provision and research activity promoting the growth, transfer and application of knowledge. Our vision is to continue to use our many strengths to give our students the skills and abilities to make a significant contribution in their chosen field.

David Savage
Director of Finance and Corporate Services *26 November 2009*

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). This statement sets out how the University has applied the relevant corporate governance recommendations during the year.

The University is an independent corporation with charitable status established by Royal Charter granted in 1926. Its objects, powers and framework of governance are defined in the Charter and supporting Statutes. 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 the Code and HEFCE's guidelines throughout the financial year 2008–09.

The structure of governance in the year 2008–09 is outlined below.

Overview

The Charter and Statutes determine the primary organisational structure of the University, the key constituent parts of which are the Council and the Senate. Each has defined and discrete responsibilities and functions described in further detail in this statement.

The Council

The Council is the governing body of the institution and in exercising its role and powers undertakes to meet the obligations placed upon the University by the founding Charter. The Council has responsibility for the conduct of all of the affairs of the University and for the achievement of its mission of educating talented people well, conducting outstanding research, and promoting the responsible application of new knowledge.

The Council sets the University's strategic direction, ensures compliance with statutory requirements and approves constitutional changes. The Council is ultimately responsible for managing the University's estate, finance and staff, with much of the detailed work falling to a suite of principal committees. Broad representation by lay members drawn from commerce and the local community provides access to a wide range of expertise and perspectives. The primary responsibilities of the Council are set out in the University's Statutes. The Council meets four times a year and comprises a majority of lay members. Lay members of the Council receive no remuneration for their role in these bodies although they are reimbursed for expenses incurred in attending meetings.

The role of President of Council is separated from the role of the University's Chief Executive, the Vice-Chancellor. The Vice-Chancellor is an ex-officio member of the Council and the principal academic and administrative officer of the University. He is also the 'designated officer' under the Financial Memorandum with HEFCE and may be regarded as the chief executive of the University. He exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellor, Pro-Vice Chancellors, Deans and Directors all support and contribute to this work.

The Senate

The Senate is the University's main academic administrative body. Reporting to the Council and meeting at least four times a year, the Senate advises on areas such as student entry, assessment and awards. With around 100 members, the Senate includes Deans, Heads and elected representatives of Schools, as well as professional staff and students. University Boards responsible for developments in enterprise, research and teaching and learning report to the Senate.

Committees of Council

The Council has five principal committees each of which reports to the Council on a regular basis. These committees have formally prescribed terms of reference and specified membership, including a majority of lay members. The principal committees are:

- the Strategy and Finance Committee which meets at least four times a year and, inter alia, advises the Council on key strategic, policy and operational issues including the financial management of the University. This Committee considers financial plans, monitoring reports and proposals with financial implications recommended by the Senior Management Board.
- 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.

- 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 Policy Committee which has oversight of non-academic services policy and advisory oversight of student services in general. It also discharges the Council's responsibility in respect of formal student complaints and disciplinary matters.

Day to day management of the University is undertaken by the Senior Management Board comprising the Vice-Chancellor, the Deputy Vice-Chancellor, Pro-Vice-Chancellors, Deans of Faculties and Heads of Directorate. The Board meets fortnightly, other than in the summer vacation, to consider the strategic direction of the University and reports regularly to the Senate and Strategy and Finance Committee.

Supply of information

Papers summarising financial and non-financial performance, major events and key indicators of performance are presented to the Council, Strategy and Finance Committee and Senior Management Board on a regular basis. Papers explaining topics on the agenda for the various Council and committee meetings are issued in advance. The Council monitors performance and various key areas on a regular basis including operating and financial performance, annual operating plans and budgets, strategic proposals, student recruitment, changes in the operational environment including those due to funding, regulatory or legal changes, staff recruitment and retention, remuneration and risk management arrangements.

Risk management and internal controls

The University acknowledges the risks inherent in its activities, and is committed to managing those risks that pose a significant threat to the achievement of its academic and business objectives and financial 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 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 control and risk management. The University has developed and adopted a formal and structured risk management policy and system to ensure that key risks are identified, prioritised and managed consistently across the University. The policy and system are reviewed and updated on a regular basis. Reports documenting the policy, system, procedures and issues arising are reported to the Strategy and Finance Committee on a regular basis. A comprehensive set of policies and procedures designed to manage and monitor risks is in place. The key elements of these systems are explained below: –

- the Council meets 4 times a year to consider the University's strategic direction, decisions and progress against the Corporate Plan and is advised by various Committees. The Council, through the Strategy and Finance Committee, is responsible for reviewing the effectiveness of the internal controls of the University.
- the University has developed a system of internal control in line with best practice. This system is designed to identify the principal risks which may prevent or inhibit the achievement of the University's aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- Audit Committee receives regular reports from the Head of Internal Audit Services, together with recommendations for improvement. These reports comment on the arrangements for internal control, risk management and governance.
- 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 faculty 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. Faculties 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 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 University 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 office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In 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 Teaching 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, carefully considered and properly managed and that appropriate risk management procedures and processes are in place across the University.

Internal financial controls

The key elements of the University's system of internal financial controls and the associated process for monitoring the effectiveness of these controls include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative directorates and such other staff to whom such authority and responsibility is from time to time delegated
- a comprehensive corporate planning process supported by key strategic and financial resource plans and a robust investment appraisal process
- regular reviews of academic, operational and financial performance are undertaken on an ongoing basis using operational performance information and financial monitoring reports
- clearly defined and formalised requirements for approval and control of expenditure, with capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council
- 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.

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 2009 which comprise the Group and University Income and Expenditure Account, the Group and University Balance Sheet, the Group and University Cash Flow Statement, the Group and University 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 Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Council and auditors

The University Council's responsibilities for preparing the Treasurer's Report and the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, 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 within the Governance Statement on pages 21 to 27.

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 and the Training and Development Agency for Schools. We also report to you whether in our opinion the Treasurer's Report and Operating and Financial Review are 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.

We read the Treasurer's Report, Operating and Financial Review and Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University's Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group and University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group and the University's affairs as at 31 July 2009 and of the Group's surplus and University's deficit of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2009 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

E. Holiday
for and on behalf of KPMG LLP. Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale RG7 4SD

26 November 2009

Income and expenditure account for the year ended 31 July 2009

Note		Consolidated 2009 £'000	Consolidated 2008 £'000	University 2009 £'000	University 2008 £'000
	Income				
Note 1	Funding body grants	62,797	63,557	62,797	63,545
2	Tuition fees and education contracts	63,866	46,469	63,900	46,420
3	Research grants and contracts	29,944	27,633	29,944	27,633
4	Other operating income	65,268	42,486	51,747	42,862
5	Endowment and investment income	3,485	4,137	2,805	3,135
	Total income	**225,360**	**184,282**	**211,193**	**183,595**
	Expenditure				
6	Staff costs	129,905	110,795	126,268	110,332
9	Other operating expenses	74,216	59,431	67,015	56,328
12	Depreciation of tangible fixed assets	13,194	11,644	12,411	11,445
8	Interest and other finance costs	4,543	3,910	4,533	3,910
	Total expenditure	**221,858**	**185,780**	**210,227**	**182,015**
	Surplus / (deficit) on continuing operations	3,502	(1,498)	966	1,580
10	Taxation credit / (charge)	21	(6)	(8)	(6)
	Surplus / (deficit) after depreciation and tax	**3,523**	**(1,504)**	**958**	**1,574**
	Exceptional items relating to the business combination with Henley Management College				
11	Goodwill on acquisition	16,558	0	(3,361)	0
11	Donation	0	0	(2,424)	0
20	Reorganisation costs	(578)	0	(578)	0
	Surplus / (deficit) after exceptional items	**19,503**	**(1,504)**	**(5,405)**	**1,574**
15	Surplus for the year transferred (to) / from accumulated income in endowment funds	89	2,067	(158)	(150)
	Surplus / (deficit) for the year retained within general reserves	**19,592**	**563**	**(5,563)**	**1,424**

All items of income and expenditure arise from continuing operations.

Statement of total recognised gains and losses

Note		Consolidated 2009 £'000	Consolidated 2008 £'000	University 2009 £'000	University 2008 £'000
	Surplus / (deficit) after exceptional items	19,503	(1,504)	(5,405)	1,574
	Unrealised surplus on revaluation of fixed assets	0	17,610	0	17,610
15	Unrealised loss on the value of endowment investments	(5,594)	(3,948)	(673)	(331)
13	Unrealised loss on revaluation of investment property	(7,747)	(3,012)	(7,747)	(3,012)
15	Unrealised loss on revaluation of endowment investment property	(4,165)	(2,836)	0	0
	Unrealised loss on current asset investments	(110)	(66)	(110)	(67)
	Unrealised (loss) / gain on fixed asset investments	(12)	5	(12)	5
	(Loss) / gain on disposal of endowment assets	(3,792)	3,193	0	0
15	New endowments	960	12	960	12
31	Actuarial gain / (loss) recognised in the pension scheme	4,515	(12,478)	4,515	(12,478)
	Effect of change in basis of valuation for pension scheme	0	(194)	0	(194)
	Exchange differences	(18)	0	0	0
	Total recognised gains / (losses) in the year	**3,540**	**(3,218)**	**(8,472)**	**3,119**
37	Prior year adjustment	0	(267)	0	0
	Total recognised gains / (losses) since last financial statements	**3,540**	**(3,485)**	**(8,472)**	**3,119**
	Reconciliation				
	Opening reserves and endowments	196,732	199,950	98,759	95,640
	Total recognised gains / (losses) in the year	3,540	(3,218)	(8,472)	3,119
	Closing reserves and endowments	**200,272**	**196,732**	**90,287**	**98,759**

Balance sheet as at 31 July 2009

Note		Consolidated 2009 £'000	Consolidated 2008 £'000	University 2009 £'000	University 2008 £'000
	Fixed assets				
Note 12	Tangible assets	328,536	267,788	305,470	264,328
13	Investment properties	27,117	32,403	27,117	32,403
14	Investments	127	190	76	89
		355,780	**300,381**	**332,663**	**296,820**
15	**Endowment assets**	71,638	90,240	7,119	6,674
	Current assets				
	Stock	1,730	1,562	1,686	1,562
16	Debtors	27,468	21,268	27,840	22,033
17	Current asset investments	6,029	9,675	7,064	18,892
	Cash at bank and in hand	8,391	613	8,099	478
		43,618	**33,118**	**44,689**	**42,965**
18	**Creditors:** Amounts falling due within one year	(71,011)	(45,290)	(77,878)	(54,379)
	Net current liabilities	**(27,393)**	**(12,172)**	**(33,189)**	**(11,414)**
	Total assets less current liabilities	**400,025**	**378,449**	**306,593**	**292,080**
19	**Creditors:** Amounts falling due after more than one year	(70,670)	(71,404)	(70,670)	(71,404)
20	**Provisions for liabilities and charges**	(883)	(50)	(501)	(50)
	Net assets before deducting the pensions liability	**328,472**	**306,995**	**235,422**	**220,626**
31	**Net pension liability**	(14,028)	(17,722)	(14,028)	(17,722)
	Net assets after deducting the pensions liability	**314,444**	**289,273**	**221,394**	**202,904**
21	**Deferred capital grants**	114,172	92,541	131,107	104,145
15	**Endowments**				
	Expendable	65,299	84,332	780	767
	Permanent	6,339	5,908	6,339	5,907
		71,638	**90,240**	**7,119**	**6,674**
	Reserves				
22	General reserves	102,716	76,398	57,250	61,992
22, 31	Pension fund reserve	(14,028)	(17,722)	(14,028)	(17,722)
22	Revaluation reserve	39,946	47,816	39,946	47,815
		128,634	**106,492**	**83,168**	**92,085**
	Total funds	**314,444**	**289,273**	**221,394**	**202,904**

The financial statements on pages 32 to 62 were approved by Council on 26 November 2009, 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

Cash flow statement for the year ended 31 July 2009

Note		Consolidated 2009 £'000	Consolidated 2008 £'000	University 2009 £'000	University 2008 £'000
Note 23	Net cash inflow from operating activities	21,523	23,114	6,342	12,610
24	Returns on investments and servicing of finance	241	274	(429)	(728)
	Taxation	21	(6)	(8)	(6)
25	Capital expenditure and financial investment	(32,069)	(35,671)	(25,095)	(30,384)
26	Acquisitions and disposals	2,813	0	2,331	0
27	Management of liquid resources	3,646	13,545	11,828	20,110
28	Financing	11,266	(1,042)	11,266	(1,042)
29	**Increase in cash in the year**	**7,441**	**214**	**6,235**	**560**
	Reconciliation of net cash flow to movement in net debt				
29	Increase in cash in the year	7,441	214	6,235	560
	Decrease in current asset investments	(3,646)	(13,545)	(11,828)	(20,110)
28	Cash (outflow) / inflow from financing	(11,266)	1,042	(11,266)	1,042
	Movement in net funds in the year	**(7,471)**	**(12,289)**	**(16,859)**	**(18,508)**
	Net debt at 1 August	(59,534)	(47,245)	(50,601)	(32,093)
	Net debt at 31 July	**(67,005)**	**(59,534)**	**(67,460)**	**(50,601)**

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 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.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions is transferred from the income and expenditure account to restricted endowments. Any realised gain or loss from dealing in the related assets is retained within restricted endowments recorded in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve via the statement 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.

Increases or decreases in value arising on the revaluation or disposal of endowment assets are reflected in the value of the fund concerned and in the balance sheet and statement of total recognised gains and losses.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where they are related to forward foreign exchange contracts, at contract rates. The resulting exchange differences are taken to the income and expenditure account in the year in which they arise.

The financial statements of foreign subsidiaries are translated into pounds sterling. The assets and liabilities of these operations are translated at the balance sheet closing rate. The results of these operations are translated at the average rate in the relevant period. Exchange differences on retranslation of the opening net assets and the results are taken to reserves.

Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body or other organisation, where the University is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from income and expenditure of the University.

Accounting for retirement benefits

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). The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). The assets of the schemes are held in separate trustee-administered funds. USS is a multi-employer final salary scheme where it is not possible to identify the assets of the scheme attributable to the University. UEPF provides benefits for the University's members of staff not eligible to join the USS scheme. A small number of staff remain in other pension schemes.

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.

Under FRS 17, the income and expenditure account is charged 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 UEPF 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 UEPF 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.

Leases

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.

Financial instruments

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.

Tangible fixed assets

a) Land and buildings

Land and buildings are stated at cost. Costs incurred in relation to a tangible fixed asset after its initial purchase or production are capitalised to the extent that they increase the expected future benefits to the

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. Freehold buildings are depreciated over their expected useful lives of 50 years and building improvements and extensions over a maximum of 30 years.

Buildings under construction are not depreciated until they are brought into use.

b) Equipment

The purchase of equipment costing less than £10,000 per individual item or group of related items is charged to the income and expenditure account in the year of acquisition. All other equipment is capitalised and depreciated over its expected useful life as follows:

Plant and machinery	10–30 years
Furniture and fittings	10 years
Computer systems and associated software	4–10 years
Motor vehicles and general equipment	4 years
Equipment acquired for specific research projects	3 years

Where material, a depreciable asset's anticipated useful economic life is reviewed annually and the accumulated and future depreciation adjusted in accordance with FRS 15.

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the asset on a basis consistent with the depreciation policy

c) Special collections

The University holds works of art and a range of other collections including those held by the library and various museums and departments across the University. Many of these collections or items in these collections have been given to the University by bequest or gift. Acquisitions are capitalised at cost or, in the case of donated assets, at valuation on receipt. These assets are held at open market value. These assets are not depreciated as their long economic life and high residual value mean that any depreciation would not be material. These collections will be revalued on an ongoing basis.

d) 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 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 is suspended if there are prolonged periods when development activity is interrupted. All other borrowing costs are recognised in the income and expenditure account in the period in which they are incurred.

Donations for fixed assets

Donations received to be applied for the purchase of a tangible fixed asset are shown on the balance sheet as deferred capital grants. The deferred capital grants are released to the income and expenditure account over the same estimated useful life used to determine the depreciation charge associated with the tangible fixed asset.

Repairs and maintenance

Expenditure to ensure that fixed assets maintain their standard of performance is recognised in the income and expenditure account when it is incurred. The University has a comprehensive planned maintenance programme, which is reviewed on an annual basis.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Accounting for donations and endowments

a) Unrestricted donations

Donations given to the University which are not subject to any restrictions set by the donor on how the monies may be used are recognised in the income and expenditure account. These donations 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.

b) Endowment funds

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.

Taxation

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on input is included in the costs for such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any other commercial organisation. The only exception to this is Henley Business School Limited which, as a registered charity, enjoys potentially exempt status similar to the University.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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. Amounts in relation to debts and claims between the subsidiaries and Trusts included in the consolidation are also eliminated on consolidation.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefit will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material.

Contingent assets and liabilities are disclosed by way of note where there is a possible rather than actual or probable asset or obligation arising from a past event or where it is not possible to measure the asset or obligation.

Goodwill

Goodwill arising on a business combination represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of an acquired business at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Negative goodwill, which arises when the fair value of the identifiable assets and liabilities exceeds the cost of acquisition, is accounted for in accordance with FRS 10. Where the underlying substance of a business combination is that of a gift of the fair value of the assets and liabilities for nil consideration, the negative goodwill is taken to the income and expenditure account immediately.

Notes to the accounts

1 Funding body grants

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Recurrent grant				
Higher Education Funding Council (HEFCE)	53,206	53,196	53,206	53,196
Training and Development Agency (TDA)	2,142	2,395	2,142	2,395
Specific grants				
Higher Education Academic Subject Centres	2,742	3,676	2,742	3,676
Higher Education Innovation Fund	1,392	1,056	1,392	1,056
Teacher Quality Enhancement Fund	322	317	322	317
Other	280	412	280	400
Deferred capital grants released in year:				
Buildings	1,678	1,628	1,678	1,628
Equipment	1,035	877	1,035	877
	62,797	**63,557**	**62,797**	**63,545**

2 Tuition fees and education contracts

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Full-time home and EU students	30,320	23,811	30,320	23,811
Full-time international students	17,379	15,614	17,379	15,565
Part-time students	10,454	3,242	10,488	3,242
Research training support grants	3,713	2,044	3,713	2,044
Short course fees	1,130	1,113	1,130	1,113
Total fees paid by or on behalf of individual students	62,996	45,824	63,030	45,775
Education contracts	870	645	870	645
	63,866	**46,469**	**63,900**	**46,420**

3 Research grants and contracts (Consolidated and University)

	2009	2008
	£'000	£'000
Research Councils and charities	19,062	17,926
Governmental	6,711	5,693
Industry and commerce	3,730	3,369
Releases from deferred capital grants	441	645
	29,944	**27,633**

4 Other operating income

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Residences, catering and conferences	22,631	19,008	19,313	19,008
Other income-generating activities	21,151	10,192	13,281	10,192
Other income	21,108	12,908	18,079	12,601
Release from deferred capital grants	378	378	1,074	1,061
	65,268	**42,486**	**51,747**	**42,862**

5 Endowment and investment income

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Income from expendable endowments	1,618	1,427	1,535	1,113
Income from permanent endowments	217	256	217	256
Income from short-term investments	1,650	2,454	1,053	1,766
	3,485	**4,137**	**2,805**	**3,135**

6 Staff costs

	Consolidated		University	
	2009	2008	2009	2008
Analysis of staff costs	£'000	£'000	£'000	£'000
Salaries	105,779	89,901	102,804	89,497
Social security costs	8,992	7,662	8,717	7,639
Pension costs	13,814	11,541	13,427	11,515
Other staff and pension costs	1,320	1,691	1,320	1,681
	129,905	**110,795**	**126,268**	**110,332**

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

	Consolidated & University	
	2009	2008
	Number	Number
£100,001 to £110,000	8	1
£110,001 to £120,000	5	3
£120,001 to £130,000	2	1
£130,001 to £140,000	3	1
£140,001 to £150,000	0	0
£150,001 to £160,000	0	1
£160,001 to £170,000	1	1
£170,001 to £180,000	1	2
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 to £210,000	0	0
£210,001 to £220,000	0	1
£220,001 to £230,000	0	0
£230,001 to £240,000	1	0
£240,001 to £250,000	1	0
	22	11

	2009	2008
	£	£
Compensation for loss of office paid to a senior post holder	103,390	174,972

	Consolidated		University	
	2009	2008	2009	2008
Average number of full-time equivalent members of staff:	Number	Number	Number	Number
Academic	711	667	691	665
Research	365	356	355	356
Management and specialist	716	610	696	610
Technical	187	180	182	180
Other	1,011	856	983	848
	2,990	**2,669**	**2,907**	**2,659**

7 Emoluments of the Vice-Chancellor

	2009	2008
	£	£
Salary	246,771	217,513
Pension contributions	36,732	33,423

8 Interest and other finance costs

	Consolidated 2009 £'000	Consolidated 2008 £'000	University 2009 £'000	University 2008 £'000
On bank loans, overdrafts and other loans				
Repayable within 5 years, not by instalments	316	313	306	313
Repayable wholly or partly in more than five years	2,848	3,461	2,848	3,461
Finance leases	80	89	80	89
Pension finance interest	1,299	47	1,299	47
	4,543	**3,910**	**4,533**	**3,910**

Interest of £918,000 has been capitalised in the year to 31 July 2009 (2008 – £314,000).
Total aggregate capitalised finance costs to date at 31 July 2009 were £1,409,000 (2008 – £491,000).

9 Analysis of total expenditure by activity

Consolidated	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	2009 £'000	2008 £'000
Academic schools	68,299	21,747	681	0	90,727	70,336
Academic services	5,712	3,773	656	0	10,141	9,000
Administration and central services	16,977	14,109	351	0	31,437	24,776
Premises (excl. residential and catering)	8,561	12,313	9,355	3,154	33,383	29,991
Residences, catering & conferences	7,692	6,938	1,660	0	16,290	12,838
Research grants and contracts	14,175	6,526	491	0	21,192	19,482
Other expenses	8,489	8,810	0	1,389	18,688	19,357
	129,905	**74,216**	**13,194**	**4,543**	**221,858**	**185,780**

University	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	2009 £'000	2008 £'000
Academic schools	66,366	18,925	681	0	85,972	70,156
Academic services	5,712	3,773	656	0	10,141	9,000
Administration and central services	16,872	14,109	351	0	31,332	24,749
Premises (excl. residential and catering)	8,526	11,506	8,572	3,154	31,758	29,164
Residences, catering & conferences	6,142	5,418	1,660	0	13,220	12,838
Research grants and contracts	14,175	6,526	491	0	21,192	19,482
Other expenses	8,475	6,758	0	1,379	16,612	16,626
	126,268	**67,015**	**12,411**	**4,533**	**210,227**	**182,015**

Other operating expenses include:	Consolidated 2009 £'000	Consolidated 2008 £'000	University 2009 £'000	University 2008 £'000
External auditors' remuneration				
– audit of these financial statements	81	85	54	71
– tax advisory services	271	89	266	87
– other non-audit services	47	119	47	119
Operating lease rentals				
– plant and equipment	566	567	566	567

10 Taxation

	Consolidated 2009 £'000	Consolidated 2008 £'000	University 2009 £'000	University 2008 £'000
UK Corporation tax	8	6	8	6
Over provision in previous year	(29)	0	0	0
	(21)	6	8	6

11 Business combination with Henley Management College

On 1 August 2008, the University of Reading combined with Henley Management College, a registered charity, to form one entity. This has been accounted for as an acquisition in accordance with FRS 6. The total fair value of the assets acquired gave rise to negative goodwill in the Group which has been taken to the income and expenditure account.

Under the terms of the transfer agreement, the assets and liabilities of Henley Management College were transferred to the University for nil consideration. At the same time the University established the Greenlands Trust and transferred the land and buildings and certain chattels specified in the transfer agreement to this Trust. The Greenlands Trust is an exempt charity by virtue of Section 2 of the Charities Act 1993. It is established to benefit the Henley Business School faculty of the University of Reading. The University is the sole trustee of the Greenlands Trust and the Trust is consolidated within these financial statements.

The University made a one-off donation of £2,424,000 to the Greenlands Trust during the year.

The assets and liabilities of Henley Management College and its subsidiaries which were acquired by the University and the Greenlands Trust are set out below:

	Book value	Revaluations	Alignment of accounting policies	Other adjustments	Fair value
	£'000	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	5,807	17,288	(2,563)	0	20,532
Current assets					
Stock	113	0	0	(63)	50
Debtors	6,884	0	0	(41)	6,843
Cash	3,413	0	0	0	3,413
	10,410	0	0	(104)	10,306
Current liabilities					
Creditors	(11,674)	0	0	365	(11,309)
Tax provision	(876)	0	0	0	(876)
	(12,550)	0	0	365	(12,185)
Long-term liabilities	(547)	0	(948)	0	(1,495)
Net assets	**3,120**	**17,288**	**(3,511)**	**261**	**17,158**
Acquisition costs					**(600)**
Goodwill					**16,558**

The total negative value of goodwill is split between the University and the Greenlands Trust in accordance with the fair values of the assets transferred. This led to a positive goodwill of £3,361,000 in the University and an overall negative goodwill of £16,558,000 in the Group. The goodwill has been taken to the income and expenditure account in line with the University's accounting policy.

Explanatory notes

Tangible assets

The figure for revaluations reflects a professional third party valuation of freehold land and buildings and certain chattels. The alignment of accounting policies reflects the more stringent conditions relating to capitalisation of University assets.

Stocks

Adjustments were made to state the value of stock at the lower of cost and net realisable value.

Debtors

The value of debtors was adjusted to reflect the recoverability of certain debts.

Creditors

The value of creditors was reduced due to the reclassification of a finance lease as an operating lease and the reassessment of the value of other creditors.

11 Business combination with Henley Management College (continued)

Long-term liabilities

Two endowment funds were identified which are being accounted for in accordance with endowment accounting guidelines contained in the SORP.

The total costs incurred in respect of integration of the College's activities into the University during the year ended 31 July 2009 were £863,000.

The movements in accruals and provisions for costs associated with the acquisition are set out below.

	£'000
At 1 August 2008	600
Amounts utilised	(600)
At 31 July 2009	**0**

The consolidated results for Henley Management College and its subsidiaries for the two reporting periods prior to the acquisition were:

	7 months to 31 July 2008 £'000	Year to 31 December 2007 £'000
Income	14,364	23,964
Expenditure	(15,399)	(25,245)
Deficit on continuing operations	(1,035)	(1,281)
Other recognised gains and losses	48	135
Net movement in funds before taxation	(987)	(1,146)
Taxation	(372)	0
Net movement in funds after taxation	**(1,359)**	**(1,146)**

12 Tangible fixed assets

Consolidated	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Special collections	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2008	242,311	6,202	45,084	40,937	22,947	357,481
Additions	35,176	268	8,895	29,455	150	73,944
Disposals	0	0	(11)	0	0	(11)
Transfers	32,809	0	0	(32,809)	0	0
At 31 July 2009	**310,296**	**6,470**	**53,968**	**37,583**	**23,097**	**431,414**
Depreciation						
At 1 August 2008	65,987	1,215	22,491	0	0	89,693
Charge for the year	7,524	487	5,183	0	0	13,194
Eliminated on disposal	0	0	(9)	0	0	(9)
At 31 July 2009	**73,511**	**1,702**	**27,665**	**0**	**0**	**102,878**
Net book value at 31 July 2009	**236,785**	**4,768**	**26,303**	**37,583**	**23,097**	**328,536**
Net book value at 31 July 2008	176,324	4,987	22,593	40,937	22,947	267,788

University	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Special collections	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2008	235,426	6,190	44,905	40,937	22,947	350,405
Additions	14,946	268	8,884	29,455	0	53,553
Disposals	0	0	0	0	0	0
Transfers	32,809	0	0	(32,809)	0	0
At 31 July 2009	**283,181**	**6,458**	**53,789**	**37,583**	**22,947**	**403,958**
Depreciation						
At 1 August 2008	62,551	1,203	22,323	0	0	86,077
Charge for the year	6,750	487	5,174	0	0	12,411
Eliminated on disposal	0	0	0	0	0	0
At 31 July 2009	**69,301**	**1,690**	**27,497**	**0**	**0**	**98,488**
Net book value at 31 July 2009	**213,880**	**4,768**	**26,292**	**37,583**	**22,947**	**305,470**
Net book value at 31 July 2008	172,875	4,987	22,582	40,937	22,947	264,328

Finance leases

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	
	2009	2008
	£'000	£'000
Net book value	949	1,423
Depreciation charge for the year	474	474

13 Investment properties

	Consolidated & University	
	2009	2008
	£'000	£'000
At 1 August	32,403	35,415
Additions	2,461	0
Reduction in value of properties in year	(7,747)	(3,012)
At 31 July	**27,117**	**32,403**

The University holds a number of investment properties including both commercial and residential. These properties were valued by a firm of independent valuers. All properties were valued as at 31 July 2007 in accordance with the RICS appraisal and valuation manuals. An index has been applied to these values to reflect the movement in the property market during the years to 31 July 2008 and 31 July 2009.

14 Investments

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Subsidiary companies	0	50	50	50
Trade investments – listed				
Genus PLC	21	34	21	34
Trade investments – unlisted				
Adsfab Limited	5	5	5	5
The Cascade Fund LLP	100	100	0	0
Subsidiary investments in spin-out companies	1	1	0	0
Net book value at 31 July 2009	**127**	**190**	**76**	**89**

These investments have been stated at market value where they are listed on a recognised stock exchange. Where there is no active market the investments have been stated at cost.

15 Endowment assets

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Balance at 1 August	90,240	96,548	6,674	6,843
Additions / (disposals)	(1,592)	7,544	1,477	(86)
Depreciation on revaluation of investments	(5,594)	(3,948)	(673)	(331)
Depreciation on revaluation of investment properties	(4,165)	(2,836)	0	0
Decrease / (increase) in net current liabilities	241	(346)	0	0
(Decrease) / increase in cash balance	(337)	(54)	(1,386)	358
(Decrease) / increase in balance held by University	(7,155)	(6,668)	1,027	(110)
Balance at 31 July	**71,638**	**90,240**	**7,119**	**6,674**
Represented by:				
Tangible assets				
Land and property	1,848	28	0	28
Investment properties	21,228	25,393	0	0
Investments	47,461	56,466	8,040	7,208
Other assets				
Cash held by investment managers for the endowment trusts	1,245	1,582	47	1,433
Other net current liabilities	(211)	(451)	0	0
Funds held by the University	67	7,222	(968)	(1,995)
	71,638	**90,240**	**7,119**	**6,674**

15 Endowment assets (continued)

Consolidated	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
Opening balance	£'000	£'000	£'000	£'000	£'000
Capital value	1,420	84,177	3,337	87,514	88,934
Accumulated income	0	155	1,151	1,306	1,306
As at 1 August	1,420	84,332	4,488	88,820	90,240
Net additions	0	95	865	960	960
Loss on disposal of assets	0	(3,792)	0	(3,792)	(3,792)
Surplus of income over expenditure / (expenditure over income)	49	(252)	114	(138)	(89)
Contribution to capital works	0	(5,922)	0	(5,922)	(5,922)
Reduction in value of endowment investment properties	0	(4,165)	0	(4,165)	(4,165)
Reduction in value of endowment asset investments	(151)	(4,997)	(446)	(5,443)	(5,594)
At 31 July	**1,318**	**65,299**	**5,021**	**70,320**	**71,638**
Represented by:					
Capital value	1,293	65,067	3,385	68,452	69,745
Accumulated income	25	232	1,636	1,868	1,893
	1,318	**65,299**	**5,021**	**70,320**	**71,638**

University	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
Opening balance	£'000	£'000	£'000	£'000	£'000
Capital value	1,421	617	3,337	3,954	5,375
Accumulated income	0	150	1,149	1,299	1,299
As at 1 August	1,421	767	4,486	5,253	6,674
Net additions	0	95	865	960	960
Reduction in value of endowment asset investments	(151)	(77)	(445)	(522)	(673)
Surplus of income over expenditure / (expenditure over income)	48	(5)	115	110	158
At 31 July	**1,318**	**780**	**5,021**	**5,801**	**7,119**
Represented by:					
Capital value	1,293	553	3,385	3,938	5,231
Accumulated income	25	227	1,636	1,863	1,888
	1,318	**780**	**5,021**	**5,801**	**7,119**

16 Debtors

	Consolidated		University	
	2009	2008	2009	2008
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Debtors	16,707	13,186	14,954	13,899
Amounts recoverable on research projects	7,776	3,962	7,776	3,962
Prepayments and accrued income	2,744	2,599	2,701	2,651
Amounts due from subsidiary undertakings	61	1,147	2,229	1,147
	27,288	**20,894**	**27,660**	**21,659**
Amounts falling due after more than one year:				
Debtors – other	180	374	180	374
	27,468	**21,268**	**27,840**	**22,033**

17 Current asset investments

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
At 1 August	9,675	23,220	18,892	39,002
Reduction in investments	(3,536)	(13,479)	(11,718)	(20,043)
Changes in market value	(110)	(66)	(110)	(67)
At 31 July	**6,029**	**9,675**	**7,064**	**18,892**

18 Creditors: amounts falling due within one year

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Unsecured loans	12,000	0	12,000	0
Payments received in advance	9,954	10,354	9,893	10,236
Research grants received on account	14,936	10,308	14,936	10,308
Trade creditors	11,561	7,698	11,561	7,720
Social security and other taxation payable	3,240	2,696	2,966	2,679
Other creditors	10,197	7,633	15,447	16,850
Accruals and deferred income	8,624	6,143	8,161	6,128
Obligation under finance leases	499	458	499	458
Amounts due to subsidiary undertakings	0	0	2,415	0
	71,011	**45,290**	**77,878**	**54,379**

In June 2009 the University entered into a £60m sterling loan facility with Barclays Bank PLC. This loan consists of an initial three year revolving facility, with a choice of a fixed rate, or a set margin above LIBOR for the term of each tranche drawn down. At the end of three years the University has the option of repaying the loan in full, or converting it to a term loan of either 30 years, or 37 years with a seven year payment holiday. The balance drawn down at 31 July 2009 was £12m which was set at a rate of 1.4% above LIBOR.

19 Creditors: amounts falling due after more than one year

	Consolidated & University	
	2009	2008
	£'000	£'000
Unsecured loans	70,000	70,000
Net finance costs to be amortised over the term of the unsecured loan	670	916
Obligation under finance leases	0	488
	70,670	**71,404**

	2009	2008
Analysis of loans and leases:	£'000	£'000
Due within one year	12,499	458
Due between one year and two years	0	488
Due between two and five years	0	0
Due in five years or more	70,000	70,000
	82,499	**70,946**

The University issued a bond for £70m through a private placement facilitated by The Royal Bank of Scotland in May 2007. This loan is unsecured and is repayable in 2047 by a single payment of £70m. Interest is payable half yearly in arrears at a coupon rate of 5.42%.

20 Provisions for liabilities

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
At 1 August	50	214	50	260
Brought in on acquisition	850	0	0	0
New provisions	451	0	451	0
Utilised in the year	(468)	(164)	0	(210)
At 31 July	**883**	**50**	**501**	**50**
Represented by:				
Reorganisation costs	451	0	451	0
Overseas tax provision	432	0	0	0
Other provisions	0	50	50	50
	883	**50**	**501**	**50**

Reorganisation costs provided for at 31 July 2009 consist of expenditure committed to in respect of restructuring the senior management of Henley Business School. The provision is expected to be utilised by 31 July 2010.

A liability to taxes in an overseas jurisdiction has been identified and a best estimate provided for in these financial statements. Settlement of this liability is expected within the next twelve months.

21 Deferred capital grants

	Consolidated			University		
	Funding Council	Other grants	Total	Funding Council	Other grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2008						
Buildings	61,034	28,162	89,196	61,034	39,768	100,802
Equipment	2,550	795	3,345	2,550	793	3,343
	63,584	28,957	92,541	63,584	40,561	104,145
Grants received in year						
Buildings	17,990	0	17,990	17,990	6,023	24,013
Equipment	7,083	90	7,173	7,083	94	7,177
	25,073	90	25,163	25,073	6,117	31,190
Disposals in year						
Buildings	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
	0	0	0	0	0	0
Amortisation in year						
Buildings	1,678	328	2,006	1,678	1,024	2,702
Equipment	1,035	491	1,526	1,035	491	1,526
	2,713	819	3,532	2,713	1,515	4,228
At 31 July 2009						
Buildings	77,346	27,834	105,180	77,346	44,767	122,113
Equipment	8,598	394	8,992	8,598	396	8,994
	85,944	**28,228**	**114,172**	**85,944**	**45,163**	**131,107**

22 Reserves

	Consolidated		University	
	2009	2008	2009	2008
Income and expenditure reserve	£'000	£'000	£'000	£'000
At 1 August	76,398	75,904	61,992	61,299
Surplus / (deficit) retained for the year	19,592	563	(5,563)	1,424
Difference between FRS17 pension charge and cash contribution	821	(731)	821	(731)
Capital grants received from the University's Trusts in year	5,922	662	0	0
Exchange differences on overseas subsidiary undertakings	(17)	0	0	0
At 31 July	**102,716**	**76,398**	**57,250**	**61,992**
Pensions fund reserve				
At 1 August	(17,722)	(5,781)	(17,722)	(5,781)
Actuarial gain / (loss)	4,515	(12,478)	4,515	(12,478)
Interest cost	(1,299)	(47)	(1,299)	(47)
Difference between FRS17 pension charge and cash contribution	478	778	478	778
Conversion from mid to bid price valuation basis	0	(194)	0	(194)
At 31 July	**(14,028)**	**(17,722)**	**(14,028)**	**(17,722)**
Revaluation reserve				
At 1 August	47,816	33,279	47,815	33,279
Reduction in value of investment properties in year	(7,747)	(3,012)	(7,747)	(3,012)
Revaluation of investments in the year	(123)	(61)	(122)	(62)
Revaluation of special collections in the year	0	17,610	0	17,610
At 31 July	**39,946**	**47,816**	**39,946**	**47,815**
Total reserves at 31 July	**128,634**	**106,492**	**83,168**	**92,085**

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

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Surplus / (deficit) on continuing operations	3,502	(1,498)	966	1,580
Depreciation	13,194	11,644	12,411	11,445
Exchange differences	(17)	0	0	0
Deferred capital grants released to income	(3,532)	(3,480)	(4,228)	(4,162)
Endowment and investment income	(3,485)	(4,137)	(2,805)	(3,135)
Interest payable	4,543	3,910	4,533	3,910
Exceptional costs	(578)	0	(3,002)	0
Net income retained / (expenditure incurred) in endowments	0	2,067	0	(150)
Loss on disposal of investments	0	3	0	3
Difference between pension charge and cash contributions	(478)	(778)	(478)	(778)
Increase in stock	(118)	(53)	(82)	(53)
Decrease / (increase) in debtors	7,838	4,225	(3,650)	(2,608)
(Decrease) / increase in creditors	(231)	10,975	2,226	6,411
Increase / (decrease) in provisions	883	(164)	451	(210)
Loss on disposal of fixed assets	2	400	0	357
Net cash inflow from operating activities	**21,523**	**23,114**	**6,342**	**12,610**

24 Returns on investments and servicing of finance

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Income from endowments	1,835	1,683	1,752	1,369
Other interest received	1,650	2,454	1,053	1,766
Interest paid	(3,244)	(3,863)	(3,234)	(3,863)
	241	**274**	**(429)**	**(728)**

25 Capital expenditure and financial investment

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Payments made to acquire tangible fixed assets	(53,412)	(45,680)	(53,188)	(45,495)
Payments made to acquire investment properties	(2,461)	0	(2,461)	0
Proceeds from sale of fixed assets	0	232	0	232
Net payments to acquire endowment fixed assets	(1,820)	(34)	28	0
Net payments to acquire endowment investments	461	(4,405)	(664)	0
Deferred capital grants received	25,163	14,216	31,190	14,879
	(32,069)	**(35,671)**	**(25,095)**	**(30,384)**

26 Aquisitions and disposals

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Acquisition of Henley Management College	(600)	0	(600)	0
Net cash acquired	3,413	0	2,931	0
	2,813	**0**	**2,331**	**0**

27 Management of liquid resources

	Consolidated		University	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Decrease in current asset investments	3,646	13,545	11,828	20,110
	3,646	**13,545**	**11,828**	**20,110**

28 Financing

	Consolidated & University	
	2009	2008
	£'000	£'000
New unsecured loan	12,000	0
Finance lease	(488)	(976)
Amortisation of finance costs	(246)	0
Other	0	(66)
	11,266	**(1,042)**

29 Analysis of changes in net debt

	1 August 2008	Cash flows	31 July 2009
	£'000	£'000	£'000
Consolidated			
Cash at bank and in hand	613	7,778	8,391
Cash held in endowments by fund managers	1,582	(337)	1,245
	2,195	**7,441**	**9,636**
Current asset investments	9,675	(3,646)	6,029
Debt due within one year	0	(12,000)	(12,000)
Debt due after one year	(71,404)	734	(70,670)
	(59,534)	**(7,471)**	**(67,005)**
University			
Cash at bank and in hand	478	7,621	8,099
Cash held in endowments by fund managers	1,433	(1,386)	47
	1,911	**6,235**	**8,146**
Current asset investments	18,892	(11,828)	7,064
Debt due within one year	0	(12,000)	(12,000)
Debt due after one year	(71,404)	734	(70,670)
	(50,601)	**(16,859)**	**(67,460)**

30 Lease obligations

	Consolidated & University	
	2009	2008
	£'000	£'000
Operating leases due:		
within one year	189	189
in two to five years	378	378
	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 the 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 management committee. 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 institution 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 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 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

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 a 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%.

31 Pension schemes (continued)

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 institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS 17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme's liabilities are set out in the following table:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/(decrease) by 0.5%	(Decrease)/increase by £2.2bn
Rate of pensions increases	Increase/(decrease) by 0.5%	Increase/(decrease) by £1.5bn
Rate of salary growth	Increase/(decrease) by 0.5%	Increase/(decrease) by £0.7bn
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6bn

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities.

Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2009, USS had over 130,000 active members and the University had 1,913 active members participating in the scheme.

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 2009 by a qualified independent actuary. The service cost has been calculated using the projected unit method.

The University paid contributions at a rate of 20.6% of salary throughout the year and an additional amount of £1m. From 1 August 2009 the rate will increase to 24.1% with an additional amount of £1.5m for the year ended 31 July 2010.

Analysis of movement in benefit obligation	2009	2008
	£'000	£'000
At 1 August	98,451	87,762
Current service cost	3,493	3,011
Interest cost	5,759	4,954
Member contributions	899	846
Age related rebates	663	348
Past service cost	79	0
Benefits paid	(3,072)	(2,782)
Actuarial (gains) / losses	(11,249)	4,312
At 31 July	**95,023**	**98,451**

Analysis of movement in scheme assets	2009	2008
	£'000	£'000
Fair value at 1 August	80,729	81,787
Expected return on scheme assets	4,460	4,907
Actuarial losses	(6,734)	(8,166)
Employer contribution	4,050	3,789
Member contributions	899	846
Age related rebates	663	348
Benefits paid	(3,072)	(2,782)
Fair value at 31 July	**80,995**	**80,729**

Components of pension cost	2009	2008
	£'000	£'000
Current service cost	3,493	3,011
Interest cost	5,759	4,954
Expected return on scheme assets	(4,460)	(4,907)
Past service cost	79	0
Total pension cost recognised in the income and expenditure account	**4,871**	**3,058**
Actuarial (gains)/losses immediately recognised	(4,515)	12,478
Total pension cost recognised in the statement of total recognised gains and losses	**(4,515)**	**12,478**
Cumulative amount of actuarial losses immediately recognised	**23,733**	**28,248**

Scheme assets	31 July 2009	31 July 2008
The weighted-average asset allocation was as follows:	£'000	£'000
Equities	48,042	43,427
Bonds	27,904	31,268
Property	1,934	2,824
Other	3,115	3,210
	80,995	**80,729**

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.

31 Pension schemes (continued)

	2009 £'000	2008 £'000
Actual return on scheme assets	(2,274)	(3,259)

Weighted average assumptions used to determine benefit obligations at:	31 July 2009	31 July 2008
Discount rate	6.30%	5.80%
Rate of increase in salaries	5.30%	5.20%
Rate of increase in pensions in payment	3.80%	3.70%
Rate of increase in pensions in deferment	3.80%	3.70%

Weighted average assumptions used to determine net pension cost for year	2009	2008
Discount rate	5.80%	5.60%
Expected long-term return on scheme assets	5.44%	5.92%
Rate of increase in salaries	5.20%	4.70%
Rate of increase in pensions in payment	3.70%	3.20%
Rate of increase in pensions in deferment	3.70%	3.20%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:	31 July 2009 Number	31 July 2008 Number
Male pensioner (life expectancy at age 65)	22.0	22.0
Female pensioner (life expectancy at age 65)	24.9	24.9
Male non-retired member (life expectancy at age 65)	22.6	22.6
Female non-retired member (life expectancy at age 65)	25.4	25.4

Five year history	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Benefit obligation at 31 July	95,023	98,451	87,762	83,624	68,159
Fair value of scheme assets at 31 July	80,995	80,729	81,981	72,115	62,912
Deficit at 31 July	(14,028)	(17,722)	(5,781)	(11,509)	(5,247)
Difference between actual and expected return on scheme assets					
Amount (£'000)	(6,734)	(8,166)	4,241	4,628	8,048
Percentage of scheme assets	(8.3%)	(10.1%)	5.2%	6.4%	12.8%
Experience gains / (losses) on scheme liabilities					
Amount (£'000)	4,277	0	0	(2,022)	(174)
Percentage of scheme liabilities	4.5%	0.0%	0.0%	(2.4%)	(0.3%)

Pension costs	Consolidated		University	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Contributions to USS	10,183	8,456	9,896	8,430
Current and past service cost for UEPF	3,573	3,011	3,473	3,011
Net pension fund finance costs	1,299	47	1,263	47
Contributions to other pension schemes	58	74	56	74
Total pension costs	**15,113**	**11,588**	**14,688**	**11,562**

The pension costs for the University have been allocated pro rata to the salary costs within the University.

32 Capital and other commitments

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

	Consolidated & University	
	2009	2008
	£'000	£'000
Commitments contracted for	37,935	15,137

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 were extended in the year and 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 2009 these payments totalled £4m (2008 - £3.8m).

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 2009.

	Net liabilities at 31 July 2009 £'000
The University of Reading Science & Technology Centre Limited	330
Henley Management College (South Africa) Section 21A	730
Henley Business School (NZ) Ltd	135

34 Amounts disbursed as agent – Consolidated & University

	Funding Council Hardship Fund	Funding Council Hardship Fund	TDA Bursary	TDA Bursary
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Balance brought forward at 1 August	10	74	249	178
Income				
Funding Council grants	214	232	2,057	1,718
Interest earned	6	5	0	0
	220	237	2,057	1,718
Expenditure				
Disbursed to students	(187)	(288)	(1,740)	(1,647)
Fund running costs	(12)	(13)	0	0
	(199)	(301)	(1,740)	(1,647)
Balance unspent at 31 July	31	10	566	249

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 £39,000 (2008 – £75,000) to this business for website design and other design services.

The University's financial statements include the following balances due from / (to) related parties	2009 £'000	2008 £'000
Henley Business School (NZ) Ltd	61	0
Reading University Students' Union	220	260
Southern Universities Management Services Limited	(978)	(758)

The University paid the following grants to Reading University Students' Union	2009 £'000	2008 £'000
Core block grant	873	791
Specific grant	14	10
	887	801

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 the 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 (NZ) Ltd and Henley Management College (South Africa) Section 21A.

Name of company	Principal activity
Henley Business School Limited	Management education
Henley Business School (NZ) Ltd	Management education
Henley Management College (South Africa) Section 21A	Management education
New Technology Institute Thames Valley Region	Professional education and training, ceased trading 31 July 2006
Stockmint Limited	Dormant
University of Reading Foundation	Fundraising company, currently dormant
University of Reading (Greenlands) Limited	Hospitality and lettings at Greenlands, Henley
University of Reading Science & Technology Centre Limited	Property letting business
Whiteknights Energy Limited	Supply of energy, ceased trading 31 July 2001
Whiteknights Farming Limited	Farming, ceased trading 31 December 2003
Witan College Limited	Provision of education, ceased trading 31 March 2008

37 Prior year adjustment

The previous year's financial statements included prior year adjustments arising from the implementation of the SORP.

Officers of the University in 2008–2009

Chancellor
Sir John Madejski OBE DL

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

President of the Council
C.C. Fisher, BA, Reading; MPP, Harvard (from 1 August 2009)
T.G. Ford, FRSA, FICPD, MCIArb (until 31 July 2009)

Vice-President of the Council
Mrs J.M. Scott, BSc, St Andrews; CEng, CITP, FBCS

Treasurer
P.T. Warry, MA, Oxford; LLB, London; PhD, Reading; CEng, FREng, FIET, FIMechE, FCMA (from 1 August 2009)
C.C. Fisher, BA, Reading; MPP, Harvard (until 31 July 2009)

Deputy Vice-Chancellor
Professor T.A. Downes, BA, BCL, Oxford

Pro-Vice-Chancellors
Professor D.C. Berry, BSc, CNAA; DPhil, Oxford; CPsychol, AFBPsS, AcSS
Professor R.L. Robson, BA, York; PhD, Wales
Professor C.M. Williams, BSc, PhD, London

Deans of the Faculties

Arts and Humanities
Professor S.F. Walker, BA, PhD, Reading

Social Sciences
Professor J. Pemberton, MA, PhD, Cambridge

Henley Business School
Professor C.J. Bones MA, Aberdeen; CCMI, FCIPD, FRSA

Life Sciences
Professor R.H. Ellis, BSc, Wales; PhD, Reading; CBiol, FIBiol

Science
Professor S.J. Mithen, BA, Sheffield; MSc, York; PhD, Cambridge; FSA, FSA(Scot), FBA

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. Ghandhi, LLB, Exeter; BCL, Oxford

Auditors
KPMG LLP