

Financial Statements

For the year ended 31 July 2011

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

5	President's foreword
6-7	The Council
8-9	Officers of the University
11-25	Operating and financial review
26-32	Governance statement
33-34	Report of the Remuneration Committee
35-36	Independent auditors' report to the Council of the University of Reading
37	Income and expenditure account
38	Statement of total recognised gains and losses
39	Balance sheet
40	Cash flow statement
41-47	Statement of principal accounting policies
49-67	Notes to the accounts

President’s foreword

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

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

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

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

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

Christopher Fisher

President of the Council

25 November 2011

The Council

Ex officio

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

Appointed by Public Authorities (*until 31 July 2011*)

One by Reading Borough Council:
Councillor F. Pugh

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

Fifteen persons not being employees or registered students of the University appointed by the Council

Mr T. Bartlam, BA, MA, FCA
Mr R. Buller, BSc
Mr R. Dwyer, BSc, FCIPD (Vice-President of the Council) ^{1,6}
Dr P.A. Erskine, BA, Hon LLD
Mr R.E.R. Evans, BSc, FRICS
Mr J.D. Fishburn, BA³
Mr C.C. Fisher, BA, MPP (President of the Council)^{1,4,5}
Professor S. Hawker, CB, MA, FIET
Dr J.C.F. Hayward, OBE, MA, DCL (*until 31 July 2011*)
Mr H.W.A. Palmer, QC, MA
Dr P.R. Preston, BGC, PhD (*from 1 August 2011*)
Dr A.P. Reed, BSc, PhD¹
Mrs J.M. Scott, BSc, CEng, CITP, FBCS (Vice-President of the Council)^{1,2}
Mr S.P. Sherman, FCA¹
Sir John Sunderland, MA
Mrs S.M. Woodman, BA (*from 1 August 2011*)

The Deans of the Faculties

Dean of the Faculty of Arts, Humanities and Social Science
Dean of the Henley Business School
Dean of the Faculty of Life Sciences
Dean of the Faculty of Science

One member of the Senate not being a registered student of the University appointed by the Senate

Professor G. Marston, MA, DPhil, Oxford; CChem, MRSC (*from 18 November 2010 until 30 September 2011*)

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

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

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

Mrs H.M. Dominick (*until 31 July 2011*)

Mrs B. Edwards, BA, MA (*from 1 August 2011*)

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

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

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

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

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

Secretary: The University Secretary

1 Member of Remuneration Committee

2 Chair of Remuneration Committee

3 Chair of Audit Committee

4 Chair of Appointments Committee

5 Chair of Strategy and Finance Committee

6 Chair of Support Services Policy Committee

Officers of the University

Chancellor

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

Vice-Chancellor

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

Acting Vice-Chancellor

Professor T.A. Downes, BA, BCL, Oxford (from 1 August 2011)

Deputy Vice-Chancellor

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

President of the Council

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

Vice-Presidents of the Council

Mr R. Dwyer, BSc, FCIPD (from 1 August 2011)

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

Treasurer (until 31 July 2011)

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

Pro-Vice-Chancellors

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

Professor C.M. Williams, BSc, PhD, London

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

Deans of the Faculties

Arts, Humanities and Social Science (from 1 August 2011)

Professor G.H. Tucker, MA, PhD, Cambridge

Arts and Humanities (until 31 July 2011)

Professor S.F. Walker, BA, PhD, Reading

Social Sciences (until 31 July 2011)

Professor D.C. Berry, BSc, CNAA; DPhil, Oxford; CPsychol, AFBPsS, AcSS

Henley Business School

Professor J. Board, BA, PhD, Newcastle (from 1 October 2010)

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

(until 30 September 2010)

Life Sciences

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

Science

Professor G. Brooks, BPharm, PhD, London; MRPharmS, FAHA

(until 30 September 2011)

Professor G. Marston, MA, DPhil, Oxford; CChem, MRSC

(from 1 October 2011)

Heads of Directorate

University Secretary and Director of Governance

K.N. Hodgson, BA, Leicester

Director of Student and Academic Services *(from 1 August 2011)*

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

Director of Academic Services *(until 31 July 2011)*

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

Director of Student Services *(until 31 July 2011)*

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

Director of External Affairs

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

Director of Estates and Facilities Management

C. Robbins, BSc, Portsmouth; FRICS

Director of Finance and Corporate Services

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

Auditors

KPMG LLP

Operating and financial review

Introduction

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

Scope of the financial statements

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

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

Statement on public benefit

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. It 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 Para 1 of Schedule 6 to the Finance Act 2010. It is not required to be registered with the Charity Commission but is however subject to the Charity Commission's regulatory powers which are monitored by the Higher Education Funding Council for England (HEFCE). The University's Council have due regard to the Charity Commission's public benefit guidance. The University's Handbook for Council Members contains additional guidance on members' responsibilities in respect of public benefit.

All charities must have charitable purposes and apply them for the public benefit. The University's core charitable purposes are the delivery of higher education teaching and research. The University seeks to achieve excellent standards in these areas which it believes are to the benefit of the local, national and international communities.

A key part of the University's strategy in ensuring it delivers its core purposes for the public benefit lies in its policy of equal opportunities for

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

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

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

Teaching and learning

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

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

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

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

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

Research

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

cant impact on knowledge, people or the economy, or to enhance or change society for the better.

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

The University's Centre for Food Security opened in November 2010 and joined together existing areas of research excellence to provide a platform for developing real-world solutions to tackle issues such as changes in climate and land use, over-nutrition in western societies, changes of nutrition in developing countries and increased awareness of the environmental consequences of food production.

The University is renowned for the quality of its teaching and research in Agriculture. For example, during the year it undertook research to investigate how unhealthy saturated fats in cows' milk can be reduced by examining the potential of feeding cows with oilseeds and novel types of fat in order to replace saturated fats in their milk with other more healthy fats.

The University of Reading is also playing a key role in a new £5m research partnership aimed at delivering practical research to British dairy farmers. The research and knowledge exchange network will focus on improving the utilisation of resources for milk production by UK dairy farmers and the health and welfare of dairy cows.

Researchers at the University announced a breakthrough in understanding how to control blood clotting which could lead to the development of new thrombosis treatments and save the lives of thousands of people each year. In the research, blood clot formation was inhibited by 40%.

The Technologies for Sustainable Built Environments (TSBE) Centre at the University carries out research focusing on improving energy management in Britain's new and existing housing stock and investigating the built environment's impact on local and global climate. One example of their research is working in conjunction with Southern Electric on a development of zero carbon homes in Chalvey near Slough.

Community

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

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

The University hosted an event in February to encourage more people to become involved with Graft Thames Valley, a charity that helps people with disabilities and the disadvantaged find work experience placements.

Over thirty local schools have benefited from around 4,000 volunteers via the University's Student Tutoring Scheme which has been running for 20

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

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

Overview of the financial position at 31 July 2011

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

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

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

Economic context

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

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

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

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

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

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

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

Key achievements

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

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

Henley Business School and the University were awarded the prestigious AACSB International (The Association to Advance Collegiate Schools of Business) business accreditation during the year, recognising the quality of business education throughout the University. Henley Business School is one of only 50 business schools globally to have the quality kite mark of triple accreditation.

The University hosted the Association for Science Education's Annual Conference, the biggest science education conference and exhibition in Europe.

The Campus Services department were awarded Hospitality Assured status, recognising the team's consistently high standards of customer service and excellence.

The University's record of producing world-class rowers was highlighted again this year at the World Rowing Championship in New Zealand. Members of the University's Boat Club (RUBC) won two gold and three silver medals and produced a string of other fine performances, helping Britain to top the World Championships medal table for the first time.

The University's estate

The University aims to provide a high quality environment that facilitates student recruitment and the retention of staff, providing the conditions in which teaching and research, students and staff, can flourish. 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.

Significant progress has been made in recent years in providing high quality student accommodation. The first phase of the halls redevelopment programme was completed last year with the opening of Mackinder and Stenton halls. The second phase is due to be completed next summer with two further halls of residence being constructed on the site of the current Childs Hall to provide around 900 bedrooms.

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. These goals are pursued 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.

The National Student Survey showed that the University of Reading is ranked in the top 20 for student satisfaction with an overall satisfaction rate of 89%.

Applications from home and EU students for undergraduate courses rose by 2% this year. Applications from overseas students rose by 8%.

Around 5,700 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 over 3,000 students through its access bursary scheme. 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, business and social sciences.

Overall, research grant income was some £34.0m from around 650 awards during the year. The University is always seeking to increase its share of research grant income including sharing good practice across Faculties.

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

The University’s Centre for Food Security opened in November, developing solutions to tackle issues such as nutrition, changes in climate and land use.

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

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

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

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

Enterprise

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

The University has taken advantage of its excellent track record in research and its location to build good relationships with business and to provide and develop commercial services. It has defined an Enterprise Strategy which focuses on enhancing research excellence, enriching the student experience, providing high quality services and promoting

public service. The interaction between the corporate world and academic researchers is a potent tool for the advancement of knowledge and is one which the University is actively pursuing and aims to extend further. The University's relationships with the corporate world also provide opportunities for academics to participate in cutting-edge commercial research and 'real-world' application.

As a world-class research institution, the University seeks actively to develop long-lasting relationships with commercial organisations. Many businesses are taking advantage of the University's expertise, knowledge and facilities through collaborative research, consultancy, Knowledge Transfer Partnerships, licensing of intellectual property, use of high-quality leading-edge equipment, business incubation services, managed office and lab space, and graduate recruitment and placement services.

The University's new Enterprise Centre became home to a number of innovation and technology-based companies in a purpose-built business facility based on the Whiteknights campus.

Staff are actively encouraged to work with business and to turn their own business ideas into reality through the formation of spin-out companies. During the year a new spin-out company, CountingLab Limited, was established. This company uses mathematical models to analyse data on consumer behaviour.

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

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

Income from Knowledge Transfer Partnerships has trebled over the past three years. During the year, the University jointly developed software with three other organisations which has the potential to save the NHS millions of pounds by improving the way it buys everyday supplies.

Environmental policy

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

The University will be taxed on its carbon emissions under the new Carbon Reduction Commitment (CRC) scheme which is a requirement

for organisations whose total electricity consumption is greater than 6,000MWh.

The University developed its new Carbon Management Plan during the year. It has signed up to Phase 6 of the Higher Education Carbon Management Programme (HECMP) with the Carbon Trust. The University will identify carbon reduction opportunities and aims to reduce its carbon emissions by 35% over a 5 year period to 2016. The University has set a further stretching target to reduce carbon dioxide emissions by 45% by 2020.

During the year the University gained a Silver EcoCampus award, recognising its commitment to behavioural change, its new Carbon Management Plan and its commitment to making its campuses as eco-friendly as possible. Over the last year the University has recycled over 40% of its waste and is set to increase that to 50% over the next 12 months.

The University's Greenlands Campus was awarded a Gold Award under the Green Tourism Business Scheme, recognising its commitment to safeguarding and sustaining the local, national and global environment.

The University held its second annual Green Week to encourage staff and students to be even more environmentally friendly.

The Institute of Education is working with many schools around Europe to provide a minimum of five lessons to children aged 10–18 on climate change. Participating schools are encouraged to initiate local actions which should eventually lead to a more sustainable use of energy and limit the degree of climate change.

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.

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.

During the year Reading was one of ten UK universities to receive the first HR Excellence in Research accreditation from the European Commission, recognising its work in improving working conditions and career development opportunities for research staff.

The Schools of Biological Sciences and Mathematical and Physical Sciences both received Silver Awards by Athena SWAN during the year. The awards recognise and celebrate good employment practice for women working in science, engineering and technology in higher education and research.

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. The University has adopted the Health and Safety Management Profile (HASMAPP) 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. The Faculty Management Boards and the Directorates are required to report on health and safety matters to the Health and Safety Committee on a regular basis.

The induction training programme for new Heads of School now includes a module on health and safety management responsibilities and practice.

Significant work was undertaken in the year on building improvements to address fire safety issues. This included arrangements for the evacuation of disabled people with the completion of a refuge programme and the purchase of evacuation chairs. The University also completed and published its Driving for Work Purposes policy and procedures.

Communication

Excellent communication is at the heart of the University's drive to ensure it maintains and builds on its reputation as one of the world's leading universities. The University communicates with its staff, students and many external stakeholders in an open and engaging manner and encourages two-way interaction in order to strengthen these relationships and promote the University's key values in a consistent manner.

In particular, corporate communications activity focuses on support for the University's internationalisation strategy and the University's market position for Home and EU student recruitment through an emphasis on the excellence of research, teaching and the quality of the student experience. Internal communications activity engaging University staff in the shared goals of the University has an increasingly important role to play, as does the work to demonstrate the value of the University and higher education to the local community, business and other key stakeholders.

Communications at an individual level also plays a significant part in developing a strong profile for the institution and the sum of the individual contributions of the University's talented staff are a key communication and engagement tool.

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 as needed.

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

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

Fundraising activities

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

The University of Reading can boast one of the most successful Annual Funds in UK higher education. Since the Annual Fund was established in 2004, around £2.7 million has been raised to enhance the educational and extra-curricular experience enjoyed by current and future generations of students. This year over 80 current students took part in two telephone campaigns, telephoning over 2,000 Reading alumni and raising £395,000, with 42% of alumni called choosing to make a gift. Alongside this, donors pledged a further £90,000 in response to mailings, emails and through online giving. The University currently has almost 6,000 donors from 65 countries.

Summary of the Group financial performance in the year

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

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

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

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

Group income

The Group's income can be analysed as follows:

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

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

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

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

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

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

Group expenditure

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

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

Staff costs decreased by 10.5%, due largely to gains arising on changes made to the UEPF pension scheme. Changes were made to the scheme to ensure its longevity and to make the scheme more affordable. These changes, which are discussed in more detail further on in this report, led to exceptional gains of £12.8m arising in the year. There were further savings in staff costs arising from measures taken to reshape the University.

Other operating expenses rose by 5.7%. A large proportion of this increase was due to expenditure on research which led to increased research

income this year. Utility costs also increased and there were costs associated with activities which commenced during the year such as the new Enterprise Centre.

Interest payable rose due to the increase in the group's short term borrowings coupled with a reduction in the amount of interest the University was able to capitalise.

Fixed assets and capital investment programme

Two new halls of residence, Mackinder and Stenton, opened at the start of the current academic year along with new catering facilities at Park Eat next to Windsor Hall. Two further halls of residence are to be constructed on the site of the current Childs Hall in partnership with UPP.

The new home of the Department of Film, Theatre and Television, the Minghella Building, was opened during the year. The building was named in honour of the late Anthony Minghella, the award-winning playwright, screenwriter and director. Anthony Minghella was an honorary graduate of the University and a patron of the Beckett International Foundation at the University.

The University continued its major refurbishment of its London Road campus, the original home of the University in the heart of Reading. The £30 million investment in the University's academic infrastructure will create a new London Road home for the University's Institute of Education which trains nearly 1,000 teachers every year. The project also allows for the sensitive conservation of many of the historic and listed buildings on the site.

During the year the University spent £58.2m on its capital investment programme, bringing to £295.6m the capital investment over the five years to July 2011.

The capital programme is being financed using a mixture of funding sources including a £70m bond issued in 2007 and a total of £110m in sterling loan facilities with Barclays Bank.

Investments

The investments held by the University's trusts have risen in value by £2.9m from £46.0m to £48.9m over the year to 31 July 2011. 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 increased by £0.1m during the year and those of its trusts increased by £0.6m.

Pensions

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 2010–11 equivalent to 16% of salary costs for the year.

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. A triennial valuation of the scheme was carried out at 31 July 2008 and updated to 31 July 2011. The valuation at 31 July 2011 shows that the deficit on the scheme is £11.6m, which represents a reduction of £10.0m from the deficit reported in 2010.

The reduction in the scheme's deficit has come about largely as a result of a package of measures which the University has put together to make the scheme more affordable and to help reduce the funding gap. Currently the University pays annual employer contributions of 24.1% of members' pensionable salaries and has committed to making additional cash payments until 2021. On 1 August 2011 various changes were made to the scheme to provide a sustainable and affordable pension scheme for the future. Benefits built up before that date will not be affected by these changes. From 1 August 2011, existing members will build up pensions based on their average salary each year. To reflect inflation, the entitlement each year will be increased by the Consumer Price Index up to a maximum of 5% in any one year. This same measure will be applied to pensions in payment.

A new defined contribution arrangement, University of Reading Pension Scheme, was introduced for new members of the scheme joining on or after 1 August 2011. Under this arrangement, members are required to contribute a minimum of 4% of their pensionable salary and the University pays a contribution of 5% of the member's pensionable salary rising to 7% after five years' service. A range of investment funds are available in which members can choose to invest these contributions.

Cash flow

The Group generated a net cash inflow from operating activities of £20.1m (2010: £9.0m). The extensive capital programme net of grants received contributed a cash outflow of £60.8m (2010: £73.4m). This was largely funded by an increase in unsecured borrowings of £50m. As a result of the above, the Group's overall cash balance increased by £0.8m (2010: decrease of £15.1m) in the year.

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

There are difficulties in setting targets over several years in the context of such a fast-moving external environment. Nonetheless, through careful management in times of change, the University seeks to build on its past successes and strengthen its position as a centre of high quality teaching, learning and research. The University will continue to work hard to adapt to the changing economic climate for higher education nationally and internationally. There is a clear need for prudent planning and playing to the University's strengths in this process, to ensure that the University of Reading emerges in a stronger position, with its reputation as a leading, research-intensive centre of excellence for scholarship, teaching and learning enhanced.

Tony Downes
Acting Vice-Chancellor

David Savage
Director of Finance and Corporate Services

25 November 2011

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 the Higher Education Funding Council for England (HEFCE), the British Universities Finance Directors Group (BUFDG) and the Committee of University Chairs (CUC) including the CUC Governance Code of Practice. This statement sets out how the University has applied the relevant corporate governance recommendations during the year.

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

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

- The Council has 30 members with effect from 1 August 2011 which represents a reduction from 33 in the previous year. The Council requires that the senior academic officers of the University be included in membership for purposes of accountability and values the presence of various categories of staff and students as a means of ensuring University-wide involvement in its work. Beyond this, lay members, whose contribution outwith meetings of the Council is an integral part of arrangements, form a clear majority.
- The Council monitors its effectiveness through reviews, the last of which was concluded in 2004–05 and the latest of which is currently underway and will report its findings to the Council during 2011–12.
- The University has developed a comprehensive set of performance measures which are evaluated at least annually and information is made available to the Council and its main committees. The University has decided that for reasons of commercial confidentiality it will not make these measures, and its performance against them, available in the public domain.

The structure of governance in the year 2010–11 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 Heads of Directorate 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. A report from the Remuneration Committee is included on pages 33 to 34.
- the Appointments Committee which meets termly and discharges the Council's responsibilities in respect of non-financial aspects of staffing matters. It also operates as the Nominations Committee in seeking and recommending persons to serve on the Council and other committees.
- the Support Services 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 business, operational, compliance and financial risks to the achievement of aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.

The Council, through the Strategy and Finance Committee, has overall responsibility for reviewing the effectiveness of the systems of internal 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 school and directorate level which document controls, mitigating actions and early warning mechanisms in place to manage each risk. These registers are assessed by the Risk Management Group who consider the risks identified, their interactions and interdependencies, the exposure and the proposed processes for managing these risks. Schools and directorates also report on their risk management arrangements to the Risk Management Group. The registers are directly linked to and inform the Corporate and Operational Plans.
- internal and external audit review the system of risk management and internal controls on an ongoing basis. The internal audit programme is driven by the strategic, operational and financial risks potentially affecting the University with each risk being reviewed by internal audit on a three year rolling programme. In discharging its plan, internal audit gives assurance on the quality and reliability of the risk management framework and the controls which protect the University against exposure to risk and reviews compliance with policies and procedures.

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

Register of interests

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

Preparation of the financial statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's Charter of Incorporation, the Statement of Recommended Practice: Accounting for Further & Higher Education 2007 and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between HEFCE and the University, the Council, through its designated 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 Group and University and of the surplus or deficit and cash flows for that year.

In preparing the financial statements, the Council is required to ensure that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation. The Council is satisfied that it has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of these financial statements.

The Council has taken reasonable steps to:

- ensure that the University's funds have been applied in accordance with the University's Statutes, the Financial Memorandum agreed with HEFCE and the funding agreement with the Training and Development Agency for Schools (TDA) as appropriate
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the University's resources and expenditure, and
- ensure that material risks are identified, 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.

Report of the Remuneration Committee

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

The Committee has six members, five of whom are lay members of the Council and the other the Vice-Chancellor. It has been chaired by the President of the Council, the University Secretary and Director of Governance is its Secretary and the Director of Human Resources is in attendance at its meetings. On the recommendation of the Committee, the Council has agreed that a Vice-President be Chairman from 1 August 2011 with the President remaining in membership. No employees of the University are present when their own remuneration is under consideration. The Committee reports directly to the Council and receives reports and recommendations from its Professorial Staff Salaries Advisory Group and its Senior Staff Salaries Advisory Group respectively. These Advisory Groups, and the Committee itself, routinely have regard to the annual UCEA Remuneration Survey in the course of their deliberations and are mindful at all times of such guidance as HEFCE may from time to time provide.

The Committee has met twice in the year ending 31 July 2011 and, in the course of those meetings, has:

- (i) reviewed its own terms of reference and confirmed that these remain appropriate;
- (ii) conformed with the Statement of the University's Remuneration Policy as approved by the Council;
- (iii) monitored the approval processes that apply in respect of severance and early retirement arrangements and pronounced itself content;
- (iv) agreed, on the basis of a report from its Professorial Salaries Advisory Group, adjustments to salary for certain Professorial staff with effect from 1 August 2011;
- (v) agreed, on the basis of a report from its Senior Staff Salaries Advisory Group, adjustments to salary for certain Grade 9 staff with effect from 1 August 2011 mindful of each individual's potential to contribute strategically to the attainment of the University's goals whilst paying due regard to the prevailing economic climate;
- (vi) agreed that there be no adjustment to the substantive salary of the Deputy Vice-Chancellor or to the salaries the Pro-Vice-Chancellors with effect from 1 August 2011;
- (vii) agreed, consequent upon the resignation of the Vice-Chancellor from office in accordance with his terms and conditions of employ-

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

Christopher Fisher
Chairman

31 July 2011

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

We have audited the Group and University financial statements (the ‘financial statements’) of the University of Reading for the year ended 31 July 2011 which comprise the Group income and expenditure account, the Group and University balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to it in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Council and auditors

As explained more fully in the governance statement set out on pages 26 to 32, the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s and University’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the operating and financial review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group’s income and expenditure, recognised gains and losses and cash flows for the year then ended;

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

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes;
- income has been applied in accordance with the University’s Statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the governance statement is inconsistent with our knowledge of the Group and University.

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

30 November 2011

Income and expenditure account for the year ended 31 July 2011

		Consolidated	
		2011	2010
		£'000	£'000
Income			
Note 1	Funding body grants	57,675	65,335
2	Tuition fees and education contracts	71,539	70,455
3	Research grants and contracts	34,048	31,720
4	Other operating income	55,969	51,755
5	Endowment and investment income	1,964	2,556
Total income		221,195	221,821
Expenditure			
6	Staff costs – regular	131,323	132,340
6	Staff costs – exceptional	(12,817)	0
9	Other operating expenses	78,046	73,854
12	Depreciation of tangible fixed assets	16,280	15,772
8	Interest and other finance costs	5,985	4,063
Total expenditure		218,817	226,029
Surplus / (deficit) on continuing operations		2,378	(4,208)
10	Taxation (charge) / credit	(238)	25
Surplus / (deficit) after depreciation and tax		2,140	(4,183)
Exceptional items			
9	Profit on disposal	0	2,837
11	Goodwill	0	250
Surplus / (deficit) after exceptional items		2,140	(1,096)
15	Surplus for the year transferred from accumulated income in endowment funds	1,352	1,485
Surplus for the year retained within general reserves		3,492	389

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

Statement of total recognised gains and losses

		Consolidated	
		2011	2010
		£'000	£'000
	Surplus / (deficit) after exceptional items	2,140	(1,096)
Note 15	Unrealised gain on the value of endowment investments	2,790	5,241
	Transfer out of investment properties	(679)	0
13	Unrealised gain / (loss) loss on revaluation of investment property	338	(512)
15	Unrealised gain on revaluation of endowment investment property	626	2,359
17	Unrealised gain on current asset investments	198	77
	Unrealised gain on fixed asset investments	12	8
15	Gain on disposal of endowment assets	1,478	1,558
	New endowments	26	501
31	Actuarial loss recognised in the pension scheme	(3,697)	(8,422)
	Exchange differences	(1)	(43)
	Total recognised gains / (losses) in the year	3,231	(329)
Reconciliation			
	Opening reserves and endowments	199,943	200,272
	Total recognised gains / (losses) in the year	3,231	(329)
	Closing reserves and endowments	203,174	199,943

Balance sheet as at 31 July 2011

		Consolidated		University	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Fixed assets					
Note 12	Tangible assets	432,588	390,698	410,267	368,032
13	Investment properties	22,191	21,984	22,191	21,984
14	Investments	51	139	96	85
		454,830	412,821	432,554	390,101
15	Endowment assets	81,936	78,818	9,038	8,032
Current assets					
	Stock	1,700	1,622	1,700	1,622
16	Debtors	25,802	25,975	31,280	30,698
17	Current asset investments	9,449	4,829	2,583	1,976
		36,951	32,426	35,563	34,296
18	Creditors: Amounts falling due within one year	(181,545)	(120,893)	(183,185)	(123,072)
Net current liabilities		(144,594)	(88,467)	(147,622)	(88,776)
Total assets less current liabilities		392,172	403,172	293,970	309,357
19	Creditors: Amounts falling due after more than one year	(70,645)	(70,608)	(70,645)	(70,608)
20	Provisions for liabilities and charges	(85)	(350)	(50)	(316)
Net assets before deducting the pension liability		321,442	332,214	223,275	238,433
31	Net pension liability	(11,600)	(21,628)	(11,600)	(21,628)
Net assets after deducting the pension liability		309,842	310,586	211,675	216,805
21	Deferred capital grants	106,668	110,643	126,086	130,954
15	Endowments				
	Expendable	73,848	71,654	950	868
	Permanent	8,088	7,164	8,088	7,164
		81,936	78,818	9,038	8,032
Reserves					
22	General reserves	98,315	108,099	53,629	64,793
22,31	Pension fund reserve	(11,600)	(21,628)	(11,600)	(21,628)
22	Revaluation reserve	34,523	34,654	34,522	34,654
		121,238	121,125	76,551	77,819
Total funds		309,842	310,586	211,675	216,805

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

C C Fisher
President of the Council

T A Downes
Acting Vice-Chancellor

D C L Savage
Director of Finance & Corporate Services

Cash flow statement for the year ended 31 July 2011

		Consolidated	
		2011	2010
		£'000	£'000
Note 23	Net cash inflow from operating activities	20,064	8,956
24	Returns on investments and servicing of finance	(3,070)	(37)
	Taxation	(238)	25
25	Capital expenditure and financial investment	(60,808)	(73,433)
26	Acquisitions and disposals	(601)	252
27	Management of liquid resources	(4,620)	1,200
28	Financing	50,122	47,938
29	Increase / (decrease) in cash in the year	849	(15,099)
Reconciliation of net cash flow to movement in net debt			
29	Increase / (decrease) in cash in the year	849	(15,099)
	Increase / (decrease) in current asset investments	4,620	(1,200)
28	Cash outflow from financing	(50,122)	(47,938)
	Movement in net debt in the year	(44,653)	(64,237)
	Net debt at 1 August	(131,242)	(67,005)
	Net debt at 31 July	(175,895)	(131,242)

Statement of principal accounting policies

Basis of preparation

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

The financial statements are prepared on a going concern basis and under the historical cost convention modified by the revaluation of certain fixed assets. The Council believe that the going concern basis is appropriate and expect the Group's consolidated current assets to be boosted significantly shortly after these financial statements have been signed due to the receipt of considerable funds in respect of a transfer of the University's student accommodation to a third party. The University has prepared detailed income and expenditure and cash flow forecasts which show that the University and its subsidiaries and trusts can operate within the level of its current facilities and has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The Council is therefore satisfied that the University and its subsidiaries and trusts have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Should the transfer not proceed as planned, the University will be able to obtain sufficient cash by liquidating endowment assets, to enable the University to meet liabilities as they fall due.

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.

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

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) Heritage assets

Heritage assets are books, manuscripts, specimens, artworks, objects or other assets that have historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are capitalised and recognised at their cost or value where reasonably obtainable. Heritage assets are not depreciated due to their long economic life and high residual value.

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 considered to pass the tests set out in Paragraph 1 of Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Non-charitable subsidiary companies are liable to corporation tax.

The University is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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 on consolidation. 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	
		2011 £'000	2010 £'000
	Recurrent grant		
	Higher Education Funding Council (HEFCE)	47,504	53,236
	Training and Development Agency (TDA)	2,443	2,387
	Specific grants		
	Higher Education Academic Subject Centres	1,582	4,164
	Higher Education Innovation Fund	1,900	1,663
	Other	253	403
	Deferred capital grants released in year:		
	Buildings	3,147	2,605
	Equipment	846	877
		57,675	65,335
2	Tuition fees and education contracts	Consolidated	
		2011 £'000	2010 £'000
	Full-time home and EU students	30,944	31,228
	Full-time international students	21,812	19,724
	Part-time students	12,861	12,757
	Research training support grants	3,698	4,577
	Short course fees	1,278	1,406
	Total fees paid by or on behalf of individual students	70,593	69,692
	Education contracts	946	763
		71,539	70,455
3	Research grants and contracts	Consolidated	
		2011 £'000	2010 £'000
	Research Councils and charities	21,116	20,773
	Governmental	9,074	6,831
	Industry and commerce	3,589	3,857
	Releases from deferred capital grants	269	259
		34,048	31,720
4	Other operating income	Consolidated	
		2011 £'000	2010 £'000
	Residences, catering and conferences	23,908	20,551
	Other income-generating activities	15,534	16,065
	Other income	16,030	14,685
	Release from deferred capital grants	497	454
		55,969	51,755
5	Endowment and investment income	Consolidated	
		2011 £'000	2010 £'000
	Income from expendable endowments	1,457	2,064
	Income from permanent endowments	269	257
	Income from short-term investments	238	235
		1,964	2,556

6 Staff costs

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

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

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

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

	2011		2010	
	Number	Number	Number	Number
£100,001 to £110,000	10	8		
£110,001 to £120,000	6	7		
£120,001 to £130,000	2	0		
£130,001 to £140,000	3	3		
£140,001 to £150,000	2	0		
£150,001 to £160,000	0	0		
£160,001 to £170,000	0	0		
£170,001 to £180,000	2	1		
£180,001 to £190,000	0	1		
£190,001 to £200,000	0	0		
£200,001 to £210,000	0	0		
£210,001 to £220,000	0	0		
£220,001 to £230,000	0	0		
£230,001 to £240,000	1	0		
£240,001 to £250,000	0	1		
£250,001 to £260,000	1	0		
£260,001 to £270,000	0	1		
	27	22		

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

	Consolidated	
	2011 Number	2010 Number
Average number of full-time equivalent members of staff:		
Academic	712	710
Research	339	360
Management and specialist	702	736
Technical	161	193
Other	969	1,062
	2,883	3,061

7 Emoluments of the Vice-Chancellor

	2011 £	2010 £
Emoluments	250,989	249,989
Pension contributions	40,158	29,475

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

8 Interest and other finance costs

	Consolidated	
	2011 £'000	2010 £'000
On bank loans, overdrafts and other loans		
Repayable within 5 years, not by instalments	1,693	286
Repayable wholly or partly in more than five years	3,341	2,288
Finance leases	0	19
Pension finance interest	951	1,470
	5,985	4,063

Interest of £472,000 has been capitalised in the year to 31 July 2011 (2010 – £2,204,000) and is included within tangible fixed assets. Total aggregate capitalised finance costs to date within the cost of tangible fixed assets at 31 July 2011 were £4,085,000 (2010 – £3,613,000).

9 Analysis of total expenditure by activity

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	2011 £'000	2010 £'000
Consolidated						
Academic schools	74,961	27,966	920	0	103,847	105,982
Academic services	6,903	4,392	829	0	12,124	14,561
Administration and central services	15,616	14,933	441	0	30,990	27,841
Premises (excl. residential and catering)	8,805	13,947	11,109	5,034	38,895	35,982
Residences, catering & conferences	6,377	5,621	2,301	0	14,299	12,963
Research grants and contracts	16,419	7,674	319	0	24,412	22,377
Other expenses	2,242	3,513	361	951	7,067	6,323
Pension costs – exceptional gains (see note 6)	(12,817)	0	0	0	(12,817)	0
	118,506	78,046	16,280	5,985	218,817	226,029

	Consolidated	
	2011 £'000	2010 £'000
Other operating expenses include:		
Council members' expenses	1	2
Operating lease rentals		
– land and buildings	104	94
– plant and equipment	604	585
External auditors' remuneration		
– audit of these financial statements	133	130
– tax advisory services	314	236
– other non-audit services	38	43

In addition to the amounts included in other operating expenses above, fees totalling £803,000 were paid to the external auditors for services in connection with capital projects (2010 – £380,000). These amounts have been included within additions to tangible fixed assets.

	Consolidated	
	2011 £'000	2010 £'000
Exceptional items reported separately within the income and expenditure account include:		
Gain on disposal of Mansfield Hall	0	(1,788)
Gain on disposal of land for Enterprise Centre	0	(1,049)

9 Analysis of total expenditure by activity (continued)

Council members do not receive remuneration or fees in respect of their services as Council members. The expenses of Council members incurred and claimed in the performance of their duties including attendance at Council meetings are reimbursed by the University. All such reimbursements are subject to approval by the Secretary to the Council. During the year 3 members of Council were reimbursed in connection with travel and subsistence expenses incurred (2010: 3).

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

During the previous year the University granted a 150 year lease of a section of land on the Whiteknights campus to a developer. An upfront premium of £1,500,000 was received. The net proceeds of £1,049,000 being the premium less associated disposal costs were credited to profit on disposal during the previous year to reflect the underlying substance of the two leases which was that of a sale and operating leaseback. This reflected the very long period of the lease of the land and the proximity of the premium to the fair value of the land.

10 Taxation	Consolidated	
	2011 £'000	2010 £'000
UK Corporation tax	5	0
Overseas tax	233	(25)
	238	(25)

11 Business combinations

During the previous year the University of Reading became the sole member and assumed management control of Reading Real Estate Foundation, a registered charity, along with its subsidiary company, RREF Limited, for nil consideration. This was accounted for as an acquisition in accordance with FRS 6. The total fair value of the assets acquired gave rise to negative goodwill of £250,000 in the Group which was taken to the income and expenditure account in line with the University's accounting policy.

12 Tangible fixed assets

Consolidated	Land and	Plant and	Assets in the		Heritage	Total
	buildings	machinery	Equipment	course of	assets	
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2010	319,206	6,749	58,936	96,764	23,097	504,752
Additions	19,762	236	9,741	28,492	0	58,231
Disposals	0	0	(149)	(14)	0	(163)
Transfers	89,789	0	0	(89,789)	0	0
At 31 July 2011	428,757	6,985	68,528	35,453	23,097	562,820
Depreciation						
At 1 August 2010	82,519	2,057	29,478	0	0	114,054
Charge for the year	10,863	348	5,069	0	0	16,280
Disposals	0	0	(102)	0	0	(102)
At 31 July 2011	93,382	2,405	34,445	0	0	130,232
Net book value at 31 July 2011	335,375	4,580	34,083	35,453	23,097	432,588
Net book value at 31 July 2010	236,687	4,692	29,458	96,764	23,097	390,698

12 Tangible fixed assets (continued)

University	Assets in the					Total
	Land and buildings	Plant and machinery	Equipment	course of construction	Heritage assets	
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2010	292,085	6,738	58,766	96,382	22,947	476,918
Additions	19,251	235	9,720	28,488	0	57,694
Disposals	0	0	(66)	0	0	(66)
Transfers	89,789	0	0	(89,789)	0	0
At 31 July 2011	401,125	6,973	68,420	35,081	22,947	534,546
Depreciation						
At 1 August 2010	77,485	2,046	29,355	0	0	108,886
Charge for the year	10,029	347	5,053	0	0	15,429
Disposals	0	0	(36)	0	0	(36)
At 31 July 2011	87,514	2,393	34,372	0	0	124,279
Net book value at 31 July 2011	313,611	4,580	34,048	35,081	22,947	410,267
Net book value at 31 July 2010	214,600	4,692	29,411	96,382	22,947	368,032

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

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

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

Heritage assets

Heritage assets include many unique items and collections which the University has accumulated since incorporation. These are held and maintained principally for their contribution to knowledge and culture. The University conserves these assets and augments the collections where appropriate in order to enable use of the assets for teaching and research and access to the assets for engagement with members of the public. The items and collections are carefully catalogued and custodianship is given to specific areas and persons for their care and maintenance.

The University's collections span museum, archive and library holdings of regional, national and international significance. These include the University Library, the Museum of English Rural Life, the Cole Museum of Zoology, the Herbarium, the Ure Museum of Greek Archaeology, and other important teaching and research departmental museum, library and archive collections. These collections can be viewed by members of the public (some collections can only be viewed by appointment).

The *University Library* holds more than twenty collections of rare book material relating to specialist subjects, around 150 collections of historical and literary papers, over 1,500 items and a large body of University archives and records.

The *Museum of English Rural Life* is the national centre for the history of food, farming and the countryside. The collections relate to all aspects of the history of rural society including horticulture, woodlands, farm buildings and equipment, food production, trades and industries and the rural environment, especially after 1750. The collections are made up of the Object Collections, the Library, the Archive and the Photograph and Film Collection. The Museum also collates the Bibliographical Database containing over 50,000 classified subject references including periodical articles.

12 Tangible fixed assets (continued)

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

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

The *Ure Museum of Greek Archaeology* was formed in the early 1920s and contains the fourth largest collection of ancient Greek ceramics in the United Kingdom, as well as other objects from ancient Greece, Egypt and Rome. Its artefacts and archives document the excavations at Rhitsona in Boeotia, Greece, conducted by Percy N and Annie D Ure, a husband and wife team whose lifelong work is encapsulated in this museum that rightly bears their name.

The collections were valued in December 2007 by Adam Schoon, an external antique and fine art dealer and valuer with over 30 years' experience, on a 'walk through' basis for insurance purposes. The Council is not aware of any material change in the valuation and therefore the valuation has not been updated. One collection is held by a subsidiary and this was valued by Adam Schoon in August 2008. The movement on heritage assets is:

Consolidated	2011	2010	2009	2008	2007
Cost or Valuation	£'000	£'000	£'000	£'000	£'000
At 1 August	23,097	23,097	22,947	0	0
Revaluation	0	0	150	22,947	0
At 31 July	23,097	23,097	23,097	22,947	0

University	2011	2010	2009	2008	2007
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 August	22,947	22,947	22,947	0	0
Revaluation	0	0	0	22,947	0
At 31 July	22,947	22,947	22,947	22,947	0

The split of heritage assets by type of asset is:

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Books & manuscripts	11,294	11,294	11,294	11,294
Artworks	2,625	2,625	2,625	2,625
Natural history	3,388	3,388	3,388	3,388
Agricultural	2,418	2,418	2,418	2,418
Other	3,372	3,372	3,222	3,222
	23,097	23,097	22,947	22,947

13 Investment properties

	Consolidated & University	
	2011 £'000	2010 £'000
At 1 August	21,984	27,117
Additions	801	848
Disposals	(679)	(5,469)
Increase / (decrease) in value of properties in year	338	(512)
Permanent diminution in value	(253)	0
At 31 July	22,191	21,984

The University holds a number of commercial and residential investment properties. All properties were valued by a firm of independent valuers at 31 July 2010 in accordance with the RICS appraisal and valuation manuals. Certain properties have been formally revalued at 31 July 2011 while an index has been applied to the 31 July 2010 values of the remainder of the properties to reflect the movement in the property market during the year to 31 July 2011.

14 Investments

	Consolidated		University	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Subsidiary companies	0	0	50	50
Trade investments – listed				
Genus plc	41	30	41	30
TR Property Investment plc	4	3	0	0
Trade investments – unlisted				
Warwick Advertising Limited (formerly AdsFab Limited)	5	5	5	5
The Cascade Fund LLP	0	100	0	0
Subsidiary investments in spin-out companies	1	1	0	0
Net book value at 31 July	51	139	96	85

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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Balance at 1 August	78,818	71,638	8,032	7,119
Additions	4,293	5,845	849	1,550
Appreciation on revaluation of investments	2,790	5,241	777	411
Appreciation on revaluation of investment properties	626	2,359	0	0
Decrease / (increase) in net current liabilities	151	(245)	(7)	1
Decrease in cash balance	0	(1,245)	0	(47)
Decrease in balance held by University	(4,742)	(4,775)	(613)	(1,002)
Balance at 31 July	81,936	78,818	9,038	8,032
Represented by:				
Tangible assets				
Land and property	6,946	4,398	0	0
Investment properties	24,214	23,588	0	0
Investments	60,531	55,996	11,627	10,001
Other assets				
Other net current (liabilities) / assets	(305)	(456)	(6)	1
Funds due to the University	(9,450)	(4,708)	(2,583)	(1,970)
	81,936	78,818	9,038	8,032

15 Endowment assets (continued)

Consolidated	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital value	1,483	71,427	3,932	75,359	76,842
Accumulated income	84	227	1,665	1,892	1,976
At 1 August	1,567	71,654	5,597	77,251	78,818
Net additions	0	(450)	26	(424)	(424)
Gain on disposal of assets	0	1,478	0	1,478	1,478
Surplus of income over expenditure / (expenditure over income)	137	(1,560)	71	(1,489)	(1,352)
Increase in value of endowment investment properties	0	626	0	626	626
Increase in value of endowment asset investments	182	2,100	508	2,608	2,790
At 31 July	1,886	73,848	6,202	80,050	81,936
Represented by:					
Capital value	1,665	73,632	4,467	78,099	79,764
Accumulated income	221	216	1,735	1,951	2,172
	1,886	73,848	6,202	80,050	81,936
University	Unrestricted permanent	Restricted expendable	Restricted permanent	Restricted total	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital value	1,483	643	3,932	4,575	6,058
Accumulated income	84	225	1,665	1,890	1,974
At 1 August	1,567	868	5,597	6,465	8,032
Net additions	0	0	26	26	26
Surplus of income over expenditure / (expenditure over income)	137	(5)	71	66	203
Increase in value of endowment asset investments	182	87	508	595	777
At 31 July	1,886	950	6,202	7,152	9,038
Represented by:					
Capital value	1,665	730	4,467	5,197	6,862
Accumulated income	221	220	1,735	1,955	2,176
	1,886	950	6,202	7,152	9,038

16 Debtors

	Consolidated		University	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Debtors	16,092	16,670	20,339	17,137
Amounts recoverable on research projects	5,152	6,195	5,152	6,195
Prepayments and accrued income	3,863	2,730	3,834	2,704
Amounts due from subsidiary undertakings	0	0	1,278	4,301
	25,107	25,595	30,603	30,337
Amounts falling due after more than one year:				
Debtors – other	695	380	677	361
	25,802	25,975	31,280	30,698

17	Current asset investments	Consolidated		University	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
	At 1 August	4,829	6,029	1,976	7,064
	Additions / (disposals)	4,422	(1,277)	409	(5,165)
	Changes in market value	198	77	198	77
	At 31 July	9,449	4,829	2,583	1,976

18	Creditors: amounts falling due within one year	Consolidated		University	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
	Unsecured loans	110,085	60,000	110,085	60,000
	Overdraft	4,614	5,463	5,682	7,398
	Payments received in advance	10,322	6,269	10,536	6,757
	Research grants received on account	17,981	15,889	17,981	15,889
	Trade creditors	11,634	5,443	11,567	5,419
	Social security and other taxation payable	3,178	3,216	3,025	3,111
	Other creditors	11,504	10,631	11,571	11,108
	Accruals and deferred income	12,227	13,982	10,776	12,062
	Amounts due to subsidiary undertakings	0	0	1,962	1,328
		181,545	120,893	183,185	123,072

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 2011 was £60m (2010: £60m). Throughout the year, the University chose an interest rate of a set margin above LIBOR.

In November 2010 the University entered into a £50m revolving credit facility, available for five years, at a set margin above LIBOR for the term of each tranche drawn down. At 31 July 2011 the balance drawn down was £50m (2010: £nil).

19	Creditors: amounts falling due after more than one year	Consolidated & University	
		2011 £'000	2010 £'000
	Unsecured loans	70,212	70,000
	Net finance costs to be amortised over the term of the unsecured loan	433	608
		70,645	70,608
	Analysis of loans and leases:		
	Due within one year	110,085	60,000
	Due between one year and two years	85	0
	Due between two and five years	127	0
	Due in five years or more	70,000	70,000
		180,297	130,000

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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 1 August	350	883	316	501
Transfer from / (to) income and expenditure account	1	(231)	0	0
Utilised in the year	(266)	(302)	(266)	(185)
At 31 July	85	350	50	316
Represented by:				
Reorganisation costs	0	266	0	266
Overseas tax provision	70	70	0	0
Other provisions	15	14	50	50
	85	350	50	316

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

A liability to taxes in an overseas jurisdiction was identified in 2009 and a best estimate has been provided for in these financial statements. Settlement of this liability is expected within the next twelve months.

21 Deferred capital grants

	Consolidated			University		
	Funding Council £'000	Other grants £'000	Total £'000	Funding Council £'000	Other grants £'000	Total £'000
At 1 August 2010						
Buildings	74,836	27,756	102,592	74,836	48,065	122,901
Equipment	7,564	487	8,051	7,564	489	8,053
	82,400	28,243	110,643	82,400	48,554	130,954
Grants received in year						
Buildings	186	118	304	186	118	304
Equipment	0	480	480	0	480	480
	186	598	784	186	598	784
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	(3,126)	(309)	(3,435)	(3,126)	(1,203)	(4,329)
Equipment	(1,004)	(320)	(1,324)	(1,004)	(319)	(1,323)
	(4,130)	(629)	(4,759)	(4,130)	(1,522)	(5,652)
At 31 July 2011						
Buildings	71,896	27,565	99,461	71,896	46,980	118,876
Equipment	6,560	647	7,207	6,560	650	7,210
	78,456	28,212	106,668	78,456	47,630	126,086

22 Reserves	Consolidated		University	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Income and expenditure reserve				
At 1 August	108,099	102,716	64,793	57,250
Surplus retained for the year	3,492	389	2,561	2,887
Difference between FRS 17 pension charge and cash contribution	(13,725)	(822)	(13,725)	(822)
Exchange differences on overseas subsidiary undertakings	(1)	(43)	0	0
Transfer from revaluation reserve	0	4,899	0	4,899
Transfer from endowment reserve	450	960	0	579
At 31 July	98,315	108,099	53,629	64,793
Pension fund reserve				
At 1 August	(21,628)	(14,028)	(21,628)	(14,028)
Actuarial loss	(3,697)	(8,422)	(3,697)	(8,422)
Interest cost	(951)	(1,470)	(951)	(1,470)
Curtailed gain arising on change from final salary to CARE basis	11,111	0	11,111	0
Gain arising on change from RPI to CPI	1,706	0	1,706	0
Difference between FRS 17 pension charge and cash contribution	1,859	2,292	1,859	2,292
At 31 July	(11,600)	(21,628)	(11,600)	(21,628)
Revaluation reserve				
At 1 August	34,654	39,946	34,654	39,946
Increase / (decrease) in value of investment properties in the year	338	(512)	338	(512)
Disposal of investment properties	(679)	0	(679)	0
Revaluation of investments in the year	210	85	209	85
Transfer to general reserves	0	(4,899)	0	(4,899)
Transfer from endowment reserves	0	34	0	34
At 31 July	34,523	34,654	34,522	34,654
Total reserves at 31 July	121,238	121,125	76,551	77,819

23 Reconciliation of surplus / (deficit) on continuing operations to net cash inflow from operating activities	Consolidated	
	2011 £'000	2010 £'000
Surplus / (deficit) on continuing operations	2,378	(4,208)
Depreciation	16,280	15,772
Permanent diminution in value of investment properties	253	0
Impairment of fixed asset investments	100	0
Exchange differences	(1)	(43)
Deferred capital grants released to income	(4,759)	(4,194)
Endowment and investment income	(1,964)	(2,556)
Interest payable	5,985	4,063
Exceptional items	0	2,836
Difference between pension charge and cash contributions	(14,676)	(2,292)
(Increase) / decrease in stock	(78)	108
Decrease in debtors	4,927	6,271
Increase / (decrease) in creditors	11,252	(3,418)
Decrease in provisions	(265)	(533)
Loss / (profit) on disposal of fixed assets	31	(2,850)
Divestment of Medical Practice	601	0
Net cash inflow from operating activities	20,064	8,956

24 Returns on investments and servicing of finance	Consolidated	
	2011 £'000	2010 £'000
Income from endowments	1,726	2,321
Other interest received	238	235
Interest paid	(5,034)	(2,593)
	(3,070)	(37)

25 Capital expenditure and financial investment

	Consolidated	
	2011 £'000	2010 £'000
Payments made to acquire tangible fixed assets	(58,231)	(86,773)
Payments made to acquire investment properties	(801)	(848)
Proceeds from sale of tangible fixed assets and investment properties	30	17,183
Net payments to acquire endowment fixed assets	(2,548)	(2,550)
Net payments to acquire endowment investments	(42)	(1,158)
Deferred capital grants received	784	713
	(60,808)	(73,433)

26 Acquisitions and disposals

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

27 Management of liquid resources

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

28 Financing

	Consolidated	
	2011 £'000	2010 £'000
Unsecured loans	50,340	48,000
Amortisation of finance costs	(175)	(62)
Repayment of amounts borrowed	(43)	0
	50,122	47,938

29 Analysis of changes in net debt

	1 August 2010 £'000	Cash flows £'000	Disposals £'000	31 July 2011 £'000
Consolidated				
Overdraft	(5,463)	1,450	(601)	(4,614)
Current asset investments	4,829	4,620	0	9,449
Debt due within one year	(60,000)	(50,085)	0	(110,085)
Debt due after one year	(70,608)	(37)	0	(70,645)
	(131,242)	(44,052)	(601)	(175,895)

30 Lease obligations

	Land and buildings £'000	Plant and equipment £'000	2011 £'000	Land and buildings £'000	Plant and equipment £'000	2010 £'000
Consolidated						
Operating leases due:						
within one year	0	201	201	8	195	203
in two to five years	177	403	580	61	390	451
	177	604	781	69	585	654
	Land and buildings £'000	Plant and equipment £'000	2011 £'000	Land and buildings £'000	Plant and equipment £'000	2010 £'000
University						
Operating leases due:						
within one year	0	201	201	0	195	195
in two to five years	0	403	403	0	390	390
	0	604	604	0	585	585

31 Pension schemes

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

Universities Superannuation Scheme (USS)

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

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

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

31 Pension schemes (continued)

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

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

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

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the 'Official Pensions Index' from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% per annum to 2.9% per annum. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91% as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years 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). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS 17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the University'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 liabilities on a technical provisions basis at the date of the last triennial valuation are set out below:

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

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 major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically 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 needs 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 what degree of investment risk to take relative to the liabilities, the trustee receives advice from its investment team, 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 although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. 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 as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2011, USS had over 142,000 active members and the University had 1,827 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 2011 by a qualified independent actuary. The service cost has been calculated using the projected unit method.

The University paid contributions at a rate of 24.1% of salary throughout the year and an additional amount of £1.75m. From 1 August 2011 the rate remains at 24.1% with an additional amount of £2m for the year ended 31 July 2012.

On 1 August 2011 various changes were made to the UEPF scheme. The most significant of these was that from that date, existing members will build up pensions based on their average salary each year. This change has been treated as a plan curtailment under FRS 17 and gave rise to a gain in the year of £11,111,000.

	2011 £'000	2010 £'000
Analysis of movement in benefit obligation		
At 1 August	114,613	95,023
Current service cost	3,339	2,745
Interest cost	6,272	5,997
Plan participants' contributions	897	925
Age related rebates	340	346
Past service (credit) / cost	(1,623)	333
Actuarial losses	8,452	13,294
Benefits paid from plan	(3,802)	(4,050)
Plan curtailments	(11,111)	0
At 31 July	117,377	114,613
Analysis of movement in scheme assets		
Fair value at 1 August	92,985	80,995
Expected return on plan assets	5,321	4,527
Actuarial gains on plan assets	4,755	4,872
Employer contributions	5,281	5,370
Plan participants' contributions	897	925
Age related rebates	340	346
Benefits paid from plan	(3,802)	(4,050)
Fair value at 31 July	105,777	92,985
Fair value of assets less benefit obligation	(11,600)	(21,628)
Components of pension cost		
Current service cost	3,339	2,745
Interest cost	6,272	5,997
Expected return on plan assets	(5,321)	(4,527)
Recognition of past service (credit) / cost	(1,623)	333
Curtailment gain recognised	(11,111)	0
Total pension (credit) / cost recognised in the income and expenditure account	(8,444)	4,548
Actuarial losses immediately recognised	3,697	8,422
Total pension cost recognised in the statement of total recognised gains and losses	3,697	8,422
Cumulative amount of actuarial losses immediately recognised	35,852	32,155
Scheme assets		
The weighted-average asset allocation was as follows:		
Equity securities	60,399	54,008
Gilts	33,789	29,139
Property	4,646	3,990
Corporate bonds	2,745	3,248
Other	4,198	2,600
	105,777	92,985

31 Pension schemes (continued)

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. The resulting rate is then reduced by 0.6% to allow for expenses. This resulted in the selection of the expected return assumptions below.

	2011 £'000	2010 £'000
Actual return on scheme assets	10,076	9,399

Weighted average assumptions used to determine benefit obligations

	31 July 2011	31 July 2010
Discount rate	5.30%	5.45%
Rate of salary increases	N/A	5.00%
Rate of CARE revaluation	3.00%	N/A
Rate of RPI price inflation	3.70%	3.50%
Rate of CPI price inflation	3.00%	N/A
Rate of increase of pensions in deferment		
5% LPI	3.00%	3.50%
2.5% LPI	2.50%	2.50%
Rate of increase of pensions in payment accrued before 1 August 2011 (6% LPI based on RPI)	3.70%	3.50%
Rate of increase of pensions in payment accrued after 1 August 2011 (5% LPI based on CPI)	3.00%	N/A

Weighted average assumptions used to determine net pension cost

	2011	2010
Discount rate	5.45%	6.30%
Expected long-term rate of return on plan assets	5.64%	5.50%
Rate of salary increases	5.00%	5.30%
Rate of RPI price inflation	3.50%	3.80%
Rate of increase of pensions in deferment		
5% LPI	3.50%	3.80%
2.5% LPI	2.50%	2.50%
Rate of increase of pensions in payment accrued before 1 August 2011 (6% LPI based on RPI)	3.50%	3.80%

Weighted average life expectancy on post-retirement mortality table

	31 July 2011 Number	31 July 2010 Number
Male pensioner (life expectancy at age 65)	22.7	22.6
Male non-retired member aged 45 (life expectancy at age 65)	24.5	24.4
Female pensioner (life expectancy at age 65)	25.8	25.7
Female non-retired member aged 45 (life expectancy at age 65)	27.9	27.8

Five year history

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligation at 31 July	117,377	114,613	95,023	98,451	87,762
Fair value of plan assets at 31 July	105,777	92,985	80,995	80,729	81,981
Deficit at 31 July	(11,600)	(21,628)	(14,028)	(17,722)	(5,781)
Difference between the expected and actual return on plan assets					
Amount	4,755	4,872	(6,734)	(8,166)	4,241
Percentage of plan assets	4.5%	5.2%	(8.3%)	(10.1%)	5.2%
Experience gains / (losses) on plan liabilities					
Amount	0	0	4,277	0	0
Percentage of present value of plan liabilities	0.0%	0.0%	4.5%	0.0%	0.0%

31 Pension schemes (continued)

Pension costs	Consolidated	
	2011 £'000	2010 £'000
Contributions to USS	11,581	11,471
Current and past service cost for UEPPF	3,422	3,078
Net pension fund finance costs	951	1,470
Contributions to other pension schemes	80	88
Curtailed gain arising on change from final salary to CARE basis	(11,111)	0
Gain arising on change from RPI to CPI	(1,706)	0
Total pension costs	3,217	16,107

Included in other creditors are unpaid pension contributions of £1,840,000 (2010: £1,924,000).

32 Capital and other commitments

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

Commitments contracted for	Consolidated & University	
	2011 £'000	2010 £'000
Commitments contracted for	31,261	34,386

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

The University leases the Reading Student Village from UPP (Reading) Limited and Reading St Georges from UPP (Reading St Georges) Limited. These leases are co-terminus in October 2050. The lease payments are calculated based on contracted lettings for annually agreed room nominations. In the year to 31 July 2011 these payments totalled £4.4m (2010 – £4.6m).

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 the assessment and the appeal stood behind the Halifax plc and University of Huddersfield cases, and latterly, Weald Leasing all of which have now been adjudicated. Given the elapse of time since the original assessment, and the subsequent advancement in case law, HMRC has agreed to provide a revised Statement of Case. This will allow the University to consider whether there continue to be grounds to appeal some or all of the assessment.

The University has agreed to provide financial support to Henley Business School (NZ) Limited, a wholly owned subsidiary company which had net liabilities of £136,000 at 31 July 2011.

34 Amounts disbursed as agent – Consolidated & University

	HEFCE Hardship Fund	HEFCE Hardship Fund	TDA Bursary	TDA Bursary
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Balance brought forward at 1 August	52	31	252	566
Income				
Funding Council grants	110	183	1,779	1,726
Interest earned	1	1	0	0
	111	184	1,779	1,726
Expenditure				
Disbursed to students	(137)	(132)	(1,751)	(2,040)
Fund running costs	(7)	(31)	0	0
	(144)	(163)	(1,751)	(2,040)
Balance unspent at 31 July	19	52	280	252

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

The University's financial statements include the following balances due from / (to) related parties	2011	2010
	£'000	£'000
Reading University Students' Union	722	406
<hr/>		
The University paid the following grants to Reading University Students' Union	2011	2010
	£'000	£'000
Core block grant	873	873
Specific grant	24	14
	897	887

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

36 Subsidiary undertakings

The University's subsidiary companies, wholly-owned or effectively controlled by the University, are as follows.

Name of company	Country of registration	Principal activity
Henley Business School Limited	England & Wales	Management education
Henley Management College (1945) Limited	England & Wales	Management education
Reading Real Estate Foundation	England & Wales	Real estate education
RREF Limited	England & Wales	Dormant
The University of Reading Science & Technology Centre Limited	England & Wales	Property letting business
University of Reading (Greenlands) Limited	England & Wales	Not currently trading
Whiteknights Energy Limited	England & Wales	Dormant
Whiteknights Farming Limited	England & Wales	Dormant
Witan College Limited	England & Wales	Dormant
Henley Business School (Hong Kong) Limited	Hong Kong	Management education
RUMAL Reading Sdn. Bhd.	Malaysia	Not currently trading
Henley Business School (NZ) Limited	New Zealand	Management education
Henley Business School (South Africa) Limited	South Africa	Management education
The Henley Business School (South Africa)	South Africa	Management education
Henley Management College (South Africa) Section 21A	South Africa	Not currently trading

37 Linked charities administered by the University

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

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

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

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

The Hugh Sinclair Trust promotes research into human nutrition.

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

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

