Financial Statements

For the year ended 31 July 2010

Royal Holloway
University of London

ROYAL HOLLOWAY
UNIVERSITY OF LONDON

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

Royal Holloway, University of London

Financial Statements for the Year Ended 31 July 2010

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Financial Highlights

	Year Ended 31 July 2010	Year Ended 31 July 2009
	£000	£000
RESULTS, CASHFLOWS AND RESERVES		
TOTAL INCOME	**132,121**	125,949
TOTAL EXPENDITURE	**126,184**	121,625
SURPLUS FOR THE YEAR BEFORE TAXATION	**5,937**	4,324
Cash flow from operating activities (after taxation)	**19,175**	12,327
Net returns on investments and servicing of finance	**(905)**	(271)
NET CASH FLOW BEFORE INVESTING ACTIVITIES	**18,270**	12,056
Fixed assets	**142,872**	145,892
Net current assets	**22,493**	17,051
TOTAL ASSETS LESS CURRENT LIABILITIES	**230,478**	223,682
TOTAL RESERVES	**77,669**	71,780
OTHER KEY STATISTICS	**Number**	Number
Number of full-time equivalent students	**8,816**	8,179

Operating and Financial Review

This Operating and Financial Review has been prepared in accordance with the requirements of the Higher Education Statement of Recommended Practice: Accounting for Further and Higher Education ("SORP") issued in July 2007, and follows best practice as set out in the Reporting Statement "Operating and Financial Review" issued by the Accounting Standards Board in January 2006.

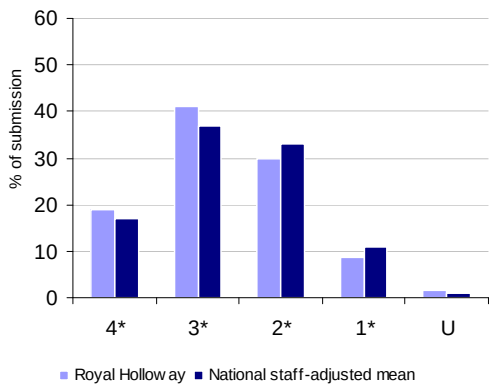
Operating Review

In October 2008, the College agreed a corporate strategy framework comprising key strategic themes, main corporate objectives and key performance indicators (KPIs).

The College is committed to the goal of being in the top tier of UK universities, renowned for world class research and excellent student experience. Two 'Super' KPIs are used by the College to evaluate this:

1). The RAE outcome - relative sector position in the funding council's Research Assessment Exercise (RAE).

Figure 1: Royal Holloway RAE profile and national comparison in 2008



90% of the College's research was judged as grades 2* to 4* in the RAE 2008, with 60% judged to be world-leading or internationally excellent (grades 3* to 4*) placing the College 18th in the sector national ranking for this second measure. The College made 21 departmental submissions to units of assessment. 10 departments across all 3 faculties were ranked in the top 10 in the country when measured by proportion of 3* and 4* activity, with Music coming top nationally for its unit.

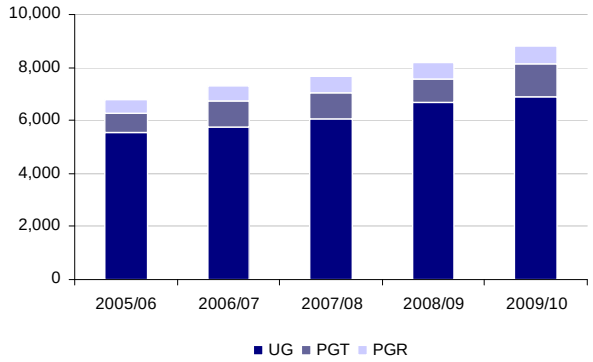
The Research Excellence Framework (REF) is the successor to the RAE and submissions are due in 2013. Research publications will continue to be of fundamental importance. The College is well advanced in its preparations for the REF. The College has introduced a new Research Information System that will include all publications written by academics at Royal Holloway; has mandated academics to publish their work in an Open Access Repository (subject to copyright restrictions); and substantial reviews are being held in each academic department to prepare then for the REF with support from external experts.

2). Annual National Student Survey (NSS) outcome.

The College was ranked joint 36th out of 161 UK institutions with a score of 86% based on the response to the NSS survey question of overall satisfaction in 2010. This compares to joint 42nd and 85% in 2009. Scores of over 90% were achieved in 6 departments in 2010. The College increased or maintained its score in all 7 categories of survey questions compared with 2009. The Deputy Principal is leading a review of the NSS responses and overall student experience at both departmental and College levels which will result in development of action plans focussed on further improving the outcome of this KPI.

The College has achieved above sector average growth in student numbers over the last five years with full-time equivalents (FTEs) increasing at an average annual rate of 6% to 8,816 in 2009-10. Postgraduate student FTEs have consistently been 20% of the total, including research postgraduates at 8% (figure 2).

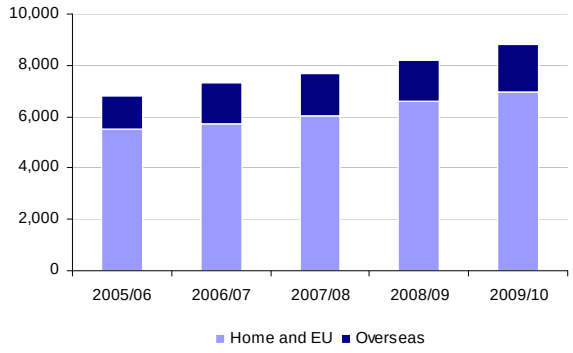
Figure 2: Student FTEs by category of undergraduate and postgraduate teaching and research



Over the five-year period, the College has achieved significant growth from overseas, fee-paying students particularly Far East Asia. Around 39% of overseas students are from China and Hong Kong, with a further 10% from Taiwan, South Korea and Malaysia. Overseas students were 1,844 FTEs in 2009-10, 21% of the total, compared to 19% 5 years earlier (figure 3). There was a fall in overseas FTEs from 1,625 in

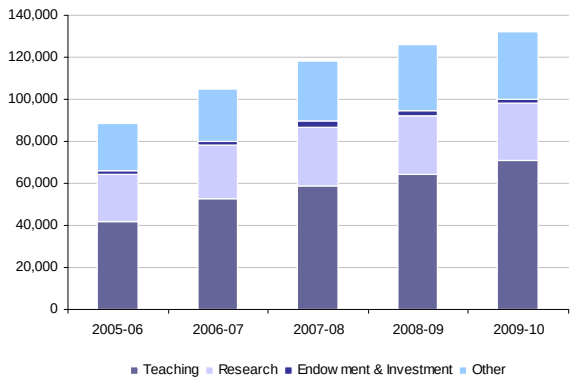
2007-08 to 1,591 in 2008-09, but intakes increased substantially to 1,844 in 2009-10. A dedicated department, Royal Holloway International, is responsible for recruitment and support of international students. Intake targets for overseas students are set by level of study and monitored as a KPI.

Figure 3: Student FTEs by domicile



The continued growth in student numbers has contributed to substantial growth in income, which has increased from £88.3m to £132.1m over the last five years. In 2009-10 teaching contributed 53% to total income and research income was 21% of the total (figure 4).

Figure 4: Annual income by major category (£'000)

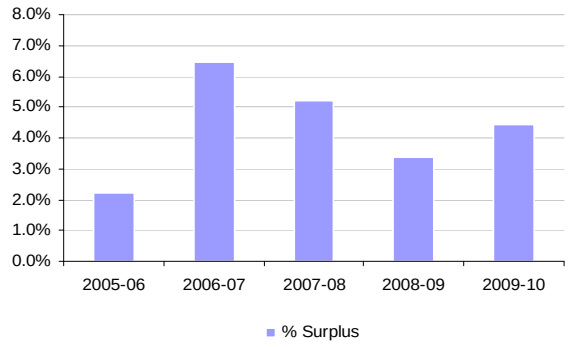


Where "teaching" is defined as HEFCE teaching grant plus tuition fees and contracts and "research" is HEFCE research grant and research grants and contracts

In total the surpluses of the last five years exceed 4% of income, providing funds for investment in the College estate and infrastructure and increasing the level of cash reserves. The increase in surplus to 4.5% in 2009-10 from 3.4% in 2008-09 (figure 5) was due mainly to the extra income from the increase in overseas and other students.

In 2009-10 a voluntary severance scheme was implemented. 25 staff have agreed severance arrangements at a cost of £0.8m and an annual saving of £1.1m, once all the severances have taken place.

Figure 5: Annual surplus as a proportion of income (£'000)



Substantial reductions to the level of government funding are expected over the short and medium terms. There is considerable uncertainty about the level, impact and timing of these funding cuts, and how the changes recommended by the Browne review will affect the sector.

The new Principal, Paul Layzell, is leading a strategic review of options addressing both the academic portfolio and support functions. It is clear that major changes will be necessary because of the scale of the shifts in funding. Although Royal Holloway has grown substantially, it is still relatively small in sector terms and its subject footprint is limited. The response to the challenges ahead will therefore require growth and investment in chosen areas, as well as the development of collaborations and partnerships. In addition, it is recognised that cuts in traditional sources of teaching and research income will require greater flexibility and innovation to develop new income sources and respond to other opportunities.

Although the planned merger with St George's, University of London, did not proceed, the College remains committed to the strategic collaboration with St George's and Kingston University (SWAN) and will be exploring ways in which this can be developed further.

The College is a member of a consortium of six Physics departments in the south-east of England to promote and sustain the provision of physics education under the ongoing HEFCE SEPNet initiative. It is expected that this collaboration will provide a means of developing innovative responses to the funding cuts.

Operating and Financial Review

The College supports a number of distance learning programmes in collaboration with the University of London and is seeking to expand block mode delivery of vocational masters programmes on and off campus to meet the needs of employers and students.

During 2009-10, it was decided not to proceed with the initiative to participate in an international university campus to be developed in Kuala Lumpur, as it was not possible to agree acceptable terms. However, the College recognises the importance of developing strategic links with overseas institutions and will continue to explore suitable opportunities.

Capital expenditure has been focussed on refurbishments and upgrading of infrastructure. Projects are being developed to provide additional postgraduate teaching space in the School of Management and to improve and replace performance facilities in Drama. The College has continued its dialogue to develop a new master-plan for the campus with the local authority, but changes to the planning framework introduced by the new government have slowed progress.

The College is committed to the principles and practices of sustainable development, and is working to meet the objectives of its 5-year Sustainability Strategic Plan. Energy and water consumption and the volume of waste sent to landfill have all been reduced over the last two years. The College has worked with the Carbon Trust to develop a Carbon Management Plan to reduce emissions of CO_2. In addition the College is aiming to achieve the CEMARS (Certified Emissions Measurement and Reduction Scheme) standard for greenhouse gas emissions in 2010/11. This provides a structured approach to measuring and managing emissions. Also in 2010/11, a recycling programme will be implemented in office and academic areas.

The College assesses risk, and both strategic and operational risk registers are maintained. Risk mitigation plans are developed and results are monitored.

Professor Paul Layzell was appointed to the post of Principal and took up this position on 16th August 2010. Deputy Principal Professor Rob Kemp was Acting Principal from 1st August 2009 until then. Professor Layzell was formerly Deputy Vice-Chancellor at Sussex University.

Scope of the Financial Statements

The financial statements comprise the consolidated results of the College (including funds for which the College is a trustee), its subsidiary company Royal Holloway Enterprise Limited and Royal Holloway Students' Union.

Results for the Year

The consolidated results for the year ended 31 July 2010 are presented in these Financial Statements. In summary, the consolidated results were:

	2009-10	2008-09
	£000	£000
Income	**132,121**	125,949
Expenditure	**126,184**	121,625
Surplus	**5,937**	4,324

In 2009-10, total income increased by £6.2m (4.9%) while expenditure increased by £4.6m (3.7%). After tax and adjusting for income transferred to accumulated income within endowments, the surplus retained within general reserves increased by £1.6m to £5.9m, compared to £4.3m for 2008-09.

HEFCE Grants

Income from the Higher Education Funding Council for England (HEFCE) decreased by £0.6m (1.5%) to £41.3m. This was due mainly to a decrease in the research grant of £0.8m, which was produced by a re-weighting of the funding allocation in favour of STEM (Science Technology Engineering and Medicine) subjects, in which the College has proportionately less activity.

Tuition Fees

Income from tuition fees and education contracts income increased by £5.8m (13.6%) to £48.4m from £42.6m in 2008-09. Overall, student full-time equivalents (FTEs) increased by 8% to 8,816, with a 6% increase in Home/EU student FTEs to 6,972. There was a 16% increase in overseas student FTEs to 1,844, which was supported by the successful launch of new postgraduate programmes.

Other Income

Income from research grants and contracts increased to £14.1m compared to £13.5m in 2008-09, with most of the increase from Research Council funding. Other Operating Income increased by £1.5m to £27.0m. This was due to the increase in income from residences, catering and conference income where income from both the student and non-student sectors grew, supported by continuing investment in the residential stock and a programme to improve the catering facilities and the choice of products offered. Endowment and investment income fell by £1.2m to £1.4m. Most of this decrease was from interest receivable on cash deposits as a result of the very low interest rates.

Expenditure

Overall, expenditure increased by £4.6m (3.7%) to £126.2m from £121.6m in 2008-09.

Staff costs increased by £2.5m (3.5%) to £72.5m. The USS employers pension contribution rates increased from 14% to 16% with effect from 1st October 2009 resulting in extra contributions of £0.7m. There was a 0.5% nationally-agreed increase in pay costs from August 2009 and, in addition, the full-year impact of the pay award of 5% in October 2008 added a further 0.8% compared to 2008-09. The overall number of staff FTEs increased by 7 (0.5%) to 1,341 from 1,334 in 2008-09, with the growth occurring in academic and research posts, while the number of support posts fell slightly. Staff costs include £0.8m for staff restructuring costs, mainly from the voluntary severance scheme.

Other operating expenses increased by £2.0m (5.1%) to £40.5m from £38.6m in 2008-09. There were substantial increases in student awards. This included the first year of the College's 3+1 scheme whereby selected UK students who received support under the College's bursary scheme as undergraduates are awarded a fee scholarship for a taught postgraduate degree. In addition, there was a further increase in the number of College-funded Reid awards given to postgraduate research students. Expenditure on library materials was increased and there was substantial expenditure on PCs (which is written off as incurred) to upgrade the PC laboratories and PC facilities in academic departments, with the aim of reducing support costs. Exchange losses, included under other expenses, were £279k compared to a £198k gain in the prior year, and arose mainly from Euro denominated research grants.

Depreciation costs increased by £0.7m (6.5%), to £10.9m, including charges for the Bowyer (new science) building, Bedford library upgrades and Kingswood II halls refurbishment. Interest payable decreased by £0.5m (18.3%), from £2.8m to £2.3m. Exposure to variable interest rates for £40m of the loans is hedged by fixed rate interest swaps. However, there is some exposure to interest rate movements on the remaining borrowing, and so the fall in LIBOR rates resulted in lower interest costs in the year.

Capital Investment
Net capital investment in the year was £7.8m, financed by capital grants of £3.5m and £4.3m cash. Projects included the upgrading of the electrical supply capacity to the Main Campus, the completion of the refurbishment of Kingswood II student residences and the commencement of a refurbishment of part of the Runnymede Halls, and an array of minor works and scientific equipment procurements.

Cash Flow and Liquid Assets
The net cash flow generated from operating activities was £19.2m compared with £12.3m in 2008-09. Most of the increase of £6.9m was due to an increase in creditors arising from prepaid income and year end accruals and creditors. Cash at bank and short-term cash deposits increased by £13.7m. Cash deposits within endowment investments were £0.1m lower at £6.4m.

Investment Performance
The balance sheet value of the College's endowment assets investments at the year-end increased by £4.4m (7.2%) to £65.1m from £60.7m in 2008-09. This was due to the appreciation of equity and other financial investments. An interim revaluation of the Picture Collections was carried out in July 2009 and this value is unchanged in the accounts.

The investments (excluding the Picture Collection) are managed by two fund managers, Kleinwort Benson and Aberdeen Asset Management. Their performance is monitored by WM Performance Services against an unconstrained charity benchmark, with a target to outperform the benchmark by 1% on a total return basis. The performance of the Founder's Endowment Fund excluding cash deposits in the calendar year 2009 was 2.4% above the WM Charity Universe benchmark and 1.4% above the target performance. Over a 5-year period the Fund was 0.7% above the benchmark.

Sir Andrew Burns	Professor P Layzell
Chairman of Council	Principal

Public Benefit Statement

The College is an exempt charity and, as such, is exempt from registration with the Charity Commission. With effect from 1 June 2010, the College is monitored by the Higher Education Funding Council for England as its Principal Regulator, in accordance with the Charities Act 2006. As part of these new arrangements, there is a requirement for the College to make a report on how it has delivered its charitable purposes for the public benefit. This statement has had regard to the Charity Commission's guidance on public benefit.

The College was incorporated by the Royal Holloway and Bedford New College Act 1985. This defined the College's charitable objectives to be "to promote for the public benefit education and scholarship and…for that purpose to provide instruction leading to degrees of the University [of London], to superintend postgraduate studies and to promote research."

The public benefit mission of the College is expressed in its vision "to be in the top tier of UK universities, renowned for using its agenda-setting research, which responds to the biggest cultural, social, scientific and economic challenges of the day, in innovative ways, and to offer an unparalleled learning experience to all who can benefit."

The College provides education at undergraduate and postgraduate level across its three faculties of Arts and Humanities, History and Social Sciences, and Science. Students are selected based on their ability successfully to complete their programme of study to the required standards.

Fees to Home and EU (HEU) students are charged at the rates permitted by the regulations, and overseas student fees and other discretionary fees take account of the competitive market and the requirement for activities to cover their full costs. A wide range of support for fees and living costs is provided in order to give opportunities to study at the College to those who cannot afford the fees. Under the arrangements for charging Variable Fees to full-time undergraduate HEU students, overseen by the Office for Fair Access, awards to students totalled £2,360k in 2009/10 (2008/09 £1,990k). Other awards from the College's resources and endowment income, mainly to support postgraduates, were £2,374k in 2009/10 (2008/09 £2,070k). This includes £287k (2008/09 £226k) specifically allocated as assistance to overseas fee paying students.

The College is actively engaged in activities to widen participation in higher education. Targeted outreach activities include our 'Ladder of Learning' aspiration-raising events and residential Summer Schools for Year 9 and 10 students from low-participation neighbourhoods, under-represented groups and parents with no previous experience of Higher Education. In addition, we have a programme for primary school pupils involving one-day 'Experience University' workshops. We also seek to provide opportunities to students with non-traditional qualifications to study at the College. For example, a Science Foundation Year programme provides students, without the normal A-level entry requirements, the opportunity to undertake a study programme at a local sixth form college to gain entry for a science degree. As part of the College's undergraduate bursary programme, Access Bursaries are offered to provide additional financial support to selected students with non-traditional educational backgrounds.

For overseas students, the College's Language Centre provides English language teaching in pre-sessional programmes to improve English language skills and to prepare students to undertake a degree programme. English Language support is also provided on an in-seesional basis.

The College provides counselling support to students through a counselling service, and an educational support office assists students with disabilities and learning difficulties. Hardship funding is provided through the Access for Learning grant, and endowment fund income is used to provide additional support, including temporary loans.

The College and its Students' Union provide opportunities for students to engage in a broad range of social, sporting, volunteering and intellectual activities. These enrich the student experience and are an important aspect of preparing students for their lives after graduation. For example, the College has developed entrepreneurial activities and opportunities for its students. This includes support for an entrepreneurial society with over 1,000 members, believed to be the largest such group in the sector.

Research takes place across all the College's principal academic activities, and the provision of a curriculum and learning experiences that are informed by research is an important element of what the College offers to students.

Public Benefit Statement

The contribution of the College's research to the advancement of knowledge and understanding is reflected in the outcome of the RAE 2008 in which 60% of the research submitted was rated as world-leading or internationally excellent. The following examples from each Faculty give an indication of the variety of the public benefits that are produced by the College's research activities:

- Professor John Ellis in the department of Media Arts is leading a major EU-funded project, Video Active, which aims to create access to digitised television programme content from archives around Europe. It involves collaboration between the Department of Media Arts at Royal Holloway and Utrecht University, and eleven European archives, including the BBC, to provide access to content and supporting contextual materials via a specially designed web portal.

- Dr Laura Spence in the School of Management has published widely on business ethics and more recently corporate social responsibility (CSR). A particular focus is the impact of organisational form on ethics and CSR, especially small and medium sized enterprises. Within this broad area, strands of research include entrepreneurship, family business, social capital, attitudes to the environment, supply chains, competitive intelligence gathering and sustainability.

- Professor Tim Unwin in the department of Geography, formerly Senior Advisor to the World Economic Forum's Partnerships for Education programme with UNESCO, has created an Information and Communication Technologies for Development Collective, which undertakes research, teaching and consultancy addressing the use of information and communication technologies to empower poor and marginalised communities.

The dissemination of research is a vital aspect of the College's academic purpose, and the new Research Information System and Open Access Repository will improve access to research outputs. When entering into research contracts with private organisations, the ability to disseminate the results of research is an important consideration, and research which cannot be disseminated is not eligible for inclusion in the RAE or REF.

Consultancy and technical services activity, which primarily provides advice and services to a specific customer, are carried out through the College's trading company Royal Holloway Enterprise Limited, as these are non-charitable activities. However, this commercial engagement with business is an important aspect of the College's activities, as it builds relationships and creates potential opportunities for further engagement involving research and teaching.

The College carries out its activities with the intention of avoiding detriment or harm. A Health and Safety Office is employed to ensure that there is best practice in health and safety standards including sound risk assessment practices. Research proposals involving human participants must be approved by an Ethics Committee before they can proceed. The staffing of the energy and sustainability office has been strengthened and progress is being made in a number of areas to reduce the environmental impact of the College, including the reduction of emissions and of waste sent to landfill.

Universities have important roles within their local communities. The College employs about 1,500 staff, over half of whom live within a ten-miles radius of the College. A varied programme of events and activities are offered. This includes an annual programme of lectures and musical events which are open to the public; the College participates in the annual heritage day, has an annual garden party for the local community and provides other opportunities to visit the Grade 1 listed Founder's building and the campus; and it supports cultural and social events in the local area such as the Egham Royal Show, the Windsor Arts Festival and the Runnymede Literary Festival.

Of particular importance to community engagement are the volunteering opportunities provided to students organized through a Volunteering Manager and the Students' Union. More than 1,000 students are currently registered with the College's Community Action Volunteering Scheme and take part in a range of activities including working with charities, supporting youth and sports clubs, visiting residential homes, tutoring young refugees and undertaking gardening, painting, litter clearing and renovation projects for the local community.

Responsibilities and Membership of the Council

Statement of Primary Responsibilities

In accordance with the Royal Holloway and Bedford New College Act 1985, the Council is the governing and executive body of the College. It has agreed the following Statement of Primary Responsibilities.

General Principles

1. The Royal Holloway and Bedford New College Act 1985 established the College as a body corporate with perpetual succession and a common seal. The College is a Statutory Corporation, i.e. a legal body that has the power to sue or be sued, own property and enter into contractual obligations. The Council is its governing body, with responsibility for the oversight of the business of the College and for ensuring that it is done consistently with the Act and statutes and with the statutes, regulations and ordinances of the University of London.

Status of members
2. All members of the Council shall have equal status, rights, powers and duties and shall share collective responsibility for all the acts and decisions of the Council but subject to the limitation on the participation of student members specified in Statute 27 (exclusion from Reserved Area Business). All members shall speak and act in their own right contributing to the deliberations of the Council whatever special knowledge and advice they can, and exercising their own judgement to the best of their ability in the interests of and for the good of the College as a whole. (RHNBCA '85 S8)

Duties of Council Members
3. The Council must meet at least four times a year and members have a duty to attend regularly, both Council meetings and the meetings of any committees to which they have been appointed and to take full part in the discussions. They are expected to take an interest in and keep themselves up to date on issues affecting the business of the College, locally, nationally and internationally.

4. They have a general duty to avoid conflicts of interest between their own private, public and professional life and that of the College and to this end must notify the Secretary of any interests which could present or be perceived as presenting a conflict. An annual register of interests is taken.

5. Council members are expected to comply with the seven principles of Standards in Public Life, namely Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty and Leadership. Although the Council aims to conduct its business so far as possible in an open manner, where particular items of business preclude this, members must respect the confidentiality of College business.

Stewardship
6. Members of Council have an overriding duty to act in the best interests of the College by ensuring that funds and property are used only in accordance with the College Act and Regulations, the Financial Memorandum between the College and the HEFCE and the College's charitable status. There is an obligation to act reasonably and this includes taking into account any guidance issued by such bodies as HEFCE, CUC, the National Audit Office, the Public Accounts Committee et al (comply or explain).

Responsibilities of Council

Strategy
7. Subject to consultation with the Academic Board on all matters with implications for academic policy or the terms and conditions of academic staff, to approve the mission and strategic vision of the College, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of the stakeholders and are compliant with the RHBNCA and the charitable objectives of the College.

Management
8. To delegate authority to the Principal, as Chief Executive, for the academic, corporate, financial, estate and personnel management of the College. To establish and keep under regular review the policies and procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.

Audit
9. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.

Monitoring and Evaluation
10. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the College against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.

Responsibilities and Membership of the Council

Self Evaluation
11. To establish processes to monitor and evaluate the performance and effectiveness of the Council itself.

Best Practice
12. To conduct its business in accordance with best practice in higher education corporate governance and the principles of public life drawn up from the Committee on Standards in Public Life.

Reputation
13. To safeguard the good name and value of the College.

Chief Executive
14. To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.

Secretary
15. To appoint a secretary to the Council and to ensure that, if the person appointed has managerial responsibilities in the College, there is an appropriate separation in the lines of accountability.

Employer
16. To be the employing authority of the College and to be responsible for establishing a personnel strategy and overall superannuation policy.

Health & Safety
17. To have ultimate responsibility for the health and safety of all staff, students and visitors (including the general public) on campus and its immediate environs).

Equal Opportunities
18. To ensure that all the business of the College is conducted without discriminating against any member of staff, student or visitor on grounds of race, ethnicity, religion, sex, sexual orientation, marital or parental status, national origin, age or disability.

Finance
19. To be the principal financial and business authority of the College, to ensure that proper books of accounts are kept, to approve the annual budget and financial statements and to have overall responsibility for the College's assets, property and estate and investment policy.

Legal
20. To be the College's legal authority and, as such, to ensure that systems are in place for meeting all the College's legal obligations, including those arising from contracts and other legal commitments made in the College's name.

Students
21. To make such provision as it thinks fit for the general welfare of students, in consultation with the Academic Board.

22. To review and approve the constitution of the Students' Union at least every five years and to approve its budgets/accounts annually.

23. Under Section 20 of the RHBNCA, to terminate the registration of students on non-academic grounds or to take disciplinary action, where appropriate, against students for severe breaches of disciplinary regulations. The power to terminate a registration on academic grounds rests with the Academic Board.

Trustees
24. To act as trustee for any property, legal endowment, bequest or gift, such as the Picture Collection, the Founder's Endowment Fund, the Bedford Entrance Scholarships and a number of other small charitable funds, in support of the work and welfare of the College.

Governance
25. To ensure that the College's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Financial Statements and Accounting Records

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the College's Statutes, the Statement of Recommended Practice on Accounting in Higher Education Institutions and UK Generally Accepted Accounting Practice (UK GAAP). In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England, "the Funding Council" and the Council of the College, the Council through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has ensured that:-

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK accounting standards have been followed; and
- financial statements are prepared on the going concern basis. The Council is satisfied that the College 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 the financial statements.

The Council has taken reasonable steps to:-

- ensure that funds from the Higher Education Funding Council for England are used only for purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and to prevent and detect fraud and other irregularities;
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College system of internal financial control, which are designed to discharge the responsibilities set out above, include the following:-

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by income and expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for the approval and control of expenditure, with major investment decisions being subject to detailed appraisal and review;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee and the Council; and
- a professional Internal Auditor whose annual programme of work is approved by the Audit and Compliance Committee.

Responsibilities and Membership of the Council

Membership

During the period from 1 August 2009 and up to the date of the signing of the Financial Statements, the Council had the following membership:

Lay members
Mr David Beever
Mr Paul Blagbrough
Sir Andrew Burns (Chair of Council)
Mr Richard Buswell
Mr Stephen Cooksey
Mrs Esther Horwood
Mr John Lerche (term of office ended 23 June 2010)
Mr Jeremy McIlroy (term of office commenced 1 August 2010)
Cllr Hugh Meares
Mr Mark Newlands (term of office commenced 13 October 2010)
Mr Bob Potts
Mr Bill Rooke
Mr Iain Ross
Mrs Barbara Shorter (term of office ended 31 July 2010)
Mrs Gloria Stuart
Mrs Sarah Tyacke
Miss Janet Walker (term of office ended 23 June 2010)

Elected staff members
Mr Andy Alway
Professor Clare Bradley
Mr John Brannan (term of office ended 31 Dec 2009)
Professor Felix Driver
Professor Mary Fowler (term of office commenced 1 January 2010)
Mr Andrew Martin
Professor Tony Stead (term of office ended 31 Dec 2009)
Dr Emmett Sullivan (term of office commenced 1 January 2010)

Elected student members
Mr Arran Wiltshire (term of office ended 31 July 2010)

Ex officio members
Professor Rob Kemp, Acting Principal (until 16 August 2010)
Professor Paul Layzell, Principal (appointed 16 August 2010)
Mr James Pidgeon, President Students' Union (2009/10 academic year)
Miss Rachel Pearson, President Students' Union (2010/11 academic year)

Corporate Governance

The governing body of the College is the Council. The Council has a Chairman and Vice-Chairman, who are not members of staff or students. The Principal, who is the chief academic and administrative officer of the College, is appointed by the Council.

The Council ensures that the College is governed in accordance with the Royal Holloway & Bedford New College Act 1985, its Statutes and Regulations, and under the terms of the Financial Memorandum with the Higher Education Funding Council for England, "HEFCE". The Council's role is to set the strategic direction of the College and, through the receipt of reports from its committees and officers, to be assured that its day to day operation is proceeding satisfactorily.

The Council has responsibility for maintaining and reviewing an effective system of internal control and for supporting the achievement of the College's policies, aims and objectives, while safeguarding the public funds and other assets for which it is responsible. The system of internal control is designed to manage rather than eliminate the risk of not achieving policies, aims and objectives; it can, therefore, only provide a reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 July 2010 and up to the date of approval of the financial statements, and accords with HEFCE guidelines. The process is reviewed by the Risk Management Committee and the Audit and Compliance Committee, which reports directly to the Council.

The College's strategy for the management of major business risks has been approved by the Council. A group of senior officers has analysed the risks facing the College, and has developed a system of key risk indicators. The principal risks are examined in more detail and reviewed three times a year by the Risk Management Committee and Senior Management Team, and regular reports are made to senior managers and the Audit and Compliance Committee. Risk management is considered within the corporate planning and decision-making processes of the College. A departmental risk assessment procedure and a corporate recovery plan have been developed, and an organisation-wide risk register is maintained.

The Council meets four times a year. Its major committees are the Strategic Policy Committee, the Finance Committee, the Estates Committee, the Human Resources and Equal Opportunities Committee, the Audit and Compliance Committee, Nominations and Honorary Awards Committee and Remuneration Committee. All of these committees are formally constituted, with terms of reference, and include lay members of Council. The constitution of the Finance Committee is determined by Statute, and stipulates that the Committee has a majority of lay members. Lay members chair all these committees other than the Estates Committee which is chaired by the Vice Principal of Planning and Resources, and the Strategic Policy Committee, which is chaired by the Principal.

The Finance Committee, *inter alia*, recommends to Council the annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Estates Committee maintains a strategic view of Estates work, having regard to the College Estates Strategy and financial position.

The Strategic Policy Committee is responsible for strategic development, and allocates resources for the achievement of forward plans.

The Human Resources and Equal Opportunities Committee sets and reviews policy in respect of staffing, staff development, employment and equal opportunities matters, and advises the Council on policy and arrangements for the appointment of Vice-Principals and Deans of Faculties.

The Remuneration Committee determines the remuneration, terms and conditions of employment of the Principal, Deputy Principal, Vice-Principals, professorial and senior administrative staff.

The Nominations and Honorary Awards Committee puts forward recommendations to the Council for appointed members of the Council, and recommends to Council the appointment of the Chairman and Vice-Chairman of the Council and the Chairmen of the other principal committees. It also makes nominations to Council for the conferral of honorary degrees and fellowships.

The Audit and Compliance Committee normally meets three times each year, including a meeting with

the External Auditors to discuss audit findings, and with the Internal Auditor to consider detailed internal audit reports and recommendations for the improvement of systems of internal control, together with management's response and implementation plans. It also receives and considers reports from HEFCE as they affect the College's business and monitors adherence with the regulatory requirements. It reviews the annual financial statements together with the accounting policies.

Whilst senior officers attend meetings of the Audit and Compliance Committee as necessary, they are not members of the Committee, and the Committee has the opportunity to meet with the External Auditors on their own for separate discussions.

The College has an Internal Audit Unit, which operates to standards defined in the HEFCE Code of Practice, and which was last reviewed for effectiveness by the HEFCE Audit Service in November 2005. The Internal Auditor submits regular reports to the Audit and Compliance Committee. These reports include the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The Council's view of the effectiveness of the system of internal control is informed by the work of the Internal Auditor and the managers within the College who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and in other reports.

The Council has welcomed advice from the Committee on Standards in Public Life (the Neill Committee) and the Committee of University Chairmen on Corporate Governance, and has implemented the good practice recommendations of both bodies.

Independent Auditors' Report to the Council of Royal Holloway and Bedford New College

We have audited the financial statements of Royal Holloway and Bedford New College for the year ended 31 July 2010 which comprise the consolidated income and expenditure account, the consolidated statement of historical cost surpluses and deficits, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the College balance sheet, the consolidated cash flow statement, the statement of principal accounting policies and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Council, in accordance with the Charter and Statutes of the College and with the Financial Memorandum dated June 2008. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an 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 College and the College's Council, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and the Auditors

The Council's responsibilities for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of the Council's responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report whether, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the College's Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report if, in our opinion, the information given in the Operating and Financial Review is not consistent with the financial statements, if the College has not kept adequate accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and the explanations we require for our audit.

We read the other information contained in the Operating and Financial Review and Corporate Governance Statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the financial statements.

Basis of Opinion

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

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

Opinion

In our opinion:

a) the financial statements give a true and fair view of the state of affairs of the College and the Group as at 31 July 2010 and of the surplus of the Group for the year then ended;
b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of

Recommended Practice on Accounting in Further and Higher Education Institutions;

c) in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College have been applied only for the purposes for which they were received; and

d) in all material respects income has been applied in accordance with the College's Statutes and, where appropriate, with the Financial Memorandum dated June 2008 with the Higher Education Funding Council for England.

Deloitte LLP
Chartered Accountants and Statutory Auditors
St Albans, UK

30 November 2010

Consolidated Income and Expenditure Account

For the Year Ended 31 July 2010

	Note	**2009/10**	2008-09
		£000	£000
INCOME			
Funding body grants	2	**41,296**	41,938
Tuition fees and education contracts	3	**48,373**	42,581
Research grants and contracts	4	**14,092**	13,456
Other income	5	**26,951**	25,414
Endowment and investment income	6	**1,409**	2,560
Total income	7	**132,121**	125,949
EXPENDITURE			
Staff costs	8	**72,467**	70,009
Other operating expenses	9	**40,539**	38,586
Depreciation	13	**10,864**	10,199
Interest and other finance costs	10	**2,314**	2,831
Total expenditure	11	**126,184**	121,625
Surplus on continuing operations after depreciation of tangible fixed assets at valuation before taxation	24	**5,937**	4,324
Taxation	12	**(6)**	(4)
Surplus on continuing operations after depreciation of assets at valuation and taxation		**5,931**	4,320
Transfer to accumulated income within endowment funds	19	**(42)**	(41)
Surplus for the year retained within general reserves	21	**5,889**	4,279

The income and expenditure account is in respect of continuing activities.

Consolidated Statement of Historical Cost Surpluses and Deficits

For the Year Ended 31 July 2010

		2009/10	2008/09
		£000	£000
Surplus on continuing operations before taxation		**5,937**	4,324
Taxation	12	**(6)**	(4)
Surplus on continuing operations after taxation		**5,931**	4,320
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	20	**322**	320
Historical cost surplus for the period after taxation		**6,253**	4,640

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 July 2010

	Note	**2009/10**	2008/09
		£000	£000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation and tax		**5,931**	4,320
Appreciation/(impairment) of endowment asset investments	19	**4,243**	(2,618)
Appreciation of endowment asset investments – The Picture Collection	19	**0**	8,392
New endowments	19	**89**	89
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		**10,263**	10,183

Reconciliation to the movement of reserves and endowments

Opening reserves and endowments	**132,519**	122,336
Total recognised gains in the year	**10,263**	10,183
Closing reserves and endowments	**142,782**	132,519

Consolidated and College Balance Sheets

At 31 July 2010

	Note	Consolidated		College	
		2010	2009	**2010**	2009
		£000	£000	**£000**	£000
FIXED ASSETS					
Tangible assets	13	**142,872**	145,892	**142,309**	145,269
ENDOWMENT ASSETS	14	**65,113**	60,739	**65,113**	60,739
CURRENT ASSETS					
Stocks and stores		**312**	265	**293**	243
Debtors:					
- due within one year	15	**6,764**	5,866	**6,816**	5,959
- due after one year	15	**103**	112	**103**	112
Investments	23	**34,500**	31,200	**34,500**	31,200
Cash at bank and in hand	27	**13,992**	3,652	**13,267**	2,996
		55,671	41,095	**54,979**	40,510
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	**(33,178)**	(24,044)	**(32,870)**	(23,792)
NET CURRENT ASSETS		**22,493**	17,051	**22,109**	16,718
TOTAL ASSETS LESS CURRENT LIABILITIES		**230,478**	223,682	**229,531**	222,726
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	**(58,684)**	(61,687)	**(58,684)**	(61,687)
NET ASSETS		**171,794**	161,995	**170,847**	161,039

Consolidated and College Balance Sheets
(Continued)

At 31 July 2010

	Note	Consolidated		College	
		2010	2009	**2010**	2009
		£000	£000	**£000**	£000
DEFERRED CAPITAL GRANTS	18	**29,012**	29,476	**29,012**	29,476
ENDOWMENTS					
Permanent	19	**65,000**	60,635	**65,000**	60,635
Expendable	19	**113**	104	**113**	104
		65,113	60,739	**65,113**	60,739
RESERVES					
Revaluation reserve	20	**25,889**	26,211	**25,889**	26,211
General reserve	21	**51,780**	45,569	**50,833**	44,613
		77,669	71,780	**76,722**	70,824
TOTAL		**171,794**	161,995	**170,847**	161,039

The financial statements on pages 17 to 39 were approved by Council on 26 November 2010 and signed by:

Sir Andrew Burns
Chairman of Council

Professor P Layzell
Principal

Consolidated Cash Flow Statement

For the year ended 31 July 2010

	Note	**2009/10**	2008/09
		£000	£000
CASH FLOW FROM OPERATING ACTIVITIES	24	**19,181**	12,331
Returns on investments and servicing of finance	25	**(905)**	(271)
Taxation	12	**(6)**	(4)
Capital expenditure and financial investment	26	**(4,547)**	(7,777)
Cash inflow before financing and management of liquid resources		**13,723**	4,279
Financing:			
- Capital repayments		**(232)**	(433)
- Bank loan drawn down in year		**0**	1,168
Management of liquid resources:			
- Movement on placing of investment deposits	27	**(3,300)**	(7,450)
Increase/(decrease) in cash in the period	27	**10,191**	(2,436)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash in the period		**10,191**	(2,436)
Cash outflow/(inflow) from movement in debt financing		**232**	(735)
Cash outflow from management of liquid resources		**3,300**	7,450
Decrease in net debt in period	27	**13,723**	4,279
NET DEBT AT 1 AUGUST 2009	27	**(19,951)**	(24,230)
NET DEBT AT 31 JULY 2010	27	**(6,228)**	(19,951)

1. Statement of Principal Accounting Policies

1. Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions (SORP) and applicable United Kingdom accounting standards.

2. Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the College, its subsidiary undertaking Royal Holloway Enterprise Ltd and those of the Royal Holloway Students' Union for the financial year to 31 July 2010.

3. Recognition of Income

Income from specific donations, research grants, contracts and other services rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

All income from short-term deposits of unrestricted funds, the Founder's Endowment Fund and other endowment asset investments is credited to the income and expenditure account on a receivable basis.

Income from permanent endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to permanent endowments.

General donations are credited to the income and expenditure account on a receivable basis and are held in a designated income and expenditure account reserve until they are spent.

4. Pension Schemes

The two principal pension schemes for the College's staff are the Universities' Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London Scheme (SAUL). USS and SAUL are multi-employer schemes for which there is an inability to separately identify the College's share of the underlying assets and liabilities. Therefore, as required by FRS 17 "Retirement benefits", the employer contributions are charged directly to the Statement of Financial Activities as if the schemes were defined contribution schemes.

5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Land and Buildings

Land and Buildings were revalued on 31 July 1995 and are stated at valuation in the accounts, except for work in progress and buildings completed after that date which are stated at cost. The basis of valuation is open market value for the existing use and the valuation, on 31 July 1995, was carried out by Hillier Parker, Chartered Surveyors. The College has adopted the provisions of FRS15 not to update the valuation of land and buildings carried forward at the date of implementation of FRS15.

With the exception of land at Huntersdale which is held on a lease which expires in 2041, land is held freehold and is not depreciated as it is considered to have an indefinite useful life.

Buildings are depreciated over their expected useful lives and leasehold land over the life of the lease.

For student residences where a cyclical refurbishment programme is in place, the original costs of the components are depreciated over their useful lives of five to twelve years, as appropriate, and the refurbishment spend is capitalised and depreciated in the same way. Services are depreciated over twenty years and temporary buildings or minor works over ten years.

1. Statement of Principal Accounting Policies

Works on the estate costing £10,000 or more are capitalised if the work creates or enhances an existing asset, or improves or substantially overhauls an asset in accordance with FRS15. The costs are depreciated over the appropriate period as described elsewhere within the Accounting Policies except those relating to painting and roof replacement which are depreciated over five and twenty five years respectively.

Interest costs incurred during the construction period of new buildings are included in the capitalised cost of the asset to which they relate.

Specific grants received for the acquisition of buildings are treated as deferred capital grants and released to income over the expected useful lives of the buildings.

7. Depreciation of Equipment, Furniture and Fittings

Equipment, including microcomputers and software, costing less than £10,000 per separable item or group of related items is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its expected useful life of five years.

Furniture and fittings are written off in the year of acquisition, except the costs of furniture and fittings for a new building or major refurbishment which are capitalised and depreciated over the expected lifetime of the asset.

Where equipment or furniture and fittings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grant is treated as a deferred capital grant and is released to income over the expected useful life of the asset (this is the period of the grant for specific research projects).

8. Interest Cap and Interest Rate Swaps

The prepayment for an interest rate cap is amortised evenly over the period of the cap. The College, in the course of its business, enters into interest rate swap contracts to reduce its exposure to fluctuations in interest rates on borrowings. The amounts receivable and payable on these swaps are included in the income and expenditure account so as to match the interest payable on the borrowing.

9 Picture Collection

The College houses a collection of paintings gifted by Thomas Holloway, the founder of Royal Holloway College.

The pictures are included in the balance sheet with the other endowment assets. A full valuation was carried out by by a professional valuer in 2006 and an interim valuation of £27,310,000 was provided in 2009. A professional valuation will continue to be carried out at least once every five years in accordance with FRS15, with an update in year three, also performed by a qualified valuer. The valuation is assessed on the basis of high auction value.

Three pictures from the collection were sold between 1993 and 1995, and the proceeds used to create the Founder's Endowment Fund under a scheme approved by the Charity Commission. The endowment fund, which is held in a separate trust, is included within "Permanent Endowments" in the balance sheet. The use of these assets other than as provided in the scheme is subject to the prior approval of the Charity Commission.

Income from the Fund is credited to the Income and Expenditure Account on a receivable basis. Income is applied in accordance with the purposes of the Scheme; any unapplied income is disclosed as a restricted reserve.

10. Investments

Endowment asset investments are included in the balance sheet at market value. Cash balances on deposit, which cannot be withdrawn without notice, are shown as current asset investments, if the maturity date is within one year, and as fixed asset investments for maturity dates greater than one year.

1. Statement of Principal Accounting Policies

11. Stocks

Stocks are stores of catering supplies, bar supplies and other items held by Residence and Catering Services and the Student Union, stores and oil held by the Estate's department and central stores of stationery and computer supplies. They are valued at the lower of cost and net realisable value.

12. Taxation Status

Royal Holloway is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax. Royal Holloway Enterprise Limited gift aids the majority of its profits to the College, and any profits that are retained are subject to UK Corporation Tax which is provided at the amount expected to be paid using the tax rates and laws that have been enacted at the balance sheet date.

Notes to the Financial Statements

	2009/10	2008/09
	£000	£000
2. FUNDING BODY GRANTS		
Recurrent grant		
Teaching	**22,284**	21,685
Research	**13,698**	14,468
	35,982	36,153
Specific grants	**1,659**	1,873
Deferred capital grants released in year:		
Buildings (note 18)	**2,122**	3,031
Equipment (note 18)	**1,533**	881
	41,296	41,938

Royal Holloway is funded by the Higher Education Funding Council for England.

3. TUITION FEES AND EDUCATION CONTRACTS		
Full-time students charged home and EU fees	**21,882**	19,429
Full-time students charged overseas fees	**22,096**	18,877
Part-time students	**953**	969
Research training support grants	**620**	576
Short course and other fees	**2,822**	2,730
	48,373	42,581

4. RESEARCH GRANTS AND CONTRACTS		
Research Council grants	**8,047**	7,577
Other grants and contracts	**6,045**	5,879
	14,092	13,456

The income includes deferred capital grants released of £220k (note 18), (2008/09: £246k)

5. OTHER INCOME		
Residences, catering and conferences	**21,016**	19,535
Other services rendered	**1,228**	1,391
Released from deferred capital grants (note 18)	**77**	135
Other income	**4,630**	4,353
	26,951	25,414

	2009/10 £000	2008/09 £000
6. ENDOWMENT AND INVESTMENT INCOME		
Income from permanent endowment asset investments	**852**	1,120
Income from expendable endowment asset investments	**2**	22
Total income from endowments (note 19)	**854**	1,142
Other interest receivable (note 25)	**555**	1,418
	1,409	2,560

7. ANALYSIS OF INCOME BY ACTIVITY		
Academic and general income	**110,538**	105,882
Residences, catering and conferences (College only)	**20,072**	18,574
Students' Union	**1,511**	1,493
	132,121	125,949

8. STAFF COSTS		
Staff costs:		
Wages and salaries	**58,099**	58,389
Social security costs	**4,771**	4,829
Other pension costs (note 28)	**9,597**	6,791
	72,467	70,009
Emoluments of the Acting Principal (2008/09 Principal):		
Including benefits in kind		
Remuneration	**222**	241
College pension contributions	**40**	33
Total emoluments	**262**	274
Remuneration of other Higher Paid Staff, excluding employer's pension contributions:	**No.**	No.
£100,000 - £109,999	**5**	5
£110,000 - £119,999	**0**	2
£120,000 - £129,999	**3**	2
£220,000 - £229,999	**1**	0

From December 2009 employees were able to opt for a reduced contractual salary, with the College then making the pension contribution, formerly paid by the employee, as additional employer's contributions. The disclosures in this note reflect the reduced contractual salary and increased employer contribution of £1,943k in total, as applicable.

Average staff numbers by major category	No.	No.
Academic, research and other related grades	**653**	636
Technical	**62**	68
Administrative and other	**494**	501
Manual and ancillary	**109**	107
College	**1,318**	1,312
Students' Union	**23**	22
	1,341	1,334

The analysis of staff numbers is in full time equivalents, and is analysed by reference to pay groups.
Casual and visiting teaching staff are excluded.

Compensation Payments for loss of office
Staff Costs include staff restructuring costs based upon an early retirement and severance pay scheme totalled £818k (2008/09 £196k). The cost is financed from general College resources. Payments made within the scheme are defined as compensation payments for loss of office.

	2009/10 £000	2008/09 £000

9. OTHER OPERATING EXPENSES

	2009/10 £000	2008/09 £000
Staff related expenditure	**5,090**	6,237
Teaching and research consumables and related costs	**3,359**	3,013
Books, periodicals and other library costs	**1,613**	1,416
Student maintenance, awards and facilities	**7,784**	6,871
Computer operating	**1,576**	1,350
General educational	**1,490**	1,459
Administrative	**5,219**	5,479
Federal costs	**818**	778
Heat, light, power and water	**2,410**	2,372
Other premises related costs	**4,102**	3,774
Non-capitalised equipment	**2,019**	1,347
Auditors' remuneration - audit fees	**53**	51
Auditors' remuneration in respect of other services	**6**	43
Residence and catering direct costs of sale and related costs	**2,534**	2,615
Other expenses	**2,466**	1,781
TOTAL OTHER OPERATING EXPENSES before taxation	**40,539**	38,586

Payments to Trustees

Council members (the trustees) received no payment for acting as trustees in 2009/10 and no such payment was made in prior years. In 2009/10 expenses of £7k (2008/09 £6k) were paid to 5 (2008/09: 5) non-staff trustees for travel, subsistence and business entertaining.

10. INTEREST AND OTHER FINANCE COSTS

	2009/10 £000	2008/09 £000
Loans wholly repayable within five years	**0**	0
Loans not wholly repayable within five years	**2,314**	2,831
	2,314	2,831

Interest payable includes £1,659k paid on interest rate swaps (2008/09: £143k interest received).

11. ANALYSIS OF 2009/10 EXPENDITURE BY ACTIVITY

	Staff Costs £000	Depreci-ation £000	Other Operating Expenses £000	Interest Payable £000	2009/10 Total £000	2008/09 Total £000
Academic departments	42,154	1,071	5,577	0	**48,802**	46,440
Academic services	4,302	536	4,298	0	**9,136**	8,768
Research grants and contracts	5,597	220	4,205	0	**10,022**	9,893
Other contracts	287	0	884	0	**1,171**	1,096
Residences, catering and conferences	5,189	3,041	7,481	2,164	**17,875**	17,330
Premises (see footnote)	2,363	5,841	5,023	150	**13,377**	14,003
Administration	8,373	18	4,034	0	**12,425**	12,874
Students' Union	1,052	124	1,013	0	**2,189**	2,100
Other expenses	2,332	13	8,024	0	**10,369**	8,925
Staff restructuring	818	0	0	0	**818**	196
Expenditure	72,467	10,864	40,539	2,314	**126,184**	121,625

Premises costs exclude costs relating to residences and catering which are included in that section.

12. TAXATION

	2009/10 £000	2008/09 £000
UK Corporation Tax	**6**	4

Royal Holloway Enterprise Ltd gift aids taxable profits to the College. The tax charge is a provision for Corporation Tax on the retained taxable profits of the subsidiary.

As explained in the accounting policies, the College is potentially exempt from taxation because of its charitable status and no taxation on income or capital gains is payable for 2009/10 or 2008/09.

Notes to the Financial Statements

13. **TANGIBLE ASSETS**

	Land and Buildings		Furniture and		
	Freehold	Short Lease	Fittings	Equipment	Total
	£000	£000	£000	£000	£000
a) CONSOLIDATED					
At 1 August 2009					
Valuation	60,170	1,800	795	0	62,765
Cost	103,262	6,494	12,757	19,106	141,619
	163,432	8,294	13,552	19,106	204,384
Reclassification - International Building (see note below)	3,691	(3,691)	0	0	0
Additions at cost	4,032	97	1,103	2,612	7,844
Disposals	(4)	0	(114)	(66)	(184)
At 31 July 2010					
Valuation	60,170	1,800	795	0	62,765
Cost	110,981	2,900	13,746	21,652	149,279
	171,151	4,700	14,541	21,652	212,044
Depreciation					
At 1 August 2009	37,911	1,465	5,587	13,529	58,492
Reclassification (see note below)					
International Building	738	(738)	0	0	0
Other	(397)	0	398	(1)	0
Charge for year (see note below)	6,885	238	1,141	2,600	10,864
Eliminated on disposals	(4)	0	(114)	(66)	(184)
At 31 July 2010	45,133	965	7,012	16,062	69,172
Net Book Value					
At 31 July 2010	126,018	3,735	7,529	5,590	142,872
At 1 August 2009	125,521	6,829	7,965	5,577	145,892
Historical Net Book Value					
At 31 July 2010	101,620	2,604	7,170	5,590	116,984
At 1 August 2009	101,395	5,539	7,170	5,577	119,681

The depreciation charge has been funded by:	
Deferred capital grants released (note 18)	3,952
Revaluation reserve released (note 20)	322
General income	6,590
	10,864

13. **TANGIBLE ASSETS continued**

	Land and Buildings		Furniture and		
	Freehold	Short Lease	Fittings	Equipment	Total
	£000	£000	£000	£000	£000
b) COLLEGE					
At 1 August 2009					
Valuation	60,170	1,800	795	0	62,765
Cost	102,294	6,493	12,393	18,721	139,901
Reclassification - International Building (see note below)	3,691	(3,691)	0	0	0
Additions at cost	4,032	97	1,058	2,592	7,779
Disposals	0	0	0	(49)	(49)
At 31 July 2010					
Valuation	60,170	1,800	795	0	62,765
Cost	110,017	2,899	13,451	21,264	147,631
Depreciation					
At 1 August 2009	37,390	1,465	5,309	13,233	57,397
Reclassification (see note below)					
International Building	738	(738)	0	0	0
Other	(397)	0	398	(1)	0
Charge for year	6,835	238	1,108	2,558	10,739
Eliminated on disposals	0	0	0	(49)	(49)
At 31 July 2010	44,566	965	6,815	15,741	68,087
Net Book Value					
At 31 July 2010	125,621	3,734	7,431	5,523	142,309
At 1 August 2009	125,074	6,828	7,879	5,488	145,269

c) CONSOLIDATED AND COLLEGE

At 31 July 2010 freehold land and buildings at cost included £2,178k (2009: £1,468k) in respect of assets in the course of construction, primarily the upgrade to the electrical suppy and ringmain and refurbishment at Runnymede student residences.

At 31 July 2010 freehold land and buildings at cost included £1,320k of capitalised finance costs (2009: £1,320k).

The reclassification of tangible assets at cost of £3,691k from leasehold to freehold is due to the end of an arrangement under which the International Building was leased from A F Trust Company, after which the property reverted to a freehold College tenure. £738k of accumulated depreciation has also been reclassified from leasehold to freehold in relation to this. In addition £398k of accumulated depreciation has been reclassified as fixtures and fittings, made up of £397k from freehold and £1k from equipment.

HERITAGE ASSETS

The College does not have any material heritage assets to disclose as tangible assets.
The College's Picture Collection which is displayed in the Picture Gallery contributes to the appeal of the venue for functions and tours. The Collection was left to the College by its Founder, Thomas Holloway, and is disclosed as an endowment asset (note 14).

14. **ENDOWMENT ASSETS**

	Consolidated and College	
	2010	2009
	£000	£000
Balance at 1 August 2009	**60,739**	54,835
Additions and income	**7,499**	2,873
Disposals and expenditure	**(7,368)**	(2,743)
Appreciation/(impairment) of investments (note 19)	**4,243**	(2,618)
Gain on revaluation of Picture Collection (see note below and note 19)	**0**	8,392
Balance at 31 July 2010	**65,113**	60,739
Represented by:		
Fixed interest at valuation	**5,634**	6,088
Equities at valuation	**25,738**	20,761
Fixed interest and equities	**31,372**	26,849
Cash and Bank balances	**6,431**	6,580
Total Investments (note 19)	**37,803**	33,429
Picture Collection (see note below and note 19)	**27,310**	27,310
Balance at 31 July 2010	**65,113**	60,739
Fixed interest and equities at cost	**28,653**	27,653

An interim revaluation of the Picture Gallery Collection was provided on a high auction basis (excluding costs) by Christie's In July 2009. The last full revaluation was in November 2006.

Notes to the Financial Statements

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
15. **DEBTORS**				
Amounts falling due within one year:				
Trade debtors	**1,576**	1,276	**1,468**	1,102
Amounts owed by subsidiary undertaking	**0**	0	**243**	245
Other debtors- interest cap	**206**	253	**206**	253
Prepayments and accrued income	**4,982**	4,337	**4,899**	4,359
	6,764	5,866	**6,816**	5,959
Amounts falling due after more than one year:				
Prepayments and accrued income	**103**	112	**103**	112

16. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**				
Secured and unsecured loans	**3,187**	456	**3,187**	456
Payments received on account	**2,757**	2,863	**2,755**	2,860
Other creditors	**7,573**	5,032	**7,482**	4,933
Amounts due to subsidiary undertaking	**0**	0	**0**	7
Social security, other taxation and pension contributions payable	**2,605**	2,528	**2,575**	2,495
Accruals	**3,611**	2,683	**3,426**	2,559
Deferred income	**13,445**	10,482	**13,445**	10,482
	33,178	24,044	**32,870**	23,792

Unsecured loans include interest-free repayable grants from the Higher Education Council for England totalling £1,807k repayable within one year (2009 £nil)

17. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**				
Unsecured loans repayable after one year and within five years	**4,272**	4,040	**4,272**	4,040
Unsecured loans repayable after five years	**26,938**	28,976	**26,938**	28,976
Secured loans repayable after one year and within five years	**6,192**	5,687	**6,192**	5,687
Secured loans repayable after five years	**20,562**	22,224	**20,562**	22,224
	57,964	60,927	**57,964**	60,927
Deferred income	**720**	760	**720**	760
	58,684	61,687	**58,684**	61,687

Secured loans are secured by a first charge upon Highfield, Kingswood, Runnymede and Wedderburn and Gowar student residences.
Secured and unsecured loans over one year are repayable as follows:

After one year and within two years	**1,440**	1,157	**1,440**	1,157
After two years and within five years	**9,024**	8,570	**9,024**	8,570
After five years and within ten years	**15,688**	14,588	**15,688**	14,588
After ten years	**31,812**	36,612	**31,812**	36,612
	57,964	60,927	**57,964**	60,927

At the balance sheet date the College had committed to loan facilities totaling £61,465k of which £61,151k had been drawn down. The College had interest rate swaps and an interest rate cap to reduce its variable interest rate exposure on these loans to the following extent:

	Terms:	Amount £'000	Rate %	Expiry
Effective at the balance sheet date:	Swaps:	10,000	5.49	3 December 2012
		5,000	4.48	1 September 2026 (option for bank to terminate in 2016)
		5,000	4.815	1 September 2017
		5,000	4.8175	1 September 2019
		5,000	4.65	1 September 2022
		5,000	4.55	1 September 2027
		5,000	4.88	1 September 2029
	Cap:	10,000	6.00	1 December 2014
		50,000		
Effective after the balance sheet date:	Swap:	10,000	4.82	1 December 2024 (effective 3 December 2012)

18. DEFERRED CAPITAL GRANTS

	Consolidated and College		
	Funding Council	Other Grants and Benefactions	Total
	£000	£000	£000
At 1 August 2009			
Buildings	25,773	956	26,729
Equipment	2,509	238	2,747
Total	28,282	1,194	29,476
Reclassification			
Buildings	(794)	31	(763)
Equipment	765	(2)	763
Grants receivable			
Buildings	1,086	0	1,086
Equipment	2,235	167	2,402
Total	3,321	167	3,488
Release to income and expenditure for year			
Buildings (notes 2 and 5)	(2,122)	(60)	(2,182)
Equipment (notes 2, 4 and 5)	(1,533)	(237)	(1,770)
Total	(3,655)	(297)	(3,952)
At 31 July 2010			
Buildings	23,943	927	24,870
Equipment	3,976	166	4,142
Total	27,919	1,093	29,012

The release of Other Grants and Benefactions for the year was £220k to Research Grants and Contracts (note 4) and £77k to Other Income (note 5).

19. ENDOWMENTS

	Consolidated and College				**2010**	2009
	Unrestricted Permanent	Restricted Permanent	Total Permanent	Restricted Expendable	**Total**	Total
	£000	£000	£000	£000	**£000**	£000
At 1 August 2009						
Capital	1,841	57,546	59,387	92	**59,479**	53,617
Accumulated income	6	1,242	1,248	12	**1,260**	1,218
	1,847	58,788	60,635	104	**60,739**	54,835
New endowments	0	89	89	0	**89**	89
Income for year (note 6)	44	808	852	2	**854**	1,142
Expenditure for year	(44)	(758)	(802)	(10)	**(812)**	(1,101)
	0	50	50	(8)	**42**	41
Appreciation/impairment of investments (note 14)	297	3,929	4,226	17	**4,243**	(2,618)
Appreciation of Picture Collection	0	0	0	0	**0**	8,392
At 31 July 2010	2,144	62,856	65,000	113	**65,113**	60,739
Represented by:						
Capital	2,138	61,565	63,703	109	**63,812**	59,479
Accumulated income	6	1,291	1,297	4	**1,301**	1,260
	2,144	62,856	65,000	113	**65,113**	60,739
Hilda Martindale Educational Trust	0	777	777	0	**777**	663
Other scholarship, prize and fellowship funds	0	5,033	5,033	113	**5,146**	4,546
Founder's Endowment Fund	0	29,736	29,736	0	**29,736**	26,373
Other funds	2,144	0	2,144	0	**2,144**	1,847
Total endowment asset investments (note 14)	2,144	35,546	37,690	113	**37,803**	33,429
Founder's Picture Collection (note 14)	0	27,310	27,310	0	**27,310**	27,310
	2,144	62,856	65,000	113	**65,113**	60,739

The income of £810k received in respect of restricted endowments was credited in full to the income and expenditure account; £768k was spent in the year and the unspent income of £42k (2008/09: £41k) was transferred back to the funds.

20. REVALUATION RESERVE

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Revaluations				
At 1 August and 31July	**34,198**	34,198	**34,198**	34,198
Contributions to depreciation				
At 1 August	**7,987**	7,667	**7,987**	7,667
Released in year (note 13a and 21)	**322**	320	**322**	320
Net revaluation amount				
At 1 August and 31 July	**25,889**	26,211	**25,889**	26,211

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
21. MOVEMENT ON GENERAL RESERVES				
Income and Expenditure Account Reserve				
At 1 August	**45,569**	40,970	**44,613**	40,050
Surplus retained for the year	**5,889**	4,279	**5,898**	4,243
Transfer from revaluation reserve (note 20)	**322**	320	**322**	320
Balance at 31 July	**51,780**	45,569	**50,833**	44,613

22. CAPITAL COMMITMENTS

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Commitments contracted at 31 July	**2,040**	2,512	**2,040**	2,476
Authorised but not contracted at 31 July	**1,492**	1,556	**1,492**	1,556
	3,532	4,068	**3,532**	4,032

The amounts contracted include £932k for the cyclical refurbishment of the Runnymede Residences and £630k for expenditure on the Founder's building.

23. INVESTMENTS

(I) Fixed Asset Investments

Name	Country of Incorporation	Principal Activity	% of shares held by	
Subsidiary Undertakings			College	Group
Royal Holloway Enterprise Ltd	Great Britain	Consultancy	100	100
Associates and Joint ventures				
Reelives Limited (see below)	Great Britain	Internet	39.6	39.6
RHSG Limited (see below)	Great Britain	Management Consultancy	50	50

Reelives Limited is a spin-out and Royal Holloway's shareholding will be diluted if it receives investor funding. In the year to 31 July 2010 income was £4k.

RHSG is a company limited by guarantee which was established as a vehicle for the proposed merger between Royal Holloway and St George's Medical School. The company was incorporated on 27 March 2009 as a joint venture between the two entities with equal interest. RHSG is being dissolved following the decision in September 2009 not to merge. During the year, RHSG incurred pre-merger costs of £190k (2008/09 £357k), which were shared equally between the joint venture partners.

The cost and net book value of Fixed Asset Investments are less than £1k.

(ii) Current Asset Investments

	Consolidated		College	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Cash deposits maturing within one year (note 27)	**34,500**	31,200	**34,500**	31,200

24. RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CONSOLIDATED CASH INFLOW FROM OPERATING ACTIVITIES

	2009/10	2008/09
	£000	£000
Surplus before tax	**5,937**	4,324
Depreciation (note 13)	**10,864**	10,199
Deferred capital grants released to income (note 18)	**(3,952)**	(4,293)
Loss on disposal of fixed assets (note 13)	**0**	9
Endowment and Investment income (note 6)	**(1,409)**	(2,560)
Interest payable (note 10)	**2,314**	2,831
Decrease / (increase) in stocks	**(47)**	20
Decrease / (increase) in debtors	**(889)**	1,880
(Decrease)/increase in creditors (excluding loans)	**6,363**	(79)
Net cash inflow from operating activities	**19,181**	12,331

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2009/10	2008/09
	£000	£000
Income from endowments (note 19)	**854**	1,142
Other interest received (note 6)	**555**	1,418
Interest paid (note 10)	**(2,314)**	(2,831)
	(905)	(271)

No interest paid has been capitalised in the year (2008/09: nil).

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Payments to acquire tangible assets (note13)	**(7,844)**	(9,736)
Payments to acquire endowment asset investments:		
- Additions and income (note 14)	**(7,499)**	(2,873)
- Cash outflow (note 14)	**(149)**	(3,982)
Total payments to acquire fixed and endowment asset investments	**(15,492)**	(16,591)
Receipts from sales of endowment asset investments (note 14)	**7,368**	2,743
Deferred capital grants received (note 18)	**3,488**	5,982
Endowments received (note 19)	**89**	89
	(4,547)	(7,777)

27. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2009	Cash Flows	Other non cash changes	At 31 July 2010
	£000	£000	£000	£000
Cash at bank and in hand				
Endowment assets (note 14)	6,580	(149)	0	6,431
Other	3,652	10,340	0	13,992
	10,232	10,191	0	20,423
Debt due within one year (note 16)	(456)	232	(2,963)	(3,187)
Debt due after one year (note 17)	(60,927)	0	2,963	(57,964)
	(61,383)	232	0	(61,151)
Current asset investments (note 23)	31,200	3,300	0	34,500
	(19,951)	13,723	0	(6,228)

Balances at the bank, not relating to endowment assets, are held on a set-off arrangement against loans advanced by the College's bankers so that nominal loan interest is charged if these are matched by a current account balance. Balances in excess of this set-off are placed on deposit overnight or for longer periods to earn interest.

Current asset investments are interest-earning short-term cash deposits maturing with one year.

28. PENSION SCHEMES

The total pension cost for Royal Holloway and its subsidiary was:

	Consolidated	
	2009/10	2008/09
	£000	£000
Contributions to USS	**8,193**	5,634
Contributions to SAUL	**1,356**	1,097
Other pension contributions and costs	**48**	60
Total Pension Cost (note 8)	**9,597**	6,791

The College participates in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL), and has adopted FRS 17 for accounting for pension costs. USS provides benefits based on final pensionable salary for academic and related employees of UK universities and some other employees. SAUL provides similar benefits prinicipally for other staff of the University of London.

From December 2009 employees were able to opt for a reduced contractual salary, with the College then making the pension contribution, formerly paid by the employee, as additional employer's contributions. The contributions for both USS and SAUL have therefore increased. The amount relating to the salary sacrifice in 2009/10 was £1,943k.

The schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension. The assets of the schemes are held in separate trustee-administered funds. It is not possible to identify the College's share of the underlying assets and liabilities of the schemes on a consistent and reliable basis and therefore, as required by FRS 17 "Retirement Benefits", the College accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes for the accounting period.

The schemes are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme.

USS

The latest published 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 assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. 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 further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used 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 age 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 £28,843 million, and the value of the scheme's technical provisions was £28,135 million indicating a surplus of £708 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

28. **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 (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

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

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

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065m). Compared to the previous 12 months, the funding level has improved from 74% (as at March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two 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).

On the FRS 17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the College'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 as 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 £2.2bn
Rate of pension increases	Increase / decrease by 0.5%	Increase / decrease by £1.5bn
Rate of salary growth	Increase / decrease by 0.5%	Increase / decrease by £0.7bn
Rate of mortality	More prudent assumption (move to long cohort)	Increase by £1.6bn

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a 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 internal 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 the 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 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 minimizing 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.

28. PENSION SCHEMES (continued)

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

The pension cost for the College was £8,193k (2008/09: £5,634k) of which £1,635k related to salary sacrifice. The pension cost includes £852k (2008/09: £733k) outstanding contributions at the balance sheet date. The contribution rate payable by the College was 16% of pensionable salaries from 1 October 2009 and 14% in the prior year and up to that date.

SAUL

The latest triennial actuarial valuation of the scheme was at 31 March 2008. The following assumptions were used to assess the past service funding position and future service liabilities:

Investment return on liabilities p.a. -before retirement	6.9% (past service) 7.0% (future service)
Investment return on liabilities p.a. -after retirement	4.8% (past service) 5.0% (future service)
Salary growth p.a. excluding an allowance for increments	4.85% (past service) 4.85% (future service)
Pension increases p.a.	3.35% (past service) 3.35% (future service)

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £1,266 million representing 100% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the employer covenant and the trustee's long-term investment strategy, the trustee and the employers agreed to maintain employer and member contributions at 13% of salaries and 6% of salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 revealed SAUL to be in surplus at the last formal valuation date of 31 March 2008.

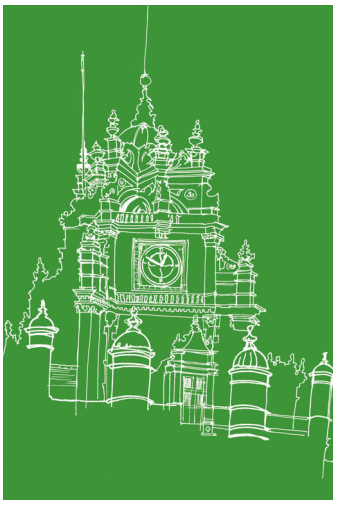
The next formal actuarial valuation of the scheme is due at 31 March 2011 when the rates above will be reviewed.

The pension cost for the College was £1,356k (2008/09:£1,097k), of which £308k related to salary sacrifice. The pension cost includes £98k (2008/09: £136k) outstanding contributions at the balance sheet date.

29. ACCESS FUNDS

	Consolidated and College	
	2009/10	2008/09
	£000	£000
Balance unspent at 1 August 2009	**11**	15
Funding Council grants	**119**	132
Interest earned	**0**	0
	130	147
Disbursed to students	**(107)**	(136)
Balance unspent at 31 July 2010	**23**	11

Access Fund grants are available solely for students, Royal Holloway acts only as the paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.



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