

FINANCIAL STATEMENTS

For the year ended 31 July 2014

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PRESIDENT'S FOREWORD

The University of Reading has a global reputation for academic excellence in both research and teaching. We are committed to further improvement in these strengths. Our mission is to educate talented people well, to conduct outstanding research and to promote the responsible application of new knowledge.

During the year the University set out the vision for its future and developed the strategies which should ensure that this vision can be achieved. The associated process of engagement, communication and delivery led by the Vice-Chancellor has been a catalyst to energise and focus the University's people and resources.

We are raising the profile of the University and we are making considerable progress in attracting high quality students, leading academic staff and research funding. This progress is evident in both our domestic and international activities. Following our success in appointing Sir David Bell as our Vice-Chancellor in 2012, I am pleased to report that we have attracted senior colleagues from Nottingham and Exeter Universities to take up two Pro-Vice-Chancellor positions with us.

The University derives considerable financial strength from its asset-rich balance sheet, and through careful management Reading has consistently reported consolidated surpluses which have been able to absorb the underlying operating deficits it has experienced in recent years. It is pleasing to note that during the year, within the overall numbers, there was a material reduction in the operating deficit of the Group's academic activities and we are determined that in the year ahead these activities will produce an operating surplus as well as support our capital investment needs.

The Review which follows sets out the important developments and achievements of the last year, including the work underway in the review of the efficiency and effectiveness of all our administrative and support functions; while this review is giving rise to significant one-off costs, we believe it will enable us to provide services and facilities which are both cost-effective and fit for purpose. I would also note the improvement in our student recruitment, the successful completion of our academic investment plan and the growth of our research income, as well as progress in the development of our campus in Malaysia and the decision to create a Science and Innovation Park on University land adjacent to the M4.

The Council, the University's governing body, is principally responsible for strategic leadership and financial stewardship. Once again I would like to thank all of its members for their contributions over the last year and also thank all our staff for their hard work and for their commitment to our future success.

Christopher Fisher
President of the Council

21 November 2014

THE COUNCIL

Ex officio

The Vice-Chancellor ¹
The Deputy Vice-Chancellor
The Pro-Vice-Chancellors

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

Mr T. Bartlam, BA, MA, FCA
Lord Crisp of Eaglescliffe, KCB, MA (*from 1 August 2014*)
Mr R. Dwyer, BSc, FCIPD (Vice-President of the Council) ^{1,6}
Dr P.A. Erskine, BA, Hon LLD
Mr R.E.R. Evans, BSc, FRICS
Mr C.C. Fisher, BA, MPP (President of the Council) ^{1,4,5}
Dame Moira Gibb, DBE, MA, DipSoc Admin, CQSW, Hon DCL, Hon DSc
Mr S. Hawker, CB, MA, FIET ¹
Mr H.W.A. Palmer, QC, MA
Dr P.R. Preston, BSc, PhD
Mr S.C.C. Pryce, BSc, ACA
Mr S.P. Sherman, FCA ^{1,3}
Mr I.P. Smith, BSc, FCA
Sir John Sunderland, MA
Ms S.M. Woodman, BA (Vice-President of the Council) ^{1,2}

The Deans of the Faculties

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

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

Dr B. Cosh, BSc, PGCE, PhD (*until 31 July 2014*)

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

Dr O.B. Kennedy, BSc, MSc, PhD, FIFST (*from 1 August 2014*)
Professor I. Mueller-Harvey, DiplChem, MSc, PhD, CChem, FRSC (*until 31 July 2014*)

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

Mrs B. Edwards, BA, MA (*until 31 July 2014*)

Mrs M.T. Martin, BA, MA, PGCE (*from 1 August 2014*)

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

Mrs S.L. Webber, BSc

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

Ms N. Harper, BA (President of the Students' Union)

Ms T. Corless, BA (Welfare Officer of the Students' Union)

Secretary: The University Secretary

1 Member of Remuneration Committee

2 Chair of Remuneration Committee

3 Chair of Audit Committee

4 Chair of Appointments Committee

5 Chair of Strategy and Finance Committee

6 Chair of Student Experience Committee

OFFICERS OF THE UNIVERSITY

Chancellor

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

Vice-Chancellor

Sir David Bell, KCB, MA, MEd, DipEd (Glasgow), PGCE (Jordanhill College of Education), HonDUniv (Strathclyde), HonEdD (De Montfort)

Deputy Vice-Chancellor

Professor T.A. Downes, BA, BCL (Oxford) (*until 31 July 2014*)

Professor S.J. Mithen, BA (Sheffield), MSc (York), PhD (Cambridge), FSA, FSA (Scot), FBA (*from 1 August 2014*)

President of the Council

Mr C.C. Fisher, BA (Reading), MPP (Harvard)

Vice-Presidents of the Council

Mr R. Dwyer, BSc (London), FCIPD

Ms S.M. Woodman, BA (Reading)

Pro-Vice-Chancellors

Professor G. Brooks, BPharm, PhD (London), MRPharmS, FAHA

Mr V. Raimo, BA (Reading), MA (Leicester) (*from 1 August 2014*)

Professor R. Van de Noort, BA (Utrecht), Drs (Amsterdam), PhD (Exeter) (*from 1 August 2014*)

Professor C.M. Williams, OBE, BSc, PhD (London) (*until 31 July 2014*)

Deans of the Faculties

Arts, Humanities and Social Science

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

Henley Business School

Professor J.L.G. Board, BA, PhD (Newcastle)

Life Sciences

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

Science

Dr B. Cosh, BSc (Sheffield), PGCE (Greenwich), PhD (London) (*from 1 August 2014*)

Professor G. Marston, MA, DPhil (Oxford), CChem, MRSC (*until 31 July 2014*)

Heads of Service

University Secretary *(until 31 July 2014)*

Mr K.N. Hodgson, BA (Leicester)

Head of University Administration *(until 31 July 2014)*

Dr R.J. Messer, BA (Oxford), PhD (Birmingham)

Chief Strategy Officer and University Secretary *(from 1 August 2014)*

Dr R.J. Messer, BA (Oxford), PhD (Birmingham)

Chief Operating Officer

Mr D.C.L. Savage, BA (London), FCCA

Auditor

KPMG LLP

OPERATING AND FINANCIAL REVIEW

Introduction

This report presents the Group's results and activities for the year to 31 July 2014. It gives details of the key developments over the course of this financial year which have continued to build on the University's strengths and its reputation for providing excellent teaching and learning and for producing high quality research.

Key developments in the year

During the year the University evaluated its aims and developed its strategy which will build on its existing strengths and enable it to stand out as a forward-looking, confident and distinctive university in an ever-changing and competitive environment. The new strategy will transform the way the University is structured, the teaching and learning programmes it offers and the research it undertakes, and is designed to shape the University as it approaches its centenary year in 2026.

In developing a strategy which is sustainable in the long-term, the University commissioned a detailed review of the efficiency and effectiveness of all of its administrative and support functions. The findings of this review identified a significant level of improvements and cost efficiencies which could be achieved and which would ensure better support for the future ambitions of the University and allow those services to be delivered at a lower cost. The efficiency and effectiveness programme requires an estimated total revenue and capital investment of £35m over three years and is set to generate savings considerably in excess of this investment within the next four years.

In the year to 31 July 2014 the University embarked on structural reorganisations of IT services and the Procurement function, and invested in enabling IT infrastructure. Further investment was also made in projects to transform the way prospective and existing students interact with the University, through greater use of digital platforms. Work is ongoing to simplify and standardise the University's administrative processes and procedures wherever possible.

The University's first overseas campus at EduCity, Iskandar in Malaysia remains on track to open in September 2015 and will cater for up to 2,500 students through a range of undergraduate and postgraduate programmes.

During the year the University completed the sale of its Bulmershe campus following the transfer of teaching, research and accommodation to its other campuses. It also sold the sites of two of its former halls of residence, namely, Sibly Hall and Wells Hall. The University has also obtained a number of planning consents, the largest of which is for the development of some of the land which it owns at Shinfield to the south of Reading. This land will be sold to developers to build over 1,350 new homes which will bring much needed additional housing to the area and will provide significant income to the University in the next few years. The funds generated from the development of these sites will allow the University to carry out further capital investment in its academic facilities and to realise its intention of developing a Science and Innovation Park near Shinfield.

Economic context

The higher education sector has experienced economic challenges in recent years, particularly in respect of funding. To supplement its core funding, the University seeks to maximise its income from overseas sources and from non-academic activities. In his Autumn 2013 statement the Chancellor of the Exchequer announced plans to remove the student number cap with effect from 2015–16. The resultant increased competition for well-qualified Home and EU undergraduates will present both opportunities and challenges to universities such as Reading. The University will do all it can to maintain and enhance its position in an increasingly dynamic and uncertain market.

Key achievements

Constantly striving to provide an excellent education for students while building on its position as one of the primary research institutions in the UK, the University is unashamedly proud of its achievements.

The University strengthened its national ranking in the *Times* and *Sunday Times* Good University Guide League Table, rising to 33rd place from last year's ranking of 35th. Eight subjects were ranked in the top ten nationwide in their field, with both Agriculture and Land & Property Management ranking 2nd.

In the 2015 Complete University Guide rankings, the University retained its 37th position out of 123 universities in the UK. In the Guardian University Guide 2015, which focuses on student satisfaction and services, the University moved up eight places to 30th.

A number of leading academics at the University received distinguished awards during the year. Dr Matthew Nicholls from the University's Classics Department won the 2014 Guardian Higher Education Award for Teaching Excellence for his digital model of Rome in AD315 which allows students to experience the ancient world first hand. Professor Eleanor Dickey, also from the Classics Department, was elected as a Fellow of the British Academy. Professor Michael Twyman was awarded the 2014 Sir Misha Black Medal for Distinguished Services to Design Education. Sir Brian Hoskins was presented with the 2014 Buys Ballot Medal by the Royal Netherlands Academy of Arts and Sciences for his pioneering work on weather systems and large-scale atmospheric motion.

The University welcomed Their Royal Highnesses the Earl and Countess of Wessex in May to mark the establishment of a Regius Professorship of Meteorology at the University and to hear about Reading's pre-eminence in the field of weather and climate science.

Statement on public benefit

The University is an independent corporation with charitable status established by Royal Charter granted in 1926. Its objects, powers and framework of governance are defined in the Charter and supporting Statutes. It is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. It is not required to be registered with the Charity Commission but is however subject to the Charity Commission's regulatory powers which are monitored by the Higher Education Funding Council for England (HEFCE). The University's Council has due regard to the Charity Commission's public benefit guidance. The University's Handbook for Council Members contains additional guidance on members' responsibilities in respect of public benefit.

All charities must have charitable purposes and apply them for the public benefit. The University's core charitable purposes are the delivery of higher education teaching and research. The University seeks to achieve excellent standards in

these areas which it believes are to the benefit of the local, national and international communities.

A key part of the University's strategy in ensuring it delivers its core purposes for the public benefit lies in its policy of equal opportunities for all. The University aims to encourage people of all backgrounds to participate in and benefit from its teaching, research and other activities.

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

Teaching and learning

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

The University currently has over 9,300 undergraduate and over 7,700 post-graduate students. It promotes among all its students excellence in their studies and the other activities in which they participate while at Reading such as sporting, cultural and voluntary engagements, and encourages the opportunities these activities provide for stimulating personal development and the wellbeing of the community. When students complete their studies, they are able to use the skills they have acquired, both academic and non-academic, in their lives and careers beyond the University.

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

The University seeks to encourage potential students to consider entering higher education and a range of methods are adopted including visits to schools and open days and events aimed at schools.

In the summer pupils from schools and colleges across the UK visited the University to explore career opportunities and gain experience in the real estate industry as part of the Pathways to Property programme, an initiative by the Reading Real Estate Foundation (a subsidiary charity of the University) in partnership with British Land and The Sutton Trust. The programme provided a much needed catalyst to attract talented students from disadvantaged backgrounds into the real estate industry.

Research

The University is highly regarded, nationally and internationally, for the quality of its research, and is committed to enhancing its position as a leading research university. It aims to deliver outstanding research, a significant proportion of which is specifically designed to make a significant impact on knowledge, people or the economy, or to enhance or change society for the better.

The University is aware that research often raises ethical issues which need to be considered before a decision is taken on whether to carry out the research. The University's Research Ethics Committee considers all areas of research which may

give rise to ethical issues and makes judgments on whether approval should be given for the research to be carried out.

The *Design Star Consortium* led by the University in collaboration with a number of partners was awarded £2.2m by the Arts and Humanities Research Council to fund around 60 PhD researchers over the next five years. It is hoped that the scheme will develop the design research leaders of the future, equipping them with the research skills and knowledge to improve design across sectors including environment, transport, democratic participation, science and technology, healthcare, and creative production.

The University received \$100,000 from the Bill and Melinda Gates Foundation to examine the impact of poverty on human and animal disease. The aim of the grant is to explore the creation of a single health metric to measure the influence of poverty on global health.

A new research centre opened in January which aims to improve the detection and prevention of dementia as well as support those affected by the disease. The Berkshire Memory & Cognition Research Centre (BMCRC) is a joint initiative between the University of Reading and the Berkshire Healthcare NHS Foundation Trust. The Centre will allow experts to conduct crucial research including how diet and lifestyle can affect dementia. It will also examine the impact of the disease on carers and their families and will run clinical trials offering access to possible new treatments and interventions.

Community

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

The University provides facilities open to the public, including lectures and concerts, museums, sports facilities and other visitor attractions. This year's lectures have included subjects as diverse as slavery, health and safety legislation and teenage depression.

Teaching and learning

The University aims to provide an intellectually challenging learning experience within a supportive educational environment that is responsive to the needs of students. It also aims to provide a rich extra-curricular experience that attracts engaged students from a variety of backgrounds and cultures. As an established and highly successful research-intensive university with a global reach, the University aims to produce graduates with sound academic knowledge and essential skills so that they can achieve their maximum potential and future ambitions.

The University aims to recruit and develop well qualified professional academic staff. Innovative approaches to teaching and learning are encouraged that capitalise on employing methods of learning that are effective and make use of technological developments in learning methods.

Reading performed strongly once again in the annual National Student Survey, which asks final year students to rate their experiences of university life across a range of measures. Overall levels of student satisfaction of 89% put the University in the top quarter nationally.

The University of Reading is one of a number of universities which together provide free online courses, commonly known as MOOCs (Massive Open Online Courses), as part of *FutureLearn*, an education initiative designed to ensure the UK plays a leading role in meeting the expanding global demand for higher education. Since the initiative was launched, the University has provided MOOCs on subjects entitled *Begin*

programming, A beginners' guide to writing in English, Managing people and Obesity: causes and consequences.

The University has worked in partnership with the Students' Union to open *The Study*, a 24 hour study centre with individual and group study areas, wi-fi internet access and kitchen facilities. The University has also introduced 24 hour opening of its main Library during term time.

Research

The University is highly regarded, nationally and internationally, for the quality of its research and is committed to enhancing its position as a leading research university. Reading's particular research priorities and internationally acknowledged expertise extend across a broad range of disciplines in the environmental, physical and life sciences, arts and humanities, business and social sciences. The University aims to attract high quality postgraduate research students and provide them with a stimulating and supportive research environment and training.

Overall, research grant income was some £34.0m from around 650 grants during the year.

The University completed its Academic Investment Project during the year, a multi-million pound project designed to strengthen key areas of research. A total of 54 new posts were filled, the benefits of which are now being realised through additional research grant income, new centres, high quality outputs, increased staff morale and clear evidence of leadership and vision.

During the year a new hub was launched for research into linguistic, psychological, clinical and educational aspects of multilingualism and literacy. The Centre for Literacy and Multilingualism (CeLM) will help to spearhead research into multilingualism. CeLM has already secured funding of around €5m for a five-year project into advancing European multilingualism.

In November, £4.9m of funding over 5 years was secured to create the Post-graduate Centre in the Science of the Environment. The Centre will be led by the University and will be a collaboration between universities, research centres and business. The funding will pay for 60 PhD studentships and will boost research and technological development into environmental science.

A new £16m research training centre, the Mathematics of Planet Earth Centre for Doctoral Training, is being created in partnership with Imperial College London, with investment from external partners, and will provide mathematical training to 76 highly skilled mathematical scientists for them to become future leaders in innovative research, developing prediction technologies, interpreting colossal data sets relating to the Earth system, and modelling risk associated with extreme weather and climate change.

Enterprise

The University has taken advantage of its established reputation as a research intensive institution to build good relationships with business and to provide and develop commercial services. Its Enterprise Strategy aims to enhance its reputation for excellence and innovation and enable it to contribute fully to the economic and cultural prosperity of the Thames Valley region and of the United Kingdom and beyond.

The University aims to support and strengthen its research by promoting durable relationships with industry, government and the voluntary sector, in order to foster the exchange of knowledge and to promote innovation. The activities upon which these relationships are based are varied and include collaborative research, consultancy, Knowledge Transfer Partnerships, the exploitation of intellectual property,

sponsorship of posts within the University, the formation of spin-out companies, Continuing Professional Development, support for spin-in businesses, and museums and special collections.

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

The University is drawing up plans to develop a new Science and Innovation Park to the south of Reading which will play a key role in allowing the region's knowledge economy to thrive. The park will provide technology-led companies with dedicated facilities and services in a strategic location along with access to the high-quality research and graduate support available from the University. Work has started on developing the park with the first occupiers scheduled to arise in late 2017.

Environmental policy

The University of Reading takes its environmental responsibilities seriously and aims to manage its operations in ways that are environmentally sustainable, economically feasible and socially responsible. The University is committed to achieving the highest standards of environmental performance, preventing pollution and minimising the impact of its operations. The University sets challenging environmental targets to continually improve its environmental performance. These objectives and targets are reviewed and updated annually.

The University is establishing an Environmental Management System (EMS) through EcoCampus and ISO 14001 accreditation in order to ensure that the environmental impact of the University including associated risks is monitored, controlled and minimised, and that it continues to make improvements.

The University is making good progress under its Carbon Management Plan which commits it to reducing its carbon footprint by 35% over a five year period to 2016 and 40% by 2020.

Human resources

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

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

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

A comprehensive range of training programmes for staff are available, designed to develop management and leadership capability, as well as a wide range of practical skills that staff need for their day to day work. Arrangements in this area have been strengthened by the establishment of a dedicated People Development function with effect from 1 August 2014. Further practical support for staff is available 24/7 via the Employee Assistance Programme.

The work associated with the HR Strategy, *Working Together: A Strategy for Success*, in tandem with the *Promoting Excellence Project*, has been completed with all major objectives met. The Staffing Committee will consider a new HR Strategy during the 2014–15 session.

In addition the University has published its Equality Policy and Objectives, runs a very successful Springboard programme aimed at developing female staff and continues to widen its work under the Athena SWAN banner.

Equality and diversity

The University of Reading is proud to have a diverse community of staff and students and strives to ensure that everyone, regardless of their background, is able to reach their full potential whilst studying or working at the University. The University is committed to providing an inclusive environment, which promotes equality and diversity and respects the rights and dignity of all its staff, students and visitors. The University takes action to ensure that no individual, applicant, student, employee, provider, contractor or user of facilities is discriminated against on the grounds of his or her sex, sexual orientation, gender identification, marital or civil partnership status, race (including colour), nationality or ethnic origins, religion or belief, disability, age or socio-economic background.

Details of the University's Equality and Diversity Policy are available on the University's website.

Health and safety

The University is committed to providing a healthy and safe environment for its students and staff. It is committed to complying with health and safety legislation and codes of practice and aims to continually improve health and safety management and performance.

The Health and Safety Committee meets regularly and reports annually to the University Executive Board and to Council. Regular health and safety audits are carried out each year. The Faculty Management Boards and Central Services are required to report on health and safety matters to the Health and Safety Committee on a regular basis.

The University has in place an online incident reporting system for reporting all health and safety related accidents and incidents on campus or in connection with the University's activities anywhere in the UK or world-wide. Since the system's introduction, there has been an increase in the effective and timely reporting of incidents.

Communication

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

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

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

Fundraising activities

The University received £2.8m in philanthropic income in 2013/14 and raised a total of £6.2m in new gifts and pledges to be realised over time. These gifts come from a variety of sources – including companies, charitable trusts, individuals and alumni – for a variety of projects, such as professorships, research, bursaries and prizes.

Summary of the Group financial performance in the year

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

	2014 £'000	2013 £'000
Income	239,829	223,850
Expenditure	252,246	236,526
Deficit before tax	(12,417)	(12,676)
Net share of operating deficit in associates	(879)	(645)
Tax	4	(82)
Deficit after tax	(13,292)	(13,403)
Exceptional items	34,177	17,665
Surplus after exceptional items	20,885	4,262
Deficit transferred from accumulated income in endowment funds	56	363
Surplus for year	20,941	4,625

The consolidated results for the year show a surplus of £20,941,000. This result was largely due to gains of £34,177,000 arising from the disposals of the Bulmershe campus and the former residential halls of Sibly and Wells.

The University generated a deficit before tax and net share of operating deficit in associates of £12,417,000 which had been anticipated. Of this deficit, £7.1m related to expenditure on a range of projects designed to improve the University's ability to attract and enrol excellent students and to respond to the increasingly competitive market with more agility. The University's new strategic initiatives and measures around efficiency and effectiveness will drive the University's future income and reduce its cost base so as to achieve sustainable operating surpluses in the future.

Group income

The Group's income can be analysed as follows:

	2014 £'000	2013 £'000	Increase / (decrease) £'000	Increase / (decrease) %
Funding body grants	37,099	44,197	(7,098)	-16.1%
Tuition fees and education contracts	114,729	95,187	19,542	20.5%
Research grants and contracts	34,063	33,207	856	2.6%
Other income	48,928	46,575	2,353	5.1%
Endowment and investment income	5,010	4,684	326	7.0%
Total income	239,829	223,850	15,979	7.1%

The split of income for the year reflected the changes in funding within the sector. Recurrent grants received from HEFCE and the National College for Teaching and Leadership fell by £7.1m. Tuition fee income increased by £19.5m, arising from the second year since the introduction of £9,000 fees for undergraduates and an increase in fees received from international students.

Research income rose by £0.9m to £34.1m.

Other income increased by £2.4m. Endowment and investment income rose by £0.3m to £5.0m.

Group expenditure

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

	2014	2013	Increase / (decrease)	Increase / (decrease)
	£'000	£'000	£'000	%
Staff costs	137,841	127,891	9,950	7.8%
Other operating expenses – regular	82,686	83,996	(1,310)	–1.6%
Other operating expenses – exceptional	7,114	0	7,114	N/A
Depreciation	19,698	18,573	1,125	6.1%
Interest payable	4,907	6,066	(1,159)	–19.1%
Total expenditure	252,246	236,526	15,720	6.6%

Staff costs rose by £10m in the year. This increase was mainly attributable to the posts created through the Academic Investment Project along with the annual cost of living award.

Exceptional other operating expenses related to professional fees of £7.1m incurred in the aforementioned current review of efficiency and effectiveness.

Depreciation rose by £1.1m as a result of the extensive capital programme undertaken in recent years. Interest payable fell by £1.2m mainly as a result of the net interest charge associated with the UREPF pension scheme.

Net assets

Overall the University has a solid balance sheet with consolidated net assets of £368m at 31 July 2014 (2013: £349m). Net assets increased during the year as a result of cash generated from land and property disposals less an increase in short-term creditors. The Group has net current assets of £17m at 31 July 2014 (2013: £nil).

Fixed assets and capital investment programme

The University aims to provide a high quality environment that facilitates student recruitment and the retention of staff, providing the conditions in which teaching and research, students and staff, can thrive. Infrastructure developments are designed to enhance the University's academic activity and ensure that it continues to be regarded as one of the leading universities in the UK and internationally.

Developments associated with the University's significant landholdings which are not part of its operational estate have been ongoing during the year. The Bulmershe campus and the sites of Sibly Hall and Wells Hall have all been sold. The University currently has a number of planning permissions for the development of land in and around Shinfield.

The funds which are being generated from the development of these sites will allow the University to carry out further capital investment in its academic facilities on its campuses as well as to develop a Science and Innovation Park.

During the year, work commenced on a £13m project for the installation of a new heating and combined heat and power (CHP) system on the Whiteknights campus. The system will contribute substantially to the University's carbon reduction target, reducing total carbon emissions by an estimated 1,200 tonnes of CO₂ and introducing significant savings on utilities costs.

Investments

The investments held by the University and its trusts within current asset investments and endowment assets fell in value by £0.9m over the year to 31 July 2014. The University and its trusts hold some properties for their investment potential. Their combined market value at 31 July 2014 was £49.2m (2013: £53.2m).

Pensions

The primary pension schemes available to staff working for the University are the Universities Superannuation Scheme (USS) and the University's own pension schemes. USS is the national universities pension scheme. Most academic staff are members of USS but a significant number of staff are members of the University's own schemes.

The University's own schemes are the University of Reading Employees' Pension Fund (UREPF) and the University of Reading Pension Scheme (URPS). UREPF is a defined benefit scheme which closed to new members on 31 July 2011. URPS is a defined contribution scheme which was established on 1 August 2011.

The financial statements report the overall deficit of the UREPF scheme on the balance sheet, in line with the requirements of FRS 17. Pension fund deficits represent an issue across a wide range of sectors in the economy. As well as making regular employer contributions, the University has committed to paying £600,000 per annum towards the scheme's administration costs and to continuing to make additional cash payments until 2021.

There is a range of investment funds into which members of the URPS scheme can choose to invest contributions.

Cash flow and borrowings

The Group generated a net cash inflow from operating activities of £14.1m (2013: outflow of £0.04m). The Bulmershe, Sibly and Wells disposals generated cash proceeds of £49.3m. Payments for the acquisition of fixed assets totalled £35.8m (2013: £15.8m). The Group's net cash inflow for the year was £2.2m (2013: outflow of £1.9m).

The University made no significant changes to its borrowings in the year which include a £70m bond and a £60m sterling long-term loan facility. However, it reduced its net debt to £69.1m (2013: £95.3m) by increasing its short-term deposits from the cash generated from disposals in the year.

Professional indemnity

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

Statement of disclosure of information to auditor

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

make themselves aware of any relevant audit information and to establish that the University's auditor is aware of that information.

The future

The world of higher education is changing. Increasingly, the University will no longer be able to rely on public funding, protected markets and predictable demand for its teaching and research. It will become more reliant on the willingness of organisations and individuals to pay for work and services that they value. The University's strategy must enable it to understand and address the changing conditions for success and sustainability, to capitalise on opportunities for growth, innovation and influence, and to be resilient in a volatile world.

There is a wealth of new opportunities for enterprising and innovative universities including:

- The demand for education that meets the needs of professional working lives
- Global demand for greater understanding of the past, present and future of the physical, political, economic, cultural and scientific worlds
- The possibilities of technology for enhancing and extending learning experiences

The University's vision for 2026 is that it will be a vibrant, thriving, sustainable, global and broad-based institution, responsive to, stimulated by and informing changes in the world around it. As a result, it will also be significantly larger in terms of students, global reach and presence, and revenue.

The financial strength of the University will be assured by securing growing revenue streams from a robust and balanced portfolio of academic and related enterprises and by managing operating costs to generate strong surpluses for renewal and investment.

Sir David Bell KCB
Vice-Chancellor

David Savage
Chief Operating Officer

21 November 2014

GOVERNANCE STATEMENT

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

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

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

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

- The Council has 30 members. The Council requires that the senior academic officers of the University be included in membership for purposes of accountability and values the presence of various categories of staff and students as a means of ensuring University-wide involvement in its work. Beyond this, lay members, whose contribution is an integral part of arrangements, form a clear majority. The Council believes that its overall size is not an impediment to effective strategic oversight of the University and that any reduction might lead to reduced effectiveness.
- The Code recommends that the Council should monitor its own effectiveness, and that of its committees, through reviews at least every five years. It also recommends that parallel reviews be undertaken of the Senate and its committees. The latest review of Council and its committees was concluded in 2012–13. A review of Senate and its committees was not undertaken at that time but will be carried out in due course.
- The University has developed a comprehensive set of performance measures which are evaluated at least annually and information is made available to the Council and its main committees. The University has decided that for reasons of commercial confidentiality it will not make these measures, and its performance against them, available in the public domain.

The structure of governance in the current year is outlined below.

Overview

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

The Council

The Council is the University's executive governing body, meeting at least four times during the academic year. It sets the University's strategic direction, ensures compliance with statutory requirements and approves constitutional changes. The Council is ultimately responsible for managing the University's estate, finance

and staff, with much of the detailed work falling to sub-committees. Here broad majority representation by lay members, drawn from commercial, community and professional organisations, provides a valuable perspective. The primary responsibilities of the Council are set out in Statute XV, Powers of the Council, which can be viewed on the University website at www.reading.ac.uk/web/FILES/Calendar/statutes.pdf.

Lay members of the Council receive no remuneration for their role in these bodies although they are reimbursed for expenses incurred in attending meetings.

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

The Senate

The Senate is the University's main academic administrative body. Reporting to the Council and meeting at least four times a year, the Senate advises on areas such as student entry, assessment and awards. With around 90 members, the Senate includes Deans, Heads and elected representatives of Schools, as well as professional staff and students. University Boards responsible for developments in enterprise, research and teaching and learning report to the Senate.

Committees of Council

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

- the Strategy and Finance Committee which meets at least four times a year and, inter alia, advises the Council on key strategic, policy and operational issues including the financial management of the University. This Committee considers financial plans, monitoring reports and proposals with financial implications recommended by the University Executive Board.
- the Audit Committee, which is independent and advisory, reports directly to the Council. This Committee is responsible for considering the findings of internal and external audit, the management responses and progress against implementation plans and has an overview of the internal and external audit functions. It also has oversight of the internal control system, risk management arrangements and the framework for ensuring economy, efficiency and effectiveness including governance arrangements. The Audit Committee monitors compliance with regulatory requirements. It meets three times a year and has the right of access to information it considers necessary. While senior executives have the right to attend meetings of the Committee, they are not members of the Committee. The Committee meets with both the internal and external auditors for independent discussions.
- the Remuneration Committee which determines the pay and conditions for the University's senior executive management, including the Vice-Chancellor, the Professoriate and equivalent non-academic staff. It has the power to make recommendations to the Council on remuneration and contractual arrangements. A report from the Remuneration Committee is included within the financial statements.

- the Appointments Committee which meets termly and discharges the Council's responsibilities in respect of non-financial aspects of staffing matters. It also operates as the Nominations Committee in seeking and recommending persons to serve on the Council and other committees.
- the Student Experience Committee which has oversight of non-academic services policy and advisory oversight of student services in general. It also discharges the Council's responsibility in respect of formal student complaints and disciplinary matters.

Management and strategic direction of the University is undertaken by the University Executive Board comprising the Vice-Chancellor, the Deputy Vice-Chancellor, the Pro-Vice-Chancellors and the Heads of Service. The Board meets weekly throughout most of the year and reports routinely to the Senate and Strategy and Finance Committee.

Supply of information

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

Risk management and internal controls

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

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

A key responsibility of the Council is to ensure an effective system of internal and financial controls to support the achievement of the University's objectives while safeguarding the public and other funds.

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

The Council, through the Strategy and Finance Committee, has overall responsibility for reviewing the effectiveness of the systems of internal control and risk management. The University has developed and adopted a formal and structured risk management policy and system to ensure that key risks are identified, prioritised and managed consistently across the University. The policy and system are

reviewed and updated on a regular basis. Reports documenting the policy, system, procedures and issues arising are reported to the Strategy and Finance Committee on a regular basis. A comprehensive set of policies and procedures designed to manage and monitor risks is in place. The key elements of these systems are explained below:

- the Council meets four times a year to consider the University's strategic direction, decisions and progress against the Corporate Plan and is advised by various Committees. The Council, through the Strategy and Finance Committee, is responsible for reviewing the effectiveness of the internal controls of the University.
- the University has developed a system of internal control in line with best practice. This system is designed to identify the principal risks which may prevent or inhibit the achievement of the University's aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- the Audit Committee receives regular reports from the Head of Internal Audit Services, together with recommendations for improvement. These reports comment on the arrangements for internal control, risk management and governance.
- a Risk Management Group reporting to the University Executive Board and led by the Deputy Vice-Chancellor oversees risk management at the University. The University has developed its Corporate Plan with specific reference to the key risks identified for the University. The Risk Management Group also oversees work on major incident and business continuity planning.
- a framework for managing risk is in place and includes a risk register. Each key risk is assigned to named members of the University Executive Board. Each risk has also been assigned to the appropriate committee to monitor the operation of the associated controls within their broader remit. The risks are prioritised based on the likelihood of an event arising from a particular risk and an assessment of the anticipated impact. The assigned priority helps focus resources on critical areas.
- corporate and subsidiary risk registers held at school and central services level which document controls, mitigating actions and early warning mechanisms in place to manage each risk. These registers are assessed by the Risk Management Group who consider the risks identified, their interactions and interdependencies, the exposure and the proposed processes for managing these risks. Schools and central services also report on their risk management arrangements to the Risk Management Group. The registers are directly linked to and inform the Corporate and Operational Plans.
- internal and external audit review the system of risk management and internal controls on an ongoing basis. The internal audit programme is driven by the strategic, operational and financial risks potentially affecting the University with each risk being reviewed by internal audit on a three year rolling programme. In discharging its plan, internal audit gives assurance on the quality and reliability of the risk management framework and the controls which protect the University against exposure to risk and reviews compliance with policies and procedures.

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

Register of interests

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

Preparation of the financial statements

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

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

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

The Council has taken reasonable steps to:

- ensure that the University's funds have been applied in accordance with the University's Statutes, the Memorandum of Assurance and Accountability agreed with HEFCE and the funding agreement with the National College for Teaching and Leadership as appropriate
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the University and prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the University's resources and expenditure, and
- ensure that material risks are identified, carefully considered and properly managed and that appropriate risk management procedures and processes are in place across the University.

Internal financial controls

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and central services and such other staff to whom such authority and responsibility is from time to time delegated
- a comprehensive corporate planning process supported by key strategic and financial resource plans and a robust investment appraisal process

- regular reviews of academic, operational and financial performance undertaken on an ongoing basis using operational performance information and financial monitoring reports
- clearly defined and formalised requirements for approval and control of expenditure, with capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council
- comprehensive financial regulations reviewed and developed by the Strategy and Finance Committee with amendments subject to approval by the Council
- an annual programme of work undertaken by the internal audit team which is reviewed and approved by the Audit Committee
- reviews by the Audit Committee of the effectiveness of risk management, control and governance arrangements

The Head of Internal Audit Services is responsible for providing reasonable assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

Information held on the University's website

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

REPORT OF THE REMUNERATION COMMITTEE

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

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

The Committee has met three times in the year ending 31 July 2014 and, in the course of those meetings, has:

- (i) reviewed its own terms of reference and confirmed that these remain appropriate;
- (ii) conformed with the Statement of the University's Remuneration Policy as approved by the Council;
- (iii) monitored the approval processes that apply in respect of severance and early retirement arrangements and pronounced itself content;
- (iv) had regard to the national and local context as it affects the remuneration of senior staff in the higher education sector;
- (v) agreed, on the basis of a report from its Professorial Salaries Advisory Group, adjustments to salary for certain Professorial staff with effect from 1 August 2014;
- (vi) deferred consideration of adjustments to salary for Grade 9 staff with effect from 1 August 2014;
- (vii) agreed adjustments to salary for the incumbent Pro-Vice-Chancellors with effect from 1 August 2013.
- (viii) agreed adjustments to salary for the Deputy Vice-Chancellor and the Heads of Service with effect from 1 August 2014; and
- (ix) agreed that there be no adjustment to the emoluments of the Vice-Chancellor with effect from 1 August 2014 save for the application of the nationally-agreed salary settlement.

Susan M. Woodman
Chair

21 November 2014

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL OF THE UNIVERSITY OF READING

We have audited the Group and University financial statements (the 'financial statements') of the University of Reading for the year ended 31 July 2014 which comprise the Group income and expenditure account, the Group and University balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the University Council and auditor

As explained more fully in the governance statement set out on pages 22 to 27 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

Chris Wilson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale RG7 4SD

28 November 2014

Income and expenditure account for the year ended 31 July 2014

		Consolidated	
		2014	2013
		£'000	£'000
Income			
Note 1	Funding body grants	37,099	44,197
2	Tuition fees and education contracts	114,729	95,187
3	Research grants and contracts	34,063	33,207
4	Other income	48,928	46,575
5	Endowment and investment income	5,010	4,684
	Total income	239,829	223,850
Expenditure			
6	Staff costs	137,841	127,891
8	Other operating expenses – regular	82,686	83,996
8	Other operating expenses – exceptional	7,114	0
10	Depreciation	19,698	18,573
7	Interest and other finance costs	4,907	6,066
	Total expenditure	252,246	236,526
	Deficit on continuing operations	(12,417)	(12,676)
13	Net share of operating deficit in associates	(879)	(645)
9	Taxation credit / (charge)	4	(82)
	Deficit after depreciation and tax	(13,292)	(13,403)
Exceptional items			
10	Profit on disposal of fixed assets	34,177	0
13	Surplus on accommodation transfer	0	17,665
	Surplus after exceptional items	20,885	4,262
21	Deficit for the year transferred from accumulated income in endowment funds	56	363
	Surplus for the year retained within general reserves	20,941	4,625

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

Statement of total recognised gains and losses

Consolidated

	2014	2013
	£'000	£'000
Surplus after exceptional items	20,885	4,262
Note 10 Unrealised surplus on revaluation of heritage assets	0	15,233
13 Unrealised (deficit) / surplus on revaluation of fixed assets held by associate	(1)	2,990
11 Transfer out of investment properties	0	(393)
11 Unrealised gain on revaluation of investment property	2,692	3,955
12 Unrealised (loss) / gain on fixed asset investments	(14)	4
Transfer out of endowment investment properties	0	(2,022)
21 Unrealised (loss) / gain on revaluation of endowment investment property	(85)	4,822
21 Unrealised (loss) / gain on the value of endowment investments	(1,051)	4,755
21 Gain on disposal of endowment assets	1,793	5,063
21 New endowments	165	0
16 Unrealised gain on current asset investments	135	485
33 Actuarial (loss) / gain in respect of the pension scheme	(2,582)	158
Exchange differences	59	147
Total recognised gains in the year	21,996	39,459
Reconciliation		
Opening reserves and endowments	249,891	210,432
Total recognised gains in the year	21,996	39,459
Closing reserves and endowments	271,887	249,891

Balance sheet as at 31 July 2014

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Fixed assets				
Note 10 Tangible assets	357,087	354,664	339,512	334,593
11 Investment properties	26,525	26,174	26,525	26,174
12 Investments	44	58	4,105	4,119
13 Investments in associates	9,316	10,053	10,554	10,411
	392,972	390,949	380,696	375,297
14 Endowment assets	90,445	90,835	12,559	11,594
Current assets				
Stocks	1,723	1,687	1,701	1,676
15 Debtors	32,594	28,842	44,291	39,093
16 Investments	58,032	33,630	39,373	19,821
Cash at bank and in hand	3,780	1,537	1,882	0
	96,129	65,696	87,247	60,590
17 Creditors: Amounts falling due within one year	(78,896)	(65,674)	(91,097)	(67,106)
Net current assets / (liabilities)	17,233	22	(3,850)	(6,516)
Total assets less current liabilities	500,650	481,806	389,405	380,375
18 Creditors: Amounts falling due after more than one year	(131,113)	(130,838)	(131,113)	(130,838)
19 Provisions for liabilities	(13)	(39)	0	(20)
Net assets excluding pension liability	369,524	350,929	258,292	249,517
33 Net pension liability	(1,604)	(1,627)	(1,604)	(1,627)
Total net assets including pension liability	367,920	349,302	256,688	247,890
20 Deferred capital grants	96,033	99,411	115,323	118,159
21 Endowments				
Expendable	79,391	80,500	1,505	1,259
Permanent	11,054	10,335	11,054	10,335
	90,445	90,835	12,559	11,594
Reserves				
22 General reserves	123,982	104,212	74,365	66,312
22, 33 Pension reserve	(1,604)	(1,627)	(1,604)	(1,627)
22 Revaluation reserve	59,064	56,471	56,045	53,452
	181,442	159,056	128,806	118,137
Total funds	367,920	349,302	256,688	247,890

The financial statements on pages 31 to 61 were approved by Council on 21 November 2014, and signed on its behalf by:

C C Fisher
President of the Council

Sir David Bell KCB
Vice-Chancellor

C A B Wright
Director of Finance

Cash flow statement for the year ended 31 July 2014

Consolidated

	2014	2013
	£'000	£'000
Note 23 Net cash inflow / (outflow) from operating activities	14,140	(35)
24 Returns on investments and servicing of finance	(49)	(575)
Taxation	4	(82)
25 Capital expenditure and financial investment	12,240	41,238
26 Acquisitions and disposals	(143)	(3,719)
27 Management of liquid resources	(24,402)	(18,843)
28 Financing	453	(19,860)
29 Increase / (decrease) in cash in the year	2,243	(1,876)
Reconciliation of net cash flow to movement in net debt		
29 Increase / (decrease) in cash in the year	2,243	(1,876)
Increase in current asset investments	24,402	18,843
28 Cash (inflow) / outflow from financing	(453)	19,860
Change in net debt	26,192	36,827
Net debt at 1 August	(95,298)	(132,125)
29 Net debt at 31 July	(69,106)	(95,298)

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The financial statements are prepared on a going concern basis and under the historical cost convention modified by the revaluation of certain fixed assets. The Council believe that the going concern basis is appropriate. The University has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The development of the University's long-term strategy and the identification of significant cost savings through the efficiency and effectiveness review put the University on a sound footing for the future. The Council is therefore satisfied that the University and its subsidiaries and trusts have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

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

The consolidated financial statements also include the Group's share of the total recognised gains and losses of associated undertakings on an equity accounted basis.

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

Recognition of income

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

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

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

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

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

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

related assets is retained within restricted endowments recorded in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit to the extent that it is not covered by a previous revaluation surplus.

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

Foreign currency translation

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

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

Agency arrangements

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

Accounting for retirement benefits

The principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the University of Reading Employees' Pension Fund (UREPF) and the University of Reading Pension Scheme (URPS).

USS is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

UREPF is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The scheme closed to new members on 31 July 2011. The scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuary reviews the progress of the scheme. The income and expenditure account is charged under FRS 17 with the current service cost and any past service costs as

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

URPS is a defined contribution scheme which was established on 1 August 2011 and is available to staff not eligible to join the USS scheme. The amounts charged as expenditure represent the contributions payable for the accounting period in respect of this scheme.

A small number of staff remain in other pension schemes.

Leases

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

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

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

Initial direct costs incurred in arranging a lease are apportioned over the period of the lease on a straight-line basis.

Financial instruments

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

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

Tangible fixed assets

a) Land and buildings

Land and buildings are stated at cost. Costs incurred in relation to a tangible fixed asset after its initial purchase or production are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements being added to the gross carrying amount of the tangible fixed asset concerned.

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

Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated over their expected useful lives of 50 years and building improvements and extensions over a maximum of 30 years.

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

b) Equipment

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

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

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

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

c) Heritage assets

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

Heritage assets are capitalised and recognised at their cost or value where reasonably obtainable. Revaluations are carried out periodically by an external valuer. Heritage assets are not depreciated due to their long economic life and high residual value.

d) Investment properties

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

investment purposes; such properties are not held for consumption but for investment and the Council considers that systematic annual depreciation would be inappropriate.

Borrowing costs

Borrowing costs directly relating to expenditure on the construction, development or major refurbishment of fixed assets are capitalised. The amount capitalised is calculated using the University's weighted average cost of borrowings over the period from the commencement of the work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. All other borrowing costs are recognised in the income and expenditure account in the period in which they are incurred.

Donations for fixed assets

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

Repairs and maintenance

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

Cash flows and liquid resources

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

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

Accounting for donations and endowments

a) Unrestricted donations

Donations given to the University which are not subject to any restrictions set by the donor on how the monies may be used are recognised in the income and expenditure account. These donations are recognised on receipt or before receipt where there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

b) Endowment funds

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

- i) Restricted permanent endowments – the income derived from a donation given to the University may be applied for a purpose specified by the donor

where the donor has specified that the capital funds are to be held by the University in perpetuity.

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

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

Investments

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

Associated undertakings are those entities in which the University has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Stock

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

Taxation

The University is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 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. Non-charitable subsidiary companies are liable to corporation tax.

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

Deferred taxation

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates

and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Intra-Group transactions

Gains or losses on any intra-Group transactions are eliminated in full on consolidation. Amounts in relation to debts and claims between the subsidiaries and trusts included in the consolidation are also eliminated on consolidation.

Provisions

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

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

Goodwill

Goodwill arising on a business combination represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of an acquired business at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Negative goodwill, which arises when the fair value of the identifiable assets and liabilities exceeds the cost of acquisition, is accounted for in accordance with FRS 10. Where the underlying substance of a business combination is that of a gift of the fair value of the assets and liabilities for nil consideration, the negative goodwill is taken to the income and expenditure account immediately. Where negative goodwill is attributable to future costs that do not represent identifiable liabilities at the acquisition date, the negative goodwill is taken to the income and expenditure account to match those costs.

Notes to the accounts

1	Funding body grants	Consolidated	
		2014 £'000	2013 £'000
	Recurrent grants		
	Higher Education Funding Council (HEFCE)	30,164	37,019
	National College for Teaching and Leadership (NCTL)	414	784
	Specific grants		
	Higher Education Academic Subject Centres	418	333
	Higher Education Innovation Fund	2,171	2,171
	Other	29	37
	Deferred capital grants released in year:		
	Buildings	2,976	3,011
	Equipment	927	842
		37,099	44,197
2	Tuition fees and education contracts	Consolidated	
		2014 £'000	2013 £'000
	Full-time home and EU students	59,771	46,035
	Full-time international students	35,597	31,159
	Part-time students	13,031	11,618
	Research training support grants	4,190	4,089
	Short course fees	1,148	941
	Total fees paid by or on behalf of individual students	113,737	93,842
	Education contracts	992	1,345
		114,729	95,187
3	Research grants and contracts	Consolidated	
		2014 £'000	2013 £'000
	Research Councils and charities	19,006	19,049
	Industry and commerce	4,006	3,822
	Governmental	10,585	10,068
	Releases from deferred capital grants	466	268
		34,063	33,207
4	Other income	Consolidated	
		2014 £'000	2013 £'000
	Residences, catering and conferences	8,767	8,604
	Other income	39,646	37,295
	Releases from deferred capital grants	515	676
		48,928	46,575
5	Endowment and investment income	Consolidated	
		2014 £'000	2013 £'000
	Income from expendable endowments	3,250	3,145
	Income from permanent endowments	349	328
	Income from short-term investments	1,259	1,211
	Net interest credit on pension scheme	152	0
		5,010	4,684

6 Staff costs

	Consolidated	
	2014	2013
	£'000	£'000
Analysis of staff costs		
Salaries	104,875	98,045
Social security costs	8,729	8,264
Occupational pension scheme costs		
Employer contributions	22,147	20,561
FRS 17 adjustments	470	(210)
Other staff and pension costs	1,620	1,231
	137,841	127,891

	2014		2013	
	£		£	
Emoluments of the Vice-Chancellor				
Sir David Bell:				
Salary	250,000		232,452	
Pension contributions	40,000		37,192	

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

	2014		2013	
	Number		Number	
£100,000 to £109,999	14		10	
£110,000 to £119,999	8		11	
£120,000 to £129,999	10		3	
£130,000 to £139,999	3		2	
£140,000 to £149,999	3		2	
£150,000 to £159,999	0		1	
£160,000 to £169,999	1		1	
£170,000 to £179,999	0		1	
£180,000 to £189,999	1		0	
£190,000 to £199,999	0		0	
£200,000 to £209,999	0		0	
£210,000 to £219,999	0		0	
£220,000 to £229,999	0		1	
£230,000 to £239,999	1		0	
	41		32	

	2014		2013	
	£		£	
Compensation for loss of office paid to a senior post holder	88,678		110,000	

	Consolidated	
	2014	2013
	Number	Number
Average staff numbers by major category:		
Academic	814	760
Research	333	318
Management and specialist	710	683
Technical	173	163
Other	900	874
	2,930	2,798

7 Interest and other finance costs

	Consolidated	
	2014	2013
	£'000	£'000
Loans and overdrafts wholly repayable within five years	198	190
Loans wholly or partly repayable in more than five years	4,709	5,069
Net charge on pension scheme	0	807
	4,907	6,066

The net interest on the pension scheme gave rise to a credit of £152,000 in the current year which has been included in endowment and investment income (note 5).

Interest of £229,000 has been capitalised in the year to 31 July 2014 (2013: £92,000) and is included within tangible fixed assets.

Total aggregate capitalised finance costs to date within the cost of tangible fixed assets at 31 July 2014 were £3,379,000 (2013: £3,234,000).

8 Analysis of total expenditure by activity

	Staff costs	Other operating expenses	Depreciation	Interest payable	2014	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated						
Academic schools	84,737	30,915	1,372	0	117,024	110,747
Academic services	8,950	5,549	1,645	0	16,144	15,608
Administration and central services	14,891	13,632	66	0	28,589	29,854
Premises (excl. residential and catering)	7,600	11,801	16,096	4,922	40,419	39,874
Residences, catering and conferences	4,078	3,900	25	0	8,003	8,558
Research grants and contracts	15,313	8,030	494	0	23,837	23,324
Other expenses	2,272	15,973	0	(15)	18,230	8,561
	137,841	89,800	19,698	4,907	252,246	236,526

	Consolidated	
	2014	2013
	£'000	£'000
Other operating expenses include:		
Operating lease rentals		
– land and buildings	248	218
– other	804	717
External auditor's remuneration		
– audit of these financial statements	144	146
– tax advisory services	259	263
– other non-audit services	16	27

Included in other operating expenses is an amount of £7,114,000 in respect of the ongoing review of efficiency and effectiveness. In addition to this amount, expenditure of £5,334,000 arising from the review has been treated as capital expenditure and is included in additions to tangible fixed assets.

Council members do not receive remuneration or fees in respect of their services as Council members. The expenses of Council members incurred and claimed in the performance of their duties including attendance at Council meetings are reimbursed by the University. All such reimbursements are subject to approval by the Secretary to the Council. The total expenses paid to or on behalf of 4 members of Council was £1,341 (2013: £1,317 to 3 members of Council) which related to travel and subsistence expenses incurred.

9 Taxation credit / (charge)

	Consolidated	
	2014	2013
	£'000	£'000
UK corporation tax	0	0
Adjustment in respect of previous years	0	4
Overseas tax	4	(86)
	4	(82)

10 Tangible fixed assets

Consolidated	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2013	363,150	7,314	84,628	6,629	38,338	500,059
Additions	7,591	276	15,637	11,305	962	35,771
Transfers between categories	2,715	0	0	(2,715)	0	0
Transfers from investment properties	1,295	0	0	0	0	1,295
Disposals	(20,137)	0	0	0	0	(20,137)
Exchange differences	(52)	0	(54)	0	0	(106)
At 31 July 2014	354,562	7,590	100,211	15,219	39,300	516,882
Depreciation						
At 1 August 2013	98,388	3,080	43,927	0	0	145,395
Charge for the year	11,643	435	7,620	0	0	19,698
Disposals	(5,265)	0	0	0	0	(5,265)
Exchange differences	(14)	0	(19)	0	0	(33)
At 31 July 2014	104,752	3,515	51,528	0	0	159,795
Net book value at 31 July 2014	249,810	4,075	48,683	15,219	39,300	357,087
Net book value at 31 July 2013	264,762	4,234	40,701	6,629	38,338	354,664

University	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 August 2013	340,459	7,302	84,092	6,257	38,159	476,269
Additions	7,263	276	15,556	11,304	962	35,361
Transfers between categories	2,715	0	0	(2,715)	0	0
Transfers to investment properties	1,295	0	0	0	0	1,295
Disposals	(18,252)	0	0	0	0	(18,252)
At 31 July 2014	333,480	7,578	99,648	14,846	39,121	494,673
Depreciation						
At 1 August 2013	94,911	3,068	43,697	0	0	141,676
Charge for the year	10,830	435	7,485	0	0	18,750
Disposals	(5,265)	0	0	0	0	(5,265)
At 31 July 2014	100,476	3,503	51,182	0	0	155,161
Net book value at 31 July 2014	233,004	4,075	48,466	14,846	39,121	339,512
Net book value at 31 July 2013	245,548	4,234	40,395	6,257	38,159	334,593

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

	Consolidated		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Land not depreciated	19,226	15,677	11,226	7,677

During the year the University completed the sale of its Bulmershe campus and sold the sites of two of its former halls of residence, Sibly Hall and Wells Hall. The income generated from these sales gave rise to the following profits on disposal which have been treated as exceptional.

Consolidated	Proceeds	Less: book value	Profit on disposal
	£'000	£'000	£'000
Bulmershe campus	30,300	(11,378)	18,922
Sibly Hall	11,391	(1,885)	9,506
Wells Hall	6,769	(978)	5,791
Other disposals	850	(892)	(42)
	49,310	(15,133)	34,177

10 Tangible fixed assets (continued)

Heritage assets

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

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

The *University Library* holds collections of rare books including early printed books from the handpress era (pre-1851), private press books, modern literary first editions and other printed material. It also contains around 140 collections of historical and literary papers, a small number of historical manuscripts and a large body of University archives and records.

The *Museum of English Rural Life (MERL)* was established in 1951 and is dedicated to the spirit of the English countryside and its people. The museum explores life and work in the countryside over the last two hundred years. It contains more than 22,000 objects together with a vast archive of over a million photographs, films, books and records reflecting on the changing face of farming and rural society.

The *Cole Museum of Zoology* was established in the early 20th century by Francis J. Cole, Professor of Zoology from 1907 to 1939. It contains around 4,000 specimens. The museum illustrates the relationship between form and function in the animal kingdom and houses one of Britain's most important zoological collections. Highlights include complete skeletons of a male Indian elephant, a killer whale, a five metre reticulated python and a pair of giant spider crabs.

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

The *Ure Museum of Greek Archaeology* was formed in the early 1920s and contains the fourth largest collection of ancient Greek ceramics in Britain. The collection primarily consists of material from the Greek and Greco-Roman civilisations of the Mediterranean, most notably Greek and Etruscan ceramics and terracottas. Other artefacts include prehistoric pottery, as well as metal and stone artefacts of Greek and Roman date. There is also an important collection of Egyptian antiquities, ranging from the Pre-dynastic to the Roman period. There are approximately 2,000 objects in the museum.

The University is home to the Beckett International Foundation and the Beckett Collection, the world's largest collection of resources relating to Samuel Beckett, and has many internationally-renowned Beckett scholars. During the year the University acquired the working manuscript of Samuel Beckett's first major work, *Murphy*, for £962,500.

The collections were valued in December 2012 by Adam Schoon, an external antique and fine art dealer and valuer with over 35 years' experience, on a 'walk through' basis for insurance purposes. The movement on heritage assets is:

Consolidated	2014	2013	2012	2011	2010
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 August	38,338	23,097	23,097	23,097	23,097
Additions	962	8	0	0	0
Revaluations	0	15,233	0	0	0
At 31 July	39,300	38,338	23,097	23,097	23,097

University	2014	2013	2012	2011	2010
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 August	38,159	22,947	22,947	22,947	22,947
Additions	962	8	0	0	0
Revaluations	0	15,204	0	0	0
At 31 July	39,121	38,159	22,947	22,947	22,947

The split of heritage assets by type of asset is:

	Consolidated		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Books & manuscripts	25,662	24,700	25,662	24,700
Artworks	3,938	3,938	3,938	3,938
Natural history	2,156	2,156	2,156	2,156
Agricultural	4,176	4,176	4,176	4,176
Other	3,368	3,368	3,189	3,189
	39,300	38,338	39,121	38,159

11 Investment properties

	Consolidated & University	
	2014 £'000	2013 £'000
At 1 August	26,174	22,126
Additions	85	0
Transfers (to) / from tangible fixed assets	(1,295)	505
Transfers to endowment assets	(275)	0
Disposals	(1,010)	0
Reclassification of properties as non-investment properties	0	(393)
Increase in value of properties in year	2,692	3,955
Permanent diminution in value – net credit / (charge) for the year	154	(19)
At 31 July	26,525	26,174

The University holds a number of commercial and residential investment properties. All properties are valued on a cyclical basis with the intention of revaluing all properties at least once every three years. Valuations are carried out by a firm of independent valuers in accordance with the RICS appraisal and valuation manuals. An index is applied in respect of properties which have not been revalued at the end of the current financial year to reflect the movement in the property market during the year.

12 Fixed asset investments**Consolidated**

	Listed investments £'000	Total £'000
At 1 August 2013	58	58
Changes in market value	(14)	(14)
At 31 July 2014	44	44

University

	Subsidiary companies £'000	Listed investments £'000	Total £'000
At 1 August 2013	4,061	58	4,119
Changes in market value	0	(14)	(14)
At 31 July 2014	4,061	44	4,105

Listed investments comprise:

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Genus plc	44	58	44	58

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

13 Investments in associates

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Share of operating deficit in associates	(879)	(860)	0	0
Amortisation of goodwill - credit	0	215	0	0
Net share of operating deficit in associates	(879)	(645)	0	0
(Losses) / gains on revaluations of tangible fixed assets	(1)	2,990	0	0
Total gains and losses in the year in associates	(880)	2,345	0	0
At 1 August	10,053	3,984	10,411	6,687
Acquisitions	143	3,724	143	3,724
At 31 July	9,316	10,053	10,554	10,411

The University is party to an arrangement with UPP in respect of the provision and operation of its student residential accommodation. The accommodation is operated by UPP (Reading I) Limited, a wholly-owned subsidiary of UPP (Reading I) Holdings Limited. The University has granted long leasehold interests to UPP (Reading I) Limited in respect of the accommodation. The University has a 20% holding in both the equity and loan notes of UPP (Reading I) Holdings Limited and has accounted for its interest as an investment in an associated undertaking.

	Shares £'000	Loan notes £'000	Total £'000
At 1 August 2013	441	9,970	10,411
Accrued interest rolled into the loan notes	0	143	143
At 31 July 2014	441	10,113	10,554

The loan notes are interest-bearing, secured and subordinate to the senior lender's security. They are transferrable subject to certain restrictions.

During the previous year the University completed a transaction to transfer Bridges Hall to UPP (Reading I) Limited in order for that company to construct a new hall of residence on the site. Under the terms of the agreement, the University received £12.6m giving rise to a profit of £12.0m. Also during the previous year the University completed the construction of student accommodation at the new Childs Hall and Stenton Townhouses. Under the agreement the University granted leasehold interests to UPP (Reading I) Limited in respect of these properties for which the University received £43.7m giving rise to a profit of £5.7m. The total profit on disposal of these two transactions of £17.7m was treated as exceptional.

	2014 £'000	2013 £'000
Consideration received	0	56,322
Less: Book value transferred	0	(38,657)
Profit on disposal	0	17,665

Under the arrangement with UPP, the associate and its wholly-owned subsidiaries have responsibility for the provision and operation of the accommodation. The University continues to provide certain soft facilities management services in respect of the accommodation such as grounds maintenance, security services, IT services and CCTV maintenance.

Included in the income and expenditure account are amounts receivable from / (payable to) the associate and its subsidiaries in respect of the following services.

13 Investments in associates (continued)

Consolidated	Income	Expenditure	2014	Income	Expenditure	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Facilities management services	1,415	0	1,415	1,361	0	1,361
Utilities	1,256	0	1,256	1,157	0	1,157
Service charge	414	0	414	257	0	257
Interest receivable on loan notes	842	0	842	819	0	819
Other income	59	0	59	97	0	97
Conference accommodation	0	0	0	0	(396)	(396)
Energy metering	0	(76)	(76)	0	(90)	(90)
Other expenditure	0	(2)	(2)	0	(6)	(6)
	3,986	(78)	3,908	3,691	(492)	3,199

The University charges and receives rents from students. Payments are made to UPP (Reading I) Limited with reference to the number of units of student accommodation sold during the year. Payments made to UPP (Reading I) during the year totalled £22,705,000 (2013: £22,112,000) and have been netted with the income received from students in the income and expenditure account.

14 Endowment assets

	Consolidated		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Balance at 1 August	90,835	78,784	11,594	9,493
New endowments invested	5,682	4,950	713	1,135
Transfers from tangible fixed assets	0	70	0	0
Transfers from investment properties	275	0	0	0
(Decrease) / increase on revaluation of investments	(1,051)	4,755	494	1,750
(Decrease) / increase on revaluation of investment properties	(85)	4,822	0	0
(Increase) / decrease in net current liabilities	(120)	102	0	0
Increase in balance held by University	(5,091)	(2,648)	(242)	(784)
Balance at 31 July	90,445	90,835	12,559	11,594
Represented by:				
Tangible assets				
Land and property	18,701	11,657	0	0
Investment properties	22,720	27,054	0	0
Investments	71,758	69,647	16,427	15,220
Other assets				
Other net current liabilities	(208)	(88)	0	0
Funds due to the University	(22,526)	(17,435)	(3,868)	(3,626)
	90,445	90,835	12,559	11,594

15 Debtors

	Consolidated		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Debtors	20,188	16,064	29,375	25,152
Amounts recoverable on research projects	4,327	4,469	4,323	4,469
Prepayments and accrued income	3,981	4,268	3,873	4,182
Amounts due from subsidiary undertakings	0	0	5,250	3,720
Amounts due from associated undertakings – UPP (Reading I) Limited	1,062	1,081	1,062	1,081
	29,558	25,882	43,883	38,604
Amounts falling due after more than one year:				
Debtors – other	3,036	2,960	408	489
	32,594	28,842	44,291	39,093

16	Current asset investments	Consolidated		University	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
	At 1 August	33,630	14,787	19,821	2,842
	Net additions	24,267	18,358	19,417	16,494
	Changes in market value	135	485	135	485
	At 31 July	58,032	33,630	39,373	19,821

17	Creditors: amounts falling due within one year	Consolidated		University	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
	Overdrafts	0	0	0	1,594
	Unsecured loans	307	178	307	178
	Payments received in advance	12,960	12,822	12,580	12,910
	Research grants received on account	17,864	16,936	17,864	16,936
	Trade creditors	8,953	5,521	8,925	5,435
	Social security and other taxation payable	1,840	2,435	2,967	2,754
	Other creditors	14,533	12,675	27,546	12,663
	Accruals and deferred income	16,298	9,407	13,119	6,888
	Amounts due to subsidiary undertakings	0	0	1,648	2,048
	Amounts due to associated undertakings – UPP (Reading I) Limited	6,141	5,700	6,141	5,700
		78,896	65,674	91,097	67,106

18	Creditors: amounts falling due after more than one year	Consolidated & University	
		2014 £'000	2013 £'000
	Unsecured loans	130,611	130,287
	Net finance costs to be amortised over the term of the unsecured loan	502	551
		131,113	130,838
	Analysis of loans and leases:		
	Due within one year	307	178
	Due between one and two years	250	161
	Due between two and five years	361	126
	Due in five years or more	130,000	130,000
		130,918	130,465

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

The University has a £60m sterling loan from Barclays Bank plc with a term of 37 years. It currently has a repayment holiday until July 2019. The interest rate on this loan is at a set margin of 1.4% above LIBOR.

19 Provisions for liabilities

	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 August	39	510	20	471
Utilised in the year	(20)	(491)	(17)	(471)
Transfer from income and expenditure account	(6)	20	(3)	20
At 31 July	13	39	0	20

Represented by:

Insurance claim refund provision	0	20	0	20
Other provisions	13	19	0	0
	13	39	0	20

The insurance claim refund provision in 2013 related to an insurance mutual of which the University was a policyholder. The mutual went into administration and policyholders were advised that they may be liable for a partial refund of historic claims. The final settlement resulted in the University paying an amount of £17,000.

20 Deferred capital grants

	Consolidated			University		
	Funding Council £'000	Other grants £'000	Total £'000	Funding Council £'000	Other grants £'000	Total £'000
At 1 August 2013						
Buildings	67,548	26,543	94,091	67,548	45,269	112,817
Equipment	4,615	705	5,320	4,615	727	5,342
	72,163	27,248	99,411	72,163	45,996	118,159
Cash receivable						
Buildings	729	0	729	729	1,449	2,178
Equipment	0	1,645	1,645	0	1,645	1,645
	729	1,645	2,374	729	3,094	3,823
Disposals						
Buildings	(868)	0	(868)	(868)	0	(868)
Equipment	0	0	0	0	0	0
	(868)	0	(868)	(868)	0	(868)
Released to income and expenditure account						
Buildings	(2,976)	(516)	(3,492)	(2,976)	(1,423)	(4,399)
Equipment	(927)	(465)	(1,392)	(927)	(465)	(1,392)
	(3,903)	(981)	(4,884)	(3,903)	(1,888)	(5,791)
At 31 July 2014						
Buildings	64,433	26,027	90,460	64,433	45,295	109,728
Equipment	3,688	1,885	5,573	3,688	1,907	5,595
	68,121	27,912	96,033	68,121	47,202	115,323

21 Endowment funds**Consolidated**

	Unrestricted permanent	Restricted permanent	Total permanent	Restricted expendable	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital	2,099	5,804	7,903	80,236	88,139
Accumulated income	388	2,044	2,432	264	2,696
At 1 August	2,487	7,848	10,335	80,500	90,835
New endowments	0	0	0	165	165
Gain on disposal of assets	0	0	0	1,793	1,793
Surplus of income over expenditure / (expenditure over income)	89	191	280	(336)	(56)
Contribution to capital works	0	0	0	(8)	(8)
Decrease in market value of investment properties	0	0	0	(85)	(85)
Increase / (decrease) in market value of investments	110	329	439	(1,490)	(1,051)
Transfer to income and expenditure reserve	0	0	0	(1,148)	(1,148)
At 31 July	2,686	8,368	11,054	79,391	90,445
Represented by:					
Capital	2,209	6,134	8,343	79,088	87,431
Accumulated income	477	2,234	2,711	303	3,014
	2,686	8,368	11,054	79,391	90,445

University

	Unrestricted permanent	Restricted permanent	Total permanent	Restricted expendable	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital	2,099	5,804	7,903	977	8,880
Accumulated income	388	2,044	2,432	282	2,714
At 1 August	2,487	7,848	10,335	1,259	11,594
New endowments	0	0	0	165	165
Surplus of income over expenditure	89	191	280	26	306
Increase in market value of investments	110	329	439	55	494
At 31 July	2,686	8,368	11,054	1,505	12,559
Represented by:					
Capital	2,209	6,134	8,343	1,181	9,524
Accumulated income	477	2,234	2,711	324	3,035
	2,686	8,368	11,054	1,505	12,559

22 Reserves

	Consolidated		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Income and expenditure reserve				
At 1 August	104,212	101,398	66,312	60,303
Surplus retained for the year	20,941	4,625	10,439	8,254
Less: pension surplus	(2,605)	(2,182)	(2,605)	(2,182)
Capital grants received from the University's trusts in year	8	0	0	0
Exchange differences on overseas subsidiary undertakings	59	147	0	0
Transfer from revaluation reserve	219	0	219	0
Transfer from / (to) endowment funds	1,148	224	0	(63)
At 31 July	123,982	104,212	74,365	66,312
Pension reserve				
At 1 August	(1,627)	(3,967)	(1,627)	(3,967)
Actuarial (loss) / gain	(2,582)	158	(2,582)	158
Interest credit / (cost)	152	(807)	152	(807)
Difference between FRS 17 pension charge and cash contribution	2,453	2,989	2,453	2,989
At 31 July	(1,604)	(1,627)	(1,604)	(1,627)

22 Reserves (continued)	Consolidated		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Revaluation reserve				
At 1 August	56,471	34,217	53,452	34,217
Increase in value of heritage assets	0	15,233	0	15,204
(Decrease) / increase in value of tangible fixed assets held by associates	(1)	2,990	(1)	0
Transfer out of investment properties	0	(393)	0	(393)
Increase in value of investment properties in the year	2,692	3,955	2,692	3,955
Revaluation of investments in the year	121	489	121	489
Transfer to income and expenditure reserve	(219)	0	(219)	0
Transfer to endowment funds	0	(20)	0	(20)
At 31 July	59,064	56,471	56,045	53,452
Total reserves at 31 July	181,442	159,056	128,806	118,137

23 Reconciliation of deficit on continuing operations to net cash inflow / (outflow) from operating activities	Consolidated	
	2014 £'000	2013 £'000
Deficit on continuing operations	(12,417)	(12,676)
Depreciation	19,698	18,573
Profit on disposal of fixed assets	(119)	0
Permanent diminution in value – net (credit) / charge for the year	(154)	19
Profit on disposal of fixed asset investments	0	(2)
Amortisation of finance costs	(49)	79
Exchange differences	132	177
Deferred capital grants released to income	(4,884)	(4,797)
Endowment and investment income	(5,010)	(4,684)
Interest payable	4,907	6,066
(Increase) / decrease in stocks	(36)	84
Decrease in debtors	1,244	1,389
Increase / (decrease) in creditors	13,307	(803)
Decrease in provisions	(26)	(471)
Difference between pension charge and cash contributions	(2,453)	(2,989)
Net cash inflow / (outflow) from operating activities	14,140	(35)

24 Returns on investments and servicing of finance	Consolidated	
	2014 £'000	2013 £'000
Income from endowments	3,599	3,473
Other interest received	1,259	1,211
Interest paid	(4,907)	(5,259)
	(49)	(575)

25 Capital expenditure and financial investment	Consolidated	
	2014 £'000	2013 £'000
Proceeds from sale of tangible fixed assets and investment properties	49,310	56,174
Payments made to acquire tangible fixed assets	(35,771)	(15,782)
Payments made to acquire investment properties	(85)	0
Net payments to acquire endowment fixed assets	(2,519)	(1,700)
Net receipts from endowment investment properties	0	216
Net (payments for) / receipts from endowment investments	(1,069)	60
Deferred capital grants received	2,374	2,270
	12,240	41,238

26	Acquisitions and disposals	Consolidated	
		2014 £'000	2013 £'000
	Acquisition of equity and loan notes in UPP (Reading I) Holdings Limited	(143)	(3,724)
	Proceeds from sale of investments	0	5
		(143)	(3,719)

27	Management of liquid resources	Consolidated	
		2014 £'000	2013 £'000
	Increase in current asset investments	(24,402)	(18,843)
		(24,402)	(18,843)

28	Financing	Consolidated	
		2014 £'000	2013 £'000
	Unsecured loans	631	271
	Repayment of amounts borrowed	(178)	(20,131)
		453	(19,860)

29	Analysis of changes in net debt	1 August 2013	Cash flows	31 July 2014
		£'000	£'000	£'000
	Consolidated			
	Cash at bank and in hand less overdrafts	1,537	2,243	3,780
	Current asset investments	33,630	24,402	58,032
	Debt due within one year	(178)	(129)	(307)
	Debt due after one year	(130,287)	(324)	(130,611)
		(95,298)	26,192	(69,106)

30	Capital commitments	Consolidated		University	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
	Provision has not been made for the following capital commitments:				
	Commitments contracted for	29,344	13,703	29,344	13,703

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

31 Contingent liabilities

The University reclaimed all the VAT incurred in the construction of the Agriculture building at Earley Gate which was completed in 1996 and was the subject of a lease and leaseback arrangement with a third party. HM Revenue and Customs challenged this recovery of VAT and raised an assessment to tax for £1.2m. The University appealed the assessment and the appeal stood behind the Halifax plc and University of Huddersfield cases, and latterly, Weald Leasing. Given the elapse of time since the original assessment, and the subsequent advancement in case law, HMRC has provided a revised Statement of Case and the University continues to stand behind the Huddersfield case.

32 Lease obligations

	Land and buildings	Other	2014	Land and buildings	Other	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated						
Annual rentals under operating leases due:						
within one year	4	257	261	0	232	232
in two to five years	189	549	738	193	498	691
	193	806	999	193	730	923
University						
Annual rentals under operating leases due:						
within one year	0	250	250	0	223	223
in two to five years	0	500	500	0	445	445
	0	750	750	0	668	668

In addition, under the terms of the arrangement with UPP, the University makes payments with reference to the number of units of student accommodation sold during the year. At 31 July the University was committed to making payments in respect of those students who had accepted offers of accommodation for the forthcoming year. Further details of the arrangement are given in note 13.

33 Pension schemes

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

Universities Superannuation Scheme (USS)

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and 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 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables used were as follows:

Male members' mortality	S1NA ['light'] YoB tables – no age rating
Female members' mortality	S1NA ['light'] YoB tables – rated down 1 year

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 CMI 2009 projections with a 1.25% per annum long-term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5m and the value of the scheme's technical provisions was £35,343.7m indicating a shortfall of £2,910.2m. The assets were therefore sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme

33 Pension schemes (continued)

was 93% funded; on a buy-out basis (ie assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete, the trustee cannot provide the final figure. However, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme's liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS 17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return (valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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 but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully final salary scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme which became effective from October 2011. These include:

New entrants

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% per annum and 6.5% per annum for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members will pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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.

33 Pension schemes (continued)

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust higher education sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and is targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the University had 2,062 active members participating in the scheme. The contribution rate payable by the University was 16% of pensionable salaries.

University of Reading Employees' Pension Fund (UREPF)

The University participates in the UREPF, which is a funded defined benefit pension scheme in the UK where contributions are held in a separate trustee-administered fund. A full actuarial valuation was carried out at 31 July 2011 by a qualified independent actuary. The service cost has been calculated using the projected unit method.

The University paid contributions at a rate of 18.2% of salary (equivalent to 24.45% for members participating under salary sacrifice arrangements) throughout the year and an additional amount of £2.33m. In addition the University contributed £600,000 towards the administration costs of the scheme. From 1 August 2014 the rate remains at 18.2% with an additional amount of £2.42m for the year ended 31 July 2015.

	2014 £'000	2013 £'000
Analysis of movement in benefit obligation		
At 1 August	130,450	115,987
Current service cost	3,085	2,704
Interest cost	5,961	5,171
Plan participants' contributions	51	57
Past service cost	0	190
Actuarial losses	3,143	11,404
Benefits paid from plan	(4,801)	(5,063)
At 31 July	137,889	130,450
Analysis of movement in plan assets		
Fair value at 1 August	128,823	112,020
Expected return on plan assets	6,113	4,364
Actuarial gains on plan assets	561	11,562
Employer contributions	5,538	5,883
Plan participants' contributions	51	57
Benefits paid from plan	(4,801)	(5,063)
Fair value at 31 July	136,285	128,823
Fair value of assets less benefit obligation	(1,604)	(1,627)
Components of pension cost		
Current service cost	3,085	2,704
Interest cost	5,961	5,171
Expected return on plan assets	(6,113)	(4,364)
Recognition of past service cost	0	190
Total pension cost recognised in the income and expenditure account	2,933	3,701
Actuarial losses / (gains) immediately recognised	2,582	(158)
Total pension cost / (credit) recognised in the statement of total recognised gains and losses	2,582	(158)
Cumulative amount of actuarial losses immediately recognised	32,876	30,294

33 Pension schemes (continued)

Scheme assets	2014	2013
	£'000	£'000
The weighted-average asset allocation was as follows:		
Equity securities	69,642	67,632
Gilts	29,301	27,310
Property	6,269	5,926
Corporate bonds	25,622	24,605
Other	5,451	3,350
	136,285	128,823

To develop the expected long-term rate of return on assets assumption, the University considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. The resulting rate was then reduced by 0.6% to allow for expenses. This resulted in the selection of the expected return assumptions below.

	2014	2013
	£'000	£'000
Actual return on plan assets	6,674	15,926

Weighted average assumptions used to determine benefit obligations	31 July 2014	31 July 2013
Discount rate	4.25%	4.60%
Rate of salary increases	4.25%	N/A
Rate of CARE revaluation (CPI max 5%)	2.35%	2.70%
Rate of RPI price inflation	3.25%	3.40%
Rate of CPI price inflation	2.35%	2.70%
Rate of increase of pensions in deferment		
CPI max 5%	2.35%	2.70%
CPI max 2.5%	2.35%	2.50%
Rate of increase of pensions in payment accrued before 1 August 2011 (RPI max 6%)	3.25%	3.40%
Rate of increase of pensions in payment accrued after 1 August 2011 (CPI max 5%)	2.35%	2.70%

Weighted average assumptions used to determine net pension cost	2014	2013
Discount rate	4.60%	4.50%
Expected long-term rate of return on plan assets	4.73%	3.88%
Rate of salary increases	4.40%	N/A
Rate of CARE revaluation (CPI max 5%)	2.70%	2.10%
Rate of RPI price inflation	3.40%	2.80%
Rate of CPI price inflation	2.70%	2.10%
Rate of increase of pensions in deferment		
CPI max 5%	2.70%	2.10%
CPI max 2.5%	2.50%	2.10%
Rate of increase of pensions in payment accrued before 1 August 2011 (RPI max 6%)	3.40%	2.80%
Rate of increase of pensions in payment accrued after 1 August 2011 (CPI max 5%)	2.70%	2.10%

Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations	31 July 2014	31 July 2013
	Number	Number
Male pensioner (life expectancy at age 65)	22.8	22.7
Male non-retired member aged 45 (life expectancy at age 65)	25.1	25.0
Female pensioner (life expectancy at age 65)	25.1	25.0
Female non-retired member aged 45 (life expectancy at age 65)	27.5	27.4

33 Pension schemes (continued)

Five year history	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at 31 July	137,889	130,450	115,987	117,377	114,613
Fair value of plan assets at 31 July	136,285	128,823	112,020	105,777	92,985
Deficit at 31 July	(1,604)	(1,627)	(3,967)	(11,600)	(21,628)
Difference between the expected and actual return on plan assets					
Amount	561	11,562	(1,890)	4,755	4,872
Percentage of plan assets	0.4%	9.0%	(1.7%)	4.5%	5.2%
Experience gains on plan liabilities					
Amount	293	0	4,361	0	0
Percentage of present value of plan liabilities	0.2%	0.0%	3.8%	0.0%	0.0%

The University participates in the URPS, which is a funded defined contribution pension scheme in the UK.

Pension costs	Employer contributions	FRS 17 adjustments	2014	Employer contributions	FRS 17 adjustments	2013
	£'000	£'000	£'000	£'000	£'000	£'000
USS	18,588	0	18,588	16,938	0	16,938
UREPF	2,615	470	3,085	3,104	(210)	2,894
URPS	865	0	865	411	0	411
Other pension schemes	79	0	79	108	0	108
Total pension costs	22,147	470	22,617	20,561	(210)	20,351

Included in other creditors are unpaid pension contributions of £2,071,000 (2013: £1,860,000).

34 Amounts disbursed as agent – Consolidated & University

	HEFCE Hardship Fund	HEFCE Hardship Fund	NCTL Bursary	NCTL Bursary
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Excess of income over expenditure at 1 August	8	22	510	295
Income				
Funding Council grants	133	120	1,372	2,207
Interest earned	0	1	0	0
	133	121	1,372	2,207
Expenditure				
Disbursed to students	(137)	(131)	(1,676)	(1,992)
Fund running costs	(4)	(4)	0	0
	(141)	(135)	(1,676)	(1,992)
Excess of income over expenditure at 31 July	0	8	206	510

The University acts only as a paying agent in relation to Funding Council hardship funds and National College for Teaching and Leadership (NCTL) bursaries, distributing them to students. The funds received and related disbursements are therefore excluded from the income and expenditure account.

35 Disclosure of related party transactions

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

The University's financial statements include the following balances due from / (to) related parties:		2014	2013
		£'000	£'000
Reading University Students' Union		509	610
The University paid the following grants to Reading University Students' Union		2014	2013
		£'000	£'000
Core block grant		962	905
Specific grant		34	14
		996	919

Transactions with the University's 20% owned associate, UPP (Reading I) Holdings Limited, and its wholly owned subsidiary, UPP (Reading I) Limited, are set out in note 13.

36 Subsidiary undertakings

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

Name of company	Country of registration	Principal activity
Henley Business School Limited	England & Wales	Management education
Reading Real Estate Foundation	England & Wales	Real estate education
The University of Reading Science & Technology Centre Limited	England & Wales	Property letting business
Henley Business School GmbH	Germany	Management education
Henley Business School (Hong Kong) Limited	Hong Kong	Management education
RUMAL Reading Sdn. Bhd.	Malaysia	Establishing a campus
Henley Business School (South Africa) Limited	South Africa	Management education
The Henley Business School (South Africa)	South Africa	Not currently trading
Henley Management College (South Africa) Section 21A	South Africa	Not currently trading

37 Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. As a result, under paragraph 28 of Schedule 3 to the Charities Act 2011, these connected institutions are exempt from registration with the Charity Commission. The movements in the year on the total funds of all connected institutions, as reported in their own accounts, were as follows:

	1 August 2013	Income	Expenditure	Other gains and losses	31 July 2014
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	63,777	19,686	(4,230)	(1,894)	77,339
National Institute for Research in Dairying Trust	14,751	595	(599)	(4)	14,743
Hugh Sinclair Trust	5,291	212	(382)	267	5,388
Beckett International Foundation	33	1	(3)	0	31
Greenlands Trust	18,332	6	(759)	0	17,579

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

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

The Hugh Sinclair Trust promotes research into human nutrition at the University of Reading.

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

The Greenlands Trust aims to advance education and learning in business and management studies which it does through the provision of specific grants to Henley Business School, a Faculty of the University of Reading.

