

Financial Statements

For the year ended 31 July 2013

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President's foreword

The University of Reading is a leading educational institution with an internationally renowned reputation for the quality of its research and the excellence of its teaching. Its mission is to educate talented people well, to conduct outstanding research and to promote the responsible application of new knowledge.

The University pursues its mission by committing the maximum possible resources to support areas of established academic strength, of emerging excellence, and of comparative advantage. It seeks to provide staff and students with what they need to attain the highest standards of scholarship. We remain ambitious to enhance what we offer and for this to be more widely appreciated.

The new funding arrangements mean that students are becoming ever more demanding of their university education. Reading is well prepared for this challenge, with high quality teaching on offer across all of its campuses.

Significant investment has been made in recent years to ensure that facilities on campus are now second-to-none and that student accommodation is recognised to be amongst the best in the sector.

The Review which follows sets out the important developments and achievements of the last year. I would particularly note the start of construction of the University's major new campus in Malaysia due to open in 2015, the award of the prestigious Regius Professorship for the Department of Meteorology and the successful conclusion to our academic investment programme, involving the recruitment of 50 additional senior academics. I also welcome the positive outcome of a number of planning applications on land owned by the University which will be of significant strategic and economic benefit in the years ahead.

The University's financial strength continues to lie in its strong balance sheet, and through careful asset 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 timely that the University is now undertaking a thorough review of the efficiency and effectiveness of all of its activities alongside the development of a long-term strategy so as to ensure that the University can deliver a positive underlying financial performance in the years ahead as well as thrive in and adapt to the changing environment for UK higher education.

The Council is the University's governing body, principally responsible for strategic leadership and financial stewardship. Once more I should 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

25 November 2013

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
Ms J. Coope, MBA, FCIPD (*until 31 July 2013*)
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
(*from 1 August 2013*)
Professor 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 (*from 1 August 2013*)
Dr A.P. Reed, BSc, PhD (*until 31 July 2013*)
Mrs J.M. Scott, BSc, CEng, CITP, FBCS (Vice-President of the Council)
(*until 31 July 2013*)
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 *from 1 August 2013*)^{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

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

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

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

Mrs B. Edwards, BA, MA

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

Mr M. Kelleher (President of the Students' Union)

Ms S. Davies (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 Support Services Policy 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)

President of the Council

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

Vice-Presidents of the Council

Mr R. Dwyer, BSc (London), FCIPD

Mrs J.M. Scott, BSc (St Andrews), CEng, CITP, FBCS (*until 31 July 2013*)

Ms S.M. Woodman, BA (Reading) (*from 1 August 2013*)

Pro-Vice-Chancellors

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

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

Professor C.M. Williams, OBE, BSc, PhD (London)

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

Professor G. Marston, MA, DPhil (Oxford), CChem, MRSC

Heads of Service

University Secretary

Mr K.N. Hodgson, BA (Leicester)

Head of University Administration

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 2013. It gives details of the key developments over the course of this financial year which have contributed towards building 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 newly constructed Childs Hall and Stenton Town-houses took their first cohort of students, providing a total of 898 rooms. The operation and management of these halls is undertaken by UPP (Reading I) Limited, a company in which the University holds a 20% stake and which was established in December 2011 when the University entered a long-term partnership with UPP for the operation and management of its student accommodation. In exchange for granting long leasehold interests in the new accommodation, the University received premiums totalling £43.7m giving rise to a profit on disposal of £5.7m.

In August 2012 the University transferred the site of Bridges Hall to UPP (Reading I) on which that company will develop 649 new rooms. The University received £12.6m giving rise to a profit on disposal of £12.0m.

In February 2013 preparation started on the University's first overseas campus at EduCity, Iskandar in Malaysia. EduCity is a 600-acre education development comprising universities, research and development centres, student accommodation and sports facilities and is the first of its kind in Asia. The University's campus within the development will be known as the University of Reading Malaysia and will open in September 2015 offering programmes at undergraduate and postgraduate level in business and law, science (including pharmacy), and the built environment. It will cater for up to 2,000 students.

The University launched its Academic Investment Project last year in order to grow the University's reputation and future research strength. This has resulted in the appointment of over 50 new academic staff which will keep Reading at the forefront of work in a range of important areas.

The University was successful in obtaining 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 1,300 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. As well as providing the necessary infrastructure to support the development, which will include a new relief road to the east of Shinfield, the University has announced its intention to develop an 18,580 square metre Science and Innovation Park on land it owns in Shinfield near to the new housing.

Economic context

The UK economy has been through a difficult period in the last few years. The higher education sector has experienced its own challenges, 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. It also seeks to promote cost efficiencies where these are consistent with its commitment to excellent teaching, learning and research, and to the quality of the student experience.

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's Department of Meteorology was awarded a prestigious *Regius Professorship* by Her Majesty The Queen. Reading was one of just 12 institutions to receive a Regius Professorship which marked The Queen's Diamond Jubilee. A Regius Professorship acknowledges exceptionally high quality teaching and research. The Department of Meteorology is recognised as one of the outstanding departments of its kind in the world.

The University saw nine of its courses ranked in the top 10 in their fields in the latest *Times and The Sunday Times Good University Guide League Table*. Land & Property Management was ranked 2nd nationally. Building, Italian, Food Science, Agriculture, Archaeology, Art, Town & Country Planning and Accounting & Finance all featured in the top 10.

Reading retained its place in the world's top 200 universities according to the 2013/14 *Times Higher Education World University Rankings* which placed the University 194th out of more than 20,000 universities globally.

During the year Henley Business School climbed 15 places in the prestigious Economist *Which MBA? 2012* rankings to 12th in Europe and 42nd in the world. Among the categories, the School was ranked number one in the world for 'Potential to Network' and 'Student Quality'.

Professor Christine Williams, Pro-Vice-Chancellor for Research and Innovation, was awarded an OBE for services to higher education and nutritional science in the Queen's Birthday Honours in June.

Following on from her Olympic gold medal success last year, PhD student Anna Watkins received an MBE in the New Year Honours List for services to rowing.

Statement on public benefit

The University is an independent corporation with charitable status established by Royal Charter granted in 1926. Its objects, powers and framework of governance are defined in the Charter and supporting Statutes. It is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. It is not required to be registered with the Charity Commission but is however subject to the Charity Commission's regulatory powers which are monitored by the Higher Education Funding Council for England (HEFCE). The University's Council 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 is currently settling the key features of its strategic plan for the period to 2026 when it celebrates the centenary of receiving its Royal Charter.

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 9,000 undergraduate and over 7,500 postgraduate students. It promotes among all its students excellence in their studies and the other activities in which they participate while at Reading such as 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 over 3,000 students through its access bursary scheme which allows it to recruit the most able students, regardless of financial background. The University aims to offer programmes of study that are attractive to a diverse range of potential students, have fair and transparent 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.

During the year the University once again hosted the Thames Valley UCAS Higher Education Conference which attracted around 8,000 prospective

students from secondary schools across the region and included exhibits from 140 Higher Education institutions and professional organisations. The conference aimed to encourage young people to aspire to moving on to higher education.

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.

During the year Healthcare professionals and academic researchers gathered at the University to share best practice, find out more about the latest research and recognise the effective research collaboration which is bringing benefits to healthcare users in Berkshire.

Scientists in the School of Biological Sciences provided underlying technology to allow the production of a new vaccine for the foot-and-mouth disease virus which is safer to produce than the current vaccine.

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 Charles Dickens, finance in the Middle Ages and the optimum diet to prevent heart disease.

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 rose to 89% in 2013.

The University of Reading is one of 26 UK universities which together will provide free online courses as part of *Futurelearn*, a major new education initiative designed to ensure the UK plays a leading role in meeting the expanding global demand for higher education. It will bring together an online programme of free courses which will be accessible to prospective students wherever they live.

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 £33.2m from around 700 awards during the year.

Reading is one of only three UK universities that offer an Undergraduate Research Opportunities Programme (UROP) which takes place during the summer break. UROP provides students from all disciplines with the chance to work with leading academic staff on research projects across the University.

Researchers in the Intelligent Systems Research Laboratory have been working on a computer-based learning tool that can deliver lessons online, but offer feedback normally only available from a real-life tutor. The INTUITEL system aims to emulate the best aspects of traditional teaching methods, while benefitting from the convenience and innovation that comes with technology-enhanced online learning.

A team in the School of Systems Engineering developed innovative virtual reality technology that replicates the look, feel and sounds of a dental operating theatre which will allow dental students safely and effectively to practise their techniques and skills without needing to use traditional methods of operating on dummies.

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 Enterprise Strategy aims to enhance the student experience by encouraging and facilitating interaction between students and a range of organisations and sectors to expose students to a culture of enterprise, entrepreneurship and innovation in order to prepare them to contribute fully to society.

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.

In July the University announced its intention 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. The Science and Innovation Park is a long-term project and is likely to take 20-25 years to be fully developed.

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 aims to achieve continual environmental improvements by setting measurable performance targets that are reviewed and reported annually.

The University is assessed on its carbon emissions under the Carbon Reduction Commitment (CRC) scheme which is a requirement for organisations whose total electricity consumption is greater than 6,000MWh. The University has been ranked 17th out of 143 universities and colleges in the *People & Planet Green League*, an improvement of some 42 places against the previous year.

The University has its own Carbon Management Plan and is signed up to the Higher Education Carbon Management Programme (HECMP) with the Carbon Trust. The University is identifying carbon reduction opportunities and aims to reduce its carbon emissions by 35% over a 5 year period to 2016. In the first two years a 16.5% reduction has been achieved, resulting in cumulative savings of over 11,000 tonnes of CO₂.

The University has achieved the Carbon Trust Standard for its entire estate, which recognises the reductions achieved in carbon emissions and strong environmental management practices. It has also won a number

of awards, including the *Platinum EcoCampus* award, which helps higher education institutions improve their environmental performance.

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. Further support for staff has been introduced via the Employee Assistance Programme.

Work is ongoing to deliver the objectives of the HR Strategy, *Working Together: A Strategy for Success*, in tandem with the Promoting Excellence Project. Much has been achieved to date including further additions to the rewarding staff arrangements, notably the launch of the Celebrating Success voucher reward scheme and proposals for a new staff appraisal scheme to be launched formally in January 2014.

In addition the University ran a very successful Springboard activity aimed at developing female staff and continued its work under the Athena SWAN banner.

Equality and diversity

The University of Reading is committed to providing an inclusive environment which promotes equality, values diversity and respects the rights and dignity of all its staff, students and visitors. It aims to ensure that individuals are selected, developed, appraised, rewarded, promoted and otherwise treated on the basis of their relevant merits and abilities and are given equality of opportunity within the University. This means 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, race, religion or belief, disability, age or socio-economic background.

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

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

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

During the year a new online incident reporting system was introduced for reporting all health and safety related accidents and incidents on campus or involving University staff and students off campus.

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 £3.3m in philanthropic income in 2012/13, with a further £4.1m in new gifts and pledges to be realised over the next five years. Since the establishment of the Development & Alumni Relations Office (DARO) in 2004, over £35m has been secured in donations. These gifts come from a variety of sources – including companies, charitable trusts, individuals, and, in particular, alumni – for a variety of projects, such as professorships, research bursaries and prizes.

Summary of the Group financial performance in the year

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

	2013 £'000	2012 £'000
Income	223,850	222,006
Expenditure	236,526	230,735
Deficit before tax	(12,676)	(8,729)
Net share of operating deficit in associates	(645)	(2,703)
Tax	(82)	(11)
Deficit after tax	(13,403)	(11,443)
Exceptional items	17,665	15,036
Surplus after exceptional items	4,262	3,593
Deficit transferred from accumulated income in endowment funds	363	1,096
Surplus for year	4,625	4,689

The consolidated results for the year show a surplus of £4,625,000. This result was largely due to a gain of £17,665,000 arising from the student accommodation transfer in respect of Childs Hall, Stenton Townhouses and Bridges Hall. The first phase of the transfer resulted in a gain of £15,036,000 in 2012.

The University generated a deficit before tax and net share of operating deficit in associates of £12,676,000. This deficit had been anticipated and was against the background of the current changes in funding within the sector and the establishment of the University's globalisation initiatives. The University is committed to reversing the adverse deficit trend it has been experiencing and to returning to an annual operating surplus on its academic activities.

Group income

The Group's income can be analysed as follows:

	2013 £'000	2012 £'000	Increase / (decrease) £'000	Increase / (decrease) %
Funding body grants	44,197	54,529	(10,332)	-18.9%
Tuition fees and education contracts	95,187	77,678	17,509	22.5%
Research grants and contracts	33,207	33,959	(752)	-2.2%
Other income	46,575	52,514	(5,939)	-11.3%
Endowment and investment income	4,684	3,326	1,358	40.8%
Total income	223,850	222,006	1,844	0.8%

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 just over £10m. Tuition fee income rose by £17.5m, reflecting the introduction of £9,000 fees for undergraduates and an increase in both the number of, and fees received from, international students.

Research income fell slightly to £33.2m and represented about 15% of total income.

Other income fell by £5.9m since student accommodation is now provided by UPP (Reading I) Limited.

Endowment and investment income rose by £1.4m, reflecting a stronger year for investment returns.

Group expenditure

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

	2013	2012	Increase / (decrease)	Increase / (decrease)
	£'000	£'000	£'000	%
Staff costs	127,891	126,924	967	0.8%
Other operating expenses	83,996	80,208	3,788	4.7%
Depreciation	18,573	17,973	600	3.3%
Interest payable	6,066	5,630	436	7.7%
Total expenditure	236,526	230,735	5,791	2.5%

Staff costs rose by 0.8% in the year. This increase was mainly attributable to the launch of the Academic Investment Project.

Other operating expenses rose by 4.7% compared to last year despite a drop in expenditure relating to student accommodation. There was an increase in professional fees of around £1m relating to an ongoing review of efficiency and effectiveness of the University's administration and support services. A further £1.4m was attributable to the expansion of overseas operations. The remainder of the increase arose from costs associated with the Academic Investment Project, external tutoring costs within the Henley Business School and an inflationary rise across the remainder of the University's overheads.

Depreciation rose by £0.6m as a result of the extensive capital programme undertaken in recent years.

Interest payable rose by £0.4m 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 £349m at 31 July 2013 (2012: £312m). The income from the remaining parts of the student accommodation transfer and a rise in the value of some of the University's assets and endowment assets contributed to the increase in net assets. The Group eliminated its net current liabilities (2012: £41m), largely due to the funds generated from the accommodation transfer which enabled the University to repay its short-term borrowings and place additional funds on deposit.

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.

As mentioned above, the newly constructed Childs Hall and Stenton Townhouses took their first cohort of students this year.

There have been developments in the year associated with the University's significant landholdings which are not part of its operational estate. The

University obtained planning permission for the development of land in Shinfield, on the Bulmershe campus which is no longer operational and on the sites of halls which are no longer occupied by students including Sibly and Wells halls.

The funds which are expected to be 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 develop a Science and Innovation Park.

Investments

The investments held by the University and its trusts within current asset investments and endowment assets rose in value by £5.2m over the year to 31 July 2013. The University and its trusts hold some properties for their investment potential. Their combined market value at 31 July 2013 was £53.2m (2012: £46.5m).

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. The USS scheme is the national universities pension scheme. Most academic staff are members of the USS scheme 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 outflow from operating activities of £0.04m (2012: inflow of £6.3m). Fixed asset disposals generated £56.2m (2012: £96.4m), mainly as a result of the student accommodation transfer. The Group's net cash outflow for the year was £1.9m (2012: inflow of £8.0m).

The University was able to repay borrowings of £20m and reduce its net debt to £95.3m (2012: £132.1m). The University's borrowings include a £70m bond issued in 2007 and a £60m sterling long-term loan facility.

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 at every level from the fees charged for home and EU undergraduates to the ever increasing internationalisation of research activity. The ABB+ reforms have introduced new competition for the best qualified UK undergraduates while a reduction in public money available for higher education means that universities have to make the most effective use of other sources of income.

The University is currently undertaking a thorough review of efficiency and effectiveness across all of its administrative and support functions. The findings of this review will assist the University in improving its financial results and in updating and developing its long-term strategy in order to ensure that Reading can build on its renowned reputation for the quality of its research and the excellence of its teaching.

In developing its long-term strategy, the University recognises the importance of attracting the very best students, performing outstanding research and continuing to grow its international presence. Being a successful university requires continual thought about the future and careful positioning to respond to forthcoming challenges, to move quickly and to exploit opportunities. The University has identified several key priorities for its future:

- Recruit high quality students and provide them with a demanding education and a rich extra-curricular experience
- Strengthen its status as a postgraduate university
- Advance its research standing and status
- Enhance the international dimension of its work, both in Reading and overseas
- Provide a working environment which enables it to recruit and retain the very best staff

An overriding objective of the University is to generate operating surpluses at a level that is academically and economically sustainable, so that its financial strength is deployed to best effect. The University's overall financial position is sound and its position as a going concern is secure.

Sir David Bell KCB
Vice-Chancellor

David Savage
Chief Operating Officer

25 November 2013

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 effectiveness through reviews at least every five years. The latest review was concluded in 2012-13, slightly later than indicated in the Code, due to the appointment of a new Vice-Chancellor who took up his post in January 2012 and whose input to the review was considered important.
- 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 Financial Memorandum with HEFCE and may be regarded as the chief executive of the University. He exercises considerable influence upon the development of institutional strategy, the identification and planning of new developments and the shaping of the institutional ethos. The Deputy Vice-Chancellor, Pro-Vice-Chancellors, Deans and Heads of 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 100 members, the Senate includes Deans, Heads and elected representatives of Schools, as well as professional staff and students. University Boards responsible for developments in enterprise, research and teaching and learning report to the Senate.

Committees of Council

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

- the Strategy and Finance Committee which meets at least four times a year and, inter alia, advises the Council on key strategic, policy and operational issues including the financial management of the University. This Committee considers financial plans, monitoring reports and proposals with financial implications recommended by the 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 Support Services Policy Committee which has oversight of non-academic services policy and advisory oversight of student services in general. It also discharges the Council’s responsibility in respect of formal student complaints and disciplinary matters.

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

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

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

The Council, through the Strategy and Finance Committee, has overall responsibility for reviewing the effectiveness of the systems of internal control and risk management. The University has developed and adopted a formal and structured risk management policy and system to ensure that key risks are identified, prioritised and managed consistently across the University. The policy and system are reviewed and updated on a regular basis. Reports documenting the policy, system, procedures and issues arising are reported to the Strategy and Finance Committee on a regular basis. A comprehensive set of policies and procedures designed to manage and monitor risks is in place. The key elements of these systems are explained below:

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

Preparation of the financial statements

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

year which give a true and fair view of the state of affairs of the Group and University and of the surplus or deficit and cash flows for that year.

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

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

The Council has taken reasonable steps to:

- ensure that the University's funds have been applied in accordance with the University's Statutes, the Financial Memorandum agreed with HEFCE and the funding agreement with the 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 are undertaken on an ongoing basis using operational performance information and financial monitoring reports
- clearly defined and formalised requirements for approval and control of expenditure, with capital expenditure being subject to formal detailed appraisal and review according to approval levels set by the Council
- comprehensive financial regulations are reviewed and developed by the Strategy and Finance Committee and amendments are subject to approval by the Council

- the internal audit team undertake an annual programme of work which is reviewed and approved by the Audit Committee
- the Audit Committee reviews the effectiveness of risk management, control and governance arrangements and
- the Head of Internal Audit Services is responsible for providing reasonable assurance on the adequacy and effectiveness of risk management, control and governance arrangements.

Information held on the University's website

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

Report of the Remuneration Committee

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

The Committee has six members, five of whom are lay members of the Council and the other the Vice-Chancellor. It 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 2013 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 2013;
- (vi) agreed, on the basis of a report from its Senior Staff Salaries Advisory Group, adjustments to salary for certain Grade 9 staff with effect from 1 August 2013;
- (vii) deferred consideration of adjustments to salary for the 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 2012; and
- (ix) agreed the emoluments of the Vice-Chancellor with effect from 1 August 2013.

Susan M. Woodman
Chair

August 2013

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 2013 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 23 to 29 the Council is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2013 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

27 November 2013

Income and expenditure account for the year ended 31 July 2013

		Consolidated	
		2013	2012
		£'000	£'000
Income			
Note 1	Funding body grants	44,197	54,529
2	Tuition fees and education contracts	95,187	77,678
3	Research grants and contracts	33,207	33,959
4	Other income	46,575	52,514
5	Endowment and investment income	4,684	3,326
	Total income	223,850	222,006
Expenditure			
6	Staff costs	127,891	126,924
8	Other operating expenses	83,996	80,208
10	Depreciation	18,573	17,973
7	Interest and other finance costs	6,066	5,630
	Total expenditure	236,526	230,735
	Deficit on continuing operations	(12,676)	(8,729)
13	Net share of operating deficit in associates	(645)	(2,703)
9	Taxation charge	(82)	(11)
	Deficit after depreciation and tax	(13,403)	(11,443)
Exceptional items			
13	Surplus on accommodation transfer	17,665	15,036
	Surplus after exceptional items	4,262	3,593
21	Deficit for the year transferred from accumulated income in endowment funds	363	1,096
	Surplus for the year retained within general reserves	4,625	4,689

Other than the surplus arising on accommodation transfer, 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	
		2013	2012
		£'000	£'000
	Surplus after exceptional items	4,262	3,593
Note 10	Unrealised surplus on revaluation of heritage assets	15,233	0
13	Unrealised surplus on revaluation of fixed assets held by associate	2,990	0
11	Transfer out of investment properties	(393)	0
11	Unrealised gain / (loss) on revaluation of investment property	3,955	(360)
12	Unrealised gain on fixed asset investments	4	12
21	Transfer out of endowment investment properties	(2,022)	0
21	Unrealised gain / (loss) on revaluation of endowment investment property	4,822	(81)
21	Unrealised gain / (loss) on the value of endowment investments	4,755	(1,310)
21	Gain / (loss) on disposal of endowment assets	5,063	(136)
	New endowments	0	51
16	Unrealised gain on current asset investments	485	42
33	Actuarial gain in respect of the pension scheme	158	5,400
	Exchange differences	147	47
	Total recognised gains in the year	39,459	7,258
Reconciliation			
	Opening reserves and endowments	210,432	203,174
	Total recognised gains in the year	39,459	7,258
	Closing reserves and endowments	249,891	210,432

Balance sheet as at 31 July 2013

	Consolidated		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Fixed assets				
Note 10 Tangible assets	354,664	383,165	334,593	361,000
11 Investment properties	26,174	22,126	26,174	22,126
12 Investments	58	57	4,119	4,193
13 Investments in associates	10,053	3,984	10,411	6,687
	390,949	409,332	375,297	394,006
14 Endowment assets	90,835	78,784	11,594	9,493
Current assets				
Stocks	1,687	1,771	1,676	1,771
15 Debtors	28,842	25,753	39,093	35,515
16 Investments	33,630	14,787	19,821	2,842
Cash at bank and in hand	1,537	3,413	0	0
	65,696	45,724	60,590	40,128
17 Creditors: Amounts falling due within one year	(65,674)	(86,312)	(67,106)	(86,886)
Net current assets / (liabilities)	22	(40,588)	(6,516)	(46,758)
Total assets less current liabilities	481,806	447,528	380,375	356,741
18 Creditors: Amounts falling due after more than one year	(130,838)	(130,681)	(130,838)	(130,681)
19 Provisions for liabilities	(39)	(510)	(20)	(471)
Net assets excluding pension liability	350,929	316,337	249,517	225,589
33 Net pension liability	(1,627)	(3,967)	(1,627)	(3,967)
Total net assets including pension liability	349,302	312,370	247,890	221,622
20 Deferred capital grants	99,411	101,938	118,159	121,576
21 Endowments				
Expendable	80,500	70,263	1,259	972
Permanent	10,335	8,521	10,335	8,521
	90,835	78,784	11,594	9,493
Reserves				
22 General reserves	104,212	101,398	66,312	60,303
22, 33 Pension reserve	(1,627)	(3,967)	(1,627)	(3,967)
22 Revaluation reserve	56,471	34,217	53,452	34,217
	159,056	131,648	118,137	90,553
Total funds	349,302	312,370	247,890	221,622

The financial statements on pages 33 to 63 were approved by Council on 25 November 2013, 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 2013

		Consolidated	
		2013	2012
		£'000	£'000
Note 23	Net cash (outflow) / inflow from operating activities	(35)	6,317
24	Returns on investments and servicing of finance	(575)	(1,744)
	Taxation	(82)	(11)
25	Capital expenditure and financial investment	41,238	45,892
26	Acquisitions and disposals	(3,719)	(6,684)
27	Management of liquid resources	(18,843)	(5,338)
28	Financing	(19,860)	(30,405)
29	(Decrease) / increase in cash in the year	(1,876)	8,027
Reconciliation of net cash flow to movement in net debt			
29	(Decrease) / increase in cash in the year	(1,876)	8,027
	Increase in current asset investments	18,843	5,338
28	Cash outflow from financing	19,860	30,405
	Change in net debt	36,827	43,770
	Net debt at 1 August	(132,125)	(175,895)
29	Net debt at 31 July	(95,298)	(132,125)

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 consolidated net current liabilities have been eliminated during the year as a result of the funds received from the Bridges and Phase 2 parts of the student accommodation transfer. 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 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 have not been included in these 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 assets are reflected in the value of the fund concerned and in the balance sheet and statement of total recognised gains and losses.

Foreign currency translation

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

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

Agency arrangements

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

Accounting for retirement benefits

The 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	
		2013 £'000	2012 £'000
	Recurrent grants		
	Higher Education Funding Council (HEFCE)	37,019	45,632
	National College for Teaching and Leadership (NCTL)	784	2,230
	Specific grants		
	Higher Education Academic Subject Centres	333	434
	Higher Education Innovation Fund	2,171	2,171
	Other	37	75
	Deferred capital grants released in year:		
	Buildings	3,011	3,147
	Equipment	842	840
		44,197	54,529
2	Tuition fees and education contracts	Consolidated	
		2013 £'000	2012 £'000
	Full-time home and EU students	46,035	32,793
	Full-time international students	31,159	26,910
	Part-time students	11,618	11,520
	Research training support grants	4,089	4,277
	Short course fees	941	1,038
	Total fees paid by or on behalf of individual students	93,842	76,538
	Education contracts	1,345	1,140
		95,187	77,678
3	Research grants and contracts	Consolidated	
		2013 £'000	2012 £'000
	Research Councils and charities	19,049	19,825
	Industry and commerce	3,822	3,776
	Governmental	10,068	9,991
	Releases from deferred capital grants	268	367
		33,207	33,959
4	Other income	Consolidated	
		2013 £'000	2012 £'000
	Residences, catering and conferences	8,604	17,718
	Other income	37,295	34,297
	Release from deferred capital grants	676	499
		46,575	52,514
5	Endowment and investment income	Consolidated	
		2013 £'000	2012 £'000
	Income from expendable endowments	3,145	2,433
	Income from permanent endowments	328	299
	Income from short-term investments	1,211	594
		4,684	3,326

6 Staff costs

Consolidated

Analysis of staff costs

	2013 £'000	2012 £'000
Salaries	98,045	100,930
Social security costs	8,264	8,625
Pension costs	20,351	14,178
Other staff and pension costs	1,231	3,191
	127,891	126,924

Emoluments of the Vice-Chancellor

	2013 £'000	2012 £'000
Sir David Bell (Vice-Chancellor from 1 January 2012):		
Salary	232,452	134,254
Pension contributions	37,192	21,481
Professor T.A. Downes (Acting Vice-Chancellor from 1 August 2011 to 31 December 2011):		
Salary	0	81,164
Pension contributions	0	8,986

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

	2013 Number	2012 Number
£100,000 to £109,999	10	11
£110,000 to £119,999	11	9
£120,000 to £129,999	3	2
£130,000 to £139,999	2	1
£140,000 to £149,999	2	2
£150,000 to £159,999	1	2
£160,000 to £169,999	1	0
£170,000 to £179,999	1	1
£180,000 to £189,999	0	0
£190,000 to £199,999	0	0
£200,000 to £209,999	0	0
£210,000 to £219,999	0	1
£220,000 to £229,999	1	0
£230,000 to £239,999	1	2
	33	31

Compensation for loss of office paid to a senior post holder

	2013 £	2012 £
	110,000	128,498

Average staff numbers by major category:

	Consolidated	
	2013 Number	2012 Number
Academic	760	697
Research	318	318
Management and specialist	683	690
Technical	163	162
Other	874	906
	2,798	2,773

7 Interest and other finance costs

	Consolidated	
	2013	2012
	£'000	£'000
Loans and overdrafts wholly repayable within five years	190	1,174
Loans wholly or partly repayable in more than five years	5,069	3,896
Net charge on pension scheme	807	560
	6,066	5,630

Interest of £92,000 has been capitalised in the year to 31 July 2013 (2012: £846,000) and is included within tangible fixed assets.

Total aggregate capitalised finance costs to date within the cost of tangible fixed assets at 31 July 2013 were £3,234,000 (2012: £4,931,000).

8 Analysis of total expenditure by activity

	Staff costs	Other operating expenses	Depreciation	Interest payable	2013	2012
					£'000	£'000
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
Academic schools	76,442	31,116	3,189	0	110,747	104,548
Academic services	7,996	6,196	1,416	0	15,608	13,398
Administration and central services	14,640	15,015	199	0	29,854	29,996
Premises (excl. residential and catering)	8,024	14,107	12,468	5,275	39,874	38,867
Residences, catering and conferences	3,883	3,987	688	0	8,558	12,166
Research grants and contracts	15,582	7,336	406	0	23,324	24,228
Other expenses	1,324	6,239	207	791	8,561	7,532
	127,891	83,996	18,573	6,066	236,526	230,735

	Consolidated	
	2013	2012
	£'000	£'000
Other operating expenses include:		
Operating lease rentals		
- land and buildings	218	153
- other	717	656
External auditor's remuneration		
- audit of these financial statements	146	138
- tax advisory services	263	329
- other non-audit services	27	61

In addition to the amounts included in other operating expenses above, fees totalling £35,000 were paid to the external auditor for services in connection with capital projects (2012: £615,000). These amounts have been included within 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 3 members of Council was £1,317 (2012: £1,033 to 3 members of Council) which related to travel and subsistence expenses incurred.

9 Taxation

	Consolidated	
	2013	2012
	£'000	£'000
UK corporation tax	0	4
Adjustment in respect of previous years	(4)	0
Overseas tax	86	7
	82	11

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 2012	361,248	6,997	76,553	43,078	23,097	510,973
Additions	4,132	317	8,102	3,223	8	15,782
Transfers between categories	37,843	0	0	(37,843)	0	0
Transfers to investment properties	(1,383)	0	0	0	0	(1,383)
Transfers to endowment investment properties	(140)	0	0	0	0	(140)
Reclassification to long-term debtors	0	0	0	(1,829)	0	(1,829)
Disposals	(38,527)	0	(8)	0	0	(38,535)
Revaluations	0	0	0	0	15,233	15,233
Exchange differences	(23)	0	(19)	0	0	(42)
At 31 July 2013	363,150	7,314	84,628	6,629	38,338	500,059
Depreciation						
At 1 August 2012	86,053	2,807	38,948	0	0	127,808
Charge for the year	13,310	273	4,990	0	0	18,573
Transfers to investment properties	(878)	0	0	0	0	(878)
Transfers to endowment investment properties	(70)	0	0	0	0	(70)
Disposals	(22)	0	(4)	0	0	(26)
Exchange differences	(5)	0	(7)	0	0	(12)
At 31 July 2013	98,388	3,080	43,927	0	0	145,395
Net book value at 31 July 2013	264,762	4,234	40,701	6,629	38,338	354,664
Net book value at 31 July 2012	275,195	4,190	37,605	43,078	23,097	383,165
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 2012	339,064	6,985	76,102	40,877	22,947	485,975
Additions	3,581	317	7,990	3,223	8	15,119
Transfers between categories	37,843	0	0	(37,843)	0	0
Transfers to investment properties	(1,383)	0	0	0	0	(1,383)
Disposals	(38,646)	0	0	0	0	(38,646)
Revaluations	0	0	0	0	15,204	15,204
At 31 July 2013	340,459	7,302	84,092	6,257	38,159	476,269
Depreciation						
At 1 August 2012	83,341	2,795	38,839	0	0	124,975
Charge for the year	12,519	273	4,858	0	0	17,650
Transfers to investment properties	(878)	0	0	0	0	(878)
Disposals	(71)	0	0	0	0	(71)
At 31 July 2013	94,911	3,068	43,697	0	0	141,676
Net book value at 31 July 2013	245,548	4,234	40,395	6,257	38,159	334,593
Net book value at 31 July 2012	255,723	4,190	37,263	40,877	22,947	361,000

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

	Consolidated		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Land not depreciated	15,677	15,677	7,677	7,677

During the year the University completed the construction of student accommodation at the new Childs Hall and Stenton Townhouses and then entered into an arrangement with UPP in respect of the provision and operation of that accommodation. The University granted long leasehold interests to UPP (Reading I) Limited in respect of these properties. The granting of these leases has been treated as a disposal of the associated properties and the profit arising has been treated as exceptional. Further details are provided in note 13.

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 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	2013	2012	2011	2010	2009
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 August	23,097	23,097	23,097	23,097	22,947
Additions	8	0	0	0	0
Revaluations	15,233	0	0	0	150
At 31 July	38,338	23,097	23,097	23,097	23,097

University	2013	2012	2011	2010	2009
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 August	22,947	22,947	22,947	22,947	22,947
Additions	8	0	0	0	0
Revaluations	15,204	0	0	0	0
At 31 July	38,159	22,947	22,947	22,947	22,947

The split of heritage assets by type of asset is:

	Consolidated		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Books & manuscripts	24,700	11,294	24,700	11,294
Artworks	3,938	2,625	3,938	2,625
Natural history	2,156	3,388	2,156	3,388
Agricultural	4,176	2,418	4,176	2,418
Other	3,368	3,372	3,189	3,222
	38,338	23,097	38,159	22,947

11 Investment properties

	Consolidated & University	
	2013 £'000	2012 £'000
At 1 August	22,126	22,191
Additions	0	330
Transfers from tangible fixed assets	505	0
Reclassification of properties as non-investment properties	(393)	0
Increase / (decrease) in value of properties in year	3,955	(360)
Permanent diminution in value	(19)	(35)
At 31 July	26,174	22,126

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.

Following a detailed review of the Group's properties in the year, a number of properties were reclassified between those used operationally and included within tangible fixed assets and those held as investment properties.

12 Fixed asset investments**Consolidated**

	Listed investments £'000	Total £'000
Cost or valuation		
At 1 August 2012	57	57
Disposals	(3)	(3)
Changes in market value	4	4
At 31 July 2013	58	58

University

	Subsidiary companies £'000	Listed investments £'000	Total £'000
Cost or valuation			
At 1 August 2012	4,139	54	4,193
Disposals	(50)	0	(50)
Changes in market value	0	4	4
Exchange differences	(28)	0	(28)
At 31 July 2013	4,061	58	4,119

Listed investments comprise:

	Consolidated		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Genus plc	58	54	58	54
TR Property Investment Trust plc	0	3	0	0
	58	57	58	54

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Share of operating deficit in associates	(860)	(4,058)	0	0
Amortisation of goodwill - credit	215	1,355	0	0
Net share of operating deficit in associates	(645)	(2,703)	0	0
Gains on revaluations of tangible fixed assets	2,990	0	0	0
Total gains and losses in the year in associates	2,345	(2,703)	0	0
At 1 August	3,984	0	6,687	0
Acquisitions	3,724	6,687	3,724	6,687
At 31 July	10,053	3,984	10,411	6,687

The University has one associated undertaking, UPP (Reading I) Holdings Limited, along with its wholly-owned subsidiary companies.

During the previous year the University entered into an arrangement with UPP in respect of the provision and operation of certain student residential accommodation ('Phase 1'). The University granted leasehold interests of 125 years to one of the associate's subsidiary companies, UPP (Reading I) Limited, in respect of a number of properties. The University subscribed for a 20% holding in both the equity and loan notes of UPP (Reading I) Holdings Limited and this was accounted for as an investment in an associated undertaking.

In August 2012 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.

In October 2012 the University completed the construction of student accommodation at the new Childs Hall and Stenton Townhouses ('Phase 2'). The University granted leasehold interests to UPP (Reading I) Limited in respect of these properties, co-terminus with the Phase 1 properties. Under the terms of the agreement, the University received £43.7m giving rise to a profit of £5.7m.

Under the long leases granted, the associate bears most of the risks inherent in providing and operating the accommodation including the demand risk associated with letting to students. In accordance with FRS 5 the University has treated the transfer as a disposal of the properties.

	Bridges £'000	Phase 2 £'000	2013 £'000	2012 £'000
Consideration received	12,607	43,715	56,322	96,363
Less: Book value transferred	(641)	(38,016)	(38,657)	(81,327)
Profit on disposal	11,966	5,699	17,665	15,036

The Bridges and Phase 2 transactions gave rise to a total profit of £17.7m which has been treated as exceptional. At the time of each of these transactions, the shareholders of UPP (Reading I) Holdings Limited, including the University, each subscribed for further shares and loan notes in that company pro rata to their original holdings. The University's overall shareholding in this company therefore remained at 20%.

	Shares £'000	Loan notes £'000	Total £'000
At 1 August 2012	270	6,417	6,687
Subscribed for on 7 August 2012 - Bridges	93	1,562	1,655
Subscribed for on 4 October 2012 - Phase 2	78	1,861	1,939
Accrued interest rolled into the loan notes	0	130	130
At 31 July 2013	441	9,970	10,411

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

Under the arrangement, 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.

13 Investments in associates (continued)

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

Consolidated	Income	Expenditure	2013		2012	
	£'000	£'000	£'000	£'000	£'000	£'000
Facilities management services	1,361	0	1,361	688	0	688
Utilities	1,157	0	1,157	635	0	635
Service charge	257	0	257	140	0	140
Interest receivable on loan notes	819	0	819	322	0	322
Other income	97	0	97	22	0	22
Conference accommodation	0	(396)	(396)	0	0	0
Energy metering	0	(90)	(90)	0	0	0
Student damages	0	0	0	0	(37)	(37)
Other expenditure	0	(6)	(6)	0	(2)	(2)
	3,691	(492)	3,199	1,807	(39)	1,768

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 £22,112,000 (2012: £10,695,000) and have been netted with the income received from students in the income and expenditure account.

14 Endowment assets

	Consolidated		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Balance at 1 August	78,784	81,936	9,493	9,038
New endowments invested	4,950	3,461	1,135	561
Transfers from tangible fixed assets	70	0	0	0
Increase / (decrease) on revaluation of investments	4,755	(1,310)	1,750	147
Increase / (decrease) on revaluation of investment properties	4,822	(81)	0	0
Decrease in net current liabilities	102	115	0	6
Increase in balance held by University	(2,648)	(5,337)	(784)	(259)
Balance at 31 July	90,835	78,784	11,594	9,493
Represented by:				
Tangible assets				
Land and property	11,657	9,957	0	0
Investment properties	27,054	24,400	0	0
Investments	69,647	59,404	15,220	12,335
Other assets				
Other net current liabilities	(88)	(190)	0	0
Funds due to the University	(17,435)	(14,787)	(3,626)	(2,842)
	90,835	78,784	11,594	9,493

15 Debtors

	Consolidated		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Debtors	16,064	16,657	25,152	23,957
Amounts recoverable on research projects	4,469	4,652	4,469	4,652
Prepayments and accrued income	4,268	3,841	4,182	3,804
Amounts due from subsidiary undertakings	0	0	3,720	2,518
Amounts due from associated undertakings – UPP (Reading I) Limited	1,081	0	1,081	0
	25,882	25,150	38,604	34,931
Amounts falling due after more than one year:				
Debtors – other	2,960	603	489	584
	28,842	25,753	39,093	35,515

16	Current asset investments	Consolidated		University	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
	At 1 August	14,787	9,449	2,842	2,583
	Net additions	18,358	5,296	16,494	217
	Changes in market value	485	42	485	42
	At 31 July	33,630	14,787	19,821	2,842

17	Creditors: amounts falling due within one year	Consolidated		University	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
	Overdrafts	0	0	1,594	338
	Unsecured loans	178	20,116	178	20,116
	Payments received in advance	12,822	12,031	12,910	11,156
	Research grants received on account	16,936	19,100	16,936	19,100
	Trade creditors	5,521	9,266	5,435	9,183
	Social security and other taxation payable	2,435	2,668	2,754	2,411
	Other creditors	12,675	13,185	12,663	13,214
	Accruals and deferred income	9,407	9,618	6,888	8,742
	Amounts due to subsidiary undertakings	0	0	2,048	2,298
	Amounts due to associated undertakings – UPP (Reading I) Limited	5,700	328	5,700	328
		65,674	86,312	67,106	86,886

During the previous year the University had a £50m revolving credit facility at a set margin above LIBOR for the term of each tranche drawn down. This facility was repaid and cancelled in October 2012. At 31 July 2012 the balance drawn down was £20m.

18	Creditors: amounts falling due after more than one year	Consolidated & University	
		2013 £'000	2012 £'000
	Unsecured loans	130,287	130,209
	Net finance costs to be amortised over the term of the unsecured loan	551	472
		130,838	130,681
	Analysis of loans and leases:		
	Due within one year	178	20,116
	Due between one and two years	161	117
	Due between two and five years	126	92
	Due in five years or more	130,000	130,000
		130,465	150,325

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 above LIBOR.

19 Provisions for liabilities

	Consolidated		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
At 1 August	510	85	471	50
Utilised in the year	(491)	0	(471)	0
Transfer from income and expenditure account	20	425	20	421
At 31 July	39	510	20	471
Represented by:				
Redundancy provision	0	421	0	421
Overseas tax provision	0	70	0	0
Insurance claim refund provision	20	0	20	0
Other provisions	19	19	0	50
	39	510	20	471

The insurance claim refund provision relates to an insurance mutual of which the University is a policyholder. The mutual is currently in administration and policyholders have been advised that they may be liable for a partial refund of historic claims.

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 2012						
Buildings	68,616	27,068	95,684	69,596	45,724	115,320
Equipment	5,562	692	6,254	5,562	694	6,256
	74,178	27,760	101,938	75,158	46,418	121,576
Cash receivable						
Buildings	1,817	0	1,817	1,838	0	1,838
Equipment	0	453	453	0	453	453
	1,817	453	2,270	1,838	453	2,291
Disposals						
Buildings	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
	0	0	0	0	0	0
Released to income and expenditure account						
Buildings	(1,995)	(1,435)	(3,430)	(2,906)	(1,435)	(4,341)
Equipment	(947)	(420)	(1,367)	(947)	(420)	(1,367)
	(2,942)	(1,855)	(4,797)	(3,853)	(1,855)	(5,708)
At 31 July 2013						
Buildings	68,438	25,633	94,071	68,528	44,289	112,817
Equipment	4,615	725	5,340	4,615	727	5,342
	73,053	26,358	99,411	73,143	45,016	118,159

21 Endowment funds

Consolidated

	Unrestricted permanent	Restricted permanent	Total permanent	Restricted expendable	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital	1,697	4,572	6,269	70,103	76,372
Accumulated income	302	1,950	2,252	160	2,412
At 1 August	1,999	6,522	8,521	70,263	78,784
Reclassification of properties as non-investment properties	0	0	0	(2,022)	(2,022)
Gain on disposal of assets	0	0	0	5,063	5,063
Surplus of income over expenditure / (expenditure over income)	86	172	258	(621)	(363)
Increase in market value of investment properties	0	0	0	4,822	4,822
Increase in market value of investments	408	1,148	1,556	3,199	4,755
Transfer to income and expenditure reserve	(4)	(19)	(23)	(201)	(224)
Transfer (to) / from revaluation reserve	(2)	25	23	(3)	20
At 31 July	2,487	7,848	10,335	80,500	90,835
Represented by:					
Capital	2,099	5,804	7,903	80,236	88,139
Accumulated income	388	2,044	2,432	264	2,696
	2,487	7,848	10,335	80,500	90,835

University

	Unrestricted permanent	Restricted permanent	Total permanent	Restricted expendable	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance					
Capital	1,697	4,572	6,269	799	7,068
Accumulated income	302	1,950	2,252	173	2,425
At 1 August	1,999	6,522	8,521	972	9,493
Surplus of income over expenditure	86	172	258	10	268
Increase in market value of investments	408	1,148	1,556	194	1,750
Transfer (to) / from income and expenditure reserve	(4)	(19)	(23)	86	63
Transfer (to) / from revaluation reserve	(2)	25	23	(3)	20
At 31 July	2,487	7,848	10,335	1,259	11,594
Represented by:					
Capital	2,099	5,804	7,903	977	8,880
Accumulated income	388	2,044	2,432	282	2,714
	2,487	7,848	10,335	1,259	11,594

22 Reserves

	Consolidated		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Income and expenditure reserve				
At 1 August	101,398	98,315	60,303	53,629
Surplus retained for the year	4,625	4,689	8,254	8,907
Less: pension surplus	(2,182)	(2,233)	(2,182)	(2,233)
Exchange differences on overseas subsidiary undertakings	147	47	0	0
Transfer from / (to) endowment funds	224	580	(63)	0
At 31 July	104,212	101,398	66,312	60,303
Pension reserve				
At 1 August	(3,967)	(11,600)	(3,967)	(11,600)
Actuarial gain	158	5,400	158	5,400
Interest cost	(807)	(560)	(807)	(560)
Difference between FRS 17 pension charge and cash contribution	2,989	2,793	2,989	2,793
At 31 July	(1,627)	(3,967)	(1,627)	(3,967)

22 Reserves (continued)

	Consolidated		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Revaluation reserve				
At 1 August	34,217	34,523	34,217	34,522
Increase in value of heritage assets	15,233	0	15,204	0
Increase in value of tangible fixed assets held by associates	2,990	0	0	0
Transfer out of investment properties	(393)	0	(393)	0
Increase / (decrease) in value of investment properties in the year	3,955	(360)	3,955	(360)
Revaluation of investments in the year	489	54	489	55
Transfer to endowment funds	(20)	0	(20)	0
At 31 July	56,471	34,217	53,452	34,217
Total reserves at 31 July	159,056	131,648	118,137	90,553

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

	Consolidated	
	2013 £'000	2012 £'000
Deficit on continuing operations	(12,676)	(8,729)
Depreciation	18,573	17,973
Profit on disposal of fixed assets not shown as exceptional items	0	(47)
Permanent diminution in value of investment properties	19	34
Impairment of fixed asset investments	0	1
(Profit) / loss on disposal of fixed asset investments	(2)	2
Amortisation of finance costs	79	472
Exchange differences	177	97
Deferred capital grants released to income	(4,797)	(4,852)
Endowment and investment income	(4,684)	(3,326)
Interest payable	6,066	5,630
Decrease / (increase) in stocks	84	(71)
Decrease in debtors	1,389	2,210
Decrease in creditors	(803)	(709)
(Decrease) / increase in provisions	(471)	425
Difference between pension charge and cash contributions	(2,989)	(2,793)
Net cash (outflow) / inflow from operating activities	(35)	6,317

24 Returns on investments and servicing of finance

	Consolidated	
	2013 £'000	2012 £'000
Income from endowments	3,473	2,732
Other interest received	1,211	594
Interest paid	(5,259)	(5,070)
	(575)	(1,744)

25 Capital expenditure and financial investment

	Consolidated	
	2013 £'000	2012 £'000
Proceeds from sale of tangible fixed assets and investment properties	56,174	96,410
Payments made to acquire tangible fixed assets	(15,782)	(50,778)
Payments made to acquire investment properties	0	(330)
Net payments to acquire endowment fixed assets	(1,700)	(3,011)
Net receipts from / (payments for) endowment investment properties	216	(268)
Net receipts from / (payments to) acquire endowment investments	60	2,896
Deferred capital grants received	2,270	973
	41,238	45,892

26 Acquisitions and disposals	Consolidated	
	2013	2012
	£'000	£'000
Acquisition of equity and loan notes in UPP (Reading I) Holdings Limited	(3,724)	(6,687)
Proceeds from sale of investments	5	3
	(3,719)	(6,684)

27 Management of liquid resources	Consolidated	
	2013	2012
	£'000	£'000
Increase in current asset investments	(18,843)	(5,338)
	(18,843)	(5,338)

28 Financing	Consolidated	
	2013	2012
	£'000	£'000
Unsecured loans	271	128
Repayment of amounts borrowed	(20,131)	(30,533)
	(19,860)	(30,405)

29 Analysis of changes in net debt	1 August 2012	Cash flows	31 July 2013
	£'000	£'000	£'000
Consolidated			
Cash at bank and in hand less overdrafts	3,413	(1,876)	1,537
Current asset investments	14,787	18,843	33,630
Debt due within one year	(20,116)	19,938	(178)
Debt due after one year	(130,209)	(78)	(130,287)
	(132,125)	36,827	(95,298)

30 Capital commitments	Consolidated		University	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Provision has not been made for the following capital commitments:				
Commitments contracted for	13,703	2,210	13,703	2,163

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 £'000	Other £'000	2013 £'000	Land and buildings £'000	Other £'000	2012 £'000
Consolidated						
Annual rentals under operating leases due:						
within one year	0	232	232	11	219	230
in two to five years	193	498	691	175	437	612
	193	730	923	186	656	842
University						
Annual rentals under operating leases due:						
within one year	0	223	223	0	210	210
in two to five years	0	445	445	0	421	421
	0	668	668	0	631	631

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 2013 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 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

33 Pension schemes (continued)

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. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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 valuation date 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 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%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme-specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS 17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

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	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

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

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows.

33 Pension schemes (continued)

However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through immediately to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together, in an integrated form, the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

At 31 March 2013, USS had over 148,000 active members and the University had 1,871 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 £2.25m. In addition the University contributed £600,000 towards the administration costs of the scheme. From 1 August 2013 the rate remains at 18.2% with an additional amount of £2.33m for the year ended 31 July 2014.

	2013 £'000	2012 £'000
Analysis of movement in benefit obligation		
At 1 August	115,987	117,377
Current service cost	2,704	2,629
Interest cost	5,171	6,211
Plan participants' contributions	57	900
Past service cost	190	27
Actuarial losses / (gains)	11,404	(7,290)
Benefits paid from plan	(5,063)	(3,867)
At 31 July	130,450	115,987
Analysis of movement in plan assets		
Fair value at 1 August	112,020	105,777
Expected return on plan assets	4,364	5,651
Actuarial gains / (losses) on plan assets	11,562	(1,890)
Employer contributions	5,883	5,449
Plan participants' contributions	57	900
Benefits paid from plan	(5,063)	(3,867)
Fair value at 31 July	128,823	112,020
Fair value of assets less benefit obligation	(1,627)	(3,967)
Components of pension cost		
Current service cost	2,704	2,629
Interest cost	5,171	6,211
Expected return on plan assets	(4,364)	(5,651)
Recognition of past service cost	190	27
Total pension cost recognised in the income and expenditure account	3,701	3,216
Actuarial gains immediately recognised	(158)	(5,400)
Total pension credit recognised in the statement of total recognised gains and losses	(158)	(5,400)
Cumulative amount of actuarial losses immediately recognised	30,294	30,452

33 Pension schemes (continued)

Scheme assets	2013	2012
	£'000	£'000
The weighted-average asset allocation was as follows:		
Equity securities	67,632	60,491
Gilts	27,310	39,767
Property	5,926	5,265
Corporate bonds	24,605	4,481
Other	3,350	2,016
	128,823	112,020

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.

	2013	2012
	£'000	£'000
Actual return on plan assets	15,926	3,761

Weighted average assumptions used to determine benefit obligations	31 July 2013	31 July 2012
Discount rate	4.60%	4.50%
Rate of salary increases	N/A	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 assumptions used to determine net pension cost	2013	2012
Discount rate	4.50%	5.30%
Expected long-term rate of return on plan assets	3.88%	5.28%
Rate of salary increases	N/A	N/A
Rate of CARE revaluation (CPI max 5%)	2.10%	3.00%
Rate of RPI price inflation	2.80%	3.70%
Rate of CPI price inflation	2.10%	3.00%
Rate of increase of pensions in deferment		
CPI max 5%	2.10%	3.00%
CPI max 2.5%	2.10%	2.50%
Rate of increase of pensions in payment accrued before 1 August 2011 (RPI max 6%)	2.80%	3.70%
Rate of increase of pensions in payment accrued after 1 August 2011 (CPI max 5%)	2.10%	3.00%

Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations	31 July 2013	31 July 2012
	Number	Number
Male pensioner (life expectancy at age 65)	22.7	22.6
Male non-retired member aged 45 (life expectancy at age 65)	25.0	24.8
Female pensioner (life expectancy at age 65)	25.0	24.9
Female non-retired member aged 45 (life expectancy at age 65)	27.4	27.2

33 Pension schemes (continued)

Five year history	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at 31 July	130,450	115,987	117,377	114,613	95,023
Fair value of plan assets at 31 July	128,823	112,020	105,777	92,985	80,995
Deficit at 31 July	(1,627)	(3,967)	(11,600)	(21,628)	(14,028)
Difference between the expected and actual return on plan assets					
Amount	11,562	(1,890)	4,755	4,872	(6,734)
Percentage of plan assets	9.0%	(1.7%)	4.5%	5.2%	(8.3%)
Experience gains on plan liabilities					
Amount	0	4,361	0	0	4,277
Percentage of present value of plan liabilities	0.0%	3.8%	0.0%	0.0%	4.5%

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

Pension costs	Consolidated	
	2013	2012
	£'000	£'000
Contributions to USS	16,938	11,379
Current and past service cost for UREPF	2,894	2,656
Net pension fund finance costs	807	560
Contributions to URPS	411	94
Contributions to other pension schemes	108	48
Total pension costs	21,158	14,737

Included in other creditors are unpaid pension contributions of £1,860,000 (2012: £1,873,000).

**34 Amounts disbursed as agent
– Consolidated & University**

	HEFCE Hardship Fund	HEFCE Hardship Fund	NCTL Bursary	NCTL Bursary
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Excess of income over expenditure at 1 August	22	19	295	280
Income				
Funding Council grants	120	138	2,207	879
Interest earned	1	1	0	0
	121	139	2,207	879
Expenditure				
Disbursed to students	(131)	(130)	(1,992)	(864)
Fund running costs	(4)	(6)	0	0
	(135)	(136)	(1,992)	(864)
Excess of income over expenditure at 31 July	8	22	510	295

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:	2013	2012
	£'000	£'000
Reading University Students' Union	610	669
<hr/>		
The University paid the following grants to Reading University Students' Union	2013	2012
	£'000	£'000
Core block grant	905	876
Specific grant	14	39
	919	915

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
Henley Management College (1945) Limited	England & Wales	Not currently trading
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 2012	Income	Expenditure	Other gains and losses	31 July 2013
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	51,678	7,344	(2,560)	7,315	63,777
National Institute for Research in Dairying Trust	17,357	447	(591)	(2,462)	14,751
Hugh Sinclair Trust	4,562	200	(424)	953	5,291
Beckett International Foundation	39	8	(14)	0	33
Greenlands Trust	19,063	7	(767)	29	18,332

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.

