

# FINANCIAL STATEMENTS

For the year ended 31 July 2015



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# **PRESIDENT'S FOREWORD**

Next year will mark the 90th anniversary of the granting of our Royal Charter – only ten English cities host universities older than the University of Reading. This will be an occasion to celebrate our successes to date, but it will also mark the beginning of the decade to our centenary when we will be striving towards an ambitious set of goals to ensure that we sustain the highest levels of academic excellence and a reputation for innovation, relevance and impact. We need to enhance our standing as a leader in research and education and secure our position as one of the best universities in the UK and internationally.

We are currently focused on improving the teaching and learning experience of our students, increasing our appeal to prospective students and reinforcing our research capability. We are undertaking, at a material cost, a comprehensive efficiency and effectiveness programme designed to reduce operating costs, strengthen professional support services and build a sustainable financial performance which can support our investment plans.

While we have a strong enough financial position to absorb the costs of this renewal programme, I am pleased to report that the underlying operating performance of our academic group is starting to improve, with a modest surplus of £886,000 being achieved in the year just ended in contrast to comparable deficits of £977,000 and £9,511,000 respectively in the preceding two years. We expect more meaningful surpluses to be achieved in the current year and beyond.

Our financial strength has benefited materially from a pro-active estate management strategy and further developments are in train. This is enabling us to plan for a complete renewal of our Library facilities, significantly enhanced teaching facilities – designed in part to accommodate our new School of Architecture – and the creation of the Thames Valley Science Park on University land adjacent to the M4. Beyond that we will be looking to extend the facilities of the Henley Business School at the University of Reading and to invest in new facilities for our health-related disciplines.

Our new campus in Malaysia is complete and will be formally opened next year as part of our 90th anniversary celebrations. We will be steadily building up the scale of our activities in the period ahead; within a short number of years this campus will be a significant component of our offer to overseas students as well as an enriching opportunity for many of our staff and students to enjoy a new international component to their Reading experience.

Next summer I will complete my term as Chairman of the University's governing body, and so this is the last annual review which I will be introducing. Let me recognise, both personally and on behalf of the University, the support and engagement which fellow Council members and members of staff at large have provided over the last year and their continuing commitment to our future success. The Council has appointed Paul Preston as my successor, and I know he will bring good judgement and disciplined enthusiasm to the University's leadership. I have very much appreciated the opportunity to contribute in this way to the University's life and will remain committed to my role in its affairs over the remainder of this academic year. Thereafter I look forward with confidence to seeing it progressively achieve its ambitions and fulfil its potential.

Christopher Fisher  
President of the Council

*20 November 2015*

# THE COUNCIL

## **Ex officio**

The Vice-Chancellor<sup>1</sup>  
The Deputy Vice-Chancellor  
The Pro-Vice-Chancellors

## **Sixteen persons not being employees or registered students of the University appointed by the Council**

Mr T. Bartlam, BA, MA, FCA  
Mr T. Beardmore-Gray, MA, FCA (*from 1 November 2014*)  
Lord Crisp, KCB, MA  
Mr R. Dwyer, BSc, FCIPD (Vice-President of the Council)<sup>1,6</sup>  
Dr P.A. Erskine, BA, Hon LLD  
Mr R.E.R. Evans, BSc, FRICS  
Mr C.C. Fisher, BA, MPP (President of the Council)<sup>1,4,5</sup>  
Dame Moira Gibb, DBE, MA, DipSoc Admin, CQSW, Hon DCL, Hon DSc  
Mr S. Hawker, CB, MA, FIET<sup>1</sup>  
Mrs K. Owen, BA (*from 1 August 2015*)  
Mr H.W.A. Palmer, QC, MA  
Dr P.R. Preston, BSc, PhD  
Mr S.C.C. Pryce, BSc, ACA  
Mr S.P. Sherman, FCA<sup>1,3</sup>  
Sir John Sunderland, MA (*until 31 July 2015*)  
Ms S.L. Webber, BSc  
Ms S.M. Woodman, BA (Vice-President of the Council)<sup>1,2</sup>

## **The Deans of the Faculties**

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

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

Professor S. Walker, BA, PhD, FDRS

## **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**

Dr O.B. Kennedy, BSc, MSc, PhD, FIFST

**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 M.T. Martin, BA, MA, PGCE

**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 O. Ratcliffe (President of the Students' Union)

Ms N. Hager (Welfare Officer of the Students' Union)

Secretary: The Chief Strategy Officer and University Secretary

<sup>1</sup> Member of Remuneration Committee

<sup>2</sup> Chair of Remuneration Committee

<sup>3</sup> Chair of Audit Committee

<sup>4</sup> Chair of Appointments Committee

<sup>5</sup> Chair of Strategy and Finance Committee

<sup>6</sup> Chair of Student Experience Committee

# OFFICERS OF THE UNIVERSITY

## Chancellor

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

## Vice-Chancellor

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

## Deputy Vice-Chancellor

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

## President of the Council

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

## Vice-Presidents of the Council

Mr R. Dwyer, BSc (London), FCIPD

Ms S.M. Woodman, BA (Reading)

## Pro-Vice-Chancellors

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

Mr V. Raimo, BA (Reading), MA (Leicester)

Professor R. Van de Noort, BA (Utrecht), Drs (Amsterdam), PhD (Exeter)

## Deans of the Faculties

### Arts, Humanities and Social Science

Professor G.H. Tucker, MA, PhD (Cambridge) (*until 31 July 2015*)

Professor M.J. Almond, DPhil, PhD (Reading) (*from 1 August 2015*)

### 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 B. Cosh, BSc (Sheffield), PGCE (Greenwich), PhD (London)

## Heads of Service

### Chief Strategy Officer and University Secretary

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

The University of Reading was established in 1892, received its Royal Charter in 1926 and has developed into a leading force in British and international higher education. It is a global university that enjoys a world-class reputation for teaching, research and enterprise.

## Principal operations

Study and research are currently grouped into four Faculties which consist of Schools situated on three campuses in the UK. The Faculty structure is currently under review to ensure the University has the optimum structure to enable it to fulfil its objectives. The University is very active internationally and has operations in a number of countries including campuses in Malaysia and South Africa. It has in excess of 17,000 students across a broad range of disciplines and attracts high quality students and academics from around the world.

The University's key resources include over 3,000 staff, extensive teaching space and laboratories, access to cutting edge research, a strong reputation in the UK and a growing reputation overseas.

## Objectives and strategies

The University of Reading is among the UK's top universities and has a proud history of innovation and social influence which stretches back over many years. Given an uncertain environment and an accelerating pace of change in many elements of higher education, the University has developed and adopted a strategy which builds on its strengths and enables it to stand out as a forward-looking, confident and distinctive university in this rapidly growing and competitive environment.

The University's vision is that it will be a vibrant, thriving, sustainable, global and broad-based institution, responsive to, stimulated by and informing changes in the world around it. As a result, it will also become significantly larger in terms of students, global reach and presence. The strategy which it has developed is designed to transform the way the University is structured, the teaching and learning programmes it offers and the research it undertakes, and is designed to strengthen the position of the University as it approaches its centenary year in 2026.

Underpinning the University's strategy are the four fundamental principles of academic excellence, global engagement, financial strength and a thriving community. The University aims to generate sustainable financial surpluses to facilitate renewal and investment.

A number of key performance indicators (KPIs) are being developed to measure performance against objectives in those areas of prime importance. KPIs are informed by external data which allows performance to be benchmarked against the rest of the sector. KPIs are to be reviewed regularly and responsive action will be taken where necessary. This report contains information on a number of KPIs so far established.

## Development and performance

Over 6,900 students commenced their studies at Reading during the year with around seven applications for every place.

The University rose to 156<sup>th</sup> in the *QS World University Rankings*, a climb of 46 places on the previous year, and was 25<sup>th</sup> amongst UK institutions. In the *Times Higher Education World University Rankings*, the University climbed to 164<sup>th</sup> position and ranked 27<sup>th</sup> amongst UK universities.

Reading also climbed eight places to be ranked 29<sup>th</sup> nationally in the *Complete University Guide 2016*. The Guide ranked its Land & Property Management subject area as the best in the UK and eight other subject areas featured in their respective top 10s.

In the *Guardian University Guide 2016*, which focuses on student satisfaction and services, the University moved up five places to 25<sup>th</sup>.

Henley Business School's Full-Time MBA was ranked 1<sup>st</sup> in the UK and its Executive MBA 4<sup>th</sup> in the *Financial Times and Economist* rankings. Both programmes were ranked in the top 40 worldwide.

In developing a strategy which is sustainable in the long-term, the University commissioned a detailed review of the efficiency and effectiveness of all of its administrative and support functions. Some £36m is being invested over three years in order to transform the University's long-term efficiency and effectiveness and reduce its day-to-day operating costs. The programme is designed to pay for itself fully within four years.

The findings of this review have identified a significant level of improvements and cost efficiencies which could be achieved and which would ensure better support for the future ambitions of the University and allow those services to be delivered at a lower cost.

Within its efficiency and effectiveness review, the University completed the biggest ever review of its professional and administrative services (PAS) covering IT services, managed print services, finance (including procurement), human resources, technical support for academic schools and departments, teaching operations support and marketing and communication operations.

The aim of PAS is to provide more efficient and effective services through standardising ways of working and providing a much greater degree of technology-driven self-service by staff and students.

The efficiency and effectiveness programme has identified several areas for which more clearly defined and standardised business processes will be developed. These include:

- a set of end-to-end digital products to transform how the University markets itself and engages with students from their first contact as prospective applicants to their time studying and as alumni thereafter.
- the management of money and funds including procurement processes eg. the installation of more efficient printing facilities throughout the University.
- the creation of a new Marketing, Communication & Engagement function which has so far delivered an award-winning national undergraduate recruitment campaign and transformed the outreach and Open Day operation with a record number of visitors.
- the employee journey from identification and recruitment to retirement.
- business intelligence processes to enable informed decisions to be made.
- technology and IT management including data integration between systems.

In a major strategic development, the University's campus at EduCity, Malaysia in the hinterland of Singapore, opened in September 2015 and will eventually cater for up to 2,500 students through a range of undergraduate and postgraduate programmes. The campus aims to offer transformative teaching and learning which will produce high quality graduates and contribute to research and development in the region. The completed building offers an outstanding environment for students and staff and has attracted favourable attention from both the public and other higher educational institutions operating in Malaysia.

Planning permission was granted for the first phase of the University's development of the new Thames Valley Science Park to be constructed on land owned by the University located to the south of the M4 in Shinfield. The Science Park will open in 2017 and is aimed at attracting innovative small and medium-sized technology-based companies that are researching and delivering cutting-edge new products.

Developments associated with the University's significant landholdings which are not part of its operational estate have been ongoing during the year. Two disposals of land in Shinfield, Berkshire were completed during the year relating to land north of Cutbush Lane and the Manor Site. After the end of the financial year, the University disposed of further land on the western edge of Shinfield. The proceeds from these disposals will enable the University to further invest in its campuses and provide first-class academic facilities for future staff and students.

The University received £3.5m in philanthropic income in 2014–15. These gifts came from a variety of sources including companies, charitable trusts, individuals and alumni.

## Teaching

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, Reading 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.

From 1 August 2015 the University made significant changes to its teaching and learning leadership and organisation with the establishment of five Teaching and Learning Deans who will each lead a range of University-wide strategic teaching and learning projects and be responsible for a particular portfolio of teaching and learning activity which aligns with the priorities of the University strategy.

In the *National Student Survey 2015*, the overall satisfaction level of students was 89% compared to a sector average of 86%. The Reading University Students' Union was ranked 10th in the UK.

Students ranked the University of Reading 22nd nationwide in the *Times Higher Education Student Experience Survey 2015*, a climb of 11 places from the previous year. Reading scored particularly highly in respect of the environment on campus, the Students' Union, accommodation and social life.

In autumn 2016 the University's new School of Architecture will take its first cohort of students. The University will provide additional funding for this first intake with a scholarship of £3,000 per annum for three years for each student. Also in autumn 2016, the University will restructure its Systems Engineering activity in order to improve the attraction and retention of students, to place a renewed emphasis on computer science and to generate long-term sustained research income.

## Research

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

Overall, research grant income was some £34.7m from around 650 grants during the year.

The University performed well in the *Research Excellence Framework 2014*. It was ranked 48<sup>th</sup> in the UK in relation to research quality, 27<sup>th</sup> in relation to research power and 19<sup>th</sup> in relation to research intensity. 98% of Reading's research was rated as internationally recognised, 78% was classed as internationally excellent and 27% was classed as world leading.

From 1 August 2015 the University made significant changes to its research leadership and organisation with the establishment of five Research Deans to provide leadership and management around which the 2020 Research Plan is structured. This will enable the University to sustain and enhance its standing as a research-intensive university.

Reading has a particularly strong presence in a number of areas of research. Its strength in meteorology has led to a number of major research contracts including being at the forefront of an international collaboration to improve monsoon forecasts. In the area of soil science, the University has carried out research to investigate the interactions between soil and the communities of microbes that live in close association with plant roots.

The Institute for Environmental Analytics opened at the University during the year with the aim of delivering impact from environmental research and driving economic growth for the UK. The Institute will bridge the gap between the UK's world-leading researchers and decision-makers handling global societal challenges such as declining food security from climate change and predicting and mitigating the impact of extreme weather events on global finance.

A University of Reading space scientist, Professor Mike Lockwood, was awarded the 2015 Gold Medal for Geophysics by the Royal Astronomical Society. Professor Lockwood's research has included the processes associated with the aurora and the impact of solar storms on systems such as satellites and electricity networks.

The Department of Food and Nutritional Sciences carried out research which found that eating oily fish could help to fix damaged blood vessels faster, reducing the risk of cardiovascular disease.

Reading's International Cocoa Quarantine Centre moved to new premises at Reading's Hall Farm in Shinfield. The Centre plays a crucial role in helping to safeguard the world's chocolate supply by ensuring cocoa producing countries receive varieties that are free from pests and diseases.

## Financial performance in the year

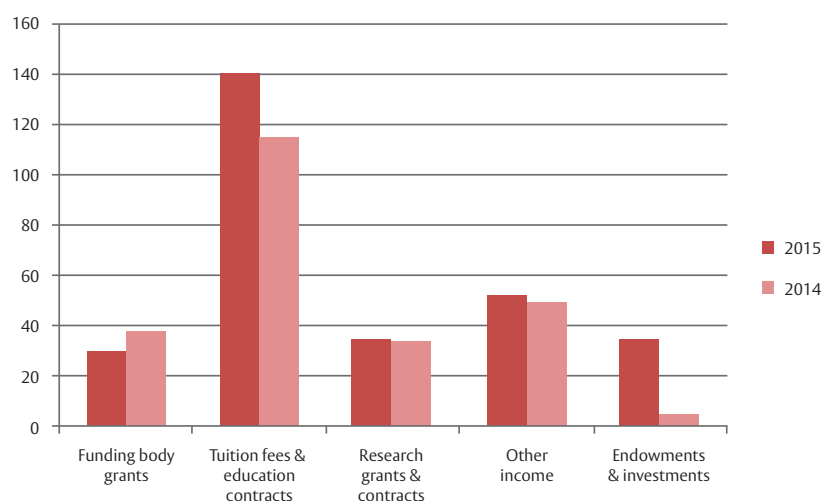
	2015 £'000	2014 £'000
Income	290,722	239,829
Operating surplus / (deficit)	14,883	(12,417)
Retained (deficit) / surplus for year	(14,687)	20,941

Group income for the year increased to nearly £291m, due partly to income generated on endowment land disposals as well as an increase in tuition fee income and income from Henley Business School. Overall expenditure for the year also rose and included expenditure on the review of efficiency and effectiveness. The Group made an operating surplus of £14.9m, of which £29.1m was retained in endowment reserves due to the land disposals, leaving a retained deficit of £14.7m.

The full benefits of implementing initiatives and measures coming out of the efficiency and effectiveness review will be seen in the coming years as further reductions are made to the Group's cost base.

As well as monitoring the Group's overall performance, the University's Executive Board also gives close consideration to its core academic activities which it refers to as its Academic Group. Whilst the results of the Academic Group are not reported separately within these financial statements, they represent a key measure of performance of the University's core activities. During the year the Academic Group recorded a surplus of £886,000 compared to a deficit of £977,000 in the previous year.

## Group income (£m)



Funding body grants continued to fall this year and made up around 10% of total income.

This has fallen from nearly 30% five years ago, reflecting changes to government funding in the sector.

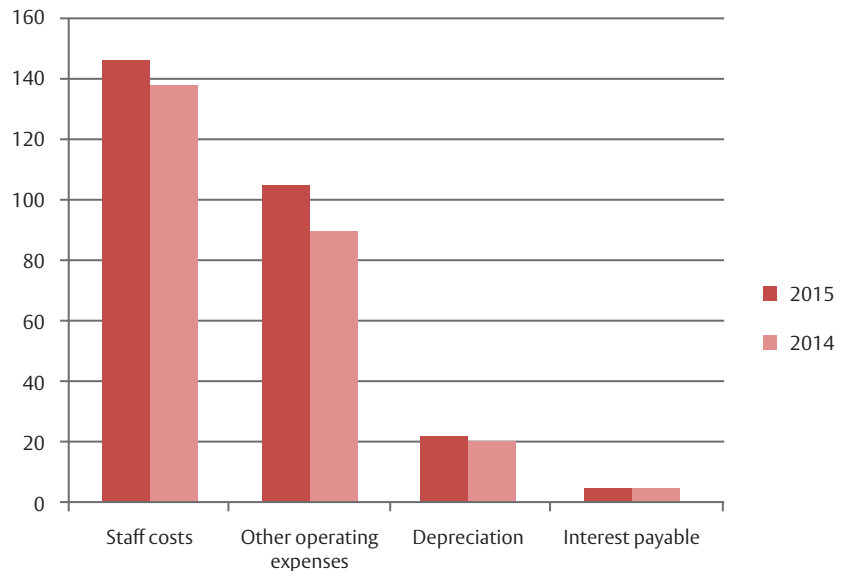
Tuition fees increased by £25.1m due to increased student numbers along with the impact of the £9,000 fees which now apply to all home/EU undergraduates.

Total research income was £34.7m (2014: £34.1m), but the 2015 figure included £2.0m in respect of the Research and Development Expenditure Credit (RDEC), an HMRC research incentive scheme relating to the level of eligible research expenditure incurred on or after 1 April 2013. The RDEC incentive is no longer available to universities since 31 July 2015. Other research income fell during the year with Research Councils having less resources available to fund new projects.

Other income increased from £48.9m to £52.6m which was attributable mostly to an increase in executive education income in Henley Business School, facilitated by the revamp of existing programmes and the introduction of new programmes.

Endowment and investment income of £34.7m included the surpluses generated on the disposal of land in Shinfield north of Cutbush Lane and the Manor Site. These disposals contributed £28.6m to income from endowments.

## Group expenditure (£m)



Staff costs increased by 5.5% to £145.5m due to an increase in staff numbers and a 2.0% pay increase. As well as increasing in the UK, staff numbers grew in Malaysia and South Africa as these parts of the Group expanded.

Other operating expenses totalled £104.1m (2014: £89.8m) which included £12.1m in respect of the efficiency and effectiveness review (2014: £7.1m). Expenditure increases arose from the establishment of the campus in Malaysia, an increase in student bursaries, expansion of activities in South Africa and an increase in marketing expenditure.

Depreciation on tangible fixed assets increased slightly to £21.5m while interest payable decreased marginally to £4.7m.

## Financial position

Overall the Group has a strong balance sheet with consolidated net assets of £395m at 31 July 2015 (2014: £368m). The increase against the previous year was due largely to the proceeds generated on the land disposals. Net current liabilities stand at £19m (2014: net current assets of £17m), the movement being largely attributed to the balances owed to the Group’s endowment trusts.

### Fixed Assets

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.

The new Bridges Hall opened its doors to 649 students this year. The redevelopment project saw the replacement of the previous hall of residence with a range of smartly furnished accommodation to suit all budgets.

During the year, development took place on a number of buildings including new sports pavilions at the Whiteknights campus and at the University's sports facilities at Bulmershe, an extension of Cafe Mondial in the Students' Union, the refurbishment of the Palmer Theatre and a new car park in Queen's Drive at Whiteknights. The redevelopment of the Library continued.

### **Investments and investment properties**

The investments held by the University and its trusts within current asset investments and endowment assets were valued at £132.8m (2014: £129.8m). The University and its trusts hold some properties for their investment potential. Their combined market value at 31 July 2015 was £49.4m (2014: £49.2m).

### **Pensions surplus / deficit**

The financial statements report the overall surplus or deficit of the University of Reading Employees' Pension Fund (UREPF) on the balance sheet, in line with the requirements of FRS 17. The scheme showed an overall surplus of £0.9m at 31 July 2015 (2014: deficit of £1.6m). 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 2020.

## **Cash flow and borrowings**

The University's treasury policy sets out the key controls placed on the treasury management function at the University. It contains guidance on a number of key areas and focuses on the risks that the University faces in its day-to-day activities. The policy contains significant details about the delegations surrounding the investment of surplus cash funds and sets firm limits in regard to the credit-worthiness of potential counterparties. The Strategy and Finance Committee receives reports on treasury management including an annual strategy and plan in advance of the next year.

The University's non-endowment cash balances are held primarily in the form of interest-bearing deposits with financial institutions. The University also has borrowings including a £70m corporate bond and a £60m sterling long-term loan facility which have enabled the University to develop its academic facilities and student accommodation in recent years. It also has a loan from the Homes & Communities Agency of just over £19m to enable construction of the Shinfield Eastern Relief Road and bridge over the M4 required as a condition of the residential and Thames Valley Science Park developments at Shinfield. In addition to its borrowings, the University has provided performance bond guarantees to the Highways Agency and Wokingham Borough Council totalling £15.8m in respect of its delivery of the road and the bridge.

The Group generated a net cash outflow from operating activities of £9.1m (2014: inflow of £14.1m). This was largely as a result of movements in working capital. The net cash inflow for the year was £1.2m (2014: £2.2m).

Net debt at 31 July 2015 was £87m (2014: £69m). The increase was due to the new loan from the Homes & Communities Agency.

## 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 lives.

The People Development team provides a comprehensive range of training programmes for staff, 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 practical support for staff is available 24/7 via the Employee Assistance Programme.

HR continues to provide professional support across the University as it progress through a period of structural change, and will develop methodologies for measuring and enhancing staff engagement during the 2015–16 session.

In addition the University has invested further in its Diversity and Inclusion activities and has established a new post of Dean of Diversity & Inclusion. A range of related opportunities are provided such as the Springboard and Aurora programmes aimed at developing female staff. Further accreditation is being sought via the Athena SWAN and Race Equality Charter banners and on building the relationship with Stonewall to ensure the best environment for LGBT colleagues.

## Environmental matters

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

During the year the University announced a £1 million upgrade to its science labs to improve energy efficiency and cut the environmental impact of its scientific teaching and research. The investment will help the University cut its carbon emissions by more than 750 tonnes of carbon dioxide every year. The money will be spent on a programme of energy efficiency upgrades to science lab fume cupboards across the University.



## Principal risks and uncertainties

As explained in the Governance Statement, the University has systems for risk management and internal controls to manage and control the risk of failure to achieve academic and business objectives. There is a Risk Management Group in place which reports to the University Executive Board and oversees risk management across the University. A risk register is in place with key risks assigned to risk owners and appropriate reporting channels established. A risk prioritisation framework is in place forming the basis of risk assessment, identification and management.

For each item identified on the risk register, an assessment is made of its likelihood and its impact and an overall net risk score is given. Those currently considered to be key risks include:

- Failure to secure planned additional savings from the efficiency and effectiveness review
- Failure to attract sufficient new students to the Malaysia campus in a timely fashion
- Insufficient funds being available for capital project requirements
- Inadequately maintained buildings and estate infrastructure
- Failure to work together effectively with the accommodation partner in optimising the available student accommodation.

## Future developments

Universities face challenges presented by the volume and pace of change in an increasingly competitive environment. The University's newly developed strategy and a clear understanding of its long-term goals will enable these changing circumstances to be addressed effectively. The strategy is becoming increasingly encapsulated in thinking and planning across the University, fostering a greater sense of ambition and having a positive impact on the University's adaptability and performance.

The efficiency and effectiveness review will give the University the chance to implement better ways of working as well as generate significant cost savings. The University Executive Board will ensure these improvements are implemented to full effect in order to ensure a strong competitive advantage and financial standing for the future.

The opening of the University's campus in Malaysia will strengthen the University's position in a globally expanding market for higher education and allow it to cater to a greater number of students.

The development of the Thames Valley Science Park will enable the University to host innovative technology-based companies in a first class environment. The income derived will contribute to funding the University's core activities and its investment in the future as funding from government sources continues to contract.

The University will continue to invest in its estate and facilities and its plans include a new biosciences building, the expansion of Henley Business School, refurbishment of the URS building, the expansion of student accommodation and further development of the library.

The University has a strong asset base and this, along with its plans to maximise incoming resources and reduce its cost base, will continue to ensure it has a firm financial footing.

The University is well placed to respond positively to the challenges and opportunities which lie ahead and its staff and students can continue to be proud of Reading and its achievements for first class teaching and research.

Sir David Bell KCB  
Vice-Chancellor

David Savage  
Chief Operating Officer

20 November 2015

## **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 Ordinances. It is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. It is not required to be registered with the Charity Commission but is however subject to the Charity Commission's regulatory powers which are monitored by the Higher Education Funding Council for England (HEFCE). The University's Council has due regard to the Charity Commission's public benefit guidance. The University's Handbook for Council Members contains additional guidance on members' responsibilities in respect of public benefit.

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

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

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

### **Teaching and learning**

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

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

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

The University seeks to encourage potential students to consider entering higher education and a range of methods are adopted including visits to schools and open days and events aimed at schools. These include the Students in Schools programme which enables student volunteers to work at local schools alongside teachers to raise the aspirations of pupils and encourage them to continue their education beyond school.

Events for schools during the year included an Experiencing Ancient Education event organised by the Department of Classics and a day spent exploring the big questions that bridge science and religion at the Institute of 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.

The University partnered Public Health England and Netmums in carrying out a study on the reduction in sugar intake achieved as a result of a few simple adjustments to daily diets. The results highlighted that simple swaps could lead to big changes if sustained over time.

Reading's School of Pharmacy designed a new super-efficient way of delivering an anti-cancer drug which could extend and improve the quality of life for bladder cancer patients. Researchers developed a unique microgel that is potentially eight times 'stickier' than conventional methods keeping the drug in the bladder for longer. This allows the drug to be released in a more controlled manner over a longer period meaning fewer uncomfortable hospital appointments for patients and an increase in the chances of recovery.

Reading researchers developed a new test designed to help more babies that are born underweight reach their full mental development. The Early Report by Infant Caregivers (ERIC) test is an easy to use assessment for parents to detect delayed learning in babies that are born prematurely or with low birth weight. In the study, ERIC proved to be as effective at identifying cognitive problems as the standard assessment currently used in clinics - the Bayley Scales of Infant Development. ERIC has the potential to identify more babies with problems than Bayley does because it is quick and easy to use and is able to assess babies at any age between 10–24 months.

## Community

The University is keen to encourage participation by, and engagement with, the local community.

The University received the Buttle UK Quality Mark during the year for its commitment to helping young people in and leaving care make a successful transition into Higher Education and beyond. Reading demonstrated that it has a robust strategy in place to ensure that students from a care background can access a package of financial, pastoral and educational support.

The Museum of English Rural Life, which is owned by the University, carried out a major refurbishment which was funded by a grant of £1.7m from the Heritage Lottery Fund. The refurbishment enabled the expansion of the galleries and allowed never seen before 'hidden treasures' to go on display.

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 what makes us human, the psychology of babies and the importance of weather forecasting for the D-Day landings.

# 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 Higher Education Code of Governance. 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. In December 2014 a new version of the CUC Higher Education Code of Governance was issued. The University's Council has established a group to consider the implementation of the Code. The Group has reported to Council in July 2015 to the effect that the University is compliant with the new Code in large part, and that it expects the University to be fully compliant by the end of 2015–16. More work is to be done to ensure full compliance, and therefore this report does not attempt to report on specific areas where the University's practices differ from the new Code. Areas where practices differ from the previous 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 Code recommends that the Council should monitor its own effectiveness, and that of its committees, through reviews at least every five years. It also recommends that parallel reviews be undertaken of the Senate and its committees. The latest review of Council and its committees was concluded in 2012–13. A review of Senate and its committees was not undertaken at that time but will be carried out during 2016–17.
- 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 Ordinances 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 Ordinance A2, Statement of Primary Responsibilities of the Council, which can be viewed on the University website at [www.reading.ac.uk/web/FILES/Calendar2015-16/Section\\_F.pdf](http://www.reading.ac.uk/web/FILES/Calendar2015-16/Section_F.pdf). Lay members of the Council receive no remuneration for their role in these bodies although they are reimbursed for expenses incurred in attending meetings.

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

## The Senate

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

## Committees of Council

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

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

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

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

## **Supply of information**

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

## **Risk management and internal controls**

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

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

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

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

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

- the Council meets four times a year to consider the University's strategic direction, decisions and progress against the Corporate Plan and is advised by various Committees. The Council, through the Strategy and Finance Committee, is responsible for reviewing the effectiveness of the internal controls of the University.

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

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

## **Register of interests**

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

## **Preparation of the financial statements**

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

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

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

The Council has taken reasonable steps to:

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

## **Internal financial controls**

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

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



- an annual programme of work undertaken by the internal audit team which is reviewed and approved by the Audit Committee
- reviews by the Audit Committee of the effectiveness of risk management, control and governance arrangements

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

### **Information held on the University's website**

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

# REPORT OF THE REMUNERATION COMMITTEE

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

The Committee has six members, five of whom are lay members of the Council and the other the Vice-Chancellor. It is chaired by Susan Woodman, Vice-President of the Council. The Chief Strategy Officer and 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 twice in the year ending 31 July 2015 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 2015;
- (vi) agreed, on the basis of a report from its Senior Salaries Advisory Group, adjustments to salary for certain senior staff with effect from 1 August 2015;
- (vii) agreed that there be no adjustments to salary for the Pro-Vice-Chancellors with effect from 1 August 2015 save for the application of the nationally-agreed salary settlement;
- (viii) agreed that there be no adjustments to salary for the Deputy Vice-Chancellor with effect from 1 August 2015 save for the application of the nationally-agreed salary settlement;
- (ix) agreed that there be no adjustments to salary for the Heads of Service with effect from 1 August 2015 save for the application of the nationally-agreed salary settlement; and
- (x) agreed that there be no adjustment to the emoluments of the Vice-Chancellor with effect from 1 August 2015 save for the application of the nationally-agreed salary settlement.

# **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 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Accounting Policies 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 Council, in accordance with the Charters and Ordinances of the institution. 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 20 to 25 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 University Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of HEFCE's *Accounts direction to higher education institutions for 2014–15 financial statements*.

## **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 and managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- the corporate governance and internal control requirements of HEFCE's *Accounts direction to higher education institutions for 2014–15 financial statements* have been met.

Chris Wilson

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

25 November 2015

## Income and expenditure account for the year ended 31 July 2015

		Consolidated	
		2015	2014
		£'000	£'000
<b>Income</b>			
<b>Note 1</b>	Funding body grants	28,907	37,099
<b>2</b>	Tuition fees and education contracts	139,864	114,729
<b>3</b>	Research grants and contracts	34,681	34,063
<b>4</b>	Other income	52,619	48,928
<b>5</b>	Endowment and investment income – regular	6,019	5,010
<b>5</b>	Endowment and investment income – exceptional	28,632	0
<b>Total income</b>		<b>290,722</b>	<b>239,829</b>
<b>Expenditure</b>			
<b>6</b>	Staff costs	145,475	137,841
<b>8</b>	Other operating expenses – regular	92,000	82,686
<b>8</b>	Other operating expenses – exceptional	12,144	7,114
<b>10</b>	Depreciation	21,481	19,698
<b>7</b>	Interest and other finance costs	4,739	4,907
<b>Total expenditure</b>		<b>275,839</b>	<b>252,246</b>
<b>Surplus / (deficit) on continuing operations</b>		<b>14,883</b>	<b>(12,417)</b>
<b>13</b>	Share of operating deficit in associates	(880)	(879)
<b>9</b>	Taxation (charge) / credit	(630)	4
<b>Surplus / (deficit) after depreciation and tax</b>		<b>13,373</b>	<b>(13,292)</b>
<b>Exceptional items</b>			
	Profit on disposal of fixed assets	1,002	34,177
<b>Surplus after exceptional items</b>		<b>14,375</b>	<b>20,885</b>
<b>21</b>	Surplus / (deficit) for the year transferred from accumulated income in endowment funds	(29,062)	56
<b>(Deficit) / surplus for the year retained within general reserves</b>		<b>(14,687)</b>	<b>20,941</b>

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

## Statement of total recognised gains and losses

Consolidated

	2015	2014
	£'000	£'000
Surplus after exceptional items	14,375	20,885
<b>Note 13</b> Unrealised surplus / (deficit) on revaluation of fixed assets held by associate	3,395	(1)
<b>11</b> Unrealised gain on revaluation of investment property	1,916	2,692
<b>12</b> Unrealised gain / (loss) on fixed asset investments	17	(14)
<b>21</b> Reclassification of endowment properties as non-investment properties	(395)	0
<b>21</b> Unrealised gain / (loss) on revaluation of endowment investment property	2,706	(85)
<b>21</b> Unrealised gain / (loss) on the value of endowment investments	2,501	(1,051)
<b>21</b> Gain on disposal of endowment assets	3,607	1,793
<b>21</b> New endowments	25	165
<b>16</b> Unrealised gain on current asset investments	284	135
<b>33</b> Actuarial loss in respect of the pension scheme	(424)	(2,582)
Exchange differences	366	59
<b>Total recognised gains in the year</b>	<b>28,373</b>	<b>21,996</b>
<b>Reconciliation</b>		
Opening reserves and endowments	271,887	249,891
Total recognised gains in the year	28,373	21,996
<b>Closing reserves and endowments</b>	<b>300,260</b>	<b>271,887</b>

## Balance sheet as at 31 July 2015

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Fixed assets</b>				
<b>Note 10</b> Tangible assets	393,527	357,087	373,541	339,512
<b>11</b> Investment properties	24,862	26,525	24,862	26,525
<b>12</b> Investments	61	44	4,122	4,105
<b>13</b> Investments in associates	11,845	9,316	10,568	10,554
	<b>430,295</b>	<b>392,972</b>	<b>413,093</b>	<b>380,696</b>
<b>14 Endowment assets</b>	127,688	90,445	13,911	12,559
<b>Current assets</b>				
Stocks	1,653	1,723	1,638	1,701
<b>15</b> Debtors	41,936	32,594	50,359	44,291
<b>16</b> Investments	57,614	58,032	37,998	39,373
Cash at bank and in hand	5,010	3,780	931	1,882
	<b>106,213</b>	<b>96,129</b>	<b>90,926</b>	<b>87,247</b>
<b>17 Creditors:</b> Amounts falling due within one year	(125,340)	(78,896)	(124,278)	(91,097)
<b>Net current (liabilities) / assets</b>	<b>(19,127)</b>	<b>17,233</b>	<b>(33,352)</b>	<b>(3,850)</b>
<b>Total assets less current liabilities</b>	<b>538,856</b>	<b>500,650</b>	<b>393,652</b>	<b>389,405</b>
<b>18 Creditors:</b> Amounts falling due after more than one year	(144,506)	(131,113)	(144,506)	(131,113)
<b>19 Provisions for liabilities</b>	(588)	(13)	(588)	0
<b>Net assets excluding pension asset / (liability)</b>	<b>393,762</b>	<b>369,524</b>	<b>248,558</b>	<b>258,292</b>
<b>33 Net pension asset / (liability)</b>	937	(1,604)	937	(1,604)
<b>Total net assets including pension asset / (liability)</b>	<b>394,699</b>	<b>367,920</b>	<b>249,495</b>	<b>256,688</b>
<b>20 Deferred capital grants</b>	94,439	96,033	112,996	115,323
<b>21 Endowments</b>				
Expendable	115,348	79,391	1,571	1,505
Permanent	12,340	11,054	12,340	11,054
	<b>127,688</b>	<b>90,445</b>	<b>13,911</b>	<b>12,559</b>
<b>Reserves</b>				
<b>22</b> General reserves	111,616	123,982	68,046	74,365
<b>22, 33</b> Pension reserve	937	(1,604)	937	(1,604)
<b>22</b> Revaluation reserve	60,019	59,064	53,605	56,045
	<b>172,572</b>	<b>181,442</b>	<b>122,588</b>	<b>128,806</b>
<b>Total funds</b>	<b>394,699</b>	<b>367,920</b>	<b>249,495</b>	<b>256,688</b>

The financial statements on pages 29 to 58 were approved by Council on 20 November 2015, 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  
& Corporate Services

## Cash flow statement for the year ended 31 July 2015

Consolidated

	2015	2014
	£'000	£'000
<b>Note 23</b> Net cash (outflow) / inflow from operating activities	(9,117)	14,140
<b>24</b> Returns on investments and servicing of finance	874	(49)
Taxation	(221)	4
<b>25</b> Capital expenditure and financial investment	(9,458)	12,240
<b>26</b> Acquisitions and disposals	(14)	(143)
<b>27</b> Management of liquid resources	418	(24,402)
<b>28</b> Financing	18,748	453
<b>29 Increase in cash in the year</b>	<b>1,230</b>	<b>2,243</b>
<b>Reconciliation of net cash flow to movement in net debt</b>		
<b>29</b> Increase in cash in the year	1,230	2,243
(Decrease) / increase in current asset investments	(418)	24,402
<b>28</b> Cash inflow from financing	(18,748)	(453)
<b>Change in net debt</b>	<b>(17,936)</b>	<b>26,192</b>
Net debt at 1 August	(69,106)	(95,298)
<b>29 Net debt at 31 July</b>	<b>(87,042)</b>	<b>(69,106)</b>



# 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 in accordance with the historical cost convention modified by the revaluation of certain fixed assets. The Council believes that the going concern basis is appropriate. The University has sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The strength of the University's asset base and the impact of significant savings through the efficiency and effectiveness review put the University on a sound footing for the future. The Council is therefore satisfied that the University and its subsidiaries and trusts have adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

## Basis of consolidation

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

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

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

## Recognition of income

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

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

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

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

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

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

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

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

### **Foreign currency translation**

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

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

### **Agency arrangements**

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

### **Accounting for retirement benefits**

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

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

UREPF is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The scheme closed to new members on 31 July 2011. The scheme is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuary reviews the progress of the scheme. The income and expenditure account is charged under FRS 17 with the current service cost and any past service costs as is the net financing cost attributable to the pension liabilities and return on assets. Actuarial gains and losses on the scheme, including the differences between expected and actual return on scheme assets, are recognised in the statement of total recognised gains and losses. The surplus or deficit on the scheme is reported on the balance sheet with the scheme assets valued at market value and scheme liabilities measured on an actuarial basis using the projected unit method. The post retirement surplus or deficit is included on the University's balance sheet, net of the related amount of deferred tax. A surplus will only be included to the extent that it is recoverable through reduced contributions in the future or through refunds from the scheme.

URPS is a defined contribution scheme which was established on 1 August 2011 and is available to staff not eligible to join the USS scheme. The amounts charged as expenditure

represent the contributions payable for the accounting period in respect of this scheme. A small number of staff remain in other pension schemes.

## **Leases**

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

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

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

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

## **Financial instruments**

Derivative financial instruments may be used from time to time 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	
		2015 £'000	2014 £'000
	Recurrent grants		
	Higher Education Funding Council (HEFCE)	22,300	30,164
	National College for Teaching and Leadership (NCTL)	275	414
	Specific grants		
	Higher Education Academic Subject Centres	310	418
	Higher Education Innovation Fund	2,171	2,171
	Other	62	29
	Deferred capital grants released in year:		
	Buildings	2,961	2,976
	Equipment	828	927
		<b>28,907</b>	<b>37,099</b>
2	Tuition fees and education contracts	Consolidated	
		2015 £'000	2014 £'000
	Full-time home and EU students	74,774	59,771
	Full-time international students	44,734	35,597
	Part-time students	14,313	13,031
	Research training support grants	4,158	4,190
	Short course fees	1,152	1,148
	Total fees paid by or on behalf of individual students	139,131	113,737
	Education contracts	733	992
		<b>139,864</b>	<b>114,729</b>
3	Research grants and contracts	Consolidated	
		2015 £'000	2014 £'000
	Research Councils and charities	17,283	19,006
	Industry and commerce	4,509	4,006
	Governmental	10,297	10,585
	Research and Development Expenditure Credit (RDEC)	2,008	0
	Releases from deferred capital grants	584	466
		<b>34,681</b>	<b>34,063</b>
4	Other income	Consolidated	
		2015 £'000	2014 £'000
	Residences, catering and conferences	10,033	8,767
	Other income	41,945	39,646
	Releases from deferred capital grants	641	515
		<b>52,619</b>	<b>48,928</b>

**5 Endowment and investment income**

	Consolidated	
	2015 £'000	2014 £'000
Income from expendable endowments	3,670	3,250
Income from permanent endowments	366	349
Income from short-term investments	1,577	1,259
Net interest credit on pension scheme	406	152
	6,019	5,010
Gain on disposal of land held by endowment	28,632	0
	<b>34,651</b>	<b>5,010</b>

**Gain on disposal of land held by endowment**

	Cutbush Lane North £'000	The Manor Site £'000	2015 £'000	2014 £'000
Proceeds on disposal	18,366	20,419	38,785	0
Less: Proceeds held in deferred income	(719)	(882)	(1,601)	0
Less: Book value	(1,522)	(7,030)	(8,552)	0
	<b>16,125</b>	<b>12,507</b>	<b>28,632</b>	<b>0</b>

During the year two pieces of land in Shinfield which were held under endowment within connected charitable institutions of the University were disposed of to housing developers. On 3 September 2014 the Research Endowment Trust disposed of land known as Cutbush Lane North for £18.4m. On 1 October 2014 the National Institute for Research in Dairying Trust disposed of the Manor Site for £20.4m.

The disposals are part of a larger development of housing and infrastructure within the South of M4 Strategic Development Location (SDL) being undertaken by the University and other parties. After the end of the financial year, the National Institute for Research in Dairying Trust disposed of further land in Shinfield known as Shinfield West, further details of which are given in note 38.

Under the terms of the contracts for these disposals, the University is obliged to contribute to significant infrastructure and site improvement works which are a requirement of the planning permission obtained for sites within the SDL. Some of these works have been carried out already, but a significant amount will arise over the next few years. The University has accounted for each disposal as two separate components:

- (i) The sale of land
- (ii) the provision of a serviced site to the developers

The disposal of Shinfield West occurred after the end of the financial year and so no income or profit has been recognised during the year ended 31 July 2015. The disposals of Cutbush Lane North and the Manor Site have been split into the two components mentioned above. In order to split each disposal into these two elements, an estimate has been made of the contribution to the site servicing costs and a mark-up of 20% on cost has been assumed in line with typical margins achieved by development companies. The amount of income recognised for this element has been determined by the percentage of site servicing costs incurred by the balance sheet date. The remainder of the proceeds have been allocated to the sale of land.

Approximately £1.6m of the total proceeds of these two disposals is held in deferred income and will be released in line with future expenditure to be incurred on providing the serviced site requirements.



**6 Staff costs**

	Consolidated	
	2015 £'000	2014 £'000
<b>Analysis of staff costs</b>		
Salaries	110,198	104,875
Social security costs	9,051	8,729
Occupational pension scheme costs		
Employer contributions	23,203	22,147
FRS 17 adjustments	453	470
Other staff and pension costs	2,570	1,620
	<b>145,475</b>	<b>137,841</b>

	Consolidated	
	2015 £	2014 £
<b>Emoluments of the Vice-Chancellor</b>		
Sir David Bell:		
Salary	255,000	250,000
Pension contributions	40,800	40,000

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

	Consolidated	
	2015 Number	2014 Number
£100,000 to £109,999	11	14
£110,000 to £119,999	10	8
£120,000 to £129,999	7	10
£130,000 to £139,999	3	3
£140,000 to £149,999	3	3
£150,000 to £159,999	1	0
£160,000 to £169,999	1	1
£170,000 to £179,999	1	0
£180,000 to £189,999	2	1
£190,000 to £199,999	0	0
£200,000 to £209,999	0	0
£210,000 to £219,999	0	0
£220,000 to £229,999	0	0
£230,000 to £239,999	1	1
	<b>40</b>	<b>41</b>

	Consolidated	
	2015 £	2014 £
Compensation for loss of office payable in respect of 1 member of staff earning in excess of £100,000 per year (2014:1)	45,000	88,678

	Consolidated	
	2015 Number	2014 Number
<b>Average staff numbers by major category:</b>		
Academic	848	814
Research	327	333
Management and specialist	767	710
Technical	151	173
Other	962	900
	<b>3,055</b>	<b>2,930</b>

**7 Interest and other finance costs**

	Consolidated	
	2015	2014
	£'000	£'000
Loans and overdrafts wholly repayable within five years	347	198
Loans wholly or partly repayable in more than five years	4,392	4,709
	<b>4,739</b>	<b>4,907</b>

Interest of £568,000 has been capitalised in the year to 31 July 2015 (2014: £229,000) and is included within tangible fixed assets. Total aggregate capitalised finance costs to date within tangible fixed assets at 31 July 2015 were £3,873,000 (2014: £3,379,000).

**8 Analysis of total expenditure by activity**

	Staff costs £'000	Other operating expenses £'000	Depreciation £'000	Interest payable £'000	2015 £'000	2014 £'000
<b>Consolidated</b>						
Academic schools	84,495	32,672	4,757	0	121,924	117,024
Academic services	12,675	7,902	1,176	0	21,753	16,144
Administration and central services	16,541	23,703	268	0	40,512	28,589
Premises (excl. residential and catering)	7,952	12,413	14,651	4,601	39,617	40,419
Residences, catering and conferences	4,086	5,067	14	0	9,167	8,003
Research grants and contracts	15,305	7,307	615	0	23,227	23,837
Other expenses	4,421	15,080	0	138	19,639	18,230
	<b>145,475</b>	<b>104,144</b>	<b>21,481</b>	<b>4,739</b>	<b>275,839</b>	<b>252,246</b>

	Consolidated	
	2015	2014
	£'000	£'000
<b>Other operating expenses include:</b>		
Operating lease rentals		
– land and buildings	364	248
– other	953	804
External auditor's remuneration		
– audit of these financial statements	149	144
– tax advisory services	347	259
– other non-audit services	14	16

Included in other operating expenses is an amount of £12,144,000 (2014: £7,114,000) in respect of the ongoing review of efficiency and effectiveness. In addition to this amount, expenditure of £11,488,000 (2014: £5,334,000) arising from the review has been treated as capital expenditure and is included in additions to tangible fixed assets.

**9 Taxation (charge) / credit**

	Consolidated	
	2015	2014
	£'000	£'000
UK corporation tax	0	0
Tax payable on the Research and Development Expenditure Credit (RDEC)	(438)	0
Overseas tax	(192)	4
	<b>(630)</b>	<b>4</b>

## 10 Tangible fixed assets

<b>Consolidated</b>	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2014	354,562	7,590	100,211	15,219	39,300	516,882
Additions	7,653	4,127	20,529	28,236	46	60,591
Transfers between categories	10,727	0	0	(10,727)	0	0
Transfers to investment properties	(954)	0	0	0	0	(954)
Disposals	(1,436)	0	(12)	0	0	(1,448)
Exchange differences	(45)	0	(190)	(159)	0	(394)
<b>At 31 July 2015</b>	<b>370,507</b>	<b>11,717</b>	<b>120,538</b>	<b>32,569</b>	<b>39,346</b>	<b>574,677</b>
<b>Depreciation</b>						
At 1 August 2014	104,752	3,515	51,528	0	0	159,795
Charge for the year	12,305	366	8,810	0	0	21,481
Disposals	(52)	0	(5)	0	0	(57)
Exchange differences	(30)	0	(39)	0	0	(69)
<b>At 31 July 2015</b>	<b>116,975</b>	<b>3,881</b>	<b>60,294</b>	<b>0</b>	<b>0</b>	<b>181,150</b>
<b>Net book value at 31 July 2015</b>	<b>253,532</b>	<b>7,836</b>	<b>60,244</b>	<b>32,569</b>	<b>39,346</b>	<b>393,527</b>
<b>Net book value at 31 July 2014</b>	<b>249,810</b>	<b>4,075</b>	<b>48,683</b>	<b>15,219</b>	<b>39,300</b>	<b>357,087</b>
<b>University</b>						
	Land and buildings	Plant and machinery	Equipment	Assets in the course of construction	Heritage assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 August 2014	333,480	7,578	99,648	14,846	39,121	494,673
Additions	7,611	4,127	18,725	26,300	46	56,809
Transfers between categories	10,727	0	0	(10,727)	0	0
Transfers to investment properties	(954)	0	0	0	0	(954)
Disposals	(1,417)	0	0	0	0	(1,417)
<b>At 31 July 2015</b>	<b>349,447</b>	<b>11,705</b>	<b>118,373</b>	<b>30,419</b>	<b>39,167</b>	<b>549,111</b>
<b>Depreciation</b>						
At 1 August 2014	100,476	3,503	51,182	0	0	155,161
Charge for the year	11,482	366	8,607	0	0	20,455
Disposals	(46)	0	0	0	0	(46)
<b>At 31 July 2015</b>	<b>111,912</b>	<b>3,869</b>	<b>59,789</b>	<b>0</b>	<b>0</b>	<b>175,570</b>
<b>Net book value at 31 July 2015</b>	<b>237,535</b>	<b>7,836</b>	<b>58,584</b>	<b>30,419</b>	<b>39,167</b>	<b>373,541</b>
<b>Net book value at 31 July 2014</b>	<b>233,004</b>	<b>4,075</b>	<b>48,466</b>	<b>14,846</b>	<b>39,121</b>	<b>339,512</b>

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

	Consolidated		University	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Land not depreciated	23,540	19,226	15,540	11,226

## 10 Tangible fixed assets (continued)

### Heritage assets

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

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

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

The *Museum of English Rural Life (MERL)* was established in 1951 and is dedicated to the spirit of the English countryside and its people. The museum explores life and work in the countryside over the last two hundred years. It contains more than 22,000 objects together with a vast archive of over a million photographs, films, books and records reflecting on the changing face of farming and rural society. The *Cole Museum of Zoology* was established in the early 20th century by Francis J. Cole, Professor of Zoology from 1907 to 1939. It contains around 4,000 specimens. The museum illustrates the relationship between form and function in the animal kingdom and houses one of Britain's most important zoological collections. Highlights include complete skeletons of a male Indian elephant, a killer whale, a five metre reticulated python and a pair of giant spider crabs.

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

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

The University is home to the Beckett International Foundation and the Beckett Collection, the world's largest collection of resources relating to Samuel Beckett, and has many internationally-renowned Beckett scholars.

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:

<b>Consolidated</b>	2015	2014	2013	2012	2011
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000	£'000
At 1 August	39,300	38,338	23,097	23,097	23,097
Additions	46	962	8	0	0
Revaluations	0	0	15,233	0	0
<b>At 31 July</b>	<b>39,346</b>	<b>39,300</b>	<b>38,338</b>	<b>23,097</b>	<b>23,097</b>
<b>University</b>	2015	2014	2013	2012	2011
<b>Cost or valuation</b>	£'000	£'000	£'000	£'000	£'000
At 1 August	39,121	38,159	22,947	22,947	22,947
Additions	46	962	8	0	0
Revaluations	0	0	15,204	0	0
<b>At 31 July</b>	<b>39,167</b>	<b>39,121</b>	<b>38,159</b>	<b>22,947</b>	<b>22,947</b>

**10 Tangible fixed assets (continued)**

The split of heritage assets by type of asset is:

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Books & manuscripts	25,708	25,662	25,708	25,662
Artworks	3,938	3,938	3,938	3,938
Natural history	2,156	2,156	2,156	2,156
Agricultural	4,176	4,176	4,176	4,176
Other	3,368	3,368	3,189	3,189
	<b>39,346</b>	<b>39,300</b>	<b>39,167</b>	<b>39,121</b>

**11 Investment properties**

	Consolidated & University	
	2015 £'000	2014 £'000
At 1 August	26,525	26,174
Additions	367	85
Transfers from / (to) tangible fixed assets	954	(1,295)
Transfers to endowment assets	0	(275)
Disposals	(4,900)	(1,010)
Increase in value of properties in year	1,916	2,692
Permanent diminution in value – net credit for the year	0	154
<b>At 31 July</b>	<b>24,862</b>	<b>26,525</b>

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.

During the year the University disposed of an investment property known as Hillside for £5.0m.

**12 Fixed asset investments****Consolidated**

	Listed investments £'000	Total £'000
At 1 August 2014	44	44
Changes in market value	17	17
<b>At 31 July 2015</b>	<b>61</b>	<b>61</b>

**University**

	Subsidiary companies £'000	Listed investments £'000	Total £'000
At 1 August 2014	4,061	44	4,105
Changes in market value	0	17	17
<b>At 31 July 2015</b>	<b>4,061</b>	<b>61</b>	<b>4,122</b>

Listed investments comprise:

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Genus plc	61	44	61	44

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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Share of operating deficit in associates	(880)	(879)	0	0
Gains / (losses) on revaluations of tangible fixed assets	3,395	(1)	0	0
Total gains and losses in the year in associates	2,515	(880)	0	0
At 1 August	9,316	10,053	10,554	10,411
Acquisitions	14	143	14	143
<b>At 31 July</b>	<b>11,845</b>	<b>9,316</b>	<b>10,568</b>	<b>10,554</b>

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

	Shares £'000	Loan notes £'000	Total £'000
At 1 August 2014	441	10,113	10,554
Accrued interest rolled into the loan notes	0	14	14
<b>At 31 July 2015</b>	<b>441</b>	<b>10,127</b>	<b>10,568</b>

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

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

Consolidated	Income	Expenditure	2015	Income	Expenditure	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Rent collection	1,343	0	1,343	1,139	0	1,139
Facilities management services	1,629	0	1,629	1,415	0	1,415
Utilities	898	0	898	1,256	0	1,256
Estates service charge and infrastructure fees	429	0	429	414	0	414
Vacation residence and conferencing	0	(998)	(998)	0	0	0
Wifi upgrade	689	0	689	0	0	0
Energy metering	0	0	0	0	(76)	(76)
Interest receivable on loan notes	848	0	848	842	0	842
Other income	38	0	38	59	0	59
Other expenditure	0	(73)	(73)	0	(2)	(2)
	<b>5,874</b>	<b>(1,071)</b>	<b>4,803</b>	<b>5,125</b>	<b>(78)</b>	<b>5,047</b>

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 £26,834,000 (2014: £22,705,000) and have been netted with the income received from students in the income and expenditure account.







**20 Deferred capital grants**

	Consolidated			University		
	Funding Council	Other grants	Total	Funding Council	Other grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 August 2014</b>						
Buildings	64,433	26,027	90,460	64,433	45,295	109,728
Equipment	3,688	1,885	5,573	3,688	1,907	5,595
	68,121	27,912	96,033	68,121	47,202	115,323
<b>Cash receivable</b>						
Buildings	2,741	484	3,225	2,741	676	3,417
Equipment	0	195	195	0	195	195
	2,741	679	3,420	2,741	871	3,612
<b>Disposals</b>						
Buildings	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
	0	0	0	0	0	0
<b>Released to income and expenditure account</b>						
Buildings	(2,961)	(641)	(3,602)	(2,961)	(1,566)	(4,527)
Equipment	(828)	(584)	(1,412)	(828)	(584)	(1,412)
	(3,789)	(1,225)	(5,014)	(3,789)	(2,150)	(5,939)
<b>At 31 July 2015</b>						
Buildings	64,213	25,870	90,083	64,213	44,405	108,618
Equipment	2,860	1,496	4,356	2,860	1,518	4,378
	<b>67,073</b>	<b>27,366</b>	<b>94,439</b>	<b>67,073</b>	<b>45,923</b>	<b>112,996</b>

**21 Endowment funds**

	Consolidated		Total permanent	Restricted expendable	Total
	Unrestricted permanent	Restricted permanent			
	£'000	£'000	£'000	£'000	£'000
<b>Opening balance</b>					
Capital	2,209	6,134	8,343	79,088	87,431
Accumulated income	477	2,234	2,711	303	3,014
At 1 August	2,686	8,368	11,054	79,391	90,445
New endowments	0	25	25	0	25
Reclassification of properties as non-investment properties	0	0	0	(395)	(395)
Gain on disposal of assets	0	0	0	3,607	3,607
Surplus of income over expenditure	92	181	273	28,789	29,062
Contribution to capital works	0	0	0	(192)	(192)
Increase in market value of investment properties	0	0	0	2,706	2,706
Increase in market value of investments	236	697	933	1,568	2,501
Transfer between categories	(68)	123	55	(55)	0
Transfer to income and expenditure reserve	0	0	0	(71)	(71)
<b>At 31 July</b>	<b>2,946</b>	<b>9,394</b>	<b>12,340</b>	<b>115,348</b>	<b>127,688</b>
<b>Represented by:</b>					
Capital	2,444	6,856	9,300	115,036	124,336
Accumulated income	502	2,538	3,040	312	3,352
	<b>2,946</b>	<b>9,394</b>	<b>12,340</b>	<b>115,348</b>	<b>127,688</b>

**21 Endowment funds (continued)**

<b>University</b>	Unrestricted permanent	Restricted permanent	Total permanent	Restricted expendable	Total
	£'000	£'000	£'000	£'000	£'000
<b>Opening balance</b>					
Capital	2,209	6,134	8,343	1,181	9,524
Accumulated income	477	2,234	2,711	324	3,035
At 1 August	2,686	8,368	11,054	1,505	12,559
New endowments	0	25	25	0	25
Surplus of income over expenditure	92	181	273	5	278
Increase in market value of investments	236	697	933	116	1,049
Transfer between categories	(68)	123	55	(55)	0
<b>At 31 July</b>	<b>2,946</b>	<b>9,394</b>	<b>12,340</b>	<b>1,571</b>	<b>13,911</b>
<b>Represented by:</b>					
Capital	2,444	6,856	9,300	1,266	10,566
Accumulated income	502	2,538	3,040	305	3,345
	<b>2,946</b>	<b>9,394</b>	<b>12,340</b>	<b>1,571</b>	<b>13,911</b>

**22 Reserves**

	Consolidated		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Income and expenditure reserve</b>				
At 1 August	123,982	104,212	74,365	66,312
(Deficit) / surplus retained for the year	(14,687)	20,941	(8,011)	10,439
Less: pension surplus	(2,965)	(2,605)	(2,965)	(2,605)
Capital grants received from the University's trusts in year	192	8	0	0
Exchange differences on overseas subsidiary undertakings	366	59	0	0
Transfer from revaluation reserve	4,657	219	4,657	219
Transfer from endowment funds	71	1,148	0	0
<b>At 31 July</b>	<b>111,616</b>	<b>123,982</b>	<b>68,046</b>	<b>74,365</b>
<b>Pension reserve</b>				
At 1 August	(1,604)	(1,627)	(1,604)	(1,627)
Actuarial loss	(424)	(2,582)	(424)	(2,582)
Net interest credit	406	152	406	152
Difference between FRS 17 pension charge and cash contribution	2,559	2,453	2,559	2,453
<b>At 31 July</b>	<b>937</b>	<b>(1,604)</b>	<b>937</b>	<b>(1,604)</b>
<b>Revaluation reserve</b>				
At 1 August	59,064	56,471	56,045	53,452
Increase / (decrease) in value of tangible fixed assets held by associates	3,395	(1)	0	(1)
Increase in value of investment properties in the year	1,916	2,692	1,916	2,692
Revaluation of investments in the year	301	121	301	121
Transfer to income and expenditure reserve	(4,657)	(219)	(4,657)	(219)
<b>At 31 July</b>	<b>60,019</b>	<b>59,064</b>	<b>53,605</b>	<b>56,045</b>
<b>Total reserves at 31 July</b>	<b>172,572</b>	<b>181,442</b>	<b>122,588</b>	<b>128,806</b>

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

	Consolidated	
	2015	2014
	£'000	£'000
Surplus / (deficit) on continuing operations	14,883	(12,417)
Depreciation	21,481	19,698
Loss / (profit) on disposal of fixed assets	373	(119)
Permanent diminution in value – net credit for the year	0	(154)
Amortisation of finance costs	(12)	(49)
Exchange differences	691	132
Deferred capital grants released to income	(5,014)	(4,884)
Endowment and investment income	(34,651)	(5,010)
Interest payable	4,739	4,907
Decrease / (increase) in stocks	70	(36)
(Increase) / decrease in debtors	(13,196)	1,244
Increase in creditors	3,503	13,307
Decrease in provisions	575	(26)
Difference between pension charge and cash contributions	(2,559)	(2,453)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(9,117)</b>	<b>14,140</b>

**24 Returns on investments and servicing of finance**

	Consolidated	
	2015	2014
	£'000	£'000
Income from endowments	4,036	3,599
Other interest received	1,577	1,259
Interest paid	(4,739)	(4,907)
	<b>874</b>	<b>(49)</b>

**25 Capital expenditure and financial investment**

	Consolidated	
	2015	2014
	£'000	£'000
Proceeds from sale of tangible fixed assets and investment properties	6,920	49,310
Payments made to acquire tangible fixed assets	(60,591)	(35,771)
Payments made to acquire investment properties	(367)	(85)
Net payments to acquire endowment fixed assets	(1,067)	(2,519)
Proceeds from sale of land held by endowment	38,785	0
Net receipts from endowment investment properties	471	0
Net receipts from / (payments for) endowment investments	2,971	(1,069)
Deferred capital grants received	3,420	2,374
	<b>(9,458)</b>	<b>12,240</b>

**26 Acquisitions and disposals**

	Consolidated	
	2015	2014
	£'000	£'000
Acquisition of loan notes in UPP (Reading I) Holdings Limited	(14)	(143)
	<b>(14)</b>	<b>(143)</b>

<b>27</b>	<b>Management of liquid resources</b>	Consolidated	
		2015	2014
		£'000	£'000
Decrease / (increase) in current asset investments		418	(24,402)
		<b>418</b>	<b>(24,402)</b>

<b>28</b>	<b>Financing</b>	Consolidated	
		2015	2014
		£'000	£'000
Unsecured loans		22,283	631
Repayment of amounts borrowed		(3,535)	(178)
		<b>18,748</b>	<b>453</b>

<b>29</b>	<b>Analysis of changes in net debt</b>	1 August 2014	Cash flows	31 July 2015
		£'000	£'000	£'000
		3,780	1,230	5,010
<b>Consolidated</b>		58,032	(418)	57,614
Cash at bank and in hand less overdrafts		(307)	(5,343)	(5,650)
Current asset investments		(130,611)	(13,405)	(144,016)
Debt due within one year		<b>(69,106)</b>	<b>(17,936)</b>	<b>(87,042)</b>
Debt due after one year				

<b>30</b>	<b>Capital commitments</b>	Consolidated		University	
		2015	2014	2015	2014
		£'000	£'000	£'000	£'000
Provision has not been made for the following capital commitments:					
Commitments contracted for					
		21,651	29,344	19,549	29,344

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. The University of Huddersfield lost their case at the Upper Tier Tribunal but have appealed the decision. The Huddersfield case is listed for a Court of Appeal hearing in April 2016.

A contingent liability exists in relation to the Universities Superannuation Scheme (USS) pension valuation recovery plan, since the University is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet.

As part of its development of the Shinfield Eastern Relief Road and related bridge over the M4, the University has provided performance guarantee bonds to Wokingham Borough Council for £12.0m and the Highways Agency for £3.8m. In the event that the University fails to deliver the road and the bridge, the guaranteed amounts would become payable by the guarantor, Barclays Bank plc, who would then seek to recover the costs from the University.

**32 Lease obligations**

	Land and buildings	Other	2015	Land and buildings	Other	2014
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Consolidated</b>						
Annual rentals under operating leases due:						
within one year	74	385	459	4	257	261
in two to five years	144	637	781	189	549	738
in more than five years	489	0	489	0	0	0
	<b>707</b>	<b>1,022</b>	<b>1,729</b>	<b>193</b>	<b>806</b>	<b>999</b>
<b>University</b>						
Annual rentals under operating leases due:						
within one year	0	382	382	0	250	250
in two to five years	0	553	553	0	500	500
in more than five years	0	0	0	0	0	0
	<b>0</b>	<b>935</b>	<b>935</b>	<b>0</b>	<b>750</b>	<b>750</b>

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 and to other pension schemes for staff in overseas jurisdictions.

**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 University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2015, the percentage was 16% (2014: 16%). The University 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.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third 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. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced using the following assumptions:

		2015	2014
Discount rate		3.3%	4.5%
Pensionable salary growth	Year 1	3.5%	4.4%
	Year 2 onwards	4.0%	4.4%
Price inflation (CPI)		2.2%	2.6%

**33 Pension schemes (continued)**

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables 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. To allow for further improvements in mortality rates, the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS 17 figures. For the March 2015 figures, the long term rate has been increased to 1.5%, the CMI 2014 projections have been adopted and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015 Years	2014 Years
Males currently aged 65	24.2	23.7
Females currently aged 65	26.3	25.6
Males currently aged 45	26.2	25.5
Females currently aged 45	28.6	27.6

<b>Existing Benefits</b>	2015	2014
Scheme assets	£49.0 bn	£41.6 bn
FRS 17 liabilities	£67.6 bn	£55.5 bn
FRS 17 deficit	£18.6 bn	£13.9 bn
FRS 17 funding level	72%	75%

**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 2014 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 pensionable salaries and members were required to contribute 6.25% of pensionable salaries. Salary sacrifice arrangements exist for those members wishing to participate. Under these arrangements, participating members agree to a reduction in salary in return for the University paying the 6.25% contribution on their behalf. The University also contributed an additional amount of £2.42m as well as a further £600,000 towards the administration costs of the scheme.

From 1 August 2015 University contributions will increase to 23.8% and member contributions will remain at 6.25%. The University will also contribute an additional amount of £1.94m as well as a further £600,000 towards the administration costs of the scheme for the year ended 31 July 2016.

	2015 £'000	2014 £'000
<b>Analysis of movement in benefit obligation</b>		
At 1 August	137,889	130,450
Current service cost	2,838	3,085
Interest cost	5,817	5,961
Plan participants' contributions	38	51
Actuarial losses	9,524	3,143
Benefits paid from plan	(4,987)	(4,801)
Premiums paid	(62)	0
<b>At 31 July</b>	<b>151,057</b>	<b>137,889</b>

**33 Pension schemes (continued)****Analysis of movement in plan assets**

Fair value at 1 August	136,285	128,823
Expected return on plan assets	6,223	6,113
Actuarial gains on plan assets	9,100	561
Employer contributions	5,397	5,538
Plan participants' contributions	38	51
Benefits paid from plan	(4,987)	(4,801)
Premiums paid	(62)	0
<b>Fair value at 31 July</b>	<b>151,994</b>	<b>136,285</b>

<b>Fair value of assets less benefit obligation</b>	<b>937</b>	<b>(1,604)</b>
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**Components of pension cost**

Current service cost	2,838	3,085
Interest cost	5,817	5,961
Expected return on plan assets	(6,223)	(6,113)
<b>Total pension cost recognised in the income and expenditure account</b>	<b>2,432</b>	<b>2,933</b>

Actuarial losses immediately recognised	424	2,582
<b>Total pension cost recognised in the statement of total recognised gains and losses</b>	<b>424</b>	<b>2,582</b>

**Cumulative actuarial losses recognised**

	2015	2014
	£'000	£'000
At 1 August	32,876	30,294
Actuarial losses immediately recognised	424	2,582
<b>At 31 July</b>	<b>33,300</b>	<b>32,876</b>

**Scheme assets**

The weighted-average asset allocation was as follows:

	2015	2014
	£'000	£'000
Equity securities	79,189	69,642
Gilts	35,263	29,301
Corporate bonds	27,055	25,622
Property	6,384	6,269
Other	4,103	5,451
	<b>151,994</b>	<b>136,285</b>

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.

	2015	2014
	£'000	£'000
<b>Actual return on plan assets</b>		
Expected return on plan assets	6,223	6,113
Actuarial gains on plan assets	9,100	561
	<b>15,323</b>	<b>6,674</b>

**33 Pension schemes (continued)**

<b>Weighted average assumptions used to determine benefit obligations</b>	2015	2014
Discount rate	3.80%	4.25%
Rate of salary increases	4.25%	4.25%
Rate of CARE revaluation (CPI max 5%)	2.35%	2.35%
Rate of RPI price inflation	3.25%	3.25%
Rate of CPI price inflation	2.35%	2.35%
Rate of increase of pensions in deferment		
CPI max 5%	2.35%	2.35%
CPI max 2.5%	2.35%	2.35%
Rate of increase of pensions in payment accrued before 1 August 2011 (RPI max 6%)	3.25%	3.25%
Rate of increase of pensions in payment accrued after 1 August 2011 (CPI max 5%)	2.35%	2.35%

<b>Weighted average assumptions used to determine net pension cost</b>	2015	2014
Discount rate	4.25%	4.60%
Expected long-term rate of return on plan assets	4.56%	4.73%
Rate of salary increases	4.25%	4.40%
Rate of CARE revaluation (CPI max 5%)	2.35%	2.70%
Rate of RPI price inflation	3.25%	3.40%
Rate of CPI price inflation	2.35%	2.70%
Rate of increase of pensions in deferment		
CPI max 5%	2.35%	2.70%
CPI max 2.5%	2.35%	2.50%
Rate of increase of pensions in payment accrued before 1 August 2011 (RPI max 6%)	3.25%	3.40%
Rate of increase of pensions in payment accrued after 1 August 2011 (CPI max 5%)	2.35%	2.70%

<b>Weighted average life expectancy on post-retirement mortality table used to determine benefit obligations</b>	2015	2014
	Number	Number
Male pensioner (life expectancy at age 65)	23.0	22.8
Male non-retired member aged 45 (life expectancy at age 65)	25.2	25.1
Female pensioner (life expectancy at age 65)	25.1	25.1
Female non-retired member aged 45 (life expectancy at age 65)	27.4	27.5

<b>Five year history</b>	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation at 31 July	151,057	137,889	130,450	115,987	117,377
Fair value of plan assets at 31 July	151,994	136,285	128,823	112,020	105,777
Surplus / (deficit) at 31 July	<b>937</b>	<b>(1,604)</b>	<b>(1,627)</b>	<b>(3,967)</b>	<b>(11,600)</b>
Difference between the expected and actual return on plan assets					
Amount	9,100	561	11,562	(1,890)	4,755
Percentage of plan assets	6.0%	0.4%	9.0%	(1.7%)	4.5%
Experience (losses) / gains on plan liabilities					
Amount	(1,958)	293	0	4,361	0
Percentage of present value of plan liabilities	(1.3%)	0.2%	0.0%	3.8%	0.0%

The surplus on the scheme at 31 July 2015 of £937,000 has been recognised as an asset as the Council believes it is recoverable by, for example, future reductions in contributions.

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



**33 Pension schemes (continued)**

Pension costs	Employer	FRS 17		Employer	FRS 17	
	contributions	adjustments	2015	contributions	adjustments	2014
Consolidated	£'000	£'000	£'000	£'000	£'000	£'000
USS	19,604	0	19,604	18,588	0	18,588
UREPF	2,385	453	2,838	2,615	470	3,085
URPS	1,069	0	1,069	865	0	865
Other pension schemes	145	0	145	79	0	79
<b>Total pension costs</b>	<b>23,203</b>	<b>453</b>	<b>23,656</b>	<b>22,147</b>	<b>470</b>	<b>22,617</b>

Included in other creditors are unpaid pension contributions of £2,111,000 (2014: £2,071,000).

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

	HEFCE Hardship Fund	HEFCE Hardship Fund	NCTL Bursary	NCTL Bursary
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Excess of income over expenditure at 1 August	0	8	206	510
Income				
Funding Council grants	0	133	2,258	1,372
Expenditure				
Disbursed to students	0	(137)	(2,063)	(1,676)
Fund running costs	0	(4)	0	0
Excess of income over expenditure at 31 July	0	0	401	206

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**

Council members are the trustees for charitable law purposes. Due to the nature of the University's operations and the composition of the Council, being drawn from local public and private sector 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 Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures. No such transactions were identified in the current or previous year.

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 7 members of Council was £1,378 (2014: £1,341 to 4 members of Council) which related to travel and subsistence expenses incurred.

The University's financial statements include the following balances due from Reading University Students' Union (RUSU):	2015	2014
	£'000	£'000
Due from RUSU	489	509
The University paid the following grants to RUSU	2015	2014
	£'000	£'000
Core block grant	1,033	962
Specific grant	44	34
	1,077	996

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

### 36 Subsidiary undertakings

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

Name of company	Country of registration	Principal activity
Henley Business School Limited	England & Wales	Management education
Reading Real Estate Foundation	England & Wales	Real estate education
Thames Valley Science Park Limited	England & Wales	Not currently trading
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 2014	Income	Expenditure	Other gains and losses	31 July 2015
	£'000	£'000	£'000	£'000	£'000
Research Endowment Trust	77,339	22,387	(2,488)	2,497	99,735
National Institute for Research in Dairying Trust	14,743	13,208	(827)	700	27,824
Hugh Sinclair Trust	5,388	222	(348)	566	5,828
Beckett International Foundation	31	1	(25)	0	7
Greenlands Trust	17,379	4	(759)	0	16,624

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.

### 38 Events after the balance sheet date

On 9 November 2015, the National Institute for Research in Dairying Trust disposed of land in Shinfield known as Shinfield West. Under the terms of the disposal £50.25m was received on completion with a further £50m receivable in instalments over the next 3 years. Since the disposal occurred after the balance sheet date, no income or expenditure has been recognised during the year.

In line with the treatment of the sales of Cutbush Lane North and the Manor Site, the disposal of Shinfield West will be accounted for as two separate components for the sale of land and the provision of a serviced site. The disposal is expected to yield a significant profit.