

The logo for The University of Manchester, featuring the word "MANCHESTER" in a serif font with "1824" below it, all in white on a purple rectangular background.

MANCHESTER
1824

The University of Manchester



Financial Statements 2015

For the year ended 31 July 2015

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President and Vice-Chancellor

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Officers and advisers

Officers

Chancellor

Mr Lemn Sissay, MBE (from 1 August 2015)
Mr Tom Bloxham, BA, MBE (to 31 July 2015)

Pro-Chancellor

Mrs Gillian Easson, MA

President and Vice-Chancellor

Professor Dame Nancy J Rothwell,
DBE, DL, BSc, PhD, DSc, FRS, FMedSci, FSB,
FRCP(Hon), FIBiol, FRSA

Deputy President and Deputy Vice-Chancellor

Professor Colin Bailey, FEng, BEng, PhD, CEng,
FIStructE, FICE, MIFireE (from 1 October 2014)

Professor Rod W Coombs, BSc, MSc, PhD
(to 30 September 2014)

Chair of the Board of Governors and Pro-Chancellor

Mr Anil Ruia, OBE, JP, DL, LLB, ACA

Deputy Chair of the Board of Governors

Dame Susan Ion, OBE, BSc, PhD, FEng,
FIMMM, FINuCE (from 1 September 2015)

Mr Robert Hough, CBE, DL (to 31 August 2015)

Registrar, Secretary and Chief Operating Officer

Mr Will Spinks, BSc, Chartered MCIPD

Director of Finance

Mr Stephen Mole, BSc, PGCE, FCMA, CGMA

Vice-Presidents (Policy)

Teaching, Learning and Students

Professor Clive Agnew, BSc, PhD

Research and Innovation

Professor Luke Georgiou, BSc, PhD, MAE, FRSA

Vice-Presidents and Deans of Faculties

Engineering and Physical Sciences

Professor Martin Schröder, FRSE, FRSC, PhD,
DIC, CChem (from 1 June 2015)

Professor Stephen Flint, PhD
(interim appointment from 1 January 2015
to 31 May 2015)

Professor Colin Bailey, FEng, BEng, PhD, CEng,
FIStructE, FICE, MIFireE
(to 31 December 2014)

Humanities

Professor Keith Brown, MA, PhD, FRHS, FRSE

Life Sciences

Professor Martin J Humphries, BSc, PhD,
FMedSci, FSB

Medical and Human Sciences

Professor Ian Greer, MD, FRCP(Glas), FRCPE,
FRCP, FRCPI, FFSRH, FCCP, FRCOG, FMedSci (from
1 June 2015)

Professor Julian Davis, MD, PhD, FRCP, FRSB
(interim appointment from 5 January 2015 to
31 May 2015)

Professor Ian Jacobs, MA, MBBS, MD, MRCOG,
FRCOG (to 4 January 2015)

Chairs of Committees of the Board of Governors

Audit Committee

Mr Stephen Dauncey, BSc, FCCA

Finance Committee

Dr John Stageman, OBE, PhD

Remuneration Committee

Mr Anil Ruia, OBE, JP, DL, LLB, ACA

Nominations Committee

Mrs Gillian Easson, MA

Staffing Committee

Mr Edward Astle, MA, MBA

Membership of the Board of Governors

From 1 September 2015:

Mr Anil Ruia, OBE, JP, DL, LLB, ACA, *Chair of
the Board of Governors and Pro-Chancellor*

Dame Susan Ion, OBE, BSc, PhD, FEng, FIMMM,
FINuCE,

Deputy Chair of the Board of Governors

Professor Dame Nancy J Rothwell, DBE, DL, BSc,
PhD, DSc, FRS, FMedSci, FSB, FRCP(Hon), FIBiol, FRSA,
President and Vice-Chancellor

Ms Naa Acquah,

General Secretary of the Students' Union

Mrs Dapo Ajayi, BPharm

Mr Edward M Astle, MA, MBA

Mr Gary Buxton, BA, MBE

Mr Michael Crick, BA

Mr Stephen Dauncey, BSc, FCCA

Mr Colin Gillespie, BSc, FCA

Mr Paul Lee, DL, MA, LLM

Mrs Christine Lee-Jones, JP, DL, MA

Dr Neil McArthur MBE, CEng, FIMechE, FIET

Mr Andrew Spinoza, BA, MCIPR

Dr John Stageman, OBE, PhD

Dr Angela Strank, BSc, PhD

Professor Cathy McCrohan, MA, DPhil

Professor Colette Fagan, PhD

Dr Caroline Jay, BSc, PhD

Professor Chris Taylor, OBE, FEng, BSc, PhD

Dr Christine Rogers, PhD

Professor Liz Sheffield, BSc, PhD

Professor Mike Sutcliffe, CChem, CEng,
FICHEM, FRSC

Ms Iram Kiani, BA

Dr Pamila Sharma, BSc, MSc, PGDip, PhD, MBiol

The following members stood down from the Board of Governors on 31 August 2015:

Ms Charlie Cook, *General Secretary
of the Students' Union* (to 30 June 2015)

Mr Robert Hough, CBE, DL, *Deputy Chair of the
Board of Governors, Chair of Staffing Committee*

Dr Brenda Smith, BA, MBA DLitt, ACA

Professor Ian Cotton, BEng, PhD, CEng,
MIET, SMIEEE, FHEA

Professor Maggie Gale, MA, PhD

Dr Reinmar Hager, MSc, PhD



MR ANIL RUIA
CHAIR OF THE BOARD OF GOVERNORS
AND PRO-CHANCELLOR

Chairman's foreword

I am pleased to provide a foreword for this set of Financial Statements for The University of Manchester for the year ended 31 July 2015.

On the pages that follow, you will see that the University has again generated a reasonable surplus and enjoyed another successful year, despite the challenges posed by an evolving sector and external environment.

The period covered by these statements was one of particular uncertainty, with a general election and the results of the Research Excellence Framework occupying the thoughts of many of us in higher education.

We are now entering another period of uncertainty with the likelihood of cuts from some funding sources, along with the impact of increased global competition and the changing requirements of students to which all institutions must adapt. It's reassuring to see that we are going into this period in a stronger financial position than many of our competitors, though we know we will need to take tough decisions in order to maintain this.

In this testing climate it is very pleasing to see that we continue to make progress against the three core goals identified in our Manchester 2020 strategy, namely: world-class research, outstanding learning and student experience, and social responsibility. In her review of the year the President and Vice-Chancellor refers to the refreshed strategy, which I am confident will provide us with even greater focus as we strive towards these goals.

Achieving the ambitions outlined in that strategy will require sound finances, adequate resources for investment and clear strategic leadership. I believe that these Financial Statements provide evidence that we can demonstrate all three of these key ingredients for future success.

Anil Ruia
Chair of the Board of Governors
and Pro-Chancellor

Review of the year



During the year covered by these Financial Statements, the University performed in line with our expectations, making good progress towards many of our strategic goals, but with significant challenges ahead in achieving some of our targets.

Our position was secured against a backdrop of continuing uncertainty in the higher education environment, including the expected reduction in QR funding following the 2014 Research Excellence Framework (REF) and likely cuts affecting the Department for Business, Innovation and Skills. Our success is a tribute to the hard work and dedication of colleagues from across the campus. It also demonstrates, yet again, the effective financial management of the Senior Leadership Team supported by the Director of Finance and his very professional team.

The overriding financial imperative once again this year was to consolidate the financial position of the University by generating a surplus, which is essential for ongoing investment. These financial results show a surplus of £46.9m – which is similar to £45.0m in the previous year – though the underlying surplus (surplus less FRS17 pension credits) as a percentage of income fell from 3.5% to 3.0%, which is below the percentage recommended by HEFCE.

Our main key performance indicator relating to our financial performance this year was earnings before interest, taxes, depreciation and amortisation (EBITDA). For 2014/15, based on a HEFCE calculation basis, EBITDA was £81.9m (8.1% of income) compared with £68.6m (7.7% of income) a year earlier. As EBITDA and the income and expenditure account are likely to become more volatile, due to the new reporting framework that will be adopted next year, this indicator might be modified by both the University and HEFCE to reflect operating cash flow and thus allow a more consistent year-on-year measurement.

The core driver for our activities is Manchester 2020, the University's strategic plan. During the course of the year we began a review of this document and set out a refreshed version, published in October 2015. The new document retains the three core goals of world-class research, outstanding learning and student experience, and social responsibility, and refocuses our vision, laying out our plans to

be an innovative university that is adaptable, nimble and able to make tough choices in order to ensure we are well placed for the evolving higher education landscape.

We have made progress against some of our key performance indicators and have ground to make up against others. In the Shanghai Jiao Tong Academic Ranking of World Universities we fell slightly to 41st in the international table but maintained our fifth place in the UK. We will continue to strive to be one of the world's top universities by 2020; however, we will be measuring our position not just by this ranking, but by international league tables more widely and by the impact of our research.

Our research grant and contract income increased by 22.8%, which reflects the growth in the value of awards made to the University starting to flow through. Our work on cancer was bolstered with grants worth around £13m and £11m from the Medical Research Council (MRC) and Cancer Research UK respectively, while the MRC also granted £6m for equipment for dementia research. The University has significant strengths in biotechnology research and this was recognised with a £10m grant for our new Manchester Synthetic Biology Research Centre for Fine and Speciality Chemicals, as well as £3m to lead biocatalysis and biotransformation research at the National Catalysis Hub. In addition the University's research income includes Research and Development Expenditure Credits (RDEC) of £17.3m (net of tax) of which £3.6m (net of tax) represents a future claim for the current year.

In December 2014 the results of REF were published. Our place as one of the UK's top research universities was confirmed, with 83% of our research activity judged to be 'world-leading' (4*) or 'internationally excellent' (3*), and we were ranked in fifth place in terms of research power (calculated by grade point average times number of staff submitted or by 4*/3* times number of staff submitted). This did, however, represent a fall of two places in comparison to the Research Assessment Exercise of 2008 and it means we face a reduction in QR funding going forward.

Following the REF, we conducted a review of our work in the life sciences and the cognate disciplines. As a result of this, we will be reorganising the structure of the University's academic activity from four Faculties to

three. The new structure will be in operation from August 2016.

Our pioneering work in advanced materials remained in the news with the opening of the National Graphene Institute (NGI) on campus and the Chancellor of the Exchequer's announcement that we will be home to the Sir Henry Royce Institute for Materials Research and Innovation. We also announced plans for the £60m Graphene Engineering Innovation Centre, which, along with the NGI, will reinforce Manchester's position as a globally leading knowledge base in graphene research and commercialisation. We hosted this year's Graphene Week, welcoming researchers from across the globe to our campus, and a spin-out company partnering with the NGI unveiled its graphene lightbulb, believed to be the first commercial application of graphene to emerge from the UK.

Our reputation for research in addressing global inequalities resulted in new collaborations with Age UK and the World Health Organization, and our researchers presented to the UN in New York on the human rights of older sections of society. We extended our partnership with the National Grid for energy research and celebrated the news that we will officially host the headquarters of the Square Kilometre Array (SKA), the world's largest radio telescope, at Jodrell Bank. It was also a huge year for our cancer researchers, with the opening of a new building for the University's Manchester Cancer Research Centre (MCRC) in collaboration with Cancer Research UK and the Christie Hospital NHS Foundation Trust.

Investment in an outstanding learning and student experience for our students continues to be a core goal. We announced plans in December for a £175m three-phase student village on the Owens Park site on our Fallowfield Campus. The results of the 2015 National Students Survey showed an increase in the overall level of student satisfaction to 86%. This is steady progress and demonstrates our sustained success in enhancing student satisfaction, though it gives us room for improvement if we are to reach our target of 90%. It was pleasing to see in the latest Destinations of Leavers from Higher Education survey that 78.5% of Manchester graduates were in a positive destination in 2013/14, an increase of 2.8% from the previous year.

It was an impressive year for student recruitment, with the University receiving more undergraduate applications than any other institution in the UK. Tuition fee income increased by 15.8% to £407.2m, with a strong growth in full-time, international student fee income of 14.6%. We also welcomed more international students than any other British university.

We continued to offer a Manchester education beyond the boundaries of our campus, adding new titles to our portfolio of massive open online courses (MOOCs). One of our courses, 'Introduction to Physical Chemistry', won the online and distance learning award at the *Guardian* University Awards. We launched a unique series of online courses with the Natural History Museum, and we expanded our international network with an agreement with the Mexican National Council for Science and Technology to welcome master's students from Mexico to Manchester to improve their research and language skills. Of course, we are an institution that aims to inspire as well as educate, and it was thrilling to see our own Professor Danielle George deliver the 2014 Royal Society Christmas Lectures to the nation on BBC Four.

Social responsibility is a key consideration in all of our activity. A total of 15 of our Schools hold Athena SWAN awards for their commitment to advancing gender equality in employment in higher education and research. In 2014 we not only entered the Stonewall Top 100 Employers, but went straight to 43rd place, out of 397 organisations. We also took part in the pilot year for the Equality Challenge Unit's Race Equality Charter and achieved the bronze award in August 2015.

We launched our apprenticeship scheme for 2015, with a target of at least 100 apprentices in post by the end of the year. These opportunities will enable young people to acquire skills that will help them to realise their potential and contribute to our success. The Works, our scheme to help unemployed people living in disadvantaged areas to improve their skills and employment prospects, was highly commended in the Green Gown Awards, while our School Governor Initiative won the community prize at the *Times Higher Education* Awards for the second year running.

We are fortunate to have benefited throughout our history from the generosity of donors and this year was particularly special. We received a landmark donation from Lord Alliance of Manchester that will contribute to the growth of Manchester Business School, which was renamed Alliance Manchester Business School from September 2015 in his honour. We also invited many of our benefactors to our inaugural celebration of philanthropy, and celebrated passing the milestone of a record-breaking 2,000 direct-debit donors.

We continued to play a major role in the cultural life of the region, with notable successes enjoyed by our cultural institutions. Manchester Museum won the prestigious Lever Prize 2015 for the project 'Real Life Science' for secondary and post-16 students, while Jodrell Bank won Heritage Lottery Fund support to conserve and restore the heritage of its site, and received funding from the Royal Academy of Engineering to engage the public with the SKA project.

The biggest headlines were generated by our art gallery, the Whitworth, which reopened in February following a £15m redevelopment. In the month following its reopening, the Whitworth welcomed 80,000 visitors – five times higher than its usual footfall. Since then it has been named North West Building of the Year by the Royal Institute of British Architects North West and Museum of the Year by the Art Fund.

The University and surrounding landscape continues to be transformed through our Campus Masterplan. As well as the completion of projects and the announcement of new developments I refer to above, we submitted plans for phase two of the £50m redevelopment of Alliance Manchester Business School.

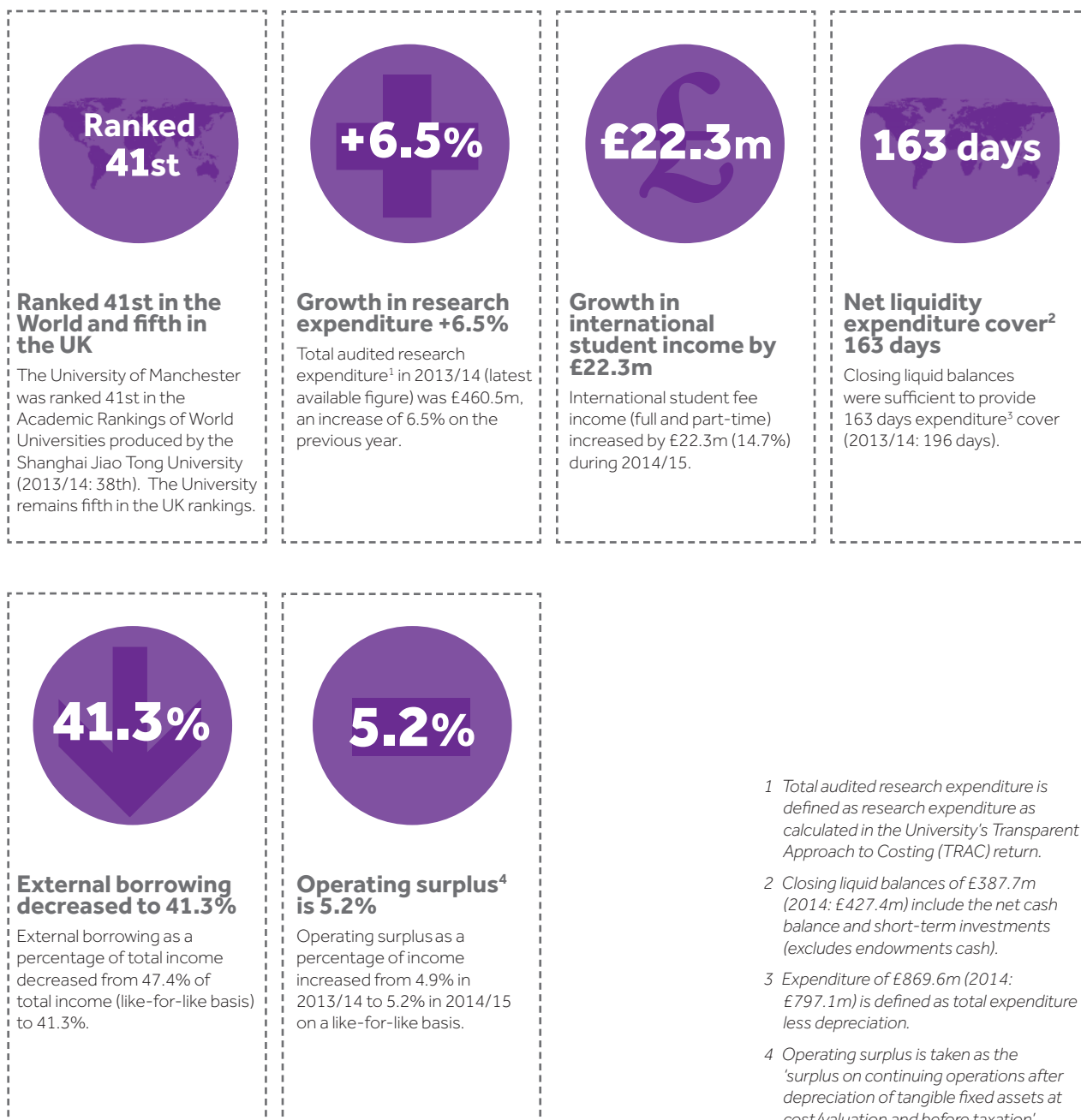
These achievements are possible only because of the hard work and dedication of our colleagues across the University. Our staff demonstrated their commitment to the University in their response to the staff survey, which was conducted on our behalf by Capita in March and April 2015. An impressive 7,177 staff (70%) completed the survey, with a remarkable 92% of respondents saying they are proud to work for the University and 94% declaring that the University is a good place to work. There are areas where staff indicated that we could do

better, and so we are developing University-level action plans to address the key issues raised in the survey.

These Financial Statements demonstrate that we have maintained a sound financial performance in an environment that remains challenging for the higher education sector. We have begun to take difficult decisions and will need to be equally decisive as we enter a period of further financial uncertainty, particularly in relation to government funding. We are, however, in a good position to continue our investment in our core goals and campus, and our refreshed strategy will give us extra focus and vigour in achieving our ambitions.

Professor Dame Nancy Rothwell
President and Vice-Chancellor

Key performance indicators



Year in pictures

1. Our new Chancellor is elected

Lemn Sissay MBE, writer and broadcaster, was elected as Chancellor of the University in June, following the seven-year tenure of Tom Bloxham MBE. Following his election Lemn promised to “inspire and be inspired”.

2. SKA HQ confirmed for Jodrell Bank

In April we received confirmation that the University's Jodrell Bank would be home to the headquarters of the Square Kilometre Array (SKA), the world's largest telescope and one of the biggest science projects ever undertaken.

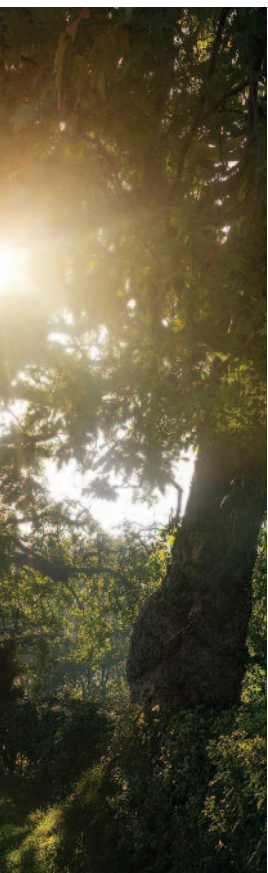
3. Foundation lecture marks our tenth anniversary

Jeanette Winterson, writer and Professor of Creative Writing at the University, gave a stirring talk on Manchester's radical spirit to mark our tenth anniversary. Earlier that day, Jeanette, along with Falklands War veteran Simon Weston and engineer Professor Dame Julia King, received an honorary degree.

4. Landmark donation from Lord Alliance of Manchester

Lord Alliance of Manchester and his fellow trustees of the Alliance Family Foundation made a transformational £15m donation in November, to be invested in a new building and to drive research at Manchester Business School – now named Alliance Manchester Business School.









5. A new centre to transform cancer treatment

A new £28.5m home for the Manchester Cancer Research Centre, our partnership with Cancer Research UK and the Christie NHS Foundation Trust, opened in Withington in June.

6. Graphene growth continues

The Chancellor of the Exchequer officially opened our £61m National Graphene Institute in March, just a few months after his announcement of the University as the home of the £235m Sir Henry Royce Institute for Materials Research and Innovation. We also revealed details of our £60m Graphene Engineering Innovation Centre.

7. Biotechnologists welcome Business Secretary

Our Manchester Institute of Biotechnology (MIB) welcomed the then Business Secretary Vince Cable in January. The MIB had recently been announced as a recipient of £10m in funding for its new Manchester Synthetic Biology Research Centre for Fine and Speciality Chemicals (SYNBIOCHEM).

8. Policy Week addresses inequalities

Our annual Policy Week took place in November, with the theme of addressing inequalities. The former Deputy Prime Minister, Lord Heseltine, opened the event with a topical address on the power of devolution in tackling deprivation and boosting aspiration in cities.





9. The changing face of our campus

Our Campus Masterplan is one of the biggest investments in facilities and estates ever seen at a UK university, with £750m invested since 2004 and £1bn to be invested by 2022. In 2014/15 we revealed further plans for many of these projects.

10. A gallery reborn

The Whitworth reopened in spectacular style with a weekend of events in February following its £15m redevelopment. The reopening was closely followed by two awards: RIBA's North West Building of the Year and the Art Fund's Museum of the Year. It was a strong year for all of our cultural institutions, with a total of more than 972,000 visitors heading to the Whitworth, John Rylands Library, Jodrell Bank Discovery Centre, and Manchester Museum.

11. National prize for our apprenticeship scheme

In February we announced that we wanted to recruit 100 apprentices during the following 12 months. Consequently, we were recognised by the National Apprenticeship Service as the first university in England to commit to directly recruiting apprentices to its workforce on a sizeable scale.

12. Student excellence and achievement

The Destinations of Leavers from Higher Education survey revealed that 78.5% of Manchester graduates were in a positive destination in 2013/14. There were many examples of excellence among our students, with prizes won in the Undergraduate Awards, the TARGETjobs Undergraduate of the Year Awards, the Bridport Prize and the Student Nursing Times 2015 Awards.

Financial review



Key highlights

	2014/15 £000	2013/14 £000	% Change
Total Income	1,009,706	886,406	13.9%
Expenditure	957,578	843,334	13.5%
Retained Surplus	46,891	45,024	4.1%
Retained Surplus as a % Income	4.6%	5.1%	
Total funding body grants	166,497	162,579	2.4%
Tuition Fee Income			
Full Time Home and EU	173,981	143,966	20.8%
Full Time International	167,827	146,489	14.6%
Other Fees	65,357	61,269	6.7%
Total Fee Income	407,165	351,724	15.8%
Research Grants and Contracts Income			
Research Councils, UK Charities, UK Government, Hospitals and Health Authorities	203,725	157,023	29.7%
Other Outside Bodies	58,694	56,703	3.5%
Total Research Income	262,419	213,726	22.8%
General Reserves	183,090	204,767	(10.6%)
Endowments	188,931	174,291	8.4%
Deferred Capital Grants	475,605	495,953	(4.1%)
Net Assets	867,628	891,497	(2.7%)
Capital Expenditure and Financial Investment (note 30)	89,005	55,013	61.8%
Cash and Short Term Investments *	387,748	427,417	(9.3%)
Borrowings (note 20)	416,530	420,517	(0.9%)
Net (debt)/funds (note 33)	(12,650)	19,365	(165.3%)

* Note: Excludes Endowment asset bank and building society deposits and uninvested bank balances

Income and expenditure review

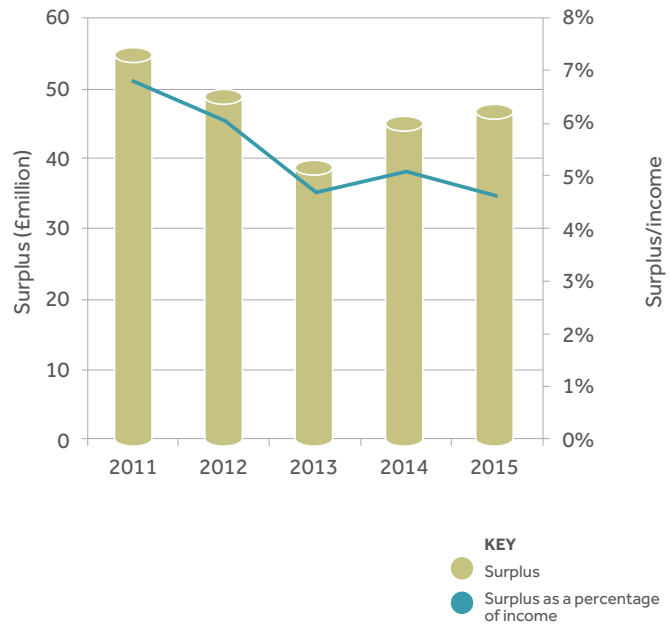
The operating surplus before transfer to endowments for the year was £47.1m, compared with £43.4m for 2013/14. This was in line with expectations and demonstrates the University's continuing effective financial management and maintenance of a strong financial position despite the still challenging external economic climate. The retained surplus of £46.9m compares with £45.0m in the previous year. Excluding FRS17 pension credits, the underlying surplus reduced from £30.6m (3.5% of income) to £30.3m (3.0% of income).

	£m	% total income
Surplus as reported	46.9	4.6%
FRS17 credits	(13.3)	
UMSS	(3.3)	
GMPF		
Underlying surplus	30.3	3.0%

EBITDA (on a HEFCE basis) was £81.9m (8.1% of income) for the year compared with £68.6m (7.7% of income) in the previous year. Given the introduction of FRS102 and the new HE accounting SORP from next year, there will be increasing volatility in both the Income and Expenditure account and EBITDA measures. It is likely that this KPI will be modified both by the University and by HEFCE to reflect operating cash flow as this will enable a more consistent year on year measurement.

Available cash resources (inclusive of short term investments) at 31 July 2015 were £387.7m down from £427.4m in July 2014 reflecting strong cash generation in the period but also a significant level of capital expenditure as the Campus Development Plan continued.

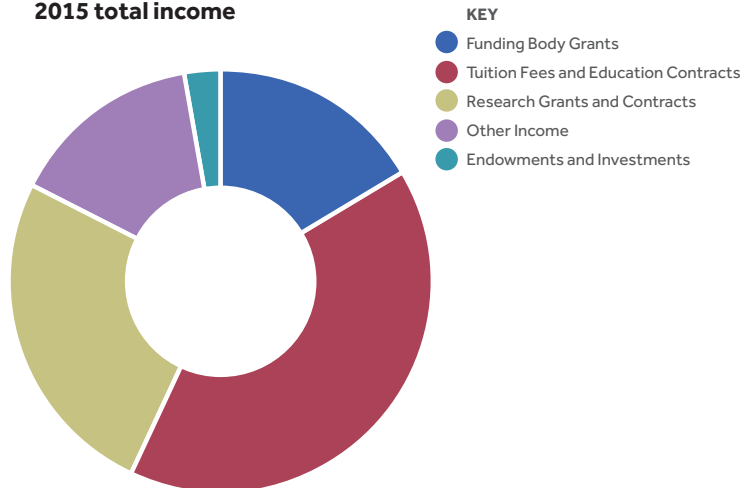
Retained surplus as a percentage of income



Income

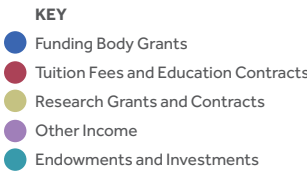
Total income for the University of £1,009.7m increased by £123.3m (13.9%) from £886.4m in 2013/14. This includes the £22.2m gross pre-tax Research and Development Expenditure Credits (RDEC) claims relating to research expenditure for the period up to 31 July 2015 (including an estimate for the year to 31 July 2015).

2015 total income

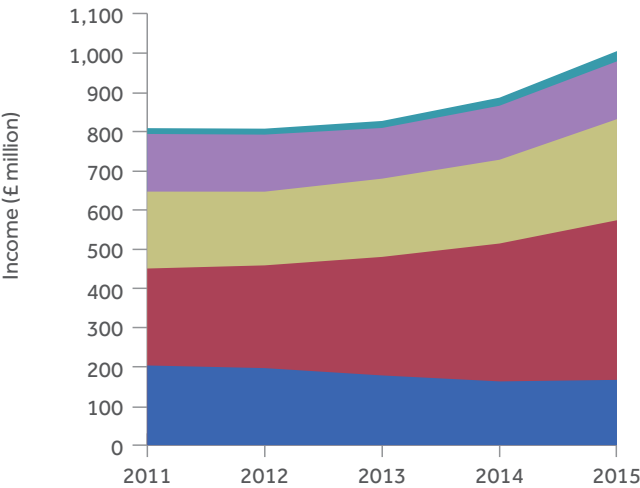


Funding Council grants were up by £3.9m (2.4%). The core teaching grant reduced by £12.0m (21.8%) reflecting the continuation of significant changes to the funding regime as the block teaching grant is replaced by tuition fees.

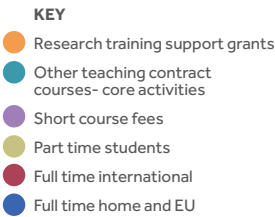
Research funding reduced by £0.9m (1.0%). Release of deferred capital grants was £18.6m higher reflecting a higher proportion of HEFCE funded capital projects.



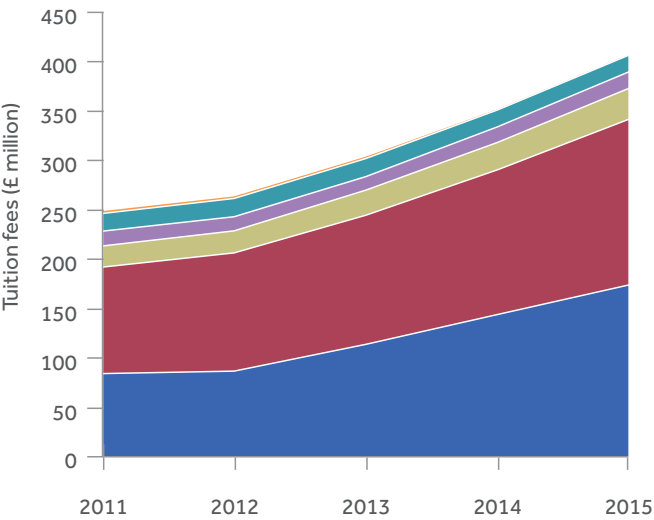
2015 total income



Tuition fees increased by £55.4m (15.8%) driven by the roll-through of students under the new fee regime, higher home student numbers and continued growth in international students. Total full-time home and overseas student numbers rose by 2.6% to 34,624. Full-time international student fee income again grew strongly to £167.8m (up 14.6%).



Tuition fee income by type



Research grants and contracts increased by 22.8% to £262.4m reflecting the continuation of the significant growth in the value of awards made to the University starting to flow through, plus the inclusion of gross pre-tax RDEC tax credit claims of £22.2m. Excluding release of deferred capital grants, research grant and contract income grew by 17.7%. This result was ahead of the original Manchester 2015 target of £250m set on merger in 2004. The level of funding from the UK Research Councils was up £21.4m (27.2%) and income from UK-based charities was up £2.5m (5.8%). There was an increase of £2.5m (7.8%) from overseas and other sources and £22.8m (66.0%) from UK government and health authorities including the RDEC claims. Research awards in the year were £274.6m from £244.2m in the previous year, up 12.4%.

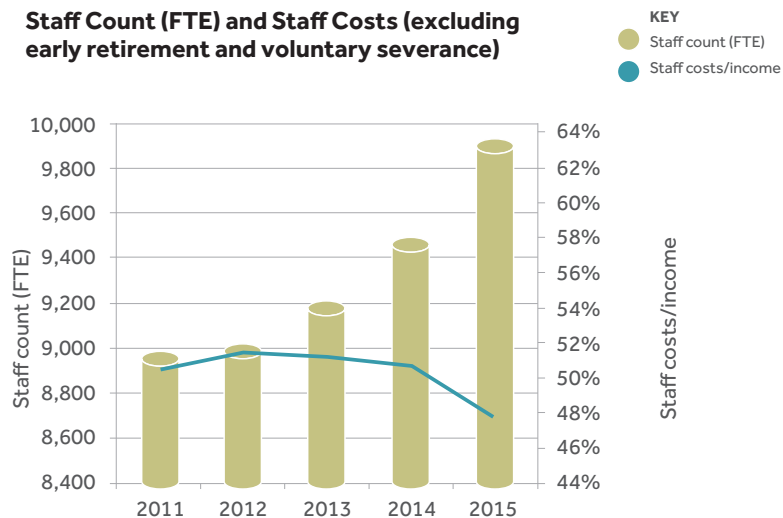
Other income of £147.5m was £9.7m (7.0%) higher than prior year. This includes £2.3m increased externally funded studentships reflecting the continued growth in student numbers. Academic services increased by £2.3m which includes £0.7m donated works of art. Release of deferred capital grants was up £1.7m (34.9%), services rendered income was up £1.6m (27.2%) and premises income increased by £1.0m (47.9%).

Endowment and investment income of £26.2m was £5.6m higher than the prior year. This is mainly due to an increase of £4.3m in donations, £0.7m increase in income from endowments and £0.5m higher net return from pension schemes.

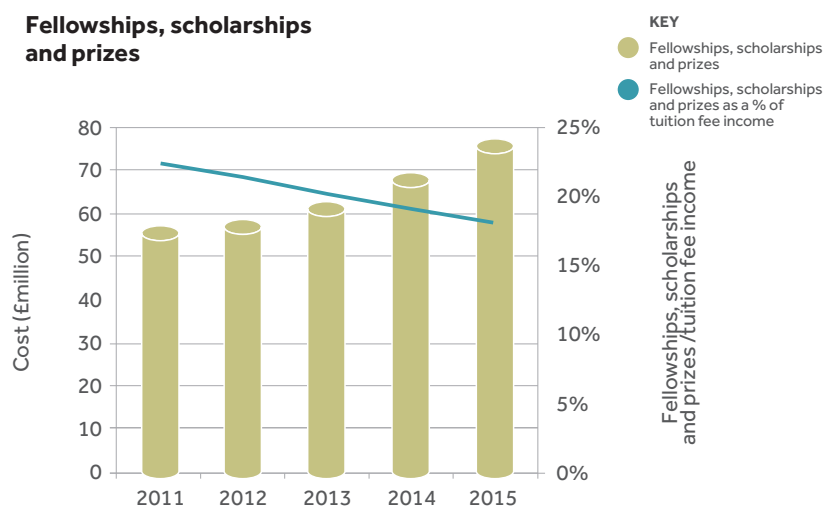
Expenditure

Total expenditure increased by £114.2m (13.5%). Underlying staff costs (excluding the costs of voluntary severance) were up by £32.4m (7.2%), reflecting strategic investments in new posts partly offset by savings from earlier voluntary severance schemes and continuing active vacancy management measures. There was a voluntary severance charge of £0.5m in the year compared with £0.6m in the previous year. The staff cost ratio to income was 47.8% (excluding voluntary severance costs) compared with 50.8% in 2013/14.

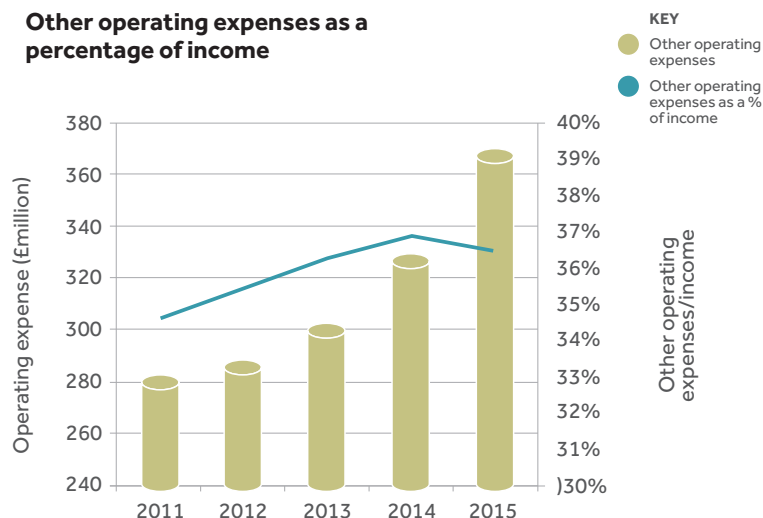
Staff Count (FTE) and Staff Costs (excluding early retirement and voluntary severance)



Fellowships, scholarships and prizes



Other operating expenses as a percentage of income



Other operating expenses increased by £40.2m (12.3%) including an increase in fellowships, scholarships and prizes of £7.7m, rates, rents and insurance costs an increase of £2.6m, equipment purchases and maintenance of £4.6m and an increase in professional fees of £2.7m due mainly to increased research activity. Increases were also shown in printing, stationery and office expenses (£5.7m), consumables (£7.3m), estates repairs and maintenance costs (£8.3m) and travel and subsistence (£2.3m). There were reductions in utilities costs of £1.0m and recruitment, training and welfare of £4.5m.

Depreciation increased from the prior year by £41.7m to £87.9m as a result of new buildings such as the National Graphene Institute being completed during the year together with accelerated depreciation on certain buildings.

Interest and other finance costs were the same as the previous year at £19.5m.

Balance sheet review

The University closed the year ended 31 July 2015 with net assets of £867.6m, a decrease of £23.9m (2.7%) after taking account of a pension deficit of £159.6m, which increased by a net £51.9m in the year due to a 0.6% lower discount rate reflecting lower gilt and bond rates in the year. There was an increase of £46.0m on The University of Manchester Superannuation Scheme ("UMSS") and an increase of £5.9m on the Greater Manchester Pension Fund ("GMPF"). The year end cash position reduced by £39.7m, with closing cash and short term investments of £387.7m.

Fixed assets

Tangible asset additions of £131.4m included £34.1m on equipment, £96.5m on buildings including capital maintenance works of £21.3m in the year and £0.8m of heritage assets.

Fixed asset investments

Fixed asset investments increased by £4.8m.

Endowment assets

Overall endowment assets have increased by £14.6m (8.4%). This included appreciation in the value of the portfolio of £14.1m (compared to appreciation of £5.7m in 2013/14) and a £0.5m increase in new endowments and accumulated income unspent. Markets performed reasonably strongly during the year although month on month volatility was and still is a feature.

As noted in the previous year, the University is continuing with its work to restructure its existing endowment funds into new Trust Funds. To date the Manchester Museum and Whitworth Art Gallery endowments have been restructured. This project has the support of the Charity Commission and will result in a more flexible, sustainable structure for managing endowments which will benefit both students and research, whilst continuing to honour the wishes of the University's very generous donors.

Net current assets

Net current assets have decreased by £37.3m, principally reflecting a reduction in investments (£36.3m), cash at bank (£3.3m) and an increase in creditors (£23.0m) offset by an increase in debtors of £25.4m.

Debtors have increased by £25.4m, trade debtors were up £1.4m from last year, prepayments and accrued income were up by £6.7m due to higher payments in advance for capital projects. In addition, there was a £17.3m increase in accrued income, on research grants and contracts, primarily due to net post-tax RDEC income due.

Creditors falling due within one year have increased by £23.0m to £285.9m, trade creditors were up £0.2m, deferred research income up £10.2m due to an overall increase in the level of research funding received, bank loans down £0.3m, social security and taxation up £1.7m and accruals and deferred income up £10.7m.

Creditors falling due after more than one year fell by £3.9m to £414.3m mainly due to scheduled bank loan repayments.

Short-term investments

Short-term investments decreased by £36.3m and cash at bank was down £3.3m at year end reflecting continued capital spending on the Campus Development Plan. The closing liquidity position of £387.7m was sufficient to cover 163 days expenditure (2013/14: 196 days).

Net cash

Cash reserves have decreased by £39.7m (including short-term deposits).

Risks and uncertainties

The FRS17 pension deficit increased in the year to £159.6m reflecting the weakening of bond yields in the last year and hence discount rates applied to liabilities more than offsetting a strong asset performance during the year. The next triennial actuarial valuation for The University of Manchester Superannuation Scheme ("UMSS"), will be based on the position as at 31 July 2016. The University continues to make deficit payment contributions of £6.0m per annum.

The University Superannuation Scheme ("USS") will have its next triennial actuarial valuation based on the position at 31 March 2017. Substantial changes to the scheme were agreed during the year which will limit future liabilities but result in an increase of 2% in employers' contributions from 16% to 18% from April 2016.

However, despite the changes implemented and planned to the schemes, defined benefit pension schemes remain a major risk for the University which monitors these schemes regularly and ensures financial plans make full provision for these liabilities.

International fee income remains strong, indeed showing significant growth in the year but this remains a long term risk for the University in the light of economic changes, government policy on border control and exchange rate movements.

Endowment investment performance has been strong during the year but remains a risk as financial markets are still uncertain and the pace and sustainability of world economic recovery is variable. We undertook a review of our investment strategy aided by Aon Hewitt during the previous year which has resulted in a move to a modified asset class portfolio with an increase in bonds and a corresponding reduction in equities coupled with a move to more international equity stocks rather than the UK preponderance that was in place previously. Further work is in hand to determine any future changes to asset class allocations. The biggest challenge to the University and the higher education sector generally comes from the changes in funding arrangements within the sector. The University will see a continuing reduction in its annual Funding Council core teaching grant over the next couple of years before the full benefit of increased student tuition fees is realised. At the same time capital

funding, previously provided by the Funding Council, has been significantly reduced in recent years. It is imperative that the University maintains a strong financial performance whilst these changes take place as there is still uncertainty concerning the effect of funding changes on demand for places (particularly home postgraduate taught), alongside the impact of more students potentially opting to live at home whilst they study. All of these factors could have a major impact on the finances of the University.

From next year the University will be operating under the new HE SORP which implements FRS102. This will result in more volatility in the Income and Expenditure Account as well as bringing new liabilities such as the University's proportion of the past service deficit for the USS pension scheme on to the balance sheet. The conversion process is well advanced and the comparative opening balance sheet has been reviewed by the external auditor.

Going concern

The University ended the year with cash resources of £387.7m. The budget for 2015/16 continues to show a surplus albeit at levels lower than the last few years, and forward cash forecasts demonstrate adequate available financial resources. All of the University's external funding is long-term in nature with 99.1% repayable beyond 1 year and 95.2% repayable beyond 5 years. No material uncertainties that cast significant doubt about the ability of the University to continue as a going concern have been identified by the Board of Governors.

Conclusion

The University achieved a robust financial performance in 2014/15 but faces significant challenges in the coming years. At the same time as the funding arrangements for the higher education sector are changing, the University must increase its long term maintenance expenditure to maintain and enhance the estate as well as continuing to invest in the student experience, excellence in research and higher learning. The recent successful funding exercise has provided the resources to enable the University to continue its ambitious Campus Development Plan and this will ensure that the University has the facilities to compete with the best in the world in the years ahead.

The University and public benefit

Introduction

The University of Manchester has exempt charity status derived from the Charities Act 1993 and is responsible to HEFCE, its principal regulator, which is charged with monitoring compliance with charity law obligations. The University, through its governing body, the Board of Governors, is aware of its responsibilities as a charity to act for the public benefit across all of its activities and has had due regard to the latest version of the Charity Commission's public benefit guidance (issued September 2013, updated September 2014). The objects of the University, as set out in the Royal Charter awarded in 2004, are "to advance education, knowledge and wisdom by research, scholarship, learning and teaching, for the benefit of individuals and society at large".

Strategic ambition

The University's Strategic Plan 2020 sets out our mission to be ranked as one of the world's leading universities by 2020, where all students enjoy a rewarding educational and wider experience, a place where the highest academic values and educational innovation are cherished, where research prospers and makes a real difference, and where the fruits of scholarship resonate throughout society.

Access to world-leading learning

We are committed to being an open, meritocratic institution that proactively seeks out people capable of benefiting from higher education, minimises barriers to their participation and contributes to the expansion of higher education opportunities, locally, nationally and internationally.

The University is committed to providing all of our students (38,838 in 2014/15) with an outstanding learning and student experience. We ensure that all of our graduates leave with advanced critical thinking, conceptual reasoning and analytical skills, mastery of a discipline, broad intellectual and cultural interests, advanced written and verbal

communication and a personal commitment to equality and diversity. The University is developing generations of students to become internationally mobile professionals who can serve as informed, thoughtful, globally responsible citizens, equipped to make a valuable social and economic contribution to society.

We continue to work hard to improve the student experience for all of our students, and the results of the annual National Student Survey (NSS), show that we have increased overall student satisfaction by 7% over the last several years to 86% in the 2015 survey. This is a major achievement and can be attributed to developments in teaching and learning in the classroom and the laboratory, and to some major University-wide initiatives, including the University College and Alan Gilbert Learning Commons.

We seek to ensure that financial issues do not present an obstacle for learners to access the full student experience. Approximately a third of all our students will receive bursaries of up to £2,500 per year – and many other Widening Participation students will receive the University's targeted Undergraduate Access Scholarship.

By supporting access, assisting student success, progression and employability the University seeks to address the specific challenges which students from widening participation backgrounds often face in making the transition to university study and subsequent employment. The University's Access Agreement with the Office for Fair Access (OFFA) provides detailed information on the University's commitment to all students, regardless of background or financial considerations.

The University of Manchester currently performs towards the top of the English Russell Group for the proportion of students entering the University from disadvantaged backgrounds, and has set targets to continue this year-on-year increase. In addition to targets relating to students entering the University, the institution has

set targets to improve the continuation rate of students from low household incomes and narrow any gap between Widening Participation and non-Widening Participation students achieving successful employability outcomes.

Our latest data indicates that 29.9% of students under the new fee regime were from low income households of less than £25,000 per annum, placing us 3rd in the English Russell Group. Only a handful of Russell Group institutions exceed their institutional benchmark for low participation neighbourhoods and disability – and Manchester is one of them: we admit and support students on the basis of academic ability, not their ability to pay.

The University is committed to raising awareness of the benefits of higher education through outreach activities that engage primary and secondary pupils and their teachers and parents, and assist further education students wishing to progress to university.

To provide an insight into higher education for primary school pupils, we take roadshows out to schools, run higher education awareness days on campus and run a primary placement scheme where undergraduate students are placed in local primary schools as classroom assistants.

Our flagship initiative, the Manchester Access Programme (MAP), supports outstanding Year 12 and 13 students from under-represented groups in Greater Manchester to progress successfully into The University of Manchester and other research-intensive universities. From 2005 to entry in 2014, 1,119 MAP students have been successful in gaining a place at The University of Manchester. In addition, many MAP students have also progressed to courses at other highly-selective, research-intensive universities.

The University is also committed to providing our students with volunteering opportunities to develop key employability skills via the



Manchester Leadership Programme (MLP). This enables students to gain a greater understanding of what it means to be a responsible global citizen, through a hands-on programme of academic events and community activities. 1,350 students took part in MLP in 2014/15 and since the programme was established we estimate that MLP students have contributed over £1.6m to the local economy through their volunteering work.

Our local communities in Greater Manchester have some of the lowest progression rates into higher education in the UK. Greater Manchester Higher has been developed as a new collaborative network promoting the opportunities for schools to engage with the outreach activities offered by local higher education (HE) providers. The partnership is a part of the National Networks for Collaborative Outreach (NNCO) scheme, which will deliver a nationally coordinated approach to working with schools, universities and colleges to help people access higher education. During 2014/15 more than 1,100 pupils aged between 12 and 15 visited the universities in the partnership, participating in events on campus. In addition, staff and student ambassadors delivered outreach activities in schools to 7,300 learners, their parents and carers.

Research, public policy, and wider influence

At The University of Manchester we conduct a wide range of high-quality research that is rivalled by few other universities, as demonstrated by our submission to the Research Excellence Framework 2014.

In the 2014 Research Excellence Framework exercise, 83% of our research activity was judged to be 'world-leading' (4*) or 'internationally excellent' (3*), and we were ranked in fifth place in terms of research power (calculated by grade point average times number of staff submitted or by 4*/3* times number of staff submitted). We had one of the broadest submissions of any university in the UK, with research evaluated in 35 discipline areas.

Much of this research combines expertise from across disciplines, making the most of the opportunities that our size and breadth of expertise affords.

Our research beacons show how this approach is improving the lives of people around the world. These areas of investigation feature a unique concentration of high-quality research activity. They allow

us to bring the best minds together to find new ways forward. The researchers in these fields are at the forefront of the search for innovative solutions to some of the world's biggest challenges.

The University of Manchester's research beacons are examples of pioneering discoveries, interdisciplinary collaboration and cross-sector partnerships that are tackling some of the biggest questions facing the planet. These are:

- Addressing global inequalities
- Advanced Materials
- Cancer
- Energy, and
- Industrial Biotechnology

The benefits of our research to local, national and international communities are numerous. We have University-trained medical professionals working in local NHS Trusts, whilst on an international scale our pioneering research around global issues, such as climate change and sustainable energy, poverty and economics, and biomedical research, is helping to influence public policy and make a real difference to society.



Businesses that engage with the University see economic and social benefits, including improved competitiveness, productivity, job creation and the opening up of new markets. Research at The University of Manchester makes a positive impact on society, addressing key challenges such as inequalities, cancer, climate change and energy. By engaging communities with our research, we share our knowledge, expertise and skills. The encouragement of enterprise is a critical part of our culture and the commercialisation and exploitation of our intellectual property is a fundamental part of our activity. New jobs have been created, many processes improved and valuable new products have been developed which have been sold here and abroad.

In 2011, the UK chancellor, George Osborne, announced the allocation of £50m to support the commercial development of wonder-material graphene, to build upon the work undertaken at Manchester by our Nobel Prize winners Professor Sir Andre Geim and Professor Sir Konstantin Novoselov. £38m of this funding was allocated to the University to support the creation of a National Graphene Institute, a national hub which will attract further investment for applied research and collaboration and will provide the required catalyst for growth of businesses in the region to support the supply chain in various application sectors. The facility was opened in summer 2015. In September 2014, the University announced it is to build a £60m Graphene Engineering Innovation Centre (GEIC). The facility will be critical in the development of commercial applications and in maintaining the UK's world-leading position in graphene and related 2-D materials. The Centre will allow the acceleration of applied research and development in partnership with other research organisations and industry.

In December 2014 it was announced that the £235m Sir Henry Royce Institute for Materials Research and Innovation, will also be based at the University with facilities at the founding partners - the universities of Sheffield, Leeds, Liverpool, Cambridge, Oxford and Imperial College London.

In early 2016 the Global Development Institute will unite the strengths of the current Institute for Development and Policy Management and the Brooks World Poverty Institute, building on more than 60 years of expertise in the field of development studies within the University. The new Institute will play a major role in supporting the University's commitment to addressing global poverty and inequality.

The Biomedical Imaging Institute has been established to promote the development and application of advanced imaging methods in biomedical science and the Manchester Cancer Research Centre aims to more than double the level of cancer-related research activity in Manchester over the coming years.

Throughout the University, we have developed outreach projects and open events which enable us to transfer our research knowledge to the public. The University encourages the dissemination of research results as widely and as publicly as possible, especially to those who will benefit most from them.

Social responsibility, cultural impact and environmental sustainability

The University has embedded social responsibility within its research and learning activities. Our strategic vision commits the University to encompass sustainability, ethics and integrity; to find solutions to global challenges, engage with the public, support the community and to promote equality and diversity.

Skills and employment levels in some of our local communities are among the lowest in the UK. Our University is helping to address this through our leadership of 'The Works' – an innovative employment and training initiative at the heart of our local communities in Moss Side and Ardwick. This programme is transforming the life chances of local residents in some of the most disadvantaged areas of the UK. It seeks to provide opportunities and support to jobseekers including pre-recruitment training and job matching to local employers,

including the University. 'The Works' supported 459 people back into work (316 at the University), bringing its total impact to 2,390 jobs since 2011.

Also part of our social responsibility goals, the 'School Governor Initiative' remains the fastest growing initiative of its kind in the UK, engaging increasing numbers of alumni and winning the Times Higher Education Outstanding Contribution to the Local Community award (the second year in a row for the University). The number of staff volunteering as school governors in 2014/15 was 161, from a baseline figure of 53 in 2011.

The University accepts an important responsibility for enriching the cultural lives and scientific understanding of its local community. Specific importance is attached to the work of the Manchester Museum, Whitworth Art Gallery, John Rylands Library, Deansgate and Jodrell Bank Discovery Centre in engaging with schoolchildren and people from under-represented groups. The University's Cultural Institutions and Library form an integral part of our approach to engage young people and communities with forms of higher learning. They work actively with schools, colleges and prospective students of higher education through their own educational programmes which are developed and led by specialist staff. A new 'Cultural Access Programme' was launched in September 2014, engaging 70% of our most local nine year-old school children with our four cultural institutions; the Whitworth Art Gallery, the Manchester Museum, the University of Manchester Library, Jodrell Bank Discovery Centre and the Ahmed Iqbal Ullah Race Relations Resource Centre. Over the last year the University recorded over 972,000 public visits to these 'cultural assets'.

Finally, the University remains committed to operating as a sustainable and socially responsible institution, minimising the impact of its own activities on the environment. Manchester 2020 has a clear focus on sustainability to "prioritise processes that support positive environmental behaviour and decision making".

Corporate governance statement

The University of Manchester is an independent corporation which came into existence on 1 October 2004. It was established by Royal Charter on the dissolution of the Victoria University of Manchester and the University of Manchester Institute of Science and Technology (UMIST), both of whose rights, properties, assets and obligations were transferred to the institution by means of the University of Manchester Act (2004).

As a recipient of substantial public funding and by virtue of its educational objectives, it is considered an exempt charity under Schedule 2 of the Charities Act 1993, with the Higher Education Funding Council for England (HEFCE) acting as its Principal Regulator.

The University of Manchester, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way, and to take into account the requirements of its funding bodies and the Governance Code of Practice published by the Committee of University Chairs (CUC). The University's corporate governance arrangements were established in such a way as to meet these responsibilities and continue to comply with relative provisions in the First and Second Reports of the Committee on Standards in Public Life. The CUC Code was revised and published in December 2014, and the Board completed a review of its governance against the new Code in March 2015, in order to ensure all relevant provisions are addressed in its governance arrangements.

In addition, the University corporately, through its arrangements for governance, is committed in a demonstrable way to the principles of academic freedom and equality of opportunity, which are embodied in its Charter and Statutes.

The University's Corporate Governance Framework

The Charter and Statutes provide for and empower 'authoritative bodies' within the University, each of which has a distinct role to play in its structure of governance.

The **Board of Governors**, is the University's governing body, and carries the ultimate

responsibility for the University's overall strategic direction and for the management of its finances, property and affairs generally, including the employment arrangements for all staff. It is a specific role of the Board to satisfy itself that work being undertaken on its behalf, whether by committees or by officers, is consistent with corporate objectives and is within the bounds of accepted good practice. The Board meets formally at least five times in each academic year. Its membership of 25 has a majority of persons who are not employed by the University, known as 'lay' members. The Chair of the Board of Governors, Mr Anil Ruia, OBE, is appointed by the Board of Governors from within the lay category of the membership. Members of the Senate, members of the support staff and a student representative also serve on the Board.

The Chair of the Board of Governors plays an important role in the governance of the University while working independently of its regular executive management. He was supported by Mr Robert Hough, in his capacity as Deputy Chair over the period and will continue to be supported by the newly appointed Deputy Chair, Dame Susan Ion. The current members of the Board of Governors are listed on the Contents Page.

A review of the effectiveness of the Board of Governors was undertaken in autumn 2011 by an independent HE consultant, Dr David Fletcher. His report found that "the University has in place a comprehensive framework and structure of governance which conforms to sector best practice". The review found the governing body sound on monitoring and assurance but with scope to extend its strategic involvement and impact, and through its Chair, the Board has continued to routinely review the report's recommendations in order to improve its operation and effectiveness. Under the direction of the Chairman, a follow-up internal review of effectiveness was conducted over 2014/15 and the Board is overseeing the implementation of the recommendations made within this review.

The **Senate** is responsible to the Board for the promotion of research and for monitoring

standards in teaching. It acts as the University's principal academic authority. It is the final arbiter on purely academic matters, and it is this autonomy of academic governance which sets higher education institutions apart from other corporate entities. A large number of the statutory powers reserved to Senate are 'regulatory' in nature and control the academic business of the University. The Senate has 68 members; a third of these are designated ex-officio and reserved for those with academic management responsibilities centrally and in the faculties. The remaining two-thirds are elected academic members (professorial and non-professorial) and student representatives.

Following on from the most recent independent review of the effectiveness of the Board of Governors, the University completed a review of the effectiveness of Senate during spring 2013.

The Board of Governors has an **Audit Committee**, a **Finance Committee**, a **Remuneration Committee**, a **Staffing Committee** and, jointly with the General Assembly, a **Nominations Committee**, which report directly to it. The Board has also established processes which ensure both that it is kept regularly advised on the strategic and policy elements of estates, personnel and health and safety issues, and that it can act effectively and in an informed way with respect to these matters when it is required to do so. In the context of institutional governance, the **Audit Committee** has a particularly important function in expressing opinions and giving assurances to the Board relating to its review of the effectiveness of the University's arrangements for risk management, control and governance. The risk management element of this role includes the review of the processes which lead to the statement on internal control in the financial statements. The Committee will also, whenever appropriate, provide explicit confirmation to the Board that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal control. The Committee also receives regular reports on any cases raised under the University's

whistleblowing procedures, and on the University's data protection and cyber security work.

The **Finance Committee** is primarily responsible for oversight of the University's financial strategy and its financial viability, the preparation of the financial statements, and the management of capital projects and of University investments. It considers and forwards to the Board the University long-term financial plans, recommendations concerning borrowing, University budgets, and the financial plans and forecasts provided to regulators.

The **Nominations Committee** recognises the continuing need to appoint to some new people with a record of achievement, within or outside their substantive careers, which can be applied in a variety of ways to the University's benefit to the Board of Governors and to the General Assembly. At the same time, the Committee has endeavoured to ensure that the overall range of expertise across categories of lay membership continues to reflect the needs and aspirations of the University, as well as helping to fulfil the requisite responsibilities for proper institutional governance, and to ensure that the overall lay membership of both the Board of Governors and the General Assembly is representative of the diversity of the University and of the communities served by it. The nominations it brings forward in any year are therefore informed by the existing skills and diversity mix of both bodies and seek to ensure appropriate levels of representation. The Committee accepts the expectations concerning equality and diversity in the CUC Code of Governance and appreciates that board diversity, in particular, promotes more constructive and challenging dialogue.

The **Remuneration Committee** provides a comprehensive report of its activity to the Board of Governors in July of each year. This provides information on its role, remit, and its working methods as well as a summary of the decisions it has taken and the conclusions of the salary review undertaken for senior staff. The University is aware of the need to balance the challenging financial climate, the external perception of senior salaries and the University's ability to pay with the need to recognise the contribution and performance of individuals and retain its best staff, and this informed the Committee's decision-making over 2014/15. Against this background, the University increased salaries across the workforce as a whole by 2% (the

nationally agreed pay award effective from 1st August 2014) and by an average of a further 1.5% to account for incremental progression. During the same period, the Committee increased salaries for the Senior Leadership Team by an average of 1.5%.

The **Staffing Committee** is established by the Board under Ordinance to give full and proper consideration to any proposals notified to it to dismiss members of staff on grounds of redundancy. For each instance, appropriate information is provided to the Committee to allow it to reach a reasoned assessment of the proposal and to consider alternative strategies for the resolution of the circumstances leading to the proposal. Its recommendations are then passed to the full Board of Governors for approval.

The **Planning and Resources Committee** (PRC), which is chaired by the President and Vice-Chancellor and includes in its membership the Vice-Presidents, the Registrar, Secretary and Chief Operating Officer, and the Director of Finance, with representation from Senate, Heads of Services and the Students' Union, is the key central management committee. PRC serves as the primary source of advice to the Board of Governors on matters relating to the development and allocation of the University's resources, on strategic planning issues and operational priorities, and on the financial, educational and research performance of the University against agreed goals and targets. Additionally, in consultation with other relevant committees, it develops, for approval by the Board, the University's annual planning, budgeting, the review of social responsibility performance, the performance evaluation and accountability cycle, annual revisions of the University's Strategic Plan and an annual University Budget.

The **Safety, Health and Environment Committee** (SHE), is the University's principal committee responsible for the management of Health and Safety, and environmental and sustainability considerations. A report on the key issues it considers and its minutes are presented directly to the Board of Governors at each meeting.

The **General Assembly** is the interface between the University and the wider community. It is a much larger body (200+ members) than the Board, and in common with it, has a majority of lay members. Lay members are drawn from a wide range of local, regional and national interests, and

together they offer the University a wealth of experience and expertise from differing perspectives. The main purpose of the General Assembly is to act as a two-way channel of communication through which the University presents its achievements to its broader 'constituencies' and receives feedback and advice on matters relating to University business. It also includes University staff, alumni and students within its membership.

The **Alumni Association** is the body of the University's graduates, and promotes fellowship among graduates while helping them to keep in touch with the University by providing opportunities to take an interest in its development and ongoing activities. General Meetings of the Association are held regularly, with its business between General Meetings conducted by an elected committee. The Association is represented on the governing body and on the General Assembly.

The members of the General Assembly and the Alumni Association, together with all members of paid University staff eligible to hold superannuable appointments, form the constituency for the election of the Chancellor, who is the ceremonial Head of the University, presiding over meetings of the General Assembly and over congregations of the University for the conferment of degrees. An election to appoint a new Chancellor of the University was held in spring 2015 and Mr Lemn Sissay, MBE, took up the role in August 2015, replacing Mr Tom Bloxham, CBE, who had held office since August 2008.

The **President and Vice-Chancellor** (Professor Dame Nancy Rothwell) is the chief executive officer and the principal academic and administrative officer of the University. In fulfilling these functions the President and Vice-Chancellor has overall responsibility for the executive management of the University and for its day-to-day direction, being accountable to the Board of Governors for the exercise of these responsibilities and (as the designated 'accountable officer') to HEFCE for the use of the public funds the University receives. As the chief executive officer of the University, the President and Vice-Chancellor exercises primary influence on the development of institutional policy and strategy, the identification and planning of new developments and in shaping its institutional ethos. The **Deputy President and Deputy Vice-Chancellor** (Professor Colin Bailey), the

Vice-Presidents, the Registrar, Secretary and Chief Operating Officer and the senior administrative officers contribute in various ways to this work, collectively acting as the University's **Senior Leadership Team**, but the ultimate executive responsibility rests with the President and Vice-Chancellor.

The function of the University's Professional Support Services is to support the primary institutional objectives in respect of teaching and research, to oversee the discharge of the University's statutory and regulatory responsibilities and to implement the policy decisions of Senate and the Board. Through the provision of specialist expertise, it also contributes to and advises on the formulation of University policy. The Head of the Professional Support Services is the **Registrar, Secretary and Chief Operating Officer** (Mr Will Spinks), who is also clerk to the governing body and responsible for the provision of secretariat support to the governing body, its subcommittees, the General Assembly and Senate.

The University maintains a Register of Interests of members of the Board of Governors and for members of the Senior Leadership Team, which may be consulted by arrangement with the Registrar, Secretary and Chief Operating Officer. Schools and Directorates also maintain registers of interest for their staff. Members of the Board and of its Committees receive a reminder in the papers for each meeting of the need to declare any interest they may have in relation to the specific business to be transacted.

Internal Control

The duties conferred upon the Board of Governors by the University's Charter and Statutes require it to institute and maintain a sound system of internal control. This is designed to support the achievement by the University of its aims and objectives and, at the same time, safeguard public and other funds and assets for which the University is responsible. In that context, the Board is satisfied that the University complies with those provisions of the CUC Guide on the financial aspects of corporate governance which are applicable in a higher education institution. Guidance provided by the Turnbull Committee on a risk management approach to internal control of institutional activity, as mediated by HEFCE through its Memorandum of Assurance and Accountability, has been adopted by the Board as the basis for evaluating the University's systems of internal control and

for reviewing its effectiveness. The Audit Committee, on behalf of the Board, is ultimately responsible for the oversight of the University's review and monitoring of the system of internal control. The Board receives regular reports, at each meeting, from the Audit Committee on the steps being taken to manage risks across the University. The Audit Committee also receives regular reports from the internal auditor (UNIAC), which include the internal auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control, together with any recommendations for improvement.

Financial Control

The Board of Governors, both directly and through its Finance and Audit Committees, is responsible for ensuring the economical, efficient and effective management of the University resources and expenditure, and for safeguarding its assets, including specific responsibility for the oversight of systems that prevent and detect fraud. It must ensure that the University uses public funds only for the purposes for which they were provided, and that those funds derived from HEFCE are used in accordance with the requirements of the Memorandum of Assurance and Accountability. It is supported in this work through the external auditor (Ernst and Young LLP) and the University's internal auditor whose work is overseen by the Audit Committee.

The system of internal financial control provides for comprehensive financial planning processes, assessments of annual income, expenditure, capital and cash flow budgets in conjunction with the monthly review of financial results, the reporting of variances and the projection of out turns.

The University sets out matters concerning the broad policies relating to financial control in its Financial Regulations. The Regulations are approved by the Board and apply to the University and all its related undertakings, and include all funds passing through University accounts. They encompass the University's processes to investigate fraud and other financial irregularities, budgeting and forecasting, the treatment of year-end balances and capital expenditure programmes and general issues with regard to the accounts and accounting returns of the University.

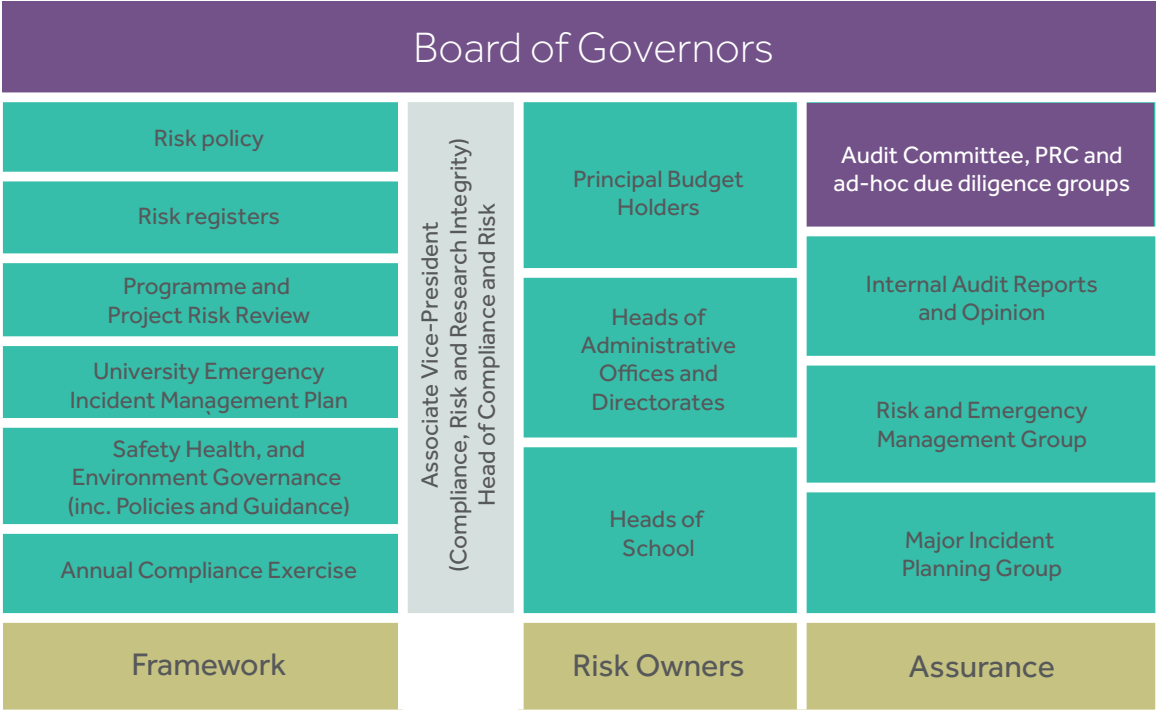
Value for Money

The University strives to apply value for money considerations to all its processes and activities, and this is supported by strong awareness and vigilance across the senior management team. The Audit Committee receives an Annual Report on the University's Procurement activity, including a specific report from the Head of Procurement on the University's efforts to secure value for money. In addition, each internal audit review undertaken and submitted to the Audit Committee makes specific observations and judgements concerning the value for money demonstrated.

Risk Management

A comprehensive Risk Management framework, defined in the University's Risk Management Policy, assists the management of the University in the identification of the key risks inherent in the delivery of the University's strategy. This is overseen by the Audit Committee in order to gain the necessary assurances on the efficacy of the framework and relay them to the Board of Governors. The Board, through the Audit Committee, PRC, and/or where appropriate through other ad-hoc due diligence groups, evaluates the risks inherent in all major plans and proposals, including the identification of the steps that would be required to mitigate, eliminate and control such risks. The University has also taken additional measures to support the risk management process, including the appointment of a Director of Compliance and Risk and the designation of an Associate Vice-President for Compliance, Risk and Research Integrity (who provide direct advice to senior officers of the University and, in addition, the Director of Compliance And Risk provides a report to the Board of Governors, on behalf of the President and Vice-Chancellor, at each meeting). They oversee the adoption and dissemination, on a continual basis, of risk awareness/management training and the preparation of contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the University and its business capability. Following the retirement of the University's Insurance Officer in early 2015, a Risk Manager was appointed shortly thereafter, with specific responsibility for insurance matters, business continuity and business travel risk. The Risk Register is reviewed by the Audit Committee on a routine basis, and is presented to the Board of Governors at each meeting.

The diagram below depicts the overall responsibility of the Board of Governors for the oversight of risk management within the University. The framework includes a risk policy, risk registers (at School, Faculty, PSS and University level) and the governance of health and safety, and identifies primary risk owners. It is supported by a comprehensive assurance process, which reports through to the Audit Committee, on behalf of the Board of Governors.



The risk management objectives of the University outlined in the following paragraph are based on an overarching policy to adopt best practice in the identification, evaluation and cost-effective control of risks in order that the risks associated with the University's strategy, as set out in its Strategic Vision 2020, are eliminated and/or managed down to an acceptable level.

The policy includes the following key actions:

- the integration of risk awareness into the culture of the University;
- the management of risk in accordance with best practice;
- the anticipation and appropriate response to risks emerging/associated with changing social, environmental and legislation requirements; and
- the reduction of the costs of risk by taking appropriate steps to mitigate injury and damage to individuals and assets of the University.

Statement of the Board of Governors' responsibilities for the year ending 31 July 2015

In accordance with the Royal Charter, the Board of Governors of The University of Manchester ('the Board') is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of The University of Manchester and which enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Accounts Direction issued by the Higher Education Funding Council for England (HEFCE), the Memorandum of Assurance and Accountability agreed with HEFCE, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007, and applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as well as reflecting current best practice in public sector corporate governance. In addition, under the terms and conditions of a Memorandum of Assurance and Accountability agreed with HEFCE in respect of The University of Manchester, the Board, 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 University and of the institutional surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable UK law and accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- financial statements are prepared on the going concern basis unless it is inappropriate to presume that The University of Manchester will continue in operation. The Board is satisfied that the University has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board has taken reasonable steps to:

- ensure that funds from HEFCE and the National College for Teaching and Leadership are used only for the purposes for which they have been given and in accordance with the Memorandum of Assurance and Accountability with HEFCE and any other terms and conditions which HEFCE may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds from other sources;
- safeguard the assets of The University of Manchester and to prevent and detect fraud; and
- secure the economical, efficient and effective management of The University of Manchester's resources and expenditure.

The governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditor is unaware; and each governor has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditor is aware of that information.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website.

The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Anil Ruia

Chair of the Board of Governors
and Pro-Chancellor

Independent auditor's report to the Board of Governors of The University of Manchester

We have audited the financial statements of The University of Manchester for the year ended 31 July 2015 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, the Statement of Consolidated Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the Reconciliation of Consolidated Net Cash Flow to Increase in net (debt)/funds and the related notes 1 to 39. 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) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of the Board of Governors' Responsibilities, the Board of Governors is responsible for preparing the financial statements and for being satisfied that they 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 the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements.

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with HEFCE.

In addition, we read all the financial and non-financial information contained in the financial statements as a whole and consider whether it is consistent 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 affairs of the University and of the Group as at 31 July 2015 and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by applicable regulations

In our opinion:

- funds for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Financial Memorandum with HEFCE.

Matters on which we are required to report by exception

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

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

Ernst and Young LLP
Statutory auditor
Edinburgh
[] November 2015



Financial Statements

For the year ended 31 July 2015

Statement of principal accounting policies

Basis of preparation

The Financial Statements have been prepared in accordance with the Royal Charter, the Accounts Direction issued by the Higher Education Funding Council for England (HEFCE), the Memorandum of Assurance and Accountability agreed with HEFCE, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The accounting policies detailed below have been applied consistently throughout the year and the preceding year.

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Director of Finance's Financial Review of the year which forms part of the Board of Governors' Report. The Board of Governors' Report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities. The University's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to credit and liquidity risks are set out on page 33.

The Board of Governors has a reasonable expectation that the University has 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 accounting

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain investment properties and financial assets at fair value as permitted by the Companies Act 2006 and in accordance with applicable United Kingdom accounting standards. FRS 26 has been applied due to the University having debt that is publically traded.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the University operates.

Basis of consolidation

The consolidated financial statements include the financial statements of the University and subsidiary undertakings for the financial year to 31 July 2015, as disclosed in

note 13. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements include the University's share of the profits and net assets of material associated undertakings over which the University has a significant but not dominant influence.

In accordance with FRS 2, The University of Manchester Students' Union has not been consolidated because the University does not control its activities.

Recognition of income

Recurrent grants from HEFCE are recognised in the year for which they are receivable.

Non-recurrent grants from HEFCE or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised to income in line with depreciation over the life of the asset for which the grant was awarded.

Student fee income is credited to the income and expenditure account over the year in which it is earned. Where the amount of the tuition fee is reduced by a discount for prompt payment, income is shown net of the discount. Bursaries and scholarships are accounted for as expenditure and not deducted from income.

Income from research grants and contracts and other services rendered is included according to the degree of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contribution towards overhead costs. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met. In many cases recognition is directly related to expenditure incurred for specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments. Other donations are recognised by inclusion as other income in the income and expenditure account.

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 of the endowment, is transferred from the income and expenditure account to restricted endowments after the result for the year has been struck. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

All other income is credited to the income and expenditure account in the year in which it is earned.

Accounting for charitable donations

(a) Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, 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 charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution [SORP para 144].
2. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income [SORP para 143, 147].
3. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective [SORP para 144].

(c) Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the expected useful life of the related asset. Where the asset is not depreciated, the deferred capital grant is released immediately to the income and expenditure account.

(d) Gifts in kind, including donated tangible fixed assets

Gifts in kind are included as a donation in other income using a reasonable estimate of

their gross value or the amount actually realised. Donated tangible fixed assets, with the exception of land, are valued and accounted for as fixed assets under the appropriate fixed asset category. The same amount is credited to deferred capital grants where the accounting treatment is then the same as for grant funded tangible fixed assets. Where the asset is not depreciated, the deferred capital grant is released immediately to the income and expenditure account. Land donated for use by the University is valued, and the associated credit is taken to the income and expenditure account as a donation in other income.

Intra-group transactions

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

Balances between the University and its associates and joint ventures are not eliminated. Normal trading transactions, that are not settled by the balance sheet date, are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the Institution's share is eliminated.

Foreign currency translations

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

Tangible fixed assets

(a) Land and buildings

Land and buildings are stated at cost except those that were revalued prior to the implementation of FRS 15 'Tangible Fixed Assets'. Buildings are depreciated over their expected useful lives of 50 years and leasehold buildings over the life of the lease. Land is not depreciated.

Buildings under construction are included at cost, based on the value of architects' certificates and other costs incurred at 31 July 2015. They are not depreciated until they are brought into use.

Major enhancements to existing buildings at a cost of more than £150,000 are capitalised where appropriate and depreciated over their expected useful economic life to the University of 20 years, or less if the leasehold is shorter.

Certain fixed assets were revalued prior to the implementation of FRS 15 'Tangible fixed assets'. The transitional rules set out in FRS 15 have been applied and accordingly the book values at implementation have been retained.

(b) Equipment

Individual items of equipment and groups of functionally dependant items costing more than £50,000 are capitalised at cost. All other items are written off to the income and expenditure account in the year of acquisition. Capitalised equipment is depreciated on a straight line basis over its expected useful economic life, generally assumed to be 3 years. Equipment acquired for a specific funded project is depreciated over the project life. Building plant and boilers are depreciated on a straight line basis over their expected economic life, generally assumed to be 10 years.

(c) Grant-funded tangible fixed assets

Where tangible fixed assets within the categories (a) and (b) above are purchased with the aid of specific grants they are capitalised and depreciated in line with the relevant accounting policy. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful life of the related asset.

(d) Impairment

A review for impairment of a tangible fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the tangible fixed asset may not be recoverable.

(e) Maintenance

The full costs of repairs and routine corrective maintenance on tangible fixed assets are charged against revenue in the year in which they are incurred.

(f) Assets held for resale

Tangible fixed assets surplus to requirements are held at the lower of cost and net realisable value.

(g) Heritage assets

Works of art and other valuable artefacts (heritage assets) acquired since 1 August 2007 and valued at over £50,000 have been capitalised and recognised at the cost or

value of the acquisition, where such a cost or valuation is reasonably obtainable.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Where heritage assets have not been capitalised, details of the nature and age of these assets are disclosed.

Leases

Finance leases which transfer substantially all the benefits and risks of ownership of an asset to the University, are treated as if the asset had been purchased outright. The fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is charged to income and expenditure over the shorter of lease term or the useful economic life of an equivalent owned asset. The excess of lease payments over recorded lease obligations is treated as a finance charge and amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure on a straight line basis over the relevant lease term.

Goodwill and intangible assets

Goodwill arising on consolidation is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition. Goodwill and intangible assets are amortised over their estimated economic life up to a maximum of 20 years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment. Where there is impairment in the carrying value of goodwill, the loss is incurred in the results for the period.

Positive purchased goodwill is capitalised and classified as an asset on the balance sheet.

Website development costs

Design and content costs relating to the development of websites to support specific teaching or training courses, or for specific research projects, as well as design and content costs for websites that are for the general use of the institution and its staff are

written off as incurred to the income and expenditure account. This is because there is insufficient evidence on which to base reasonable estimates of the benefits that will be generated by these costs incurred.

Subsidiary and associate undertakings

In the University balance sheet investments in subsidiaries are stated at cost less provision for impairment. In the consolidated financial statements, investments in associated undertakings are stated at the University's share of their net assets.

Investment properties

Investment properties are revalued annually to open market value. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the income and expenditure account. Depreciation is not provided in respect of freehold investment properties or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years. The Board of Governors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 'Accounting for investment properties'. The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified due to insufficient information on original cost.

Other investments are accounted for in accordance with FRS 26 on the bases more fully set out below under 'Financial instruments'.

Financial instruments

Financial assets and financial liabilities are recognised in the University's balance sheet when the University becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at 'fair value through the profit and loss account', which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The University holds no financial assets classified as FVTPL.

(b) Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity dates that the University has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

(c) Available-for-sale financial assets

Listed shares held by the University that are traded in an active market are classified as being available-for-sale (AFS) and are stated at fair value. Gains and losses arising from changes in fair value are recognised through the Statement of Total Recognised Gains and

Losses in the investments revaluation reserve with the exception of impairment losses, which are recognised directly in the income and expenditure account. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to the income and expenditure account for the period.

Investments in the UMIP Premier Fund are classified as AFS and valued using accepted methodologies for venture capital investments:

- investments held on a listed market are valued at their estimated realisable value;
- investments in companies set up so as to exploit University intellectual property are carried at the lower of cost and net realisable value; and
- other investments are stated at the lower of cost and fair value.

Dividends on AFS equity instruments are recognised in the income and expenditure account when the University's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date.

Endowment asset investments are classified as AFS and carried at fair value. Certain fixed asset and endowment asset investments are held within investment portfolios managed by independent fund managers. Transactions within and between the portfolios are not accounted for separately. Realised gains and losses are only added to or subtracted from the fixed asset and endowment asset investments on withdrawal of funds from the portfolios.

(d) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

(e) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income and expenditure account.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the Statement of Total Recognised Gains and Losses are reclassified to the income and expenditure account in the period.

(f) Derecognition of financial assets

The University derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the University neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the University recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the University retains substantially all the risks and rewards of

ownership of a transferred financial asset, the University continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The University derecognises financial liabilities when, and only when, the University's obligations are discharged, cancelled or they expire.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Pension schemes

The four principal schemes for the University's staff are the Universities' Superannuation Scheme ('USS'), the NHS Pension scheme ('NHSPS'), the University of Manchester Superannuation Scheme ('UMSS') and the Greater Manchester Pension Fund ('GMPF'). All four schemes are contracted out of the State Second Pension ('S2P'). In addition, the University had previously operated a closed scheme, the Manchester Innovation Limited Group Pension Scheme ('MILGPS'). The assets and liabilities of this scheme were transferred into UMSS on 28 August 2013, and are now run within UMSS. All four schemes are defined benefit schemes which are funded, with the assets of the schemes held separately from those of the Group, in separate trustee administered funds. With the exception of NHSPS, each fund has a full valuation every three years carried out by professionally qualified independent actuaries.

Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of FRS 17. Of the four schemes, USS and NHSPS are both multi-employer schemes. Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are 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 two schemes on a consistent and reasonable basis. Therefore, as required by FRS 17, these schemes are accounted for as if they are defined contribution schemes. 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.

For the remaining two schemes, assets are included at market value, measured on a bid price basis where applicable, and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on AA rated corporate bonds. The post-retirement benefit surplus or deficit is included on the University's balance sheet. Surpluses are included only to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the income and expenditure account within operating expenses and the expected return on the schemes' assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in the statement of total recognised gains and losses.

Taxation status

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 of Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 of the Corporation Tax Act 2009 (CTA 2009) and Sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the

Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University's principal activities are exempt from Value Added Tax, but certain ancillary supplies and services are liable to Value Added Tax at various rates. Expenditure includes irrecoverable Value Added Tax charged by suppliers to the University.

The University's subsidiary companies are subject to Corporation Tax and VAT in the same way as any commercial organisation.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the entity an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Cash flows and liquid resources

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

Liquid resources include term deposits, government securities, loan stock, and other instruments held as part of the University's treasury management activities. They exclude any assets held within fixed asset and endowment asset investments.

Provisions and contingent liabilities

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; and an inability to measure the economic outflow.

Agency arrangements

Where the University receives and disburses funds as paying agent on behalf of a funding body for which the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction, then the related income and expenditure is excluded from the consolidated income and expenditure account. Details are disclosed within note 39 'Amounts disbursed as agent' and include Access Funds and Training Bursaries.

Financial instruments

Capital risk management

The University manages its capital to ensure that entities in the group will be able to continue as going concerns whilst optimising the debt and equity balance. The University's overall strategy remains unchanged from 2014.

The capital structure of the University consists of debt, which includes the borrowings disclosed in note 20, cash and short-term deposits and funds attributable to the University comprising deferred capital grants, endowments, reserves and retained earnings as disclosed in notes 23 to 26.

The University is not subject to any externally imposed capital requirements other than the requirements set out in the financial memorandum agreed with HEFCE and covenants in respect of certain borrowings.

Gearing ratio

The gearing ratio at the year end is as follows:

	2015 £000	2014 £000
Debt (note 33)	(416,530)	(421,133)
Cash and cash equivalents (note 33)	403,880	440,498
Net (debt)/funds (note 33)	(12,650)	19,365
Total funds (excluding minority interests)	867,409	891,273
Net (debt)/funds to total funds ratio	(1.5%)	2.2%

Debt is defined as long- and short-term borrowings and obligations under finance leases as detailed in note 33.

Financial risk management objectives

The University's Treasury function, monitors and manages the financial risks relating to the operations of the University through internal risk reports which analyse exposure by degree and magnitude of risks.

Compliance with policies and exposure limits is reviewed by the Finance Committee on a continuous basis. The University does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports to the Director of Finance.

Interest rate sensitivity analysis

The group has no loans subject to a floating interest rate. The University is therefore not subject to any significant exposure to interest rates in relation to its financial liabilities.

The University had £464.2m (2014: £497.5m) held to maturity investments on short and long term deposit, including £85m held in fixed asset investments (note 21(a)). The weighted average interest rate for these fixed rate deposits was 0.82% (2014: 0.88%). All deposits were subject to fixed interest rates therefore the University was not subject to any significant exposure to interest rates in relation to its financial assets.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the University.

The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit-ratings which have been assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Finance Committee at least annually.

Trade receivables consist of a large number of customers, spread across diverse sectors, populations and geographical areas.

The University defines counterparties as having similar characteristics if they are related entities.

The University places deposits with a number of counterparties selected using Fitch credit ratings for banks or published net assets value for building societies. In line with the Treasury Management Policy approved by Finance Committee, counterparties must have a long term credit rating of A- or higher and a short term credit rating of F1 or higher. The maximum credit limit currently in place is £80m, which is applicable for one counterparty only. Other credit limits range from £5m-£60m depending on the assessed credit strength of the counterparty. As at 31 July 2015 the University held deposits with 21 (2014: 22) counterparties.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the University's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Financial assets and other credit exposure

	2015 £000	2014 £000
Guarantee provided by a subsidiary to a bank on a spin out entity's loan	230	230

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Governors, which has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of certain financial assets and liabilities.

Consolidated income and expenditure account

For the year ended 31 July 2015

	Notes	Consolidated	
		2015 £000	2014 £000
Income			
Funding body grants	1	166,497	162,579
Tuition fees and education contracts	2	407,165	351,724
Research grants and contracts	3	262,419	213,726
Other income	4	147,459	137,779
Endowment and investment income	5	26,166	20,598
Total income		1,009,706	886,406
Expenditure			
Staff costs	6	482,977	450,603
Other operating expenses	7(b)	367,192	327,004
Depreciation	12	87,934	46,230
Interest and other finance costs	8	19,475	19,497
Total expenditure		957,578	843,334
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation		52,128	43,072
Share of operating surpluses in associates	13(b)	82	335
Taxation	10	(5,076)	5
Surplus on continuing operations after depreciation of fixed assets at cost/valuation and taxation		47,134	43,412
Minority interest in subsidiary undertakings' results for the year	27	5	(41)
Surplus on continuing operations after depreciation of fixed assets at cost/valuation, taxation, minority interest and exceptional items		47,139	43,371
Surplus for the year transferred (to)/from accumulated income in endowment funds	24	(248)	1,653
Surplus for the year retained within general reserves	25	46,891	45,024
The surplus for the year retained within general reserves is attributable to the following:			
		2015 £000	2014 £000
University		44,008	42,532
Group undertakings		2,883	2,492
		46,891	45,024

Statement of consolidated historical cost surpluses and deficits

For the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus on continuing operations before taxation		52,215	43,366
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	26	13	13
Historical cost surplus for the year before taxation		52,228	43,379
Historical cost surplus for the year after taxation		47,152	43,384

Statement of consolidated total recognised gains and losses

For the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Surplus for the year retained within general reserves		46,891	45,024
Unrealised surplus on revaluation of investment properties	26	1,356	553
Unrealised surplus on revaluation of available for sale investments	26	2,178	3,593
Net endowment income/(expenditure) in the year	24	247	(1,829)
New endowments and dividends reinvested	24	230	1,198
Net appreciation of endowment assets including reinvested profits on sales	24	14,117	5,678
Actuarial loss recognised in respect of pension schemes	34(a)	(68,535)	(57,378)
Total recognised deficit relating to the year		(3,516)	(3,161)
Reconciliation			
Opening reserves and endowments		395,320	398,481
Total recognised deficit for the year		(3,516)	(3,161)
Closing reserves and endowments		391,804	395,320

Balance sheets

As at 31 July 2015

	Notes	Consolidated		University	
		2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Goodwill	11	-	-	-	-
Tangible assets	12	900,682	858,142	868,927	825,771
Investments	13	132,247	127,413	127,059	129,928
Total fixed assets		1,032,929	985,555	995,986	955,699
Endowment assets	14	188,931	174,291	188,931	174,291
Current assets					
Stock		1,408	1,473	1,360	1,433
Debtors: amounts falling due within one year	15	117,381	91,871	120,549	97,235
Debtors: amounts falling due after more than one year	16	50	113	14,450	14,395
Investments	17	363,068	399,416	363,068	399,416
Cash at bank and in hand		24,680	28,001	4,743	3,533
Total current assets		506,587	520,874	504,170	516,012
Creditors: amounts falling due within one year	18	(285,860)	(262,886)	(272,343)	(251,190)
NET CURRENT ASSETS		220,727	257,988	231,827	264,822
TOTAL ASSETS LESS CURRENT LIABILITIES		1,442,587	1,417,834	1,416,744	1,394,812
Creditors: amounts falling due after more than one year	19	(414,294)	(418,169)	(412,588)	(416,463)
Provisions for liabilities	22	(1,036)	(429)	(469)	-
NET ASSETS EXCLUDING PENSION LIABILITIES		1,027,257	999,236	1,003,687	978,349
Net pension liabilities	34(a)	(159,629)	(107,739)	(159,629)	(107,739)
NET ASSETS INCLUDING PENSION LIABILITIES		867,628	891,497	844,058	870,610
Deferred capital grants	23	475,605	495,953	458,106	477,998
Endowment funds					
Expendable endowments	24	25,020	19,881	25,020	19,881
Permanent endowments	24	163,911	154,410	163,911	154,410
Total endowment funds		188,931	174,291	188,931	174,291
Reserves					
Income and expenditure account excluding pension reserve	25	342,719	312,506	338,640	311,310
Pension reserve	25	(159,629)	(107,739)	(159,629)	(107,739)
Income and expenditure account including pension reserve		183,090	204,767	179,011	203,571
Revaluation reserve	26	19,783	16,262	18,010	14,750
Total reserves		202,873	221,029	197,021	218,321
Minority interests	27	219	224	-	-
TOTAL FUNDS		867,628	891,497	844,058	870,610

The Financial Statements on pages 27 to 73 were approved by the Board of Governors of The University of Manchester on 25 November 2015 and were signed on its behalf by:

Mr Anil Ruia
Chair of the Board of Governors and Pro-Chancellor

Professor Dame Nancy Rothwell
President and Vice-Chancellor

Mr Stephen Mole
Director of Finance

Consolidated cash flow statement

For the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	28	58,039	60,011
Net returns on investments and servicing of finance	29	(1,049)	(6,342)
Taxation	10	-	-
Capital expenditure and financial investment	30	(89,005)	(55,013)
Cash outflow before management of liquid resources		(32,015)	(1,344)
Management of liquid resources	31	3,074	18,677
Financing	32	(4,603)	(10,138)
(Decrease)/increase in cash in the year		(33,544)	7,195

Reconciliation of consolidated net cash flow to net (debt)/funds

For the year ended 31 July 2015

	Notes	2015 £000	2014 £000
(Decrease)/increase in cash in the year	33	(33,544)	7,195
Cash outflow from liquid resources	33	(3,074)	(18,677)
Change in debt resulting from cash flows	33	4,603	10,138
Movement in net funds in year		(32,015)	(1,344)
Net funds at beginning of year	33	19,365	20,709
Net (debt)/funds at end of year	33	(12,650)	19,365

Notes to the financial statements

1 Funding body grants

Recurrent grants

Higher Education Funding Council - Teaching
Higher Education Funding Council - Research
Higher Education Funding Council - Other
Training and Development Agency

Specific grants

Special initiatives

Deferred capital grants released in year

Buildings
Equipment

Consolidated	
2015	2014
£000	£000
43,250	55,274
83,022	83,893
2,213	5,730
16	14
7,632	5,929
15,043	10,086
15,321	1,653
166,497	162,579

2 Tuition fees and education contracts

Fees in respect of:

Full-time home and EU students
Full-time international students
Part-time students
Short course fees
Other teaching contract courses - core activities
Research training support grants

Consolidated	
2015	2014
£000	£000
173,981	143,966
167,827	146,489
31,260	27,728
16,714	15,766
16,932	17,093
451	682
407,165	351,724

3 Research grants and contracts

Research Councils
UK based charities
UK central government, hospitals and health authorities
UK industry and commerce
Overseas
Other sources

Consolidated	
2015	2014
£000	£000
99,918	78,534
46,514	43,981
57,293	34,508
23,953	24,465
34,480	32,073
261	165
262,419	213,726

Research grants and contracts income includes the release of deferred capital grants of £23.7m for the year ended 31 July 2015 (2014: £10.9m).

Included in UK central government grants is £22.2m claim for Research and Development Expenditure Credits made to HMRC for the period from 1 April 2013 to 31 July 2015 (also see note 37). This amount is gross of the corporation tax charge deducted from the amount receivable (see note 10).

4 Other income

Residences, catering and conferences
Premises
Academic departments
Academic services
Continuing education and training
Administration and central services
Services rendered
Health authorities
Other general income - University only
Use of sports facilities
Other general income - subsidiary undertakings
Manchester University Press
Releases of deferred capital grants from non-funding body sources

Consolidated	
2015	2014
£000	£000
46,852	46,758
3,186	2,154
32,716	32,961
5,029	2,692
5	-
6,428	5,840
7,541	5,928
19,496	18,741
8,604	7,049
1,242	1,047
7,080	7,239
2,519	2,357
6,761	5,013
147,459	137,779

5 Endowment and investment income

	Consolidated	
	2015	2014
	£000	£000
Surplus on disposal of a subsidiary	-	220
Income from donations	9,442	5,167
Net return on pension schemes (note 34a)	7,740	7,223
	17,182	12,610
In relation to financial assets:		
Income from expendable endowments (note 24)	448	306
Income from permanent endowments (note 24)	3,087	2,602
Income from short term investments	4,690	4,464
Dividends from general fund investments	585	396
Other interest receivable	174	220
	8,984	7,988
	26,166	20,598
Investment income earned on financial assets analysed by category of asset is as follows:		
	2015	2014
	£000	£000
Available-for-sale financial assets	4,120	3,304
Held-to-maturity financial assets	4,864	4,684
Total investment income for financial assets not designated at fair value through profit or loss	8,984	7,988

6 Staff costs

	Consolidated	
	2015	2014
	£000	£000
Wages and salaries	365,478	346,319
Social security costs	31,334	28,976
Pension costs (note 34a)	85,629	74,748
Early retirement and voluntary severance scheme costs	536	560
	482,977	450,603

Clinical Excellence Awards paid to NHS Consultants employed on joint contracts between the NHS and the University are not borne by the University and are excluded from the above analysis. These amount to £4.0m for the year ended 31 July 2015 (2014: £4.1m).

As set out in note 34, in June 2009 the University introduced a salary sacrifice arrangement, known as PensionChoice, for University employees who are members of the USS and UMSS pension schemes. Wages and salaries for USS and UMSS members participating in PensionChoice reflect the reduced gross pay earned by staff and the pension costs reflect the increased employer element of the USS and UMSS pension contributions.

The early retirement and voluntary severance costs relate to certain specific areas only.

Staff numbers

	Consolidated	
	2015	2014
	Numbers	Numbers
Academic - teaching and research	1,863	1,804
Academic - teaching only	679	614
Research	1,952	1,829
Administrative and management	1,451	1,401
Clerical and secretarial	1,588	1,478
Academic support	1,517	1,504
Craft / manual	865	817
Total number of staff	9,915	9,447

The staff numbers disclosed above relate to full-time equivalents.

Notes to the financial statements (continued)

6 Staff costs (continued)

Remuneration of higher paid staff (other than the President and Vice-Chancellor), excluding employer's pension contributions, was within the ranges set out below. Payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment are included within remuneration.

	Consolidated	
	2015 Number of Employees	2014 Number of Employees
£100,001 - £110,000	29	38
£110,001 - £120,000	39	28
£120,001 - £130,000	34	23
£130,001 - £140,000	20	15
£140,001 - £150,000	15	10
£150,001 - £160,000	9	15
£160,001 - £170,000	18	16
£170,001 - £180,000	14	11
£180,001 - £190,000	9	6
£190,001 - £200,000	5	4
£200,001 - £210,000	3	4
£210,001 - £220,000	3	1
£220,001 - £230,000	2	1
£230,001 - £240,000	1	-
£240,001 - £250,000	1	-
£250,001 - £260,000	1	-
£290,001 - £300,000	-	1
£300,001 - £310,000	-	1
£360,001 - £370,000	1	-
	204	174

Emoluments of the President and Vice-Chancellor

	Consolidated	
	2015 £000	2014 £000
Salary	252	247
Benefits in kind	4	4
	256	251
Pension contributions	40	40

The Chair of the Board of Governors and Pro-Chancellor has waived his right to fees in respect of the year. No termination payments were paid to individuals whose annual remuneration exceeded £100,000.

7(a) Analysis of expenditure by activity

	Staff costs £000	Other operating expenses £000	Depreciation £000	Interest payable £000	Consolidated 2015 £000	2014 £000
Academic departments	269,157	93,011	20,374	-	382,542	355,807
Academic services	33,927	30,272	12	-	64,211	49,306
Research grants and contracts	99,762	70,251	23,147	-	193,160	169,804
Residences, catering and conferences	4,819	23,682	16	-	28,517	27,668
Premises	22,084	59,075	36,726	19,030	136,915	111,721
Administration and central services	23,812	9,344	5,955	335	39,446	32,287
Staff and student facilities	13,987	10,805	460	-	25,252	19,189
General educational expenditure	4,830	45,643	73	-	50,546	47,426
Other services rendered	1,951	5,373	-	-	7,324	6,579
Early retirement and voluntary severance scheme costs	536	-	-	-	536	514
Total University	474,865	347,456	86,763	19,365	928,449	820,301
Subsidiary undertakings	8,112	19,736	1,171	110	29,129	23,033
Total	482,977	367,192	87,934	19,475	957,578	843,334

7(b) Analysis of other operating expenses

	Consolidated 2015 £000	2014 £000
Equipment purchases and maintenance	42,124	37,490
Estate repairs and maintenance	24,339	16,012
Consumables and laboratory expenditure	40,455	33,124
Catering supplies	5,839	5,736
Library and publications	12,051	10,547
Professional and other fees	57,687	55,005
Travel and subsistence	19,103	16,833
Printing, stationery and office expenses	16,148	10,465
Fellowships, scholarships and prizes	75,569	67,861
Recruitment, training and welfare	10,556	15,056
Heat, light, water and power	17,257	18,268
Rent, rates and insurance	20,014	17,417
Grants to students' union	2,133	1,963
External auditor's remuneration in respect of audit services	170	288
External auditor's remuneration in respect of non-audit services	41	411
Other expenditure	4,067	7,082
Subsidiary undertakings other operating expenditure	19,639	13,446
	367,192	327,004

The analysis of auditor's remuneration is as follows:

	2015 £000	2014 £000
Fees payable to the University's auditor for the audit of the University's annual accounts	120	189
Fees payable to the University's auditor and its associates for other services to the Group:		
The audit of the University's subsidiaries pursuant to legislation	50	99
Total audit fees	170	288
Tax services	-	362
Consultancy services	41	49
Total non-audit fees	41	411

There is also £nil (2014: £526k) of fees payable to the University's auditor Ernst and Young LLP (2014: Deloitte LLP) included within tangible fixed asset additions, for property consultancy services received.

The disclosures above are for the Group. The University is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the University because the consolidated financial statements are required to disclose such fees on a consolidated basis.

Notes to the financial statements (continued)

8 Interest and other finance costs

	Consolidated	
	2015	2014
	£000	£000
Bank and other loans wholly repayable within five years	541	9
Bank and other loans not wholly repayable within five years	5,740	6,476
Bond interest	12,750	12,822
Finance leases	334	75
Other interest payable	110	115
	19,475	19,497

9 Other gains and losses

No gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments. See note 15 for details of any impairment losses recognised / reversed in respect of trade debtors. No gains or losses have been recognised on financial liabilities measured at amortised cost.

10 Taxation

As an exempt charity, the University is potentially exempt from corporation tax on income and gains falling within 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the TCGA 1992 to the extent that they are applied for charitable purposes.

The tax charge for the year arises mainly from the claim for Research and Development Expenditure Credits (RDEC).

	Consolidated	
	2015	2014
	£000	£000
Current Tax		
UK Corporation tax of 20.67% (2014: 22.33%) on surplus for the year	4,938	-
Deferred tax		
Increase/(Reversal) of timing differences	138	(5)
Total tax credit	5,076	(5)
Tax paid in year	-	-

Factors affecting the tax charge:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Consolidated	
	2015	2014
	£000	£000
Surplus before taxation	52,215	43,366
Surplus multiplied by the standard rate of corporation tax in the UK of 20.67% (2014: 22.33%)	10,793	9,684
Surplus falling within charitable exemption	(6,154)	(9,624)
Impact of change in corporation tax rate	350	-
Other differences attributable to subsidiaries	(51)	(60)
Current tax charge	4,938	-

The total current tax charge relates solely to the corporation tax incurred on the Research and Development Expenditure Credits receivable by the University.

11 Goodwill**Consolidated
£000****Cost**

At 1 August 2014 and at 31 July 2015

94

Amortisation

At 1 August 2014 and at 31 July 2015

94

Net book value

At 1 August 2014 and at 31 July 2015

-

There are no other intangible assets within the University.

12 Tangible fixed assets**(a) Consolidated****Cost/valuation**

At 1 August 2014

904,514

-

143,234

221,615

2,690

1,272,053

Reclassifications in year

(10,515)

-

10,515

-

-

Additions at cost

39,087

-

57,453

34,050

792

131,382

Transfers between categories

91,268

-

(104,767)

13,499

-

-

Disposals

(9,880)

-

(881)

(7,561)

-

(18,322)

At 31 July 2015

1,014,474

-

95,039

272,118

3,482

1,385,113**Depreciation**

At 1 August 2014

235,440

-

-

178,471

-

413,911

Reclassifications in year

(3,190)

-

3,190

-

-

Charge for the year

36,645

-

-

51,289

-

87,934

Disposals

(9,880)

-

-

(7,534)

-

(17,414)

At 31 July 2015

259,015

-

-

225,416

-

484,431**Net book value****At 31 July 2015**

755,459

-

95,039

46,702

3,482

900,682

At 1 August 2014

669,074

-

143,234

43,144

2,690

858,142**(b) University****Cost/valuation**

At 1 August 2014

861,062

5,400

143,648

217,054

2,690

1,229,854

Reclassifications in year

(10,515)

-

-

10,515

-

-

Additions at cost

39,087

-

56,974

33,930

792

130,783

Transfers between categories

91,268

-

(104,468)

13,200

-

-

Disposals

(9,875)

-

(864)

(7,299)

-

(18,038)

At 31 July 2015

971,027

5,400

95,290

267,400

3,482

1,342,599**Depreciation**

At 1 August 2014

227,193

1,184

-

175,706

-

404,083

Reclassifications in year

(3,190)

-

-

3,190

-

-

Charge for the year

35,878

74

-

50,811

-

86,763

Disposals

(9,875)

-

-

(7,299)

-

(17,174)

At 31 July 2015

250,006

1,258

-

222,408

-

473,672**Net book value****At 31 July 2015**

721,021

4,142

95,290

44,992

3,482

868,927

At 1 August 2014

633,869

4,216

143,648

41,348

2,690

825,771

Notes to the financial statements (continued)

12 Tangible fixed assets (continued)

The transitional rules set out in FRS 15 'Tangible Fixed Assets' have been applied on implementing FRS 15. Accordingly, the book values at implementation have been retained subject to the requirement to test assets for impairment.

Included in Freehold land and buildings are buildings which were revalued to £12.7m, with accumulated depreciation of £8.0m (2014: £7.7m). These buildings have a net book value of £4.7m at 31 July 2015. The historical cost of these buildings is £11.9m and accumulated depreciation is £7.9m, giving a net book value on a historical cost basis of £4.0m (2014: £4.2m).

At 31 July 2015, freehold land and buildings included £6.4m (2014: £4.4m) in respect of freehold land which is not depreciated. Consolidated fixtures, fittings and equipment include assets held under finance leases as follows:

	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
Cost	-	2,805
Accumulated depreciation	-	801
Charge for year	-	458

Heritage assets

The University holds and maintains certain heritage assets, such as historic buildings and collections of art and other valuable artefacts of historical, scientific and artistic importance. 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. Further information on the University's policies regarding conservation, preservation, management and disposal of heritage assets can be found on the University's website <http://www.manchester.ac.uk/aboutus/structure/visitor-attractions/>.

Heritage assets acquired since 1 August 2007 and valued at over the capitalisation threshold have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. These comprise in the main works of art purchased by the Whitworth Art Gallery and books donated to the John Rylands University Library. Capitalised donated heritage assets have been valued internally on acquisition on the basis of knowledge and experience of similar assets. Heritage assets held at cost or valuation are not depreciated due to their indefinite life and high residual value. Amounts for the current year and previous four years are as follows:

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Cost or valuation at 1 August	2,677	2,547	1,837	1,677	1,463
Acquisitions purchased with donations	-	65	56	60	214
Value of acquisitions by donation	660	65	654	100	-
Total acquisitions capitalised	660	130	710	160	214
Cost or valuation at 31 July	3,337	2,677	2,547	1,837	1,677

The University also holds heritage assets that are not capitalised as, due to their unique nature, reliable information on cost or valuation is not readily available on a cost-benefit basis. This is owing to the lack of information on original purchase cost and the fact that these assets are not readily realisable. All costs incurred in relation to preservation and conservation are expensed as incurred. Key heritage assets held by the University fall into the categories detailed below. Their total value for insurance purposes is £1,385m (2014: £1,340m).

Whitworth Art Gallery, Manchester Museum and Manchester Medical Museum

Whitworth Art Gallery houses and displays collections including flat textiles ranging from 3rd Century AD to the present day; 17th century to modern day wallpapers; selections of prints, pre-1880 watercolours and modern art and sculpture collections. The Manchester Museum houses and displays various artefacts and fossils, in particular it has a substantial collection of ancient Egyptian artefacts as part of its archaeology collection. It also houses and displays collections in the fields of botany, anthropology and palaeontology as well as collections of rocks and minerals for example. The Manchester Medical Museum houses and displays past medical and nursing equipment, instruments and apparatus and some archival material.

Historic buildings: John Rylands Library Deansgate and Tabley House

John Rylands Library at Deansgate, Manchester is a Grade 1 listed building from the late 1800s styled in Victorian Gothic architecture. The building also houses and displays a rare collection of ancient books and manuscripts, including the oldest known piece of the New Testament and medieval manuscripts. The University also owns Tabley House, an 18th century Palladian mansion in Cheshire. The house is let on a long-lease of 125 years to a third party. Part of the house is open to the public and houses and displays various painting and furniture collections from that era.

Jodrell Bank

The University owns the 76 metre Lovell Telescope sited at Jodrell Bank in Cheshire. It was built in 1957, is a Grade 1 listed building and remains one of the most powerful radio telescopes in the world. It is still in operation as a working telescope.

13 Investments within fixed assets**Movement in the year****Balance at 1 August**

Additions

Disposals and investments written off

Amounts provided on unquoted shares during the year

Release of provisions on investments written off

Revaluation of investment properties

Net appreciation of other investments within fixed assets including reinvested profits on sales

Balance at 31 July**Analysis of closing balance**

Interests in subsidiary undertakings (note 13a)

Interests in associated undertakings (note 13b)

Investment properties

Available-for-sale investments carried at fair value

Other fixed interest securities

UK index linked

UK industrial and commercial securities

Overseas industrial and commercial securities

Property funds

Cash instruments

Cash held with investment managers

Other investments (including AIM listed investments)

Held-to-maturity investments carried at amortised cost

Long-term cash deposits

Loans receivable carried at amortised cost

Loan to Sugden Sports Trust

Total investments within fixed assets**Investments at cost**

Consolidated		University	
2015	2014	2015	2014
£000	£000	£000	£000
127,413	121,906	129,928	122,956
2,022	2,784	1,550	5,527
(46)	135	(9,738)	(525)
(706)	(1,683)	(698)	(1,356)
30	124	2,744	124
1,356	553	1,356	553
2,178	3,594	1,917	2,649
132,247	127,413	127,059	129,928
-	-	241	7,219
4,391	4,048	-	-
10,196	8,840	10,196	8,840
-	3,082	-	3,082
3,066	2,564	3,066	2,564
596	6,237	596	6,237
12,423	5,122	12,423	5,122
3,379	3,042	3,379	3,042
5,230	2,638	5,230	2,638
628	162	628	162
7,338	6,678	2,594	2,316
85,000	85,000	85,000	85,000
-	-	3,706	3,706
132,247	127,413	127,059	129,928
115,271	113,295	109,230	117,418

The investment properties currently totalling £10.2m (2014: £8.8m) were revalued on an open market basis as at 31 July 2014 by an external valuer, Edward Symmons LLP which is regulated by the Royal Institution of Chartered Surveyors. The valuation was performed in accordance with the RICS Valuation - Professional Standards 2014. The valuation has been updated as at 31 July 2015 by senior management at The University of Manchester and the value was revised upwards from £8.8m to £10.2m as a consequence.

The Group has not designated any financial assets that are not classified as held for trading as financial assets at 'fair value through the profit and loss account'.

The available-for-sale investments included above represent investments that present the University with opportunity for return through dividend income and trading gains. Within other investments, the Group holds a strategic non-controlling interest of 25% in the UMIP Premier Fund valued at £4.7m (2014: £4.4m). This investment is not held for trading and accordingly is classified as available-for-sale.

The University only investment includes £9.7m of investment write offs relating to capital reductions by two of the University's wholly owned subsidiaries (see note 13a). £2.7m of the write off has already been provided for in previous years. The University has provided a loan to the Sugden Sports Trust at a rate comparable to the average commercial rate of interest. The fair values of all equity securities are based on quoted market prices.

Notes to the financial statements (continued)

13 Investments within fixed assets (continued)

(a) Investments in subsidiary undertakings

At year end, investments in subsidiary undertakings after provisions comprise:

Directly owned Indirectly owned	Group Holding %	University		Description
		2015 £	2014 £	
Manchester Innovation Holdings Limited (MIHL)	100	-	3,428,713	Struck off 16 June 2015
Manchester Innovation Limited	100	-	-	Construction of a biotech incubator building
The University of Manchester Innovation Centre Limited (UMIC)	100	50,000	3,599,100	Owns and operates a biotech incubator building
UMIST Ventures Limited	100	1	1	Provision of staff to sister company
Visual Automation Limited	100	2	2	In liquidation
The University of Manchester I3 Limited	100	50,000	50,000	Management of intellectual property
UMIP UPF Limited	100	10,000	10,000	Investment in the UMIP Premier Fund
The University of Manchester Conferences Limited	100	2	2	Management of conference facilities and provision of catering services
Systemcost Trading Limited	100	185	185	Design and construction company
The University of Manchester Car Parks Limited	100	96	96	Maintenance and running of car park facilities
The University of Manchester Licensing Company Limited	100	1,000	1,000	Dormant
Sugden Sports Trust	50	-	-	Ownership of sports centre
Vumpine Limited	50	50	50	Dormant
UMSS Limited	100	2	2	To undertake the duty of trustee of UMSS
MBS Worldwide Limited	100	124,288	124,288	Provision of distance learning
Manchester Business School (Shanghai) Limited	100	-	-	Consultancy and management services
Manchester Business School America Inc	100	-	-	Provision of distance learning
Manchester Business School PTE Ltd	100	-	-	Provision of distance learning
UoM Singapore PTE Ltd	100	5,260	5,260	Delivery of Nursing degrees in Singapore
The University of Manchester (CLG)	100	-	-	Dormant
Owens College (CLG)	100	-	-	Dormant
Owens College Manchester (CLG)	100	-	-	Dormant
Manchester University (CLG)	100	-	-	Dormant
UMIST (CLG)	100	-	-	Dormant
		240,886	7,218,699	

Certain subsidiary undertakings above are shown as having nil cost of investment. In each case these are either indirectly owned as indicated, are limited by guarantee ('CLG') or are Trusts.

Where applicable, the 'Group holding' is equivalent to the proportion of voting rights and shares held.

All the subsidiary undertakings are incorporated in England and Wales, with the exception of UoM Singapore PTE Ltd and the subsidiaries of MBS Worldwide Limited.

All subsidiary undertakings prepare statutory accounts to the same year end date as the University with the exception of Sugden Sports Trust, which has a financial year end of 31 March.

MIHL and UMIC both underwent a capital reduction during the year. There was no change to the University's percentage shareholding. In the case of MIHL, this was prior to its striking off.

13 Investments within fixed assets (continued)**(b) Investments in associated undertakings****Movement in the year**

	Consolidated	
	2015	2014
	£000	£000
Balance at 1 August	4,048	2,768
Share of profits	82	136
Profit on dilution of shareholding	-	199
Share of property revaluations	261	945
Balance at 31 July	4,391	4,048

The University and Group had the following associated undertakings as at 31 July 2015:

Name of associate	Class of share capital held	Proportion held by the University and Group	Share of net assets/ (liabilities) 2015 £000	Share of net assets/ (liabilities) 2014 £000
Manchester Science Park Limited Financial year end 31 December	£1 ordinary	12.2%	4,434	4,091
The Corridor, Manchester Financial year end 31 March	CLG	20%	(43)	(43)
			4,391	4,048

The associated companies are accounted for using the equity method. All associated companies are incorporated in the United Kingdom.

14 Endowment assets

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Movement in the year				
Balance at 1 August	174,291	169,244	174,291	169,244
New endowments less net endowment expenditure	523	(631)	523	(631)
Net appreciation including reinvested profits on sales	14,117	5,678	14,117	5,678
Balance at 31 July	188,931	174,291	188,931	174,291
Analysis of closing balance				
<i>Available-for-sale investments carried at fair value</i>				
Other fixed interest securities	-	22,338	-	22,338
UK index linked	21,426	18,586	21,426	18,586
UK industrial and commercial securities	4,164	45,162	4,164	45,162
Overseas industrial and commercial securities	86,804	37,126	86,804	37,126
Property funds	23,608	22,049	23,608	22,049
Cash instruments	30,751	13,131	30,751	13,131
Cash held with investment managers	4,402	1,191	4,402	1,191
Bonds	1,644	1,627	1,644	1,627
<i>Held-to-maturity investments carried at amortised cost</i>				
Bank and building society deposits and uninvested bank balances	16,132	13,081	16,132	13,081
Total endowment assets	188,931	174,291	188,931	174,291
Endowment assets at cost	110,141	109,618	110,141	109,618

Notes to the financial statements (continued)

15 Debtors: amounts falling due within one year

Loans and receivables

Trade debtors	
Accrued income on research grants and contracts	
Prepayments and accrued income	
Amounts due from subsidiary companies	

Balance at 31 July

Consolidated		University	
2015	2014	2015	2014
£000	£000	£000	£000
38,129	36,741	36,816	34,884
43,935	26,527	43,935	26,449
35,317	28,603	33,255	26,952
-	-	6,543	8,950
117,381	91,871	120,549	97,235

Amount receivable for the services provided/sale of goods	
Allowance for doubtful debts	

Trade debtors

Consolidated		University	
2015	2014	2015	2014
£000	£000	£000	£000
43,099	40,701	41,677	38,539
(4,970)	(3,960)	(4,861)	(3,655)
38,129	36,741	36,816	34,884

Trade debtors

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost. There are no trade debtors classified as held for sale.

No interest is charged on the debtors. The University has recognised an allowance for doubtful debts of 100% against all debtors over 365 days because historical experience has been that debtors that are due beyond 365 days are not fully recoverable. Allowances against doubtful debts are recognised at less than 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting a new key customer, the University may use an external credit scoring system to assess the potential customer's credit quality.

Trade debtors disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the University has not recognised an allowance for doubtful debtors because there has not been a significant change in credit quality and the amounts are still considered recoverable. The University does not hold any collateral or other credit enhancements over these balances nor does it have the legal right of offset against any amounts owed by the University to the counterparty. The average age of these debtors is 56 days (2014: 120 days).

Ageing of past due but not impaired debtors:

1-90 days
91-180 days
181-270 days
271-365 days

Total

Consolidated	
2015	2014
£000	£000
3,265	1,621
1,316	4,036
818	1,307
521	669
5,920	7,633

Movement in the allowance for doubtful debts:

Balance at the beginning of the year
Amounts written off during the year as uncollectable
Change in doubtful debt provision

Balance at the end of the year

Consolidated	
2015	2014
£000	£000
3,960	4,513
(445)	(690)
1,455	137
4,970	3,960

Ageing of impaired trade debtors:

Current
1-90 days
91-180 days
181-270 days
271-365 days
365+ days

Total

Consolidated	
2015	2014
£000	£000
167	9
177	109
546	222
247	113
851	49
2,982	3,458
4,970	3,960

The Board consider that the carrying amount of trade and other debtors is approximately equal to their fair value.

16 Debtors: amounts falling due after more than one year

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
<i>Loans and receivables</i>				
Loans to University of Manchester Students' Union	18	18	18	18
Amounts due from subsidiary companies	-	-	14,432	14,377
Amounts due from associate companies and spin outs	32	95	-	-
Balance at 31 July	50	113	14,450	14,395

17 Investments within current assets

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
<i>Held-to-maturity investments carried at amortised cost</i>				
Bank deposits repayable after due notice	328,842	331,916	328,842	331,916
Bank deposits repayable on demand	34,226	67,500	34,226	67,500
Balance at 31 July	363,068	399,416	363,068	399,416

Deposits with more than 24 hours maturity at the balance sheet date are held with banks and building societies, all of which operate in the London market and are licensed by the FCA. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2015 the weighted average interest rate of these fixed rate deposits was 0.87% (2014: 0.81%) per annum and the remaining average period for which the interest rate is fixed on these deposits was 130 days (2014: 101 days).

18 Creditors: amounts falling due within one year

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans (note 20)	3,724	4,071	3,724	4,071
Trade creditors	28,286	28,126	27,035	25,885
Obligations under finance leases	-	481	-	481
Social security and other taxation payable	11,796	10,061	11,246	9,551
Amounts owed to group undertakings	-	-	872	2,433
Other creditors	24,284	23,255	22,828	22,617
Deferred income on research grants and contracts	103,751	93,567	103,751	93,567
Accruals and deferred income	114,019	103,325	102,887	92,585
Balance at 31 July	285,860	262,886	272,343	251,190

19 Creditors: amounts due after more than one year

	Consolidated		University	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans (note 20)	17,992	21,716	17,992	21,716
Loans other than bank loans (note 20)	394,814	394,730	393,108	393,024
<i>Other creditors due after more than one year:</i>				
Obligations under finance leases due within one to five years	-	135	-	135
Other creditors due within one to five years	375	475	375	475
Other creditors due after five years	1,113	1,113	1,113	1,113
Balance at 31 July	414,294	418,169	412,588	416,463

Notes to the financial statements (continued)

20 Borrowings

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
<i>Unsecured borrowing at amortised cost</i>				
Bond	293,626	293,550	293,626	293,550
Bank loans	21,716	25,358	21,716	25,358
Other loans	101,188	101,180	99,482	99,474
	416,530	420,088	414,824	418,382
<i>Secured borrowing at amortised cost</i>				
Bank loans	-	429	-	429
Total borrowings	416,530	420,517	414,824	418,811
Borrowings are repayable as follows:				
In one year or less	3,724	4,071	3,724	4,071
Between one and two years	3,811	3,724	3,811	3,724
Between two and five years	12,663	13,416	10,957	11,710
In five years or more	396,332	399,306	396,332	399,306
	416,530	420,517	414,824	418,811

Bond

In July 2013 an unsecured fixed rate public bond was issued for the sum of £300 million over a 40 year term with a coupon rate of 4.25%. It is listed on the London Stock Exchange. There are no capital payments to be made over the term, with the bond maturing in 2053.

The bond transaction costs of £7.5m are being amortised over the life of the bond and charged to interest costs.

The University may, at its option, redeem some or all of the bond at the Redemption Price together with interest accrued to the date of redemption. The 'Redemption Price' shall be the higher of (a) the principal amount of the bond to be redeemed and (b) the product of the principal amount of the bond to be redeemed and the sum of the Gross Redemption Yield (4.25% Treasury Stocks due December 2055) and 0.15%.

Unsecured bank and other loans

Bank loans with an interest rate of 5.15%, repayable by instalments falling due between 2015 and 2019 totalling £9.4m (2014: £11.5m)
 Bank loans with an interest rate of 5.21%, repayable by instalments falling due between 2015 and 2022 totalling £12.3m (2014: £13.9m)
 Other loans with an interest rate of 5.04%, repayable by one repayment falling due in 2046 totalling £99.5m (2014: £99.5m).
 Other loans with an interest rate of 6.5%, repayable by one repayment falling due in 2018 totalling £1.7m (2014: £1.7m).

Secured bank loans

All bank loans with an interest rate of LIBOR plus spread, which were due between 2013 and 2014 were repaid (2014: £0.4m due). These were secured by an all monies guarantee (see note 37).

The weighted average interest rates paid during the year were as follows:

	Consolidated		University	
	2015 %	2014 %	2015 %	2014 %
Bond	4.25%	4.25%	4.25%	4.25%
Bank loans	5.36%	5.24%	5.36%	5.24%
Other loans	5.06%	5.06%	5.06%	5.04%

21 Financial Instruments

(a) Categories of financial instruments

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Financial assets				
Cash and bank balances	24,680	28,001	4,743	3,533
Held-to-maturity investments	464,200	497,497	464,200	497,497
Loans and receivables	117,431	91,984	138,705	115,336
Available-for-sale financial assets	205,459	190,735	200,715	186,373
	811,770	808,217	808,363	802,739
Financial liabilities				
Amortised cost	700,154	681,055	684,931	665,501

(b) Liquidity and interest risk tables

Financial liabilities

The following tables detail the University's remaining contractual and expected maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the University can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the University may be required to pay.

Consolidated

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2015					
Non-interest bearing	0.00%	282,136	375	1,113	283,624
Fixed interest rate instruments	4.49%	22,703	90,116	955,184	1,068,003
		304,839	90,491	956,297	1,351,627
2014					
Non-interest bearing	0.00%	258,334	475	1,113	259,922
Finance lease liability	26.95%	569	213	-	782
Variable interest rate instruments	1.51%	434	-	-	434
Fixed interest rate instruments	4.50%	22,810	91,698	976,305	1,090,813
		282,147	92,386	977,418	1,351,951

University

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2015					
Non-interest bearing	0.00%	268,619	375	1,113	270,107
Fixed interest rate instruments	4.49%	22,592	88,253	955,184	1,066,029
		291,211	88,628	956,297	1,336,136
2014					
Non-interest bearing	0.00%	244,486	475	1,113	246,074
Finance lease liability	26.95%	569	213	-	782
Variable interest rate instruments	1.51%	434	-	-	434
Fixed interest rate instruments	4.49%	22,699	89,724	976,305	1,088,728
		268,188	90,412	977,418	1,336,018

Notes to the financial statements (continued)

21 Financial Instruments (continued)

Financial assets

The following table details the University's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the University's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Consolidated

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2015					
Non-interest bearing	0.00%	142,065	46	205,459	347,570
Fixed interest rate instruments	0.82%	447,504	20,509	-	468,013
		589,569	20,555	205,459	815,583
2014					
Non-interest bearing	0.00%	119,876	108	190,739	310,723
Fixed interest rate instruments	0.88%	495,993	5,055	-	501,048
		615,869	5,163	190,739	811,771

University

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2015					
Non-interest bearing	0.00%	123,750	14	200,715	324,479
Variable interest rate instruments	2.25%	350	362	15,318	16,030
Fixed interest rate instruments	0.86%	447,715	24,514	-	472,229
		571,815	24,890	216,033	812,738
2014					
Non-interest bearing	0.00%	98,236	13	186,377	284,626
Variable interest rate instruments	2.27%	197	370	15,283	15,850
Fixed interest rate instruments	0.92%	496,204	9,271	-	505,475
		594,637	9,654	201,660	805,951

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if variable interest rates differ to those estimates of interest rates determined at the reporting date.

The University has no access to financing facilities, other than those already disclosed above. The University expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

21 Financial Instruments (continued)

Fair value of financial instruments carried at amortised cost

The Board consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows;

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The financial instruments include available-for-sale financial assets that are valued using acceptable methodologies for venture capital investments.

Available-for-sale financial assets	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Consolidated				
31 July 2015	171,134	29,463	4,862	205,459
31 July 2014	158,966	27,289	4,480	190,735
University				
31 July 2015	171,134	29,463	118	200,715
31 July 2014	158,966	27,289	118	186,373

There were no transfers between Level 1 and 2 during the year. The increase in Level 3 consolidated available-for-sale financial assets is attributable to the increase in the investment in the UMIP Premier Fund as well as its fair value movements.

Notes to the financial statements (continued)

22 Provisions for liabilities

(a) Consolidated

	Dilapidation provision £000	Deferred tax £000	2015 Total £000
Balance at beginning of year	-	429	429
Charged to income and expenditure account	469	138	607
Balance at 31 July	469	567	1,036

Deferred tax

The elements of deferred tax are as follows:

	2015 £000	2014 £000
Difference between accumulated depreciation and capital allowances	467	438
Other timing differences	100	(9)
Balance at 31 July	567	429

(b) University

	Dilapidation provision £000	2015 Total £000
Balance at beginning of year	-	-
Charged to income and expenditure account	469	469
Balance at 31 July	469	469

Dilapidation provision

The dilapidation provision relates to a Medical Research Council (MRC) funded £12.8m capital grant for a Clinical Proteomics Centre within the Citylabs building. The University have fitted out the space into highly serviced spaces to house Mass Spectrometers and support spaces, with a dilapidation requirement clause in place to return the space to that provided by the landlord at the onset of the lease.

23 Deferred capital grants**(a) Consolidated****Balance at 1 August 2014**

Buildings	283,623	176,425	460,048
Equipment	18,654	15,849	34,503
Donated assets	-	1,402	1,402
Total	302,277	193,676	495,953

Grants received/receivable

Buildings	13,163	6,360	19,523
Equipment	4,686	15,579	20,265
Donated assets	-	660	660
Total received	17,849	22,599	40,448

Released to income and expenditure

Buildings	15,043	6,305	21,348
Equipment	15,321	23,467	38,788
Donated assets	-	660	660
Total released	30,364	30,432	60,796

Balance at 31 July 2015

Buildings	281,743	176,480	458,223
Equipment	8,019	7,961	15,980
Donated assets	-	1,402	1,402
Total	289,762	185,843	475,605

(b) University**Balance at 1 August 2014**

Buildings	283,623	158,470	442,093
Equipment	18,654	15,849	34,503
Donated assets	-	1,402	1,402
Total	302,277	175,721	477,998

Grants received/receivable

Buildings	13,163	6,360	19,523
Equipment	4,686	15,579	20,265
Donated assets	-	660	660
Total received	17,849	22,599	40,448

Released to income and expenditure

Buildings	15,043	5,849	20,892
Equipment	15,321	23,467	38,788
Donated assets	-	660	660
Total released	30,364	29,976	60,340

Balance at 31 July 2015

Buildings	281,743	158,981	440,724
Equipment	8,019	7,961	15,980
Donated assets	-	1,402	1,402
Total	289,762	168,344	458,106

Notes to the financial statements (continued)

24 Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2015 £000	2014 £000
Balance at 1 August						
Capital	17,806	125,120	142,926	18,284	161,210	154,839
Accumulated income	-	11,484	11,484	1,597	13,081	14,405
	17,806	136,604	154,410	19,881	174,291	169,244
New endowments	50	91	141	100	241	1,195
Transfer from general reserves	-	-	-	46	46	-
University of Manchester withdrawal	(12)	(12)	(24)	13	(11)	3
Appreciation of endowment assets	1,356	9,528	10,884	1,283	12,167	5,678
Capital to be reinvested	196	1,512	1,708	242	1,950	-
Reclassification of endowment funds (capital)	(1,990)	(1,872)	(3,862)	3,862	-	-
Reclassification of endowment funds (accumulated income)	-	(96)	(96)	96	-	-
Purchase of tangible assets from endowment funds (accumulated income)	-	-	-	-	-	(176)
Investment income	354	2,733	3,087	448	3,535	2,908
Expenditure from accumulated income	(354)	(1,983)	(2,337)	(217)	(2,554)	(4,059)
Expenditure from capital	-	-	-	(734)	(734)	(502)
Balance at 31 July	17,406	146,505	163,911	25,020	188,931	174,291
Representing:						
Capital	17,210	132,777	149,987	22,834	172,821	161,210
Capital to be reinvested	196	1,512	1,708	242	1,950	-
Accumulated income	-	12,216	12,216	1,944	14,160	13,081
Total	17,406	146,505	163,911	25,020	188,931	174,291

Included within endowments are a number of permanent funds with a combined deficit of accumulated income of £0.03m at 31 July 2015. The University monitors these funds and expects them to return to an accumulated income position over future years.

The reclassified endowment funds relate primarily to the restructure of a number of Manchester Museum and Whitworth Art Gallery endowment funds which will become four new merged funds with new Trust deeds, approved by the Board of Governors. These new Trust Funds will have broader purposes than the original endowment funds being transferred but are still aligned to the purposes of the original endowment funds.

24 Endowments (continued)

Set out below are details of material charitable funds that are over 1% of the value of total endowment funds.

	Capital value at 31 July 2015	Opening accumulated income £000	Investment income £000	Expenditure £000	Closing accumulated income £000	Date received
Hallsworth Fund *	23,314	312	480	(327)	465	1944
Simon Fund *	12,906	384	266	(294)	356	1943
Oncology department fund *	11,432	44	236	(178)	102	1975
Student Services Centre-prize and scholarship fund*	6,234	554	128	(198)	484	2001
John Rylands general library fund *	6,184	604	127	(18)	713	1972
John Rylands research institute fund *	5,695	978	117	(64)	1,031	1972
National fund for research into crippling diseases	4,813	53	99	(91)	61	1974
Dr Mont Follick professorship in phonetics	3,430	179	71	(19)	231	1962
BNFL permanent endowment	3,282	60	68	(35)	93	2008
Simon Fund (special) 1960	2,954	-	61	(61)	-	1960
Frederick Craven Moore Fund	2,868	-	59	(39)	20	1975
Davies Chair in Entrepreneurship	2,578	164	53	(34)	183	2008
Hulme Trust	2,279	-	46	(46)	-	1881
BNFL expendable endowment	2,167	-	52	(52)	-	2008
The Ted and Pat Smith Prize	1,996	81	40	-	121	2011
	92,132	3,413	1,903	(1,456)	3,860	
<i>Significant funds and charities with income above £100,000</i>						
See asterisked funds above	65,765	2,876	1,354	(1,079)	3,151	
<i>Funds and charities with income below £100,000</i>						
Fellowships and scholarships (159 funds)	21,028	2,805	429	(339)	2,895	
Prize funds (202 funds)	5,718	896	117	(69)	944	
Chairs and lectureships (75 funds)	33,330	1,752	660	(525)	1,887	
Other (282 funds)	46,980	4,752	975	(444)	5,283	
	172,821	13,081	3,535	(2,456)	14,160	

The University has one connected institution which, under paragraph 28 of Schedule 3 to the Charities Act 2011, is exempt from registration with the Charity Commission. This connected institution is the Friends of the Whitworth and its income is less than £0.1m per annum.

All endowment capital is invested through investment managers.

Hallsworth Fund

This restricted permanent endowment is to assist and advance the study of Political Economy by the establishment of Research Fellowships and Visiting Professorships. It also provides resources to assist projects of research in Political Economy and the publication of books and documents in that field. The original governing document of this endowment was altered by the Charity Commission in 1998. The management and administration of this Fund is run by the Hallsworth Committee which is appointed as trustee by the Board of Governors.

Simon Fund

This restricted permanent endowment primarily funds the appointment of Fellowships and Visiting Professorships in the field of Social Sciences, Professorial Industrial and Professorial Fellowships, Engineering Research Scholarships and a grant for entertainment to academic departments and Halls of Residence. Its purpose is also to promote research and teaching in the Social Sciences and a substantial portion of the income is to be used for Senior Fellowships. It also funds various ad hoc projects. The management and administration of this fund is run by the Simon Fund Committee which is appointed as trustee by the Board of Governors.

Notes to the financial statements (continued)

24 Endowments (continued)

Oncology department fund

This restricted permanent endowment is used to fund a Chair in Oncology, the donor being the Cancer Research Campaign.

Student Services Centre - prize and scholarship fund

This restricted permanent endowment was set up by the Charity Commissioners in 2001 following the merger of a number of small endowments which could no longer be used. It was split 75% this Fund and 25% the Postgraduate Prize and Scholarship Fund. The object of the charity is to further the education of students attending the University of Manchester by the award of prizes, scholarships or other suitable reward.

John Rylands general library fund

This expendable endowment is to support the purchase of books for the John Rylands library.

John Rylands research institute fund

This restricted permanent endowment is similarly constituted and is also to support the purchase of books for the library.

National fund for research into crippling diseases

This restricted permanent endowment was established in 1974 with the receipt of funds from the National Fund for Research into Crippling Diseases with the purpose of establishing a Chair of Preventative Paediatric Research. Since then the income has continued to support this field of medical research.

Dr Mont Follick professorship in phonetics

This restricted permanent endowment was established in 1962 under the Will of the late Dr Mont Follick. Its purpose is to fund a Chair of Comparative Philology.

British Nuclear Fuels Ltd (BNFL) permanent endowment

This restricted permanent endowment from BNFL is to support a series of Chair (professorial) appointments in nuclear research.

Simon Fund (special) 1960

This unrestricted permanent endowment established in 1960 put the income at the disposal of Chairman of Council, the Treasurer, Lord Simon of Wythenshawe and the Vice-Chancellor for such purposes as they shall from time to time determine for the general benefit of the University.

Frederick Craven Moore Fund

This restricted endowment was established in 1975 under the Will of Mrs Marjory Moore for the advancement of clinical medicine by research and teaching. The income is used to fund Fellowships for research in clinical medicine, scholarships for study or research in clinical medicine and grants in aid of research in clinical medicine and in support of the study and teaching of clinical medicine.

Davies Chair in Entrepreneurship

This restricted permanent endowment was established to fund a Chair in Entrepreneurship at the Alliance Manchester Business School.

Hulme Trust

This unrestricted permanent endowment funded by the Hulme Trust Estates (Educational) charity can be spent at the discretion of the Vice-Chancellor and for the general purposes of the University.

British Nuclear Fuels Ltd (BNFL) expendable endowment

This expendable endowment is to provide infrastructure support for the BNFL Chair appointments for a period of no less than 15 years.

The Ted and Pat Smith Prize

This restricted permanent endowment is used to support undergraduate studentships and/or bursaries in engineering and science with a preference for the field of materials.

25 Movement on general reserves**Income and expenditure account**

Balance at 1 August	
Surplus retained for the year	
Transfer from revaluation reserve	
Transfer to endowment reserves	
Transfer pension surplus to pension reserve	
Balance at 31 July	

Pension reserve

Balance at 1 August	
Actuarial loss on pension schemes	
Surplus retained within reserves	
Balance at 31 July	

Consolidated		University	
2015 £000	2014 £000	2015 £000	2014 £000
312,506	281,916	311,310	283,212
46,891	45,024	44,008	42,532
13	13	13	13
(46)	-	(46)	-
(16,645)	(14,447)	(16,645)	(14,447)
342,719	312,506	338,640	311,310
(107,739)	(64,808)	(107,739)	(64,808)
(68,535)	(57,378)	(68,535)	(57,378)
16,645	14,447	16,645	14,447
(159,629)	(107,739)	(159,629)	(107,739)

26 Revaluation reserve**(a) Consolidated****Revaluations**

At 1 August			
Revaluation in year			
At 31 July			

Contribution to depreciation

At 1 August			
Transfer to income and expenditure account			
At 31 July			

Revaluation reserve

At 31 July			
At 1 August			

Land and buildings £000	Investment properties £000	Available for sale investments and associated undertakings £000	2015 Total £000
391	6,965	9,411	16,767
-	1,356	2,178	3,534
391	8,321	11,589	20,301
276	-	229	505
13	-	-	13
289	-	229	518
102	8,321	11,360	19,783
115	6,965	9,182	16,262

(b) University**Revaluations**

At 1 August			
Revaluation in year			
At 31 July			

Contribution to depreciation

At 1 August			
Transfer to income and expenditure account			
At 31 July			

Revaluation reserve

At 31 July			
At 1 August			

Land and buildings £000	Investment properties £000	Available for sale investments £000	2015 Total £000
391	6,965	7,670	15,026
-	1,356	1,917	3,273
391	8,321	9,587	18,299
276	-	-	276
13	-	-	13
289	-	-	289
102	8,321	9,587	18,010
115	6,965	7,670	14,750

27 Minority interests

At 1 August	
Minority interest in subsidiary undertakings' results for the year	

At 31 July

Consolidated	
2015 £000	2014 £000
224	183
(5)	41
219	224

Notes to the financial statements (continued)

28 Reconciliation of operating surplus to net cash inflow from operating activities

	Consolidated	
	2015	2014
	£000	£000
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation	52,215	43,366
Depreciation	87,934	46,230
Deferred capital grants released to income	(60,796)	(27,693)
Investment income	(18,252)	(12,935)
Transfers (to)/from endowments	(248)	1,653
Loss on disposal of fixed assets	908	1,045
Surplus on disposal of fixed asset investments	-	(220)
Interest payable	19,475	19,497
Interest receivable	(174)	(220)
Difference between pension charge and cash contributions	(16,645)	(14,447)
Minority interests	(5)	41
Decrease in stocks	65	22
Decrease in long term debtors	63	96
Increase in debtors due within one year	(30,448)	(5,851)
Increase in creditors	22,802	8,098
Increase in provisions	1,145	1,329
Net cash inflow from operating activities	58,039	60,011

29 Net returns on investments and servicing of finance

	Consolidated	
	2015	2014
	£000	£000
Income from endowments	3,535	2,908
Income from short term investments	4,690	4,464
Income from donations	9,442	5,167
Dividend income from general fund investments	585	396
Other interest received	174	220
Interest paid	(19,475)	(19,497)
Net cash outflow from returns on investments and servicing of finance	(1,049)	(6,342)

30 Capital expenditure and financial investment

	Consolidated	
	2015	2014
	£000	£000
Purchase of tangible fixed assets	(130,482)	(148,896)
Acquisition of fixed asset investments	(2,022)	(2,784)
Net acquisition of endowment assets	2,528	(696)
Receipts from sale of fixed asset investments	-	220
Deferred capital grants received	40,448	97,774
New endowments received including unreleased income earned on capital	523	(631)
Net cash outflow from capital expenditure and financial investment	(89,005)	(55,013)

31 Management of liquid resources

	Consolidated	
	2015	2014
	£000	£000
Withdrawals on deposit	3,074	18,677
Net cash inflow from management of liquid resources	3,074	18,677

32 Financing

	Consolidated	
	2015	2014
	£000	£000
Bank loan repayments	(3,987)	(9,342)
Capital element of finance lease repayments	(616)	(796)
Net cash outflow from financing	(4,603)	(10,138)

33 Analysis of changes in net funds/(debt)

	1 August 2014	Consolidated Cash flows	Non cash changes	31 July 2015
	£000	£000	£000	£000
<i>Cash and cash equivalents</i>				
Cash at bank	28,001	(3,321)	-	24,680
Bank deposits repayable on demand (note 17)	67,500	(33,274)	-	34,226
Endowment asset investments (note 14)	13,081	3,051	-	16,132
	108,582	(33,544)	-	75,038
 Bank deposits repayable after due notice (note 17)	 331,916	 (3,074)	 -	 328,842
	440,498	(36,618)	-	403,880
<i>Debt</i>				
Debt due within one year (note 20)	(4,071)	3,987	(3,640)	(3,724)
Debt due after one year (note 20)	(416,446)	-	3,640	(412,806)
Finance leases (notes 18 and 19)	(616)	616	-	-
	(421,133)	4,603	-	(416,530)
Net funds/(debt)	19,365	(32,015)	-	(12,650)

34 Pension Schemes**(a) Pension schemes - summary**

According to the requirements of FRS 17 'Retirement Benefits', the following pension scheme deficits, pension operating charges and actuarial (losses)/gains are included in the financial statements:

	Consolidated and University	
	2015	2014
	£000	£000
Balance sheet - Pension scheme deficits		
University of Manchester Superannuation Scheme	(141,121)	(95,158)
Greater Manchester Pension Fund	(18,508)	(12,581)
	(159,629)	(107,739)
 Statement of total recognised gains and losses - Actuarial (losses)/gains		
University of Manchester Superannuation Scheme	(59,289)	(51,609)
Greater Manchester Pension Fund	(9,246)	(5,925)
Manchester Innovation Limited Group Pension Scheme	-	156
	(68,535)	(57,378)
 Consolidated income and expenditure account		
Pension costs (note 6)		
University of Manchester Superannuation Scheme	16,331	14,509
Greater Manchester Pension Fund	1,423	1,463
Manchester Innovation Limited Group Pension Scheme	-	(306)
Universities Superannuation Scheme	65,408	56,952
NHS Pension Scheme	2,467	2,130
	85,629	74,748
 Net return on pension schemes (note 5)		
University of Manchester Superannuation Scheme	5,470	5,027
Greater Manchester Pension Fund	2,270	2,196
	7,740	7,223

Notes to the financial statements (continued)

34 Pension schemes (continued)

(a) Pension schemes - summary (continued)

The four principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the NHS Pension Scheme, the University of Manchester Superannuation Scheme (UMSS) and the Greater Manchester Pension Fund (GMPF). The University previously ran a closed scheme, the Manchester Innovation Limited Group Pension Scheme (MILGPS). This scheme was merged into UMSS in August 2013.

In June 2009 the University introduced a salary sacrifice arrangement, known as PensionChoice, for University employees who are members of the USS and UMSS pension schemes. Members of these schemes may elect to give up a portion of their contractual gross pay equal to their employees' pension contribution. In return the University increases its contributions to cover both the employee and employer elements of the pension contribution.

The salary sacrifice arrangement is reported in the financial statements as follows:

- Wages and salaries for USS and UMSS members participating in PensionChoice reflect the reduced gross pay earned by staff.
- Pension costs and pension contributions to the USS and UMSS schemes reflect the increased employer element of the pension contributions.
- Employers contribution percentage rates represent only the employer's contribution rates specified by the scheme trustees and exclude employees contribution percentage rates.

(b) Universities Superannuation Scheme ('USS')

The University of Manchester participates in the 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 FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account was £65.4m (2014: £57.0m) as shown in note 34 (a). There was neither a prepayment or an accrual at the end of the year in respect of these contributions. The disclosures below represent the position from the schemes financial statements. At 31 July 2015, USS had over 160,000 active members and the University of Manchester had 6,442 active members participating in the scheme.

The latest triennial 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 assets of the scheme was £41.6 billion and the value of the schemes liabilities was £46.9 billion indicating a shortfall of £5.3 billion. The assets were therefore sufficient to cover 89% of the benefits which had accrued to members after allowing for their expected future increases in earnings.

On the FRS17 basis, using an AA bond discount rate of 3.3% (2014: 4.5%) per annum based on spot yields, the actuary estimates that the scheme assets as at 31 March 2015 were valued at £49.0 billion (2014: £41.6 billion) and the value of the schemes liabilities at that date was £67.6 billion (2014: £55.5 billion), indicating a shortfall of £18.6 billion (£13.9 billion). Based on these estimated assumptions, as at 31 March 2015 the assets were sufficient to cover 72% of the benefits that had accrued to members after allowing for their expected future increases in earnings. The other key assumptions on the FRS17 calculation were pensionable salary growth of 3.5% in the first year and 4.0% thereafter (2014: 4.4%) and price inflation (CPI) of 2.2% (2014: 2.6%).

A contingent liability exists in relation to the pension valuation recovery plan, since the company 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 company 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. The associated receivable from the scheme in respect of the reimbursement of the company's expenditure is similarly not recognised.

34 Pension schemes (continued)

(c) NHS Pension Scheme ('NHSPS')

The University of Manchester also participates in the NHSPS which is contracted out of the State Second Pension (S2P). The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government.

The scheme is not designed to be run in a way that would enable members to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the University for participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ended 31 March 2012. This has been used to inform the contribution rates to be used from 1 April 2016.

The contribution rate payable by the University during the year ended 31 July 2015 was equal to 14% of the total pensionable salaries, in accordance with the conclusion of the Government Actuary's report on the scheme.

The total pension cost for the University of Manchester was £2.5m (2014: £2.1m). This includes £0.4m (2014: £0.4m) outstanding contributions at the balance sheet date.

(d) University of Manchester Superannuation Scheme ('UMSS')

UMSS is a defined benefit scheme in the UK which is contracted out of the State Second Pension (S2P). A new Career Average Revalued Earnings (CARE) section of UMSS was introduced to new joiners from 1 April 2012. Existing members at 1 April 2012 were able to continue in the Final Salary section of the scheme, but also had a one-off opportunity to switch to the new CARE section of UMSS, on 1 April 2012, for future pension build up. On 28 August 2013 it was agreed that the assets, liabilities and members of MILGPS were transferred to UMSS.

A full actuarial valuation was carried out at 31 July 2013 and updated to 31 July 2015 on an FRS 17 basis by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are detailed on page 64.

To develop the expected long-term rate of return on assets assumptions, 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 target asset allocation to develop the expected long-term rate of return on assets assumptions for the portfolio. This resulted in the selection of the 6.61% assumption as at 31 July 2015.

Notes to the financial statements (continued)

34 Pension schemes (continued)

(d) University of Manchester Superannuation Scheme ('UMSS')

Weighted average assumptions used to determine benefit obligations at 31 July:

	2015	2014
Rate of increase in salaries	4.05%	4.05%
Rate of increase of pensions in payment and deferred pensions (RPI)	3.20%	3.20%
Rate of increase of pensions in payment and deferred pensions (CPI)	2.20%	2.20%
Discount rate	3.70%	4.30%
Inflation assumption (RPI)	3.30%	3.30%
Inflation assumption (CPI)	2.30%	2.30%

Weighted average assumptions used to determine net pension cost for year ended:

	2015	2014
Rate of increase in salaries	4.05%	4.30%
Expected long term return on plan assets	6.61%	6.69%
Discount rate	4.30%	4.70%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	2015	
	Male	Female
Member age 62 (current life expectancy)	25.1	27.3
Member age 42 (life expectancy at age 62)	26.9	29.2

The assets of the scheme and the expected rate of return were:

	2015 £000	2014	2014 £000	2013	2013 £000
Equities	169,616	8.00%	150,323	8.00%	137,929
Bonds	170,402	4.60%	164,048	5.10%	167,121
Property	99,045	8.00%	87,450	8.00%	65,246
Total market value of assets	439,063		401,821		370,296
Actuarial value of liability	(580,184)		(496,979)		(425,940)
Net pension liability	(141,121)		(95,158)		(55,644)

Analysis of the amount charged to operating surplus

	2015 £000	2014 £000
Current service cost	16,331	14,203
Loss on business combination	-	306
Total operating charge	16,331	14,509

Analysis of net return on pension scheme

	2015 £000	2014 £000
Expected return on pension scheme assets	26,871	25,162
Interest on pension liabilities	(21,401)	(20,135)
Net return	5,470	5,027

The expected return of the assets of the scheme as at 31 July 2015 has not been disclosed, as the information has not been required due to the change in accounting standards to be adopted with effect from 1 August 2015.

34 Pension schemes (continued)**(d) University of Manchester Superannuation Scheme ('UMSS')****Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	2015	2014
	£000	£000
Actual return less expected return on scheme assets	1,094	(2,833)
Experience gains and losses on liabilities	(60,383)	(14,230)
Changes in assumptions	-	(34,546)
Actuarial loss recognised in STRGL	(59,289)	(51,609)

Reconciliation of fair value of employer assets

	2015	2014
	£000	£000
Opening fair value of employer assets	401,821	370,296
Expected return on assets	26,871	25,162
Contributions by the employer	24,187	21,577
Contributions by members	846	983
Actuarial gains/(losses)	1,094	(2,833)
Benefits paid	(15,756)	(16,875)
Assets acquired in a business combination	-	3,511
Closing fair value of employer assets	439,063	401,821

Reconciliation of defined benefit obligation

	2015	2014
	£000	£000
Opening defined benefit obligation	496,979	425,940
Current service cost	16,331	14,203
Interest cost	21,401	20,135
Contributions by members	846	983
Actuarial gains	60,383	48,776
Estimated benefits paid	(15,756)	(16,875)
Liabilities assumed in a business combination	-	3,817
Closing defined benefit obligation	580,184	496,979

The last full actuarial valuation of the scheme was 31 July 2013. Within this valuation, the value of the assets of the scheme was £371.5m and the value of the past service liabilities was £492.8m leaving a deficit of £121.3m. The assets therefore were sufficient to cover 75% of the benefits which had accrued to members' deficit after allowing for expected future increases in earnings. The University currently pays contributions at the rate of 19.75% of pensionable pay for members who do not participate in PensionChoice and 19.75% of pensionable pay plus the appropriate member rate for those that do. Members who do not participate in PensionChoice paid contributions at the rate of 7% of pensionable pay until 1 April 2013 and 7.5% thereafter for the Final Salary section and 6.5% of pensionable pay for the CARE section. The University also pays £1.5m quarterly in arrears, from 31 October 2014. With effect from 1 April 2012 pensions in payment and deferred pensions increase at a rate based on CPI as opposed to RPI (but still capped at 5%).

The University had previously given the scheme direct security over a number of properties. Shortly after 31 July 2015 all security previously given was released (2014: security granted over properties valued at £17m).

History of experience gains and losses

	Year ended 31 July				
	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(580,184)	(496,979)	(425,940)	(421,711)	(391,203)
Fair value of scheme assets	439,063	401,821	370,296	328,809	317,409
Deficit in the scheme	(141,121)	(95,158)	(55,644)	(92,902)	(73,794)
Difference between expected and actual return on scheme assets:					
Amount (£000)	1,094	(2,833)	13,991	(5,825)	23,043
Percentage of scheme assets	0%	(1%)	4%	(2%)	7%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(60,383)	(14,230)	-	(826)	(5,229)
Percentage of scheme liabilities	10%	3%	0%	0%	1%

Notes to the financial statements (continued)

34 Pension schemes (continued)

(e) Greater Manchester Pension Fund ('GMPF')

The GMPF is a final salary defined benefit scheme and a separate fund within the local government pension scheme (LGPS) which is contracted out of the State Second Pension (S2P). The LGPS is regulated by statute, with separate regulations for England and Wales and for Scotland. The benefits of LGPS funds are determined nationally by regulation and meet the definition of a defined benefit scheme. LGPS is a funded scheme, with some 100 separate funds administered locally by administering bodies. Each fund has many employing authorities. The LGPS is not therefore a national multi-employer scheme, but each separate LGPS fund is a multi-employer scheme. The University of Manchester is a member of one of these funds, the GMPF, which is administered by Tameside Metropolitan Borough Council.

A full actuarial valuation was carried out at 31 March 2013 and updated to 31 July 2015 on an FRS 17 basis by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2015	2014
Rate of increase in salaries	4.05%	4.05%
Rate of increase in pensions in payment and deferred pensions	2.30%	2.30%
Discount rate applied to scheme liabilities	3.70%	4.30%
Inflation assumption (CPI)	2.30%	2.30%
Expected return on assets	3.70%	7.20%

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period.

The mortality assumptions used as at 31 July 2015 are as follows:

Life expectancy is based on the fund's VitaCurves with improvements in line with the medium cohort and a 1% per annum underpin from 2010. Based on these assumptions, average future life expectancies at age 65 are:

- for current pensioners: 21.4 years for males and 24.0 years for females.
- for future pensioners: 24.0 years for males and 26.6 years for females.

The assets of the GMPF scheme attributable to the University and the expected rates of return were:

	2015 £000	2014	2014 £000	2013	2013 £000
Equities	70,044	8.00%	66,785	8.00%	70,486
Bonds	17,757	4.60%	16,931	5.10%	17,622
Property	6,906	8.00%	5,644	8.00%	5,874
Cash	3,946	3.70%	4,703	3.40%	3,916
Total market value of assets	98,653		94,063		97,898
Actuarial value of scheme liability	(117,161)		(106,644)		(106,600)
Net pension liability	(18,508)		(12,581)		(8,702)

Analysis of the amount charged to operating surplus

	2015 £000	2014 £000
Current service cost	1,311	1,454
Past service cost	112	9
Total operating charge	1,423	1,463

Analysis of net return on pension scheme

	2015 £000	2014 £000
Expected return on pension scheme assets	6,704	7,044
Interest on pension liabilities	(4,434)	(4,848)
Net return	2,270	2,196

The expected return of the assets of the scheme as at 31 July 2015 has not been disclosed, as the information has not been required due to the change in accounting standards to be adopted with effect from 1 August 2015.

34 Pension schemes (continued)**(e) Greater Manchester Pension Fund ('GMPF') (continued)****Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	2015 £000	2014 £000
Actual return less expected return on scheme assets	(9,246)	(5,925)
Actuarial loss recognised in STRGL	(9,246)	(5,925)

Reconciliation of fair value of employer assets

	2015 £000	2014 £000
Opening fair value of employer assets	94,063	97,898
Expected return on assets	6,704	7,044
Contributions by members	356	376
Contributions by the employer	2,284	1,085
Actuarial losses	(275)	(8,172)
Estimated benefits paid	(4,479)	(4,168)
Closing fair value of employer assets	98,653	94,063

Reconciliation of defined benefit obligation

	2015 £000	2014 £000
Opening defined benefit obligation	106,644	106,600
Current service cost	1,311	1,454
Interest cost	4,434	4,848
Contributions by members	356	376
Contributions by the employer to unfunded scheme	(188)	(228)
Actuarial losses/(gains)	8,971	(2,247)
Past service cost	112	9
Estimated benefits paid	(4,479)	(4,168)
Closing defined benefit obligation	117,161	106,644

Analysis of the defined benefit obligation

	2015 £000	2014 £000
Present value of unfunded liabilities	2,075	2,134
Present value of funded liabilities	115,086	104,510
Closing defined benefit obligation	117,161	106,644

At the last full actuarial valuation of the scheme as at 31 March 2013, the total value of the assets of the scheme for all members was £12,590m, and the value of the past service liabilities was £13,907m leaving a deficit of £1,317m. The assets were therefore sufficient to cover 90.5% of the benefits that had accrued to members' deficit after allowing for expected future increases in earnings. The University currently pays contributions at a rate of 22.9% of pensionable pay excluding additional contributions towards the deficit (34.2% including additional contributions towards the deficit).

The University has paid contributions at the rate of 22.9% of members' pensionable pay over the year to 31 July 2015. It was agreed with the Trustees that contributions for the following year would remain at that level.

History of experience gains and losses

	Year ended 31 July				
	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of defined benefit obligations	(117,161)	(106,644)	(106,600)	(99,084)	(97,214)
Fair value of scheme assets	98,653	94,063	97,898	83,860	84,434
Deficit in the scheme	(18,508)	(12,581)	(8,702)	(15,224)	(12,780)
Difference between expected and actual return on scheme assets:					
Amount (£000)	(9,246)	(5,925)	5,362	(2,225)	207
Percentage of scheme assets	(9%)	(6%)	5%	(3%)	0%

Notes to the financial statements (continued)

35 Capital commitments

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Commitments for future capital expenditure:				
Authorised not contracted	752,158	742,034	752,158	742,034
Contracted not provided	67,535	114,014	67,535	114,014
	819,693	856,048	819,693	856,048

36 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Land and buildings				
Expires within one year	4,305	3,177	3,177	3,177
Expires between two and five years	6,200	2,640	4,401	2,640
Expires after more than five years	786	2,255	614	2,365
	11,291	8,072	8,192	8,182
Other				
Expires within one year	1,176	48	1,176	48
Expires between two and five years	360	476	315	476
	1,536	524	1,491	524
Total	12,827	8,596	9,683	8,706

37 Contingent assets and contingent liabilities

Contingent assets:

It is probable that the University will make a claim for Research and Development Expenditure Credits for the year ended 31 July 2015. As a reasonable estimate for the amount of the indirect costs relating to the potential claim cannot yet be determined, this element of the claim has not been recognised in the financial statements for the year ended 31 July 2015.

Contingent liabilities:

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
Undrawn investment commitments	-	390	-	390
Bank guarantees	230	230	-	-
All monies guarantee	-	429	-	429
	230	1,049	-	819

A commitment of up to £7.8m (2014: £7.8m) to invest in the UMIP Premier Fund was given by UMIP UPF Limited, a wholly owned subsidiary of the University. By 31 July 2015 the whole £7.8m has been invested in the Fund (2014: £7.4m).

The all monies guarantee relates to a bank loan which was repaid in late 2014 (see note 20).

38 Related party transactions

The operating statements of the University include transactions with related parties. In accordance with FRS 8 'Related Party Transactions' these are disclosed where members of the University of Manchester's Board of Governors disclose an interest in a body with whom the University undertakes transactions which are considered material to the University's Financial Statements and/or the other party. Due to the nature of the University's operations and the composition of the Board, 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 Board may have an interest. All transactions involving organisations in which a member of Board may have an interest, including those identified below, are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

An updated register of the interests of the members of the Board of Governors is maintained.

The University has taken advantage of the exemption within FRS 8 and has not disclosed transactions with other group entities where it holds 100% of the voting rights. Included within the financial statements are the following transactions with related parties:

	Income recognised within the financial statements £000	Expenditure recognised within the financial statements £000	Balance due to/(from) the University recognised within the financial statements £000
Higher Education Funding Council for England (HEFCE)	166,497	-	-
Cancer Research UK	23,020	4	38
Medical Research Council (MRC)	21,635	138	424
Central Manchester University Hospitals NHS Foundation Trust	12,304	7,398	1,711
BP plc	3,909	-	129
Astra Zeneca plc	3,856	119	59
Imperial College London	3,713	922	613
The Royal Society	2,073	50	43
Manchester City Council	1,465	1,970	(766)
Department for Business, Innovation and Skills (BIS)	1,287	-	-
The Northern Consortium (NCUK)	1,070	405	2
University College London (UCL)	860	641	273
University of Essex	351	9	(1)
Royal Academy of Engineering	308	-	9
Office for Nuclear Regulation (ONR)	231	-	57
Find a Better Way	221	-	-
University of Manchester Students' Union	201	2,950	(42)
The Stroke Association	185	-	26
Health and Safety Laboratory (Health and Safety Executive)	112	2	13
Association of Heads of University Administration (AHUA)	88	26	8
Royal Northern College of Music (RNCM)	86	43	(8)
Barclays Bank plc	66	-	14
Marketing Manchester	65	78	11
Manchester Central Convention Centre	43	201	(52)
Department of Energy and Climate Change (DECC)	15	652	-
University of Central Lancashire (UCLAN)	15	68	(7)
Department for Education (DfE)	8	51	-
Salford City Council	7	77	3
Building Design Partnership (BDP)	6	3,587	(546)
Ernst and Young LLP (EY)	3	89	(40)
University and Colleges Union (UCU)	2	70	-
UNIAC	1	375	(3)
Bruntwood	-	6,195	(1,031)
Novus Property Solutions Ltd	-	5,934	(549)
British Telecommunications (BT)	-	2,817	(50)
	233,584	32,738	338

Notes to the financial statements (continued)

38 Related party transactions (continued)

Higher Education Funding Council for England (HEFCE)

The Higher Education Funding Council for England distributes public money for higher education to universities and colleges in England. HEFCE also monitors that universities are financially healthy, courses are good quality, and access arrangements are fair. One governor is a member of the HEFCE Board.

Cancer Research UK

Cancer Research UK provides research funding into cancer and promotes public awareness of the disease. One governor acts as an ambassador for the Charity.

Medical Research Council (MRC)

The Medical Research Council aims to improve human health through world-class medical research. They support research across the biomedical spectrum and in all major disease areas. One governor chairs the MRC Major Awards Committee.

Central Manchester University Hospitals NHS Foundation Trust

The Trust is based on Oxford Road, adjacent to the University campus. It runs the Manchester Royal Infirmary, Royal Eye Hospital, St Mary's and the Dental Hospital. It works closely with the University in the teaching of medical students, as well as research. Two governors and a senior member of the University's management team are non-executive directors of the Trust.

BP plc

BP plc is a major Company involved in oil and natural gas exploration, field development and production. The Company also has a division focused on fuels, lubricants and petrochemicals. One governor is employed by the Company.

Astra Zeneca plc

Astra Zeneca plc is a global integrated biopharmaceutical public limited Company. One governor is a non-executive director, and another is a former employee. Two senior managers of the University have declared they are former employees and members of the Astra Zeneca pension scheme.

Imperial College London

Imperial College London is a university specialising in teaching and research in science, engineering and medicine. One governor is a visiting professor, whilst another governor is a member of the Grantham Institute for Climate Change, which forms part of the College.

The Royal Society

The Royal Society is a fellowship of many of the world's most distinguished scientists. Its purpose is to recognise, promote, and support excellence in science and to encourage the development and use of science for the benefit of humanity. One governor is a member of the Society's Council.

Manchester City Council

The main University campus is located in Manchester, and the University has a range of dealings with the City Council. These include the payment of business rates and other estates related matters, and work with the Council's Education and other departments. One governor has declared the Council as a client.

Department for Business, Innovation and Skills (BIS)

The Department for Business, Innovation and Skills (BIS) invests in skills and education to promote trade, boost innovation and help people to start and develop businesses. BIS also protects consumers and reduces the impact of regulation. One governor has declared BIS as a client.

The Northern Consortium (NCUK)

The Northern Consortium (NCUK) as formed in 1987 by eleven leading UK universities to deliver student transfer programmes in Malaysia. They offer "pathway programmes" to students who wish to study in the UK and globally. One senior manager is Chair of the Trustees for NCUK.

University College London (UCL)

Founded in 1826, UCL is one of the leading higher education establishments in the UK and a College of the University of London. One governor is a member of UCL Energy Institute, International Advisory Board.

38 Related party transactions (continued)

University of Essex

Based near Colchester, the University of Essex operates the Essex Business School, which undertakes teaching and research in business related subjects. One governor is an advisor to the Essex Business School.

Royal Academy of Engineering

The Royal Academy of Engineering provides leadership and promotes excellence across all fields of engineering. One governor is Chair of the Academy's MacRobert Committee, whilst a senior manager is Chair-elect of a panel of the Academy's Membership Committee.

Office for Nuclear Regulation (ONR)

The Office for Nuclear Regulation (ONR) is the body responsible for regulation of nuclear safety and security across the UK. One governor is a member of the ONR Technical Advisory Panel.

Find a Better Way

Find a Better Way is a charity dedicated to the clearing of landmines. They seek to offer innovative, practical solutions to these problems through the application of cutting edge research and technology, led by UK university projects. A senior manager is a Trustee of the Charity.

University of Manchester Students' Union

The UMSU represents and supports students, and runs a wide range of services and entertainments. A Charity and a Company limited by guarantee, it has close links to the University, who contribute to the Union's running costs. The Chair of Trustees and General Secretary is an ex-officio member of the Board of Governors, while one of the senior managers is a member of the Union Appointments Panel.

The Stroke Association

The Stroke Association is the UK's leading stroke charity, and aims to improve the lives of people affected by strokes. One governor has declared The Stroke Association as a client.

Health and Safety Laboratory (Health and Safety Executive)

The Health and Safety Executive is responsible for the encouragement, regulation and enforcement of workplace health, safety and welfare, and for research into occupational risk. It operates the Health and Safety Laboratory (HSL) in Buxton. One governor was a non-executive Director of the Health and Safety Laboratory.

Association of Heads of University Administration (AHUA)

The Association of Heads of University Administration (AHUA) is the representative body for senior University managers. One senior manager is a member of the AHUA Executive.

Royal Northern College of Music (RNCM)

The RNCM is one of the leading music schools in the UK. A senior member of the University management team funds an annual prize at the College.

Barclays Bank plc

Barclays Bank plc is a leading UK and International bank. One governor has declared they are a former employee and personal pensioner of the bank, whilst a second governor has declared Barclays as a client. A senior member of the University management team has declared that he is an investor in Barclays Wealth division.

Marketing Manchester

Marketing Manchester is the agency charged with promoting Manchester on a national and international stage. One governor has declared Marketing Manchester as a client.

Manchester Central Convention Centre

The Manchester Central Convention Centre, formerly known as GMEX, is a major conference venue located in Manchester City Centre. One governor has declared the Centre as a client.

Department of Energy and Climate Change (DECC)

The Department of Energy and Climate Change (DECC) is the UK Government department for energy and climate change. One governor is a member of the DECC Scientific Advisory Group.

Notes to the financial statements (continued)

38 Related party transactions (continued)

University of Central Lancashire (UCLAN)

The University is based in Preston and offers a range of under and post graduate degrees and undertakes research. One governor is a visiting professor and a member of the institution's Audit Committee.

Department for Education (DfE)

The Department for Education (DfE) is responsible for education and children's services in England. One governor has declared the Department as a client.

Salford City Council

Salford City Council provide a full range of local government services in Salford and nearby communities. One governor has declared the Council as a client.

Building Design Partnership (BDP)

The Building Design Partnership (BDP) is a major international and interdisciplinary practice of architects, designers, engineers and urbanists. One governor has declared BDP as a client.

Ernst and Young LLP (EY)

Ernst and Young LLP (EY) are an international accountancy firm. They are the University's current external auditors. One senior manager has declared that a family member works for Ernst & Young.

University and Colleges Union (UCU)

University and Colleges Union (UCU) is the main trade union for academic and related staff at UK universities. Two governors have declared that they are members of the Union.

UNIAC

UNIAC is a shared internal audit service owned by a consortium of higher education institutions, including the University of Manchester. One governor is a member of the UNIAC board.

Bruntwood

Bruntwood is a property company that provides office space, meeting rooms and retail premises. One governor has declared Bruntwood as a client.

Novus Property Solutions Ltd

Novus Property Solutions offer a comprehensive range of property refurbishment and building maintenance services. One governor is a non-executive director of JSSH Ltd, of which Novus Property Solutions Ltd is a Subsidiary.

British Telecommunications (BT)

British Telecommunications (BT) is a major supplier of telephone and other electronic communication services. One governor is a non-executive director of BT's Equality of Access Board.

Trustees' Expenses

£34,583 was paid in expenses to members of the Board of Governors of the University during the year (2014: £24,858). Where Trustees are also employees of the University the amount includes expenses paid in relation to their employment.

39 Amounts disbursed as agent (Consolidated and University)**(a) Access Fund**

	2015	2014
	£000	£000
Balance unspent at beginning of year	87	266
Funding Council grants	-	381
Interest earned	-	1
Disbursed to students	(87)	(561)
Balance unspent at year end	-	87

**(b) The National College for Teaching and Leadership
(formerly the Training and Development Agency for Schools (TDA))****Student Training Bursaries**

	2015	2014
	£000	£000
Balance unspent at beginning of year	119	70
Funding Council grants	3,606	3,485
Disbursed to students	(3,404)	(3,436)
Balance unspent at year end	321	119

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