

MANCHESTER
1824

The University of Manchester



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2014

CONTENTS

CHAIRMAN'S FOREWORD	01
REVIEW OF THE YEAR by Professor Dame Nancy Rothwell, President and Vice-Chancellor	02
FINANCIAL REVIEW by Stephen Mole, Director of Finance	05
THE UNIVERSITY AND PUBLIC BENEFIT	11
CORPORATE GOVERNANCE STATEMENT	14
STATEMENT OF THE BOARD OF GOVERNORS' RESPONSIBILITIES	17
INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE UNIVERSITY OF MANCHESTER	18
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014	19
STATEMENT OF PRINCIPAL ACCOUNTING POLICIES	20
FINANCIAL INSTRUMENTS	24
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT	25
STATEMENT OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS	26
STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES	26
BALANCE SHEETS	27
CONSOLIDATED CASH FLOW STATEMENT	28
RECONCILIATION OF CONSOLIDATED NET CASH FLOW TO INCREASE IN NET FUNDS	28
NOTES TO THE FINANCIAL STATEMENTS	29

OFFICERS AND ADVISERS

OFFICERS

Chancellor

Mr Tom Bloxham, BA, MBE

Pro-Chancellor

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 Rod W Coombs, BSc, MSc, PhD

Chair of the Board of Governors and Pro-Chancellor

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

Deputy Chair of the Board of Governors

Robert E Hough, DL

Registrar, Secretary and Chief Operating Officer

Will Spinks, BSc, Chartered MCIPD

Director of Finance

Stephen Mole, BSc, PGCE, FCMA, CGMA

VICE-PRESIDENTS (POLICY)

Teaching, Learning and Students

Professor Clive Agnew, BSc, PhD

Research and Innovation

Professor Luke Georghiou, BSc, PhD

VICE-PRESIDENTS AND DEANS OF FACULTIES

Engineering and Physical Sciences

Professor Colin G Bailey, FREng, BEng, PhD, CEng,
FIStructE, FICE, MIFireE

Humanities

Professor Keith Brown, MA, PhD, FRHS, FRSE

Life Sciences

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

Medical and Human Sciences

Professor Ian Jacobs, MA, MBBS, MD, FRCOG,
MRCOG

CHAIRS OF COMMITTEES OF THE BOARD OF GOVERNORS

Chair of Audit Committee

Stephen Dauncey, BSc, FCCA

Chair of Finance Committee (to 31 August 2014)

Neville Richardson, BA, FCA

Chair of Finance Committee (from 1 September 2014)

Dr John Stageman, OBE, PhD

Chair of Remuneration Committee

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

Chair of Nominations Committee

Gillian Easson, MA

Chair of Staffing Committee

Robert E Hough, DL

MEMBERSHIP OF THE BOARD OF GOVERNORS

From 1 September 2014:

Professor Dame Nancy Rothwell, FRS, FMedSci,
President and Vice-Chancellor

Ms Charlie Cook,
General Secretary of the Students' Union

Mr Anil Ruia, OBE, JP, DL, LLB, ACA
Chair of the Board of Governors

Mr Robert E Hough, DL,
Deputy Chair of the Board of Governors

Mr Michael Crick, BA

Mr Stephen Dauncey, BSc, FCCA

Mr Edward M Astle, MA, MBA

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

Mr Paul Lee, DL, MA, LLM

Mrs Christine Lee-Jones, DL, MA, JP

Dr Neil McArthur MBE, CEng, FIMechE, FIET

Dr Brenda Smith, BA, MBA, DLitt, ACA,

Mr Andrew Spinoza, BA, MCIPR

Dr John Stageman, OBE, PhD

Dr Angela Strank, BSc, PhD

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

Professor Cathy McCrohan, MA, DPhil

Professor Colette Fagan, PhD

Professor Maggie Gale, MA, PhD

Dr Reinmar Hager, MSc, PhD

Dr Caroline Jay, BSc, PhD

Professor Chris Taylor, OBE, FREng, BSc, PhD

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 2014:

Ms Grace Skelton, *General Secretary of the
Students' Union*

Mr Mohammed Afzal Khan, MEP, CBE

Mr Neville Richardson, BA, FCA

Professor Andrew Gibson, MEng, PhD, DSc, FIET,
SMIEEE, C.Eng

Professor Pamela Valley, BSc, PhD

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 2014.

As you will see on the pages that follow, the University has enjoyed another successful year and generated a reasonable surplus despite a challenging external environment.

The biggest challenge to the University and the Higher Education sector generally comes from the changes in funding arrangements within the sector. 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 at undergraduate and postgraduate level.

At the same time as these funding arrangements 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 three core goals identified in our *Manchester 2020* strategy, namely: world-class research, outstanding learning and student experience, and social responsibility.

It is pleasing to see in the President and Vice-Chancellor's Introduction to these Financial Statements that we have made significant steps towards achieving many of our strategic targets, but also that we have the confidence to highlight those other areas in which further work is needed if we are to meet these very ambitious goals.

In terms of the campus and its facilities, 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.

I am confident that if we continue to demonstrate the good financial management and clear strategic leadership evidenced in these Financial Statements, we will find the necessary resources to deliver the Manchester 2020 goals and ambition.



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

REVIEW OF THE YEAR



These financial statements cover a year in which the University has sustained a strong financial performance against a backdrop of continuing uncertainty in the higher education sector. The year saw us take significant steps towards achieving some of our strategic targets and also highlighted those areas in which further work is needed if we are to meet our very ambitious goals.

The economic challenges that higher education institutions have faced in recent times continued last year, not least the reduction in the annual core teaching grant and capital funding. The fact that we have maintained our relatively healthy financial position amid this ongoing uncertainty is once again a tribute to the dedicated and hard-working colleagues we have at the University. I am grateful to the Senior Leadership Team, supported by the Director of Finance and his team, for their effective financial management.

Generating an operating surplus is crucial for the University in order to invest in our priority activities. It is therefore pleasing to report that the surplus for the year retained within general reserves was £45.0m.

Changes in the rules on accounting practice and changes to our own finances relating to the funding of the Campus Development Plan mean that our main key performance indicator relating to our financial performance in the future will be 'Earnings Before Interest, Taxes, Depreciation and Amortisation' (EBITDA). HEFCE also uses this measure now for universities and the EBITDA for 2013-14, based on a HEFCE calculation basis, was £68.6m (7.7% of income) for the year compared with £61.8m (7.5% of income) in the previous year.

Driving all of our activities is Manchester 2020, the University's Strategic Plan, which sets out our three core goals of world-class research, outstanding learning and student experience, and social responsibility. The year saw us pass some important milestones and make great progress against many of our indicators, with a variety of high-profile prizes and honours coming the way of the University and its staff. We climbed three places to 38th place in the annual Shanghai Jiao Tong Academic Ranking of World Universities, lifting us one place to 7th in the European rankings and maintaining our 5th place in the UK.

With many recent and sizeable awards starting to flow through, we saw the total value of research grants increase by just over 7%. Our efforts to diversify our research activity were reflected in funding increases of 47% from UK industry and commerce and 10% from overseas sources. A highlight was the £6m funding awarded to the University for the development of the Square Kilometre Array telescope, headquartered at Jodrell Bank. UK Research Council funding increased by £7.2m. Eight new Doctoral Training Centres were awarded by the Research Councils – offering funded PhDs in power networks, next-generation nuclear, regenerative medicine, materials for demanding environment, the science and applications of graphene and related materials, and oil and gas, as well as broad-based doctoral training centres in social sciences and the arts.

The University continued its output of world-leading research and we now await the results in December 2014 of the Research Excellence Framework (REF) exercise, the independent assessment of research quality conducted by the UK funding councils for higher education. The preparation of this University's submission for the REF was an enormous exercise covering 35 Units of Assessment with around 2,000 colleagues involved in providing material and preparing the entries.

We remained at the forefront of research into cancer, nuclear, advanced materials, industrial biotechnology and global poverty and inequality, with major developments taking place in these areas. Construction continued on the Manchester Cancer Research Centre, while it was announced that our scientists will benefit from a share of £100m in funding from Cancer Research UK. Our Dalton Nuclear Institute opened its Cumbrian research facility, a new research base established with an initial £20m joint investment by the University and the Nuclear Decommissioning Authority. George Osborne, Chancellor of the Exchequer, marked the topping out ceremony of our £61 million National Graphene Institute (NGI) with a speech praising revolutionary science at the University.

I attended Buckingham Palace to collect a Queen's Anniversary Prize for the University's innovation in imaging facilities. Royal honours were also awarded to Professors Carole Goble and Douglas Kell, both of whom received a CBE, with other staff receiving various recognitions from professional and academic bodies. More locally, Professors Andre Geim and Kostya Novoselov were awarded the Freedom of the City of Manchester in honour of their work on graphene, which won them the Nobel Prize for Physics in 2010.

We continue to invest in providing an outstanding learning and student experience for our students. While we had hoped for further improvement, the results of the National Student Satisfaction Survey (NSS) showed that our score remained at 85% overall satisfaction, consolidating our previous increases. The students' responses to many of the detailed questions, showed further improvements. Throughout 2013/14 there has been a specific focus on student employability, with a new partnership model developed between the Directorate for the Student Experience, Faculties and Schools. It was very pleasing to see, therefore, that the number of students in positive graduate destinations has increased by 4%.

While we still have work to do to reach our targeted placing in the upper quartile of NSS results from the Russell Group, it is clear we are moving in the right direction. I was delighted that one of our largest investments in the student experience, the Alan Gilbert Learning Commons, a bespoke learning space designed in consultation with our students, won us the Facilities Project category in the 2014 Guardian University Awards.

We also enjoyed another strong year for student recruitment, with a 16% increase in tuition fees to £352m. This included a rise in the number of full-time home and EU students. It is very pleasing to see that Manchester continues to be a destination of choice for prospective students from across the globe.

It also gives me great pride to see that we outstrip the Office for Fair Access's targets for recruitment of students from low-participation neighbourhoods and lower socioeconomic groups. Our Manchester Gateways access programme was recognised in the inaugural NEON Awards, which celebrate widening access to higher education.

This was also the year that saw the University engage with an even wider and more diverse cohort of learners with the launch of our first massive open online courses – or MOOCs. We produced five of these short courses, which are delivered entirely online and are free to anyone with an internet connection. We worked with Coursera, the leading MOOC platform provider, becoming just the third UK university to do so.

It is vital that Manchester promotes itself as a university that has an impact on real lives. Since the establishment of our dedicated Office for Social Responsibility, we have coordinated our social responsibility activities more effectively. The strong 'Making a Difference' campaign, conducted online and across campus at the start of the 2013/14 academic year, promoted the work done by countless colleagues, students and alumni to contribute to this important agenda. In order to promote our long and distinguished record of achievement, we appointed a dedicated university historian and heritage officer – the first appointment of its kind at a UK university.

Social responsibility is at the core of much of the University's teaching and research. Identifying and supporting staff, students and alumni who can develop innovative solutions to society's problems is central to what we do. This was recognised by HEFCE and the social enterprise support provider UnLtd, who gave the Outstanding HEI Supporting Social Entrepreneurship Award to a team made up from our Innovation Group (UMI3 Ltd) and the Manchester Enterprise Centre.

There have been some great successes among the University's signature programmes for social responsibility. Our school governors partnership continued to recruit staff and alumni as volunteer school governors at local state schools where their skills are most needed. There are now 129 staff and alumni registered, and the scheme won both the national and international awards at the Environmental Association of Universities and Colleges Green Gown Awards.

The success of The Works, our initiative to help local unemployed people to prepare for and return to work, either with the University or with local employers, has been huge. We made 773 appointments, putting us ahead of our two-year target with a year still to go and bringing the number of new appointments since the programme's launch to 1,931. The Works gained national recognition, claiming the Times Higher Education Award for Outstanding Contribution to the Local Community.

We have some way to go to achieve our environmental targets but an award for FoodOnCampus and FoodInResidences gave a great example of how embedded sustainability now is into the University's culture. The providers received the Cost Sector Catering Corporate Responsibility Award from industry in recognition of its superb work in support of the University's social responsibility goal.

Our cultural institutions play an important role in engaging with the public, welcoming 790,000 visitors in 2013/14. The Jodrell Bank Discovery Centre is set for expansion, having won a Wolfson Foundation grant of £250,000. The Whitworth Art Gallery closed just a month into the year for a £15m redevelopment, with 15,000 people visiting on its final weekend. While the doors have been shut, our colleagues have been busy overseeing the creation of a new gallery that reaches out into the neighbouring parkland.

People are by far our most important asset and we are one of the largest employers in the region. Our *Measuring the Difference* report commissioned earlier this year showed that the University and our students helped to create and support 21,000 new jobs in the previous 12 months. Meanwhile, our commitment to the representation of women in the workplace was illustrated by five further Athena SWAN awards.

The fact that we have generated a surplus and are making good progress with our ambitious Campus Masterplan, against a backdrop of global economic uncertainty, should signal to wider world that we are a confident and well-run institution. While important choices will have to be made over the coming months and years, we will continue to invest strategically in facilities, the student experience, excellence in research and higher learning, in pursuit of our *Manchester 2020* goals.



Professor Dame Nancy Rothwell
President and Vice-Chancellor

KEY PERFORMANCE INDICATORS

38th

Academic Rankings of World Universities

The University of Manchester has improved from 41st to 38th place in the "Academic Rankings of World Universities" produced by the Shanghai Jiao Tong University. The improvement is due to the number of publications which our academics have published within Nature and Science in the year, and increased weighting within the rankings for the number of highly cited staff. Our overall score was up on last year and the University remains 5th in the UK.

+5.3%

Growth in Total Audited Research Expenditure

Total Audited Research Expenditure¹ in 2012/13 (latest available figure) was £432.5m, an increase of 5.3% on the previous year.

£17.3m

Growth in international student fee income

International student fee income (full and part-time) increased by £17.3m (11.4%) during 2013/14.



196 days

Net Liquidity Expenditure Cover²

Closing liquid balances were sufficient to provide 196 days expenditure³ cover (2012/13: 215 days).

47.4%

External borrowing as a Percentage of Total Income

External borrowing decreased from 52% of total income (like-for-like basis) to 47.4%.

4.9%

Operating Surplus

Operating Surplus⁴ as a Percentage of Income – increased from 4.6% in 2012/13 to 4.9% in 2013/14 on a like-for-like basis.



- 1 Total Audited Research Expenditure is defined as research expenditure as calculated in the University's Transparent Approach to Costing (TRAC) return.
- 2 Closing liquid balances of £427.4m (2013: £437.6m) include the net cash balance and short term investments.
- 3 Expenditure of £797.1m (2013: £742.8m) is defined as total expenditure less depreciation.
- 4 Operating surplus is taken as the 'Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation'.

STEPHEN MOLE,
DIRECTOR OF FINANCE

FINANCIAL REVIEW

KEY HIGHLIGHTS

	2013/14 £000	2012/13 £000	% Change
Total Income	886,406	826,970	7.2%
Expenditure	843,334	788,658	6.9%
Retained Surplus	45,024	38,757	16.2%
Retained Surplus as a % Income	5.1%	4.7%	
Total funding body grants	162,579	177,780	-8.6%
Tuition Fee Income			
Full Time Home and EU	143,966	113,834	26.5%
Full Time International	146,489	130,659	12.1%
Other Fees	61,269	57,876	5.9%
Total Fee Income	351,724	302,369	16.3%
Research grants and contracts income			
Research Councils, UK Charities, UK Government, Hospitals and Health Authorities	157,023	153,388	2.4%
Other Outside Bodies	56,703	46,234	22.6%
Total Research Income	213,726	199,622	7.1%
General Reserves	204,767	217,108	-5.7%
Endowments	174,291	169,244	3.0%
Deferred Capital Grants	495,953	425,872	16.5%
Net Assets	891,497	824,536	8.1%
Capital Expenditure and Financial Investment (note 30)	55,013	52,352	5.1%
Cash and Short Term Investments *	427,417	437,572	-2.3%
Borrowings (note 20)	420,517	429,859	-2.2%
Net Funds (note 33)	19,365	20,709	-6.5%

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

Income and expenditure review

The operating surplus before transfer from endowments for the year was £43.4m, compared with £48.6m for 2012/13 (before loan break costs). This was ahead of expectations and demonstrates the University's continuing effective financial management and maintenance of a strong financial position despite the external economic climate. The retained surplus of £45.0m compares with £38.8m in the previous year. Excluding FRS17 pension credits (being the difference between the pension charge and cash contributions), the underlying surplus declined from £36.7m (4.4% of income) to £30.6m (3.5% of income), due primarily to the reduction in the HEFCE grant.

EBITDA (on a HEFCE calculation basis) was £68.6m (7.7% of income) for the year compared with £61.8m (7.5% of income) in the previous year. This will be an important financial Key Performance Indicator (KPI) in future as the surplus will be reduced by increased interest cost relating to the bond issue and increased depreciation charges as the fixed assets grow with the implementation of the Campus Development Plan. The new SORP will also result in increased volatility in the levels of surplus reported primarily due to the changes in the treatment of grants and recognition of pension liabilities. The University will therefore be focussing on EBITDA performance rather than surplus as one of its KPI's.

Available cash resources (inclusive of short term investments) at 31 July 2014 were £10.2m down from £437.6m in July 2013 reflecting strong cash generation in the period but also a significant increase in the level of capital expenditure as the Campus Development Plan commenced.

Net cash flow from operating activities was up £6.3m to £60.0m and represented a conversion of 133% of retained surplus (110% pre loan break costs in 2012/13).

	£m	% total income
Surplus as reported	45.0	5.1%
FRS17 credits:		
UMSS/MILGPS	(12.4)	
GMPF	(2.0)	
Underlying surplus	30.6	3.5%

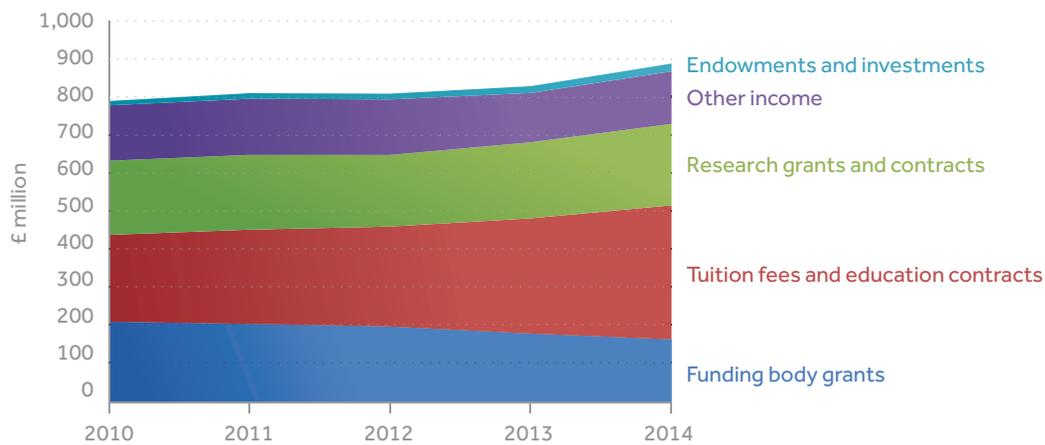
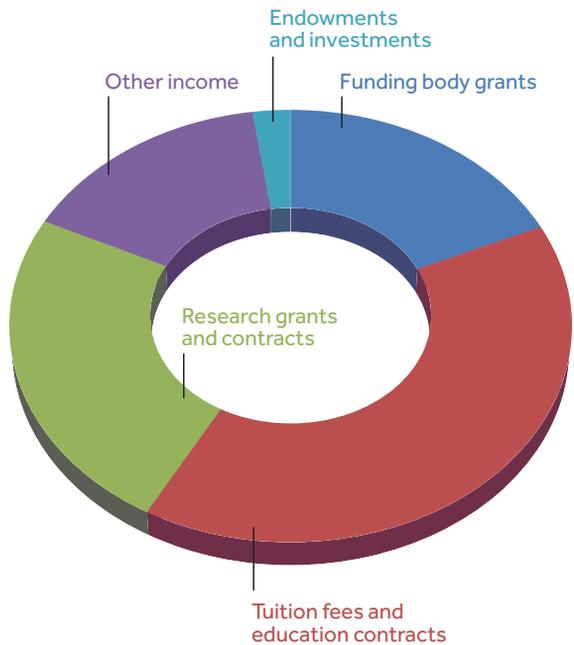
Retained surplus as a percentage of income



Income

Total income for the University of £886.4m increased by £59.4m (7.2%) from £827.0m in 2012/13.

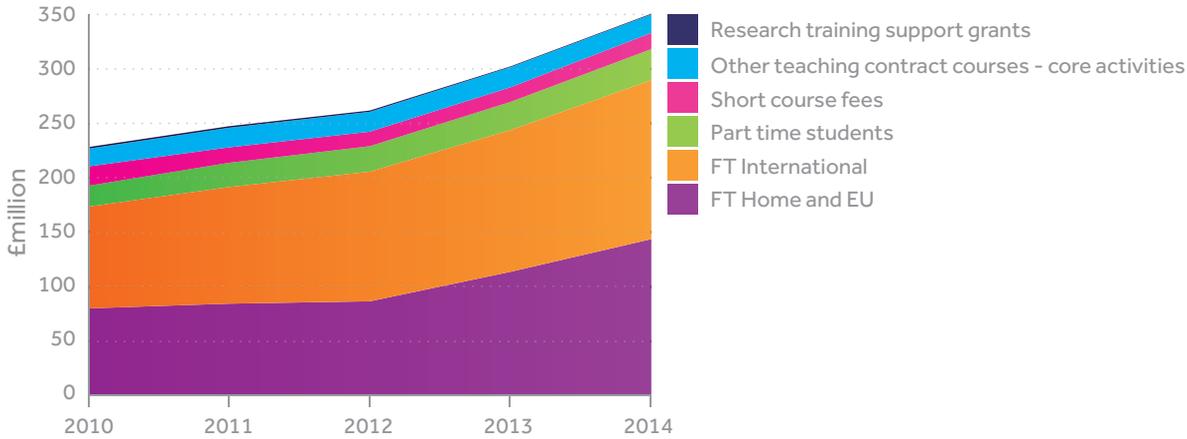
2014 Total income



Funding Council grants were down by £15.2m (8.6%). The core teaching grant reduced by £19.0m (25.6%) reflecting the continuation of significant changes to the funding regime as the block teaching grant is replaced by tuition fees.

Research funding reduced by £0.3m (0.4%). Release of deferred capital grants was £3.5m higher reflecting a higher proportion of HEFCE funded projects.

Tuition fee income by type



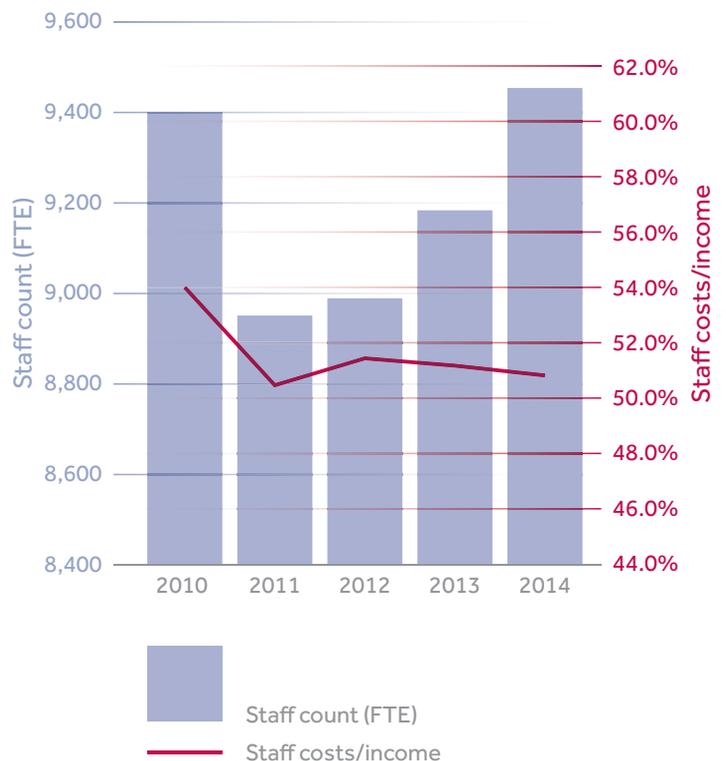
Tuition fees increased by £49.4m (16.3%). It was a year of slightly higher home student recruitment with 33,737 full time students, an increase of 0.5% on the prior year. Full-time international student fee income again grew strongly to £146.5m (up by 12.1%).

Research grants and contracts increased by 7.1% to £213.7m reflecting the significant growth in the value of awards made to the University starting to flow through. The level of funding from the UK Research Councils was up £7.2m but income from UK-based charities was down £2.9m (6.2%). There was an increase of £2.9m (10.0%) from overseas sources and £7.8m (47.0%) from UK industry and commerce reflecting the University's efforts to diversify its research activities. Research awards reduced in the year to £244.2m from £272.2m in the previous year, down 10.3%.

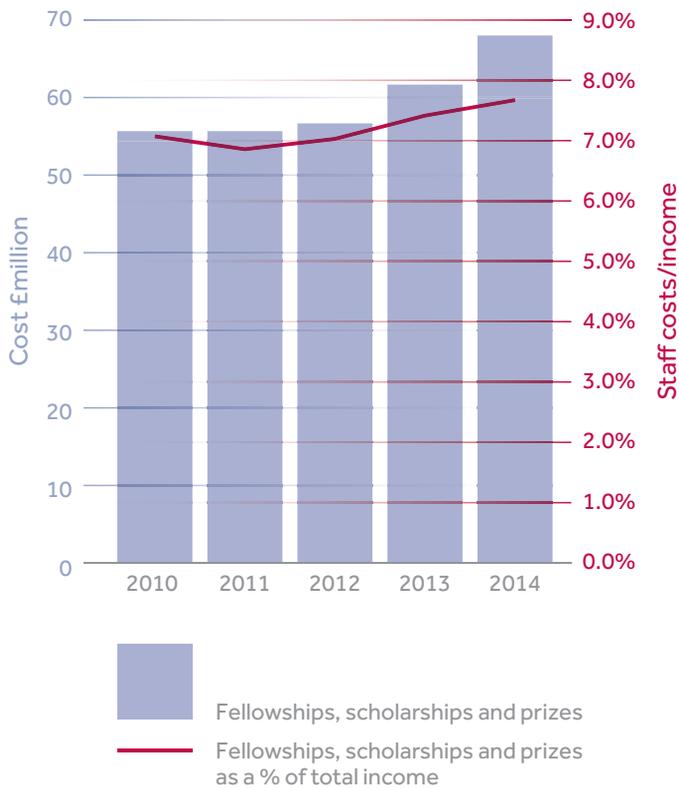
Other income of £137.8m was £8.5m (6.5%) higher than last year reflecting the higher student intake in 2013/14. Residences, catering and conferences increased by £2.1m (4.6%) and academic departments income increased by £4.3m (15.0%). Other general income increased by £1.8m (14.0%) and administration and central services was up by £2.2m (60.1%).

Endowment and investment income of £20.6m was £2.7m higher than the prior year. This is mainly due to a higher net return on pension schemes. Donation income was £0.3m higher than last year at £5.2m.

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



Fellowships, scholarships and prizes



Expenditure

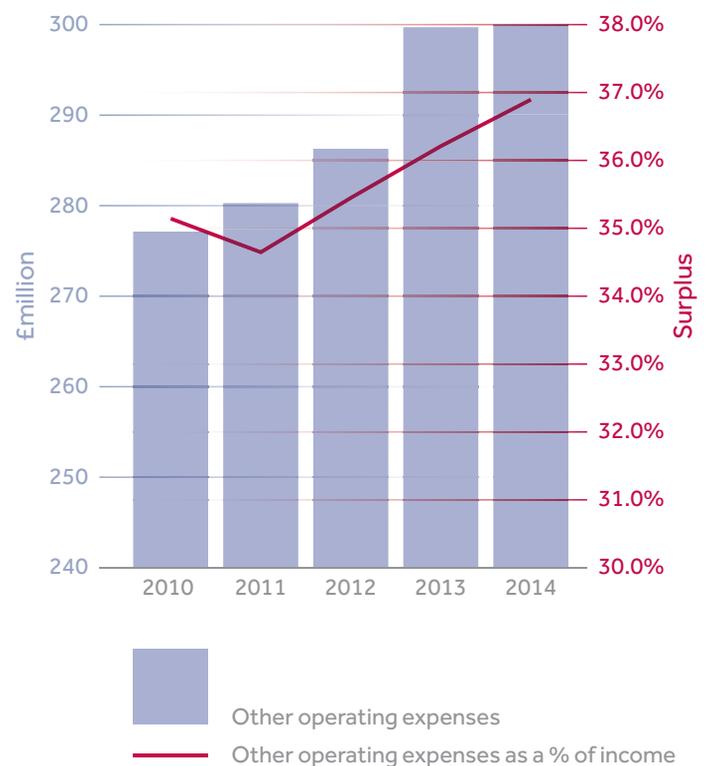
Total expenditure increased by £54.7m (6.9%). Underlying staff costs (excluding the costs of voluntary severance) were up by £26.8m (6.3%), reflecting strategic investments in new posts partly offset by savings from earlier voluntary redundancy schemes and continuing active vacancy management measures. There was a voluntary severance charge of £0.6m in the year compared with £0.8m in the previous year. The staff cost ratio to income was 50.8% (excluding voluntary severance costs) compared with 51.2% in 2012/13.

Other operating expenses increased by £27.6m (9.2%) including an increase in fellowships, scholarships and prizes of £6.6m, rates, rent and insurance costs an increase of £1.3m, recruitment, training and welfare an increase of £2.7m and an increase in professional fees of £12.8m due mainly to increased research activity, leading to increased agency and staff charges. Increases were also shown in printing, stationery and office expenses (£1.0m), consumables (£1.4m) and equipment purchases and maintenance (£2.2m). There were reductions in estate repairs and maintenance of £3.3m.

Depreciation increased from the prior year by £0.4m to £46.2m.

Interest and other finance costs were £10.3m higher at £19.5m, reflecting the commencement of interest payments on the bond issued in July 2013.

Other operating expenses as a percentage of income



FINANCIAL REVIEW

Balance sheet review

The University closed the year ended 31 July 2014 with net assets of £891.5m, an increase of £67.0m (8.1%) after taking account of a pension deficit of £107.7m which increased by a net £42.9m in the year, an increase of £39.1m on the University of Manchester Superannuation Scheme ("UMSS") and an increase of £3.8m on the Greater Manchester Pension Fund ("GMPPF"). The year end cash position reduced by £10.2m, with closing cash and short term investments of £427.4m.

Fixed assets

Tangible asset additions of £145.5m included £22.3m on equipment, £123.1m on buildings, including capital maintenance works of £27.0m in the year, and £0.1m of heritage assets.

Fixed asset investments

Fixed asset investments increased by £5.5m.

Endowment assets

Overall endowment assets have increased by £5.0m (3.0%). This included appreciation in the value of the portfolio of £5.7m (compared to appreciation in value of £16.0m in 2012/13) offset by £0.6m of funds spent. Markets performed reasonably strongly during the year, although month on month volatility was still a feature. Since the year end stock markets have continued to be volatile with continuing geopolitical concerns and recovery from the global recession.

The University, with advice from the Charity Commission, is currently undertaking a review of its substantial portfolio of endowment funds, some of which dates back to 1850.

In line with good practice, the University's Board of Governors, in its capacity as Trustee, is reviewing whether these charitable funds still meet a useful purpose and are being used in the most efficient and effective way. As part of this process, certain existing endowment funds will be transferred to new Trust Funds with broader purposes but which are still aligned with the purposes of the original endowment funds being transferred. With the support of the Charity Commission, this project 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 £4.2m, principally reflecting a reduction in investments (£12.3m) offset by an increase in debtors (£5.8m) and cash (£2.2m).

Debtors have increased by £5.8m, trade debtors increased to £36.7m compared to £36.4m in 2012/13, prepayments and accrued income were up by £3.9m. This is due to higher payments in advance on prepaid capital projects and a £1.5m increase in accrued income from research grants and contracts due to changes in the profile of funding received.

Investments were down £12.3m but cash at bank increased by £2.2m.

Creditors falling due within one year have reduced by £0.2m to £262.9m; trade creditors were up £1.7m, deferred research income up £9.3m due to an overall increase in the level of research funding received, loans down £4.4m, social security and taxation down £1.0m and accruals and deferred income up £0.4m.

Creditors falling due after more than one year reduced by £5.2m to £418.2m mainly due to scheduled bank loan repayments.

Short-term investments

Short-term investments decreased by £12.3m but cash at bank was up £2.2m at year end reflecting increased spending on the Campus Development Plan. The closing liquidity position of £427.4m was sufficient to cover 196 days expenditure (2012/13: 215 days).

Net cash

Cash reserves have decreased by £10.2m (including short-term deposits).

Risks and uncertainties

The FRS17 pension deficit increased in the year to £107.7m 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 triennial actuarial valuation for the University of Manchester Superannuation Scheme ("UMSS") was based on the position as at 31 July 2013. This was agreed with no increase in ongoing contributions but an increase in the annual cash deficit payments from £4.5m to £6.0m per annum.

The University Superannuation Scheme ("USS") will have its next triennial actuarial valuation based on the position at 31 March 2014. Discussions on this valuation and the implications are currently in progress.

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 appropriate 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 post graduate 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.

Going concern

The University ended the year with cash resources of £427.4m. The budget for 2014/15 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 99.0% repayable beyond 1 year and 95.4% 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 strong financial performance in 2013/14 but continues to face 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). 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 become one of the top 25 research universities in the world 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 (38,430 in 2013/14) 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.

A new system of fees was introduced in 2012 and 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 circumstance.



THE UNIVERSITY AND PUBLIC BENEFIT

The University is committed to fair access and monitors the outcomes of activities in relation to their impact on progression of less advantaged groups into the University.

We have the highest absolute number of students across each of the key widening participation indicators among our peer institutions in the Russell Group. We also perform towards the top end of this group for the proportion of learners from these backgrounds. 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.

- Increased investment in access measures from £11m (pre-2012) to £20.7m (post-2012)
- Increased investment in outreach activities from £400,000 p.a. (pre-2012) to £1.27m (2014/15)
- We will invest £799,335 in 2014/15 in student success, retention and employability activities through our Access Agreement

These activities will address the specific challenges which students from widening participation backgrounds often face in making the transition to university study and subsequent employment.

The University also offers Accommodation Awards, whereby the Trustees of Hulme Hall meet the full accommodation costs for one year for a number of local students from less privileged backgrounds who have demonstrated commitment to the University through participation in one of our widening participation outreach initiatives. Without this support they would otherwise be prevented from experiencing a key aspect of university life – the residential experience.

International Equity and Merit Scholarships are also available to cover fees and/or living costs for students in developing countries who are studying courses that are likely to be of greatest benefit to their home country.

There is a dedicated Disability Support Office that provides confidential advice and support to applicants and students with additional needs arising from a disability, a medical condition or specific learning difficulties.

The University is committed to providing our students with volunteering opportunities to develop key employability skills via the Manchester Leadership Programme (MLP). More than 1,100 students took part in the MLP in 2013/14, and since the programme was established we estimate that MLP students have contributed £1.4 million 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, so our Manchester Higher programme provides high quality, impartial information, advice and guidance about higher education, with the aim of increasing awareness and raising ambitions amongst targeted learners in Greater Manchester. This partnership programme between Manchester Metropolitan University and The University of Manchester is delivered through a range of on-campus and in-school workshops, presentations and events, details of which can be found overleaf. In 2013/14, more than 900 pupils visited both universities as part of the Year 8/9 Choices Days and Year 10 Campus Visits. In addition, staff and student ambassadors delivered outreach activities in schools to over 7,000 young learners and their parents and carers.

Research, public policy, and wider influence

The University of Manchester's research is recognised as being of the highest quality, but we make more than just an academic impact. The REF is the new system for assessing the quality of research in UK higher education institutions, replacing the RAE. Our research will be assessed through peer review by an expert panel and the results will be published in December 2014.

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.

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.

Through the Brooks World Poverty Institute, the University is committed to understanding and tackling the causes of poverty, and to offering high level training and skills development for professionals and volunteers engaged in tackling poverty and social disadvantage. 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.

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. Since 2005, 1,373 students have completed MAP and 886 MAP students have gained a place at the University.

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.

As part of our Social Responsibility goal, the University has established an initiative to encourage more staff to volunteer as School Governors. The University of Manchester School Governor Initiative (UMSGI) agreed a specific target with the Office for Fair Access that the University would increase the proportion of staff working as School Governors by 50% from its baseline in 2011. The number of staff volunteering as school governors in 2012/13 was 116 from a baseline figure of 53 in 2011.

During 2013, the programme was extended further to incorporate volunteers from across our pool of alumni. Since September 2013, 169 university alumni have registered through SGOSS to volunteer as a school governor and 36 have been placed. In 2013, the University won a EAUC Green Gown award for our School Governor initiative. We have also been shortlisted for the Guardian Sustainable Business Awards and the Business in the Community Awards.

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 "embed environmental sustainability as a key priority across the full range of our activities".



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 of 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.

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 is supported by the Deputy Chair (Mr Robert Hough). The current members of the Board of Governors are listed on the Officers and Advisors page at the front.

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, and it will devote a briefing meeting to the review of its effectiveness and operation at the Planning and Accountability conference in March 2015.

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 66 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 review of the effectiveness of the Board of Governors, the University completed a review of the effectiveness of Senate during spring 2013, as part of the ongoing implementation of the review's findings.

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 Annual Accounts. 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 **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 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, review of social responsibility performance, 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** (Mr Tom Bloxham, CBE), 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 will be held in spring 2015.

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 Rod Coombs), the **Vice-Presidents** 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, 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 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 Financial Memorandum, 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 auditors (Uniac), which include the internal auditors' 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 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 Financial Memorandum.

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.

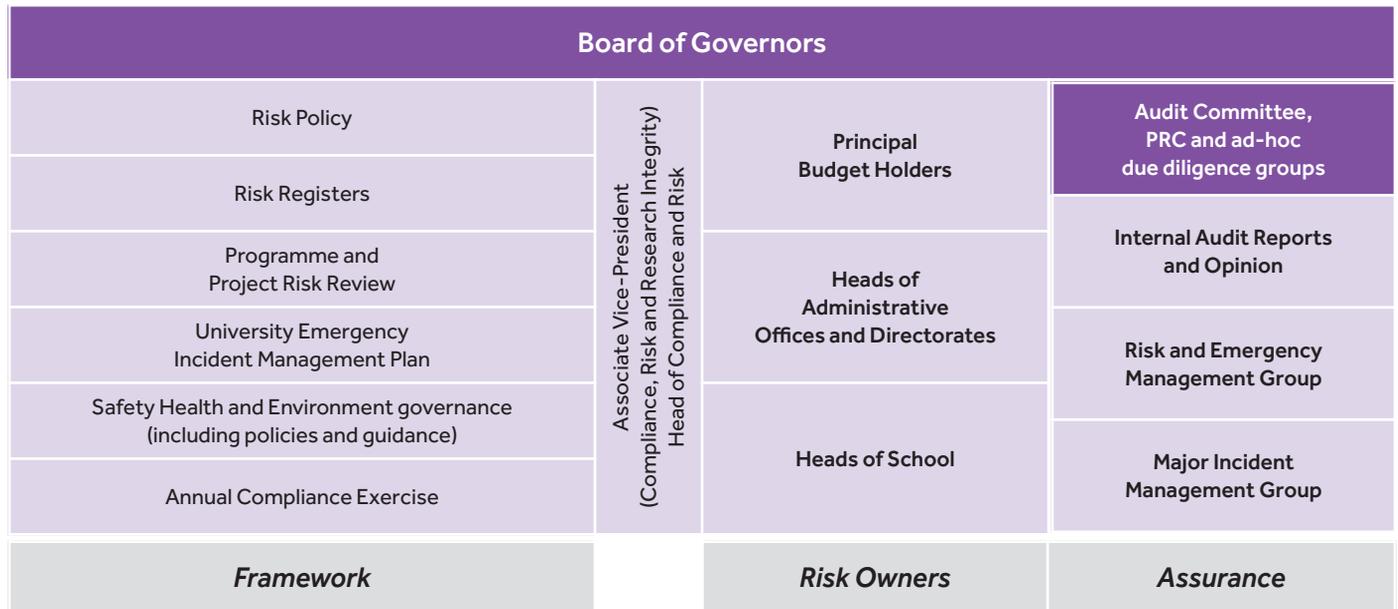
The University sets out matters concerning the broad policies relating to financial control in its Financial Regulations. The Regulations are approved by the Board and apply to the University and all its subsidiary undertakings, and include all funds passing through University accounts. They encompass 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. 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 above 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 below 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

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 Financial Memorandum 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 Financial Memorandum 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 Financial Memorandum 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 auditors are aware of that information.

The Board of Governors are responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



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 2014 which comprise the consolidated income and expenditure account, the statement of consolidated historical cost surpluses and deficits, the statement of consolidated total recognised gains and losses, the consolidated and university balance sheets, the consolidated cash flow statement, the reconciliation of consolidated net cash flow to movements in net 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 governing body in accordance with the charter and statutes of the University. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Statement of the Board of Governors' Responsibilities, the governing body is responsible for the preparation of the financial statements that 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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University and the group's affairs as at 31 July 2014 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Higher Education Funding Council for England Audit Code of Practice

In our opinion:

- in all material respects, income from the funding council, the National College for Teaching and Leadership and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2014 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2014 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council, the funding agreement with the National College for Teaching and Leadership and the funding agreement with the Learning and Skills Council.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice 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.



Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
26 November 2014

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2014



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 Financial Memorandum 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. Financial liabilities are recognised at amortised cost under the effective interest rate method.

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 24.

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.

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 2014, 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 where 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 2014. 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 £25,000 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 as follows:

Boilers, building plant and scientific equipment	- 10 years
Mainframe computers and proprietary software	- 5 years
Computer software	- 8 years
Motor vehicles and other general equipment	- 4 years
Equipment acquired for specific research projects	- project life (generally 3 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 £25,000 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.

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.

FINANCIAL REVIEW

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Investment properties

Investment properties are revalued annually to fair 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.

(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. Fair value is determined in the manner described in the 'Financial instruments' section below. 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 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. 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 carried at fair value. Certain fixed asset and endowment asset investments are held within investment portfolios managed by independent fund managers. Transactions within 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.

Other 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 three 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 2013.

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:

	2014 £000	2013 £000
Debt (note 33)	(421,133)	(431,271)
Cash and cash equivalents (note 33)	440,498	451,980
Net funds (note 33)	19,365	20,709
Total funds (excluding minority interests)	891,273	824,353
Net funds to total funds ratio	2.2%	2.5%

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 functions, 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 £497.5m (2013: £511.1m) held to maturity investments on short and long term deposit, including £8.5m in fixed asset investments (note 21 (a)). The weighted average interest rate for these fixed rate deposits was 0.88% (2013: 1.02%). 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 2014 the University held deposits with 22 (2013: 23) 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

	2014 £000	2013 £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 2014

	Notes	2014 £000	2013 £000
Income			
Funding body grants	1	162,579	177,780
Tuition fees and education contracts	2	351,724	302,369
Research grants and contracts	3	213,726	199,622
Other income	4	137,779	129,310
Endowment and investment income	5	20,598	17,889
Total income		886,406	826,970
Expenditure			
Staff costs	6	450,603	424,055
Other operating expenses	7(b)	327,004	299,410
Depreciation	12	46,230	45,820
Interest and other finance costs	8	19,497	9,248
Break costs for early repayment of loans	20	-	10,125
Total expenditure		843,334	788,658
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation			
		43,072	38,312
Share of operating surpluses in associates	13(b)	335	97
Taxation	10	5	108
Surplus on continuing operations after depreciation of fixed assets at cost/valuation and taxation		43,412	38,517
Minority interest in subsidiary undertakings' results for the year	27	(41)	(91)
Surplus on continuing operations after depreciation of fixed assets at cost/valuation, taxation, minority interest and exceptional items		43,371	38,426
Surplus for the year transferred from accumulated income in endowment funds	24	1,653	331
Surplus for the year retained within general reserves	25	45,024	38,757
The surplus/ (deficit) for the year retained within general reserves is attributable to the following:			
		2014 £000	2013 £000
University		42,532	40,061
Group undertakings		2,492	(1,304)
		45,024	38,757

Statement of consolidated historical cost surpluses and deficits

For the year ended 31 July 2014

	Notes	2014 £000	2013 £000
Surplus on continuing operations before taxation		43,366	38,318
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		43,379	38,331
Historical cost surplus for the year after taxation		43,384	38,439

Statement of consolidated total recognised gains and losses

For the year ended 31 July 2014

	Notes	2014 £000	2013 £000
Surplus for the year retained within general reserves		45,024	38,757
Unrealised surplus/(deficit) on revaluation of investment properties	26	553	(1,265)
Unrealised surplus/(deficit) on revaluation of available for sale investments	26	3,593	(1,470)
Net endowment expenditure in the year	24	(1,829)	(1,145)
New endowments and dividends reinvested	24	1,198	684
Net appreciation of endowment assets including reinvested profits on sales	24	5,678	16,037
Actuarial (loss)/gain recognised in respect of pension schemes	34(a)	(57,378)	32,237
Total recognised (deficit)/surplus relating to the year		(3,161)	83,835
Reconciliation			
Opening reserves and endowments		398,481	314,646
Total recognised (losses)/gains for the year		(3,161)	83,835
Closing reserves and endowments		395,320	398,481

Balance sheets

As at 31 July 2014

	Notes	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Goodwill	11	-	-	-	-
Tangible assets	12	858,142	759,902	825,771	727,122
Investments	13	127,413	121,906	129,928	122,956
Total fixed assets		985,555	881,808	955,699	850,078
Endowment assets	14	174,291	169,244	174,291	169,244
Current assets					
Stock		1,473	1,495	1,433	1,443
Debtors: amounts falling due within one year	15	91,871	86,020	97,235	90,667
Debtors: amounts falling due after more than one year	16	113	209	14,395	14,131
Investments	17	399,416	411,743	399,416	411,743
Cash at bank and in hand		28,001	25,829	3,533	7,593
Total current assets		520,874	525,296	516,012	525,577
Creditors: amounts falling due within one year	18	(262,886)	(263,089)	(251,190)	(251,644)
NET CURRENT ASSETS		257,988	262,207	264,822	273,933
TOTAL ASSETS LESS CURRENT LIABILITIES		1,417,834	1,313,259	1,394,812	1,293,255
Creditors: amounts falling due after more than one year	19	(418,169)	(423,386)	(416,463)	(421,680)
Provisions for liabilities	22	(429)	(529)	-	(95)
NET ASSETS EXCLUDING PENSION LIABILITIES		999,236	889,344	978,349	871,480
Net pension liabilities	34(a)	(107,739)	(64,808)	(107,739)	(64,808)
NET ASSETS INCLUDING PENSION LIABILITIES		891,497	824,536	870,610	806,672
Deferred capital grants	23	495,953	425,872	477,998	407,462
Endowment funds					
Expendable endowments	24	19,881	26,779	19,881	26,779
Permanent endowments	24	154,410	142,465	154,410	142,465
Total endowment funds		174,291	169,244	174,291	169,244
Reserves					
Income and expenditure account excluding pension reserve	25	312,506	281,916	311,310	283,212
Pension reserve	25	(107,739)	(64,808)	(107,739)	(64,808)
Income and expenditure account including pension reserve		204,767	217,108	203,571	218,404
Revaluation reserve	26	16,262	12,129	14,750	11,562
Total reserves		221,029	229,237	218,321	229,966
Minority interests	27	224	183	-	-
TOTAL FUNDS		891,497	824,536	870,610	806,672

The Financial Statements on pages 19 to 64 were approved by the Board of Governors of the University of Manchester on 26 November 2014 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 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	28	60,011	53,727
Net returns on investments and servicing of finance	29	(6,342)	(5,004)
Taxation	10	-	-
Capital expenditure and financial investment	30	(55,013)	(52,352)
Cash outflow before management of liquid resources		(1,344)	(3,629)
Management of liquid resources	31	18,677	(207,870)
Financing	32	(10,138)	247,213
Increase in cash in the year		7,195	35,714

Reconciliation of consolidated net cash flow to increase in net funds

For the year ended 31 July 2014

	Note	2014 £000	2013 £000
Increase in cash in the year	33	7,195	35,714
Cash (outflow) / inflow from liquid resources	33	(18,677)	207,870
Change in debt resulting from cash flows	33	10,138	(247,213)
Change in debt resulting from non-cash changes	33	-	(410)
Movement in net funds in year		(1,344)	(4,039)
Net funds at beginning of year	33	20,709	24,748
Net funds at end of year	33	19,365	20,709

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

2014 £000	2013 £000
55,274	74,271
83,893	84,205
5,730	6,428
14	317
5,929	4,355
10,086	7,610
1,653	594
162,579	177,780

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

2014 £000	2013 £000
143,966	113,834
146,489	130,659
27,728	25,445
15,766	13,746
17,093	18,259
682	426
351,724	302,369

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

2014 £000	2013 £000
78,534	71,352
43,981	46,875
34,508	35,161
24,465	16,647
32,073	29,151
165	436
213,726	199,622

Research grants and contracts income includes the release of deferred capital grants of £10.9m for the year ended 31 July 2014 (2013: £14.8m).

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

2014 £000	2013 £000
46,758	44,693
2,154	2,599
32,961	28,651
2,692	1,988
-	2
5,840	3,648
5,928	5,431
18,741	20,076
7,049	11,041
1,047	1,034
7,239	1,497
2,357	1,857
5,013	6,793
137,779	129,310

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5 Endowment and investment income

	Consolidated	
	2014 £000	2013 £000
Surplus on disposal of a subsidiary	220	-
Income from donations	5,167	4,841
Net return on pension schemes (note 34a)	7,223	3,611
	12,610	8,452
<i>In relation to financial assets:</i>		
Income from expendable endowments (note 24)	306	484
Income from permanent endowments (note 24)	2,602	2,660
Income from short term investments	4,464	5,431
Dividends from general fund investments	396	399
Surplus on disposal of fixed asset investments	-	317
Other interest receivable	220	146
	7,988	9,437
	20,598	17,889

Investment income earned on financial assets analysed by category of asset, is as follows:

	2014 £000	2013 £000
Available-for-sale financial assets	3,304	3,860
Held-to-maturity financial assets	4,684	5,577
Total investment income for financial assets not designated at fair value through profit or loss	7,988	9,437

6 Staff costs

	Consolidated	
	2014 £000	2013 £000
Wages and salaries	346,319	325,915
Social security costs	28,976	27,991
Pension costs (note 34a)	74,748	69,354
Early retirement and voluntary severance scheme costs (note 22)	560	795
	450,603	424,055

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 £4.1m for the year ended 31 July 2014 (2013: £4.4m).

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	
	2014 Numbers	2013 Numbers
Academic - teaching and research	1,804	1,918
Academic - teaching only	614	496
Research	1,829	1,791
Administrative and management	1,401	1,319
Clerical and secretarial	1,478	1,400
Academic support	1,504	1,455
Craft / manual	817	799
Total number of staff	9,447	9,178

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

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	
	2014	2013
	Number of	Number of
	Employees	Employees
£100,001 - £110,000	33	27
£110,001 - £120,000	19	19
£120,001 - £130,000	18	8
£130,001 - £140,000	12	6
£140,001 - £150,000	4	4
£150,001 - £160,000	5	4
£160,001 - £170,000	6	4
£170,001 - £180,000	2	3
£180,001 - £190,000	2	2
£190,001 - £200,000	1	-
£200,001 - £210,000	2	1
£220,001 - £230,000	1	-
£280,001 - £290,000	1	1
£290,001 - £300,000	1	1
£300,001 - £310,000	1	1
	108	81

Emoluments of the President and Vice-Chancellor

	Consolidated	
	2014	2013
	£000	£000
Salary	247	248
Benefits in kind	4	4
	251	252
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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7(a) Analysis of expenditure by activity

	Staff costs £000	Other operating expenses £000	Depreciation £000	Interest payable £000	Consolidated	
					2014 £000	2013 £000
Academic departments	261,288	89,098	5,421	-	355,807	333,282
Academic services	28,127	21,149	30	-	49,306	45,961
Research grants and contracts	92,851	66,196	10,757	-	169,804	159,874
Residences, catering and conferences	5,563	22,084	21	-	27,668	19,800
Premises	20,334	46,179	25,901	19,307	111,721	101,895
Administration and central services	14,806	14,398	3,008	75	32,287	26,516
Staff and student facilities	10,786	8,403	-	-	19,189	17,510
General educational expenditure	5,934	41,575	(83)	-	47,426	40,377
Other services rendered	2,217	4,362	-	-	6,579	5,476
Early retirement and voluntary severance scheme costs	514	-	-	-	514	758
Break costs for early repayment of loan	-	-	-	-	-	10,125
Total University	442,420	313,444	45,055	19,382	820,301	761,574
Subsidiary undertakings	8,183	13,560	1,175	115	23,033	27,084
Total	450,603	327,004	46,230	19,497	843,334	788,658

7(b) Analysis of other operating expenses

	Consolidated	
	2014 £000	2013 £000
Equipment purchases and maintenance	37,490	35,277
Estate repairs and maintenance	16,012	19,332
Consumables and laboratory expenditure	33,124	31,762
Catering supplies	5,736	823
Library and publications	10,547	10,048
Professional and other fees	55,005	42,171
Travel and subsistence	16,833	16,712
Printing, stationery and office expenses	10,465	9,421
Fellowships, scholarships and prizes	67,861	61,280
Recruitment, training and welfare	15,056	12,311
Heat, light, water and power	18,268	18,463
Rent, rates and insurance	17,417	16,102
Grants to student union	1,963	1,613
External auditor's remuneration in respect of audit services	288	234
External auditor's remuneration in respect of non-audit services	411	315
Other expenditure	7,082	4,015
Subsidiary undertakings other operating expenditure	13,446	19,531
	327,004	299,410

The analysis of auditor's remuneration is as follows:

	2014 £000	2013 £000
Fees payable to the University's auditor for the audit of the University's annual accounts	189	184
<i>Fees payable to the University's auditor and its associates for other services to the Group:</i>		
The audit of the University's subsidiaries pursuant to legislation	99	50
Total audit fees	288	234
Tax services	362	152
Consultancy services	49	135
Services in respect of the bond issue	-	28
Total non-audit fees	411	315

There is also £526k (2013: £661k) of fees payable to the University's auditor 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.

8 Interest and other finance costs

	Consolidated	
	2014	2013
	£000	£000
Bank and other loans wholly repayable within five years	9	2,047
Bank and other loans not wholly repayable within five years	6,476	6,111
Bond interest	12,822	945
Finance leases	75	33
Other interest payable	115	112
	19,497	9,248

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

	Consolidated	
	2014	2013
	£000	£000
Current Tax		
UK Corporation tax of 22.33% (2013: 23.67%) on surplus for the year	-	-
Deferred tax		
Reversal of timing differences	(5)	(108)
Total tax credit	(5)	(108)
Tax paid in year	-	-

11 Goodwill

	Consolidated	
	2014	2013
	£000	£000
Cost		
At 1 August 2013 and at 31 July 2014		94
Amortisation		
At 1 August 2013 and at 31 July 2014		94
Net book value		
At 1 August 2013 and at 31 July 2014		<u>-</u>

There are no other intangible assets within the University.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

12 Tangible fixed assets

	Freehold land and buildings £000	Lease premium £000	Assets under construction £000	Fixtures, fittings, tools and equipment £000	Heritage assets £000	2014 Total £000
(a) Consolidated						
Cost/valuation						
At 1 August 2013	850,061	-	78,806	197,411	2,547	1,128,825
Additions at cost	1,898	-	121,208	22,266	143	145,515
Transfers between categories	52,568	-	(56,354)	3,786	-	-
Disposals	(13)	-	(426)	(1,848)	-	(2,287)
At 31 July 2014	904,514	-	143,234	221,615	2,690	1,272,053
Depreciation						
At 1 August 2013	209,165	-	-	159,758	-	368,923
Charge for the year	26,288	-	-	19,942	-	46,230
Disposals	(13)	-	-	(1,229)	-	(1,242)
At 31 July 2014	235,440	-	-	178,471	-	413,911
Net book value						
At 31 July 2014	669,074	-	143,234	43,144	2,690	858,142
At 1 August 2013	640,896	-	78,806	37,653	2,547	759,902
(b) University						
Cost/valuation						
At 1 August 2013	806,596	5,400	79,536	193,092	2,547	1,087,171
Additions at cost	1,898	-	120,749	21,790	143	144,580
Transfers between categories	52,568	-	(56,211)	3,643	-	-
Disposals	-	-	(426)	(1,471)	-	(1,897)
At 31 July 2014	861,062	5,400	143,648	217,054	2,690	1,229,854
Depreciation						
At 1 August 2013	201,673	1,110	-	157,266	-	360,049
Charge for the year	25,520	74	-	19,461	-	45,055
Disposals	-	-	-	(1,021)	-	(1,021)
At 31 July 2014	227,193	1,184	-	175,706	-	404,083
Net book value						
At 31 July 2014	633,869	4,216	143,648	41,348	2,690	825,771
At 1 August 2013	604,923	4,290	79,536	35,826	2,547	727,122

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 £7.7m (2013: £7.5m). These buildings have a net book value of £5.0m at 31 July 2014. The historical cost of these buildings is £11.8m and accumulated depreciation is £7.6m, giving a net book value on a historical cost basis of £4.2m (2013: £4.4m).

At 31 July 2014, freehold land and buildings included £4.4m (2013: £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 2014 £000	Year ended 31 July 2013 £000
Cost	2,805	2,805
Accumulated depreciation	801	343
Charge for year	458	114

12 Tangible fixed assets (continued)

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 £25,000 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:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Cost or valuation at 1 August	2,547	1,837	1,677	1,463	809
Acquisitions purchased with donations	65	56	60	214	29
Value of acquisitions by donation	65	654	100	-	625
Total acquisitions capitalised	130	710	160	214	654
Cost or valuation at 31 July	2,677	2,547	1,837	1,677	1,463

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. 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 £1,340m (2013: £1,337m).

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13 Investments within fixed assets

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Movement in the year				
Balance at 1 August	121,906	122,469	122,956	121,431
Additions	2,784	2,907	5,527	1,641
Disposals and investments written off	135	-	(525)	(500)
Amounts provided on unquoted shares during the year	(1,683)	(735)	(1,356)	(359)
Release of provisions on investments written off	124	-	124	-
Revaluation of investment properties	553	(1,265)	553	(1,265)
Net appreciation/(depreciation) of other investments within fixed assets including reinvested profits on sales	3,594	(1,470)	2,649	2,008
Balance at 31 July	127,413	121,906	129,928	122,956
Analysis of closing balance				
Interests in subsidiary undertakings (note 13a)	-	-	7,219	4,290
Interests in associated undertakings (note 13b)	4,048	2,768	-	-
Investment properties	8,840	8,287	8,840	8,287
Available-for-sale investments carried at fair value				
Other fixed interest securities	3,082	2,767	3,082	2,767
UK index linked	2,564	2,360	2,564	2,360
UK industrial and commercial securities	6,237	6,360	6,237	6,360
Overseas industrial and commercial securities	5,122	5,350	5,122	5,350
Property funds	3,042	2,792	3,042	2,792
Cash instruments	2,638	2,462	2,638	2,462
Cash held with investment managers	162	(536)	162	(536)
Other investments (including AIM listed investments)	6,678	4,296	2,316	118
Held-to-maturity investments carried at amortised cost				
Long-term cash deposits	85,000	85,000	85,000	85,000
Loans receivable carried at amortised cost				
Loan to Sugden Sports Trust	-	-	3,706	3,706
Total investments within fixed assets	127,413	121,906	129,928	122,956
Investments at cost	113,295	110,376	117,418	112,416

The investment properties currently totalling £8.8m (2013: £8.3m) 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 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 £4.4m (2013: £4.2m). This investment is not held for trading and accordingly is classified as available for sale. 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.

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
		2014 £	2013 £	
Manchester Innovation Holdings Limited	100	3,428,713	3,599,100	Holding company
Manchester Innovation Limited	100	-	-	Construction of a biotech incubator building
The University of Manchester Innovation Centre Limited	100	3,599,100	1	Owns and operates a biotech incubator building
UMIST Ventures Limited	100	1	1	Provision of staff to sister companies
Visual Automation Limited	100	2	2	Provision of consultancy services
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
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
Dryden Street Nursery Limited (CLG)	100	-	-	Dissolved 3 September 2013
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	Teaching of Nursing degrees in Singapore
2-Dtech Ltd	95	-	500,000	Graphene supply and consultancy - company sold 1 May 2014
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
		7,218,699	4,289,987	

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.

During the year the University acquired 100% direct holdings in The University of Manchester Innovation Centre and Manchester Innovation Limited from Manchester Innovation Holdings Limited and also the University sold its controlling interest in 2 Dtech Limited.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13 Investments within fixed assets (continued)

(b) Investments in associated undertakings
Movement in the year

	Consolidated	
	2014 £000	2013 £000
Balance at 1 August	2,768	5,803
Share of profits	136	97
Gain on dilution of shareholding	199	-
Share of property revaluations/(devaluations)	945	(3,132)
Balance at 31 July	4,048	2,768

The University and Group had the following associated undertakings as at 31 July 2014:

Name of associate	Class of share capital held	Proportion held by the University and Group	Share of net assets/(liabilities)	Share of net assets/(liabilities)
			2014 £000	2013 £000
Manchester Science Park Limited Financial year end 31 December	£1 ordinary	12.2%	4,091	2,827
One Central Park Limited Financial year end 31 July	£1 ordinary	20%	-	(16)
The Corridor, Manchester Financial year end 31 March	CLG	20%	(43)	(43)
			4,048	2,768

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

14 Endowment assets

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Movement in the year				
Balance at 1 August	169,244	153,668	169,244	153,668
New endowments less net endowment expenditure	(631)	(461)	(631)	(461)
Net appreciation including reinvested profits on sales	5,678	16,037	5,678	16,037
Balance at 31 July	174,291	169,244	174,291	169,244
Analysis of closing balance				
<i>Available-for-sale investments carried at fair value</i>				
Other fixed interest securities	22,338	20,449	22,338	20,449
UK index linked	18,586	17,438	18,586	17,438
UK industrial and commercial securities	45,162	46,979	45,162	46,979
Overseas industrial and commercial securities	37,126	39,520	37,126	39,520
Property funds	22,049	20,628	22,049	20,628
Cash instruments	13,131	12,102	13,131	12,102
Cash held with investment managers	1,191	(3,872)	1,191	(3,872)
Bonds	1,627	1,592	1,627	1,592
<i>Held-to-maturity investments carried at amortised cost</i>				
Bank and building society deposits and uninvested bank balances	13,081	14,408	13,081	14,408
Total endowment assets	174,291	169,244	174,291	169,244
Endowment assets at cost	109,618	110,249	109,618	110,249

15 Debtors: amounts falling due within one year

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
<i>Loans and receivables</i>				
Trade debtors	36,741	36,391	34,884	35,312
Accrued income on research grants and contracts	26,527	24,890	26,449	24,890
Prepayments and accrued income	28,603	24,661	26,952	26,953
Amounts due from subsidiary companies	-	-	8,950	3,512
Amounts due from associate companies and spin outs	-	78	-	-
Balance at 31 July	91,871	86,020	97,235	90,667

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Amount receivable for the services provided/ sale of goods	40,701	40,904	38,539	39,220
Allowance for doubtful debts	(3,960)	(4,513)	(3,655)	(3,908)
Trade debtors	36,741	36,391	34,884	35,312

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 120 days (2013: 115 days).

Ageing of past due but not impaired debtors

	Consolidated	
	2014 £000	2013 £000
1-90 days	1,621	6,119
91-180 days	4,036	2,549
181-270 days	1,307	934
271-365 days	669	129
Total	7,633	9,731

Movement in the allowance for doubtful debts

	Consolidated	
	2014 £000	2013 £000
Balance at the beginning of the year	4,513	5,030
Amounts written off during the year as uncollectable	(690)	(907)
Change in doubtful debt provision	137	390
Total	3,960	4,513

Ageing of impaired trade debtors

	Consolidated	
	2014 £000	2013 £000
Current	9	74
1-90 days	109	39
91-180 days	222	308
181-270 days	113	265
271-365 days	49	186
365+ days	3,458	3,641
Total	3,960	4,513

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

16 Debtors: amounts falling due after more than one year

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
<i>Loans and receivables</i>				
Loans to University of Manchester Students' Union	18	51	18	51
Amounts due from subsidiary companies	-	-	14,377	14,080
Amounts due from associate companies and spin outs	95	158	-	-
Balance at 31 July	113	209	14,395	14,131

17 Investments within current assets

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
<i>Held-to-maturity investments carried at amortised cost</i>				
Bank deposits repayable after due notice	331,916	350,593	331,916	350,593
Bank deposits repayable on demand	67,500	61,150	67,500	61,150
Balance at 31 July	399,416	411,743	399,416	411,743

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 2014 the weighted average interest rate of these fixed rate deposits was 0.81% (2013: 0.76%) per annum and the remaining average period for which the interest rate is fixed on these deposits was 101 days (2013: 143 days).

18 Creditors: amounts falling due within one year

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank loans (note 20)	4,071	4,422	4,071	4,422
Loans other than bank loans (note 20)	-	4,000	-	4,000
Trade creditors	28,126	26,436	25,885	25,538
Obligations under finance leases	481	672	481	672
Social security and other taxation payable	10,061	11,096	9,551	10,588
Amounts owed to group undertakings	-	-	2,433	59
Other creditors	23,255	29,287	22,617	28,924
Deferred income on research grants and contracts	93,567	84,288	93,567	84,288
Accruals and deferred income	103,325	102,888	92,585	93,153
Balance at 31 July	262,886	263,089	251,190	251,644

19 Creditors: amounts due after more than one year

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank loans (note 20)	21,716	25,787	21,716	25,787
Loans other than bank loans (note 20)	394,730	395,650	393,024	393,944
Amounts owed to group undertakings	-	-	-	-
Other creditors due after more than one year:				
Obligations under finance leases due within one to five years	135	740	135	740
Other creditors due within one to five years	475	96	475	96
Other creditors due after five years	1,113	1,113	1,113	1,113
Balance at 31 July	418,169	423,386	416,463	421,680

20 Borrowings

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Unsecured borrowing at amortised cost				
Bond	293,550	293,478	293,550	293,478
Bank loans	25,358	28,921	25,358	28,921
Other loans	101,180	106,172	99,474	104,466
	420,088	428,571	418,382	426,865
Secured borrowing at amortised cost				
Bank loans	429	1,288	429	1,288
Total borrowings	420,517	429,859	418,811	428,153
Borrowings are repayable as follows:				
In one year or less	4,071	8,422	4,071	8,422
Between one and two years	3,724	5,071	3,724	5,071
Between two and five years	13,416	11,436	11,710	11,436
In five years or more	399,306	404,930	399,306	403,224
	420,517	429,859	418,811	428,153

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%. There are no capital payments to be made over the term, with the bond maturing in 2053. Some of the proceeds from the bond issue were used to repay two secured bank loans in 2013 giving rise to £10.1m in break costs.

The bond transaction costs of £7.5m will be 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 2013 and 2019 totalling £11.5m (2013: £13.5m)

Bank loans with an interest rate of 5.21%, repayable by instalments falling due between 2013 and 2022 totalling £13.9m (2013: £15.4m)

Other loans with an interest rate of 5.04%, repayable by one repayment falling due in 2046 totalling £99.5m (2013: £99.5m).

Other loans with an interest rate of 6.5%, repayable by one repayment falling due in 2018 totalling £1.7m (2013: £1.7m).

No loans are currently interest free and repayable in instalments (2013: £5m).

Secured bank loans

Bank loans with an interest rate of LIBOR plus spread, repayable by instalments falling due between 2013 and 2014 totalling £0.4m (2013: £1.3m) are secured by an all monies guarantee (see note 37).

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

	Consolidated		University	
	2014 %	2013 %	2014 %	2013 %
Bond	4.25%	4.25%	4.25%	4.25%
Bank loans	5.24%	6.72%	5.24%	6.72%
Other loans	5.06%	5.06%	5.04%	5.04%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

21 Financial Instruments

(a) Categories of financial instruments

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Financial assets				
Cash and bank balances	28,001	25,829	3,533	7,593
Held-to-maturity investments	497,497	511,151	497,497	511,151
Loans and receivables	91,984	86,229	115,336	108,504
Available-for-sale financial assets	190,735	180,687	186,373	176,509
	808,217	803,896	802,739	803,757
Financial liabilities				
Amortised cost	681,055	686,475	665,501	673,324

(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	1-5 years	5+ years	Total £000
		£000	£000	£000	
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
2013					
Non-interest bearing	0.00%	257,995	1,096	1,113	260,204
Finance lease liability	16.86%	744	906	-	1,650
Variable interest rate instruments	1.51%	872	434	-	1,306
Fixed interest rate instruments	4.51%	22,917	92,238	998,575	1,113,730
		282,528	94,674	999,688	1,376,890

University

	Weighted average effective interest rate %	<1 year	1-5 years	5+ years	Total £000
		£000	£000	£000	
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
2013					
Non-interest bearing	0.00%	246,550	1,096	1,113	248,759
Finance lease liability	16.86%	744	906	-	1,650
Variable interest rate instruments	1.51%	872	434	-	1,306
Fixed interest rate instruments	4.50%	22,807	90,153	998,575	1,111,535
		270,973	92,589	999,688	1,363,250

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
		%				
2014						
Non-interest bearing		0.00%	119,876	108	190,739	310,723
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments		0.88%	495,993	5,055	-	501,048
			615,869	5,163	190,739	811,771
2013						
Non-interest bearing		0.00%	111,852	172	180,694	292,718
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments		1.02%	459,567	55,427	10	515,004
			571,419	55,599	180,704	802,722
University		Weighted average effective interest rate	<1 year £000	1-5 years £000	5+ years £000	Total £000
		%				
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
2013						
Non-interest bearing		0.00%	97,717	14	176,516	274,247
Variable interest rate instruments		2.29%	205	575	14,661	15,441
Fixed interest rate instruments		1.06%	459,778	59,854	10	519,642
			557,700	60,443	191,187	809,330

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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.

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Available-for-sale financial assets				
Consolidated				
31 July 2014	158,966	27,289	4,480	190,735
31 July 2013	152,971	23,420	4,296	180,687
University				
31 July 2014	158,966	27,289	118	186,373
31 July 2013	152,971	23,420	118	176,509

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.

22 Provisions for liabilities

(a) Consolidated

	Early retirement/ voluntary severance £000	Deferred tax £000	2014 Total £000
Balance at beginning of year	95	434	529
Utilised during the year	(655)	-	(655)
Charged/(credited) to income and expenditure account	560	(5)	560
Balance at 31 July	-	429	429

Deferred tax

The elements of deferred tax are as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and capital allowances	438	438
Other timing differences	(9)	(4)
Balance at 31 July	429	434

(b) University

	Early retirement/ voluntary severance £000	2014 Total £000
Balance at beginning of year	95	95
Utilised during the year	(655)	(655)
Charged to income and expenditure account	560	560
Balance at 31 July	-	-

Early retirement and voluntary severance scheme

The early retirement and voluntary severance scheme provision was in respect of future committed payments due to employees at the prior year balance sheet date. The provision was settled within the year.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

23 Deferred capital grants

(a) Consolidated

Balance at 1 August 2013

	Funding Council £000	Other grants £000	2014 Total £000
Buildings	281,224	129,522	410,746
Equipment	2,324	11,220	13,544
Donated assets	-	1,582	1,582
Total	283,548	142,324	425,872

Grants received/receivable

Buildings	12,485	51,642	64,127
Equipment	17,982	15,600	33,582
Donated assets	-	65	65
Total received	30,467	67,307	97,774

Released to income and expenditure

Buildings	10,086	4,739	14,825
Equipment	1,652	10,971	12,623
Donated assets	-	245	245
Total released	11,738	15,955	27,693

Balance at 31 July 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

(b) University

Balance at 1 August 2013

	Funding Council £000	Other grants £000	2014 Total £000
Buildings	281,224	111,112	392,336
Equipment	2,324	11,220	13,544
Donated assets	-	1,582	1,582
Total	283,548	123,914	407,462

Grants received/receivable

Buildings	12,485	51,642	64,127
Equipment	17,982	15,600	33,582
Donated assets	-	65	65
Total received	30,467	67,307	97,774

Released to income and expenditure

Buildings	10,086	4,284	14,370
Equipment	1,652	10,971	12,623
Donated assets	-	245	245
Total released	11,738	15,500	27,238

Balance at 31 July 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

24 Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2014 Total £000	2013 Total £000
Balance at 1 August						
Capital	17,133	113,050	130,183	24,656	154,839	139,391
Accumulated income	-	12,282	12,282	2,123	14,405	14,277
	17,133	125,332	142,465	26,779	169,244	153,668
New endowments	46	542	588	607	1,195	687
University of Manchester withdrawal	-	2	2	1	3	(3)
Appreciation of endowment assets	627	4,305	4,932	746	5,678	16,037
Reclassification of endowment funds (capital)	-	7,223	7,223	(7,223)	-	(11)
Reclassification of endowment funds (accumulated income)	-	647	647	(647)	-	-
Purchase of tangible assets from endowment funds (accumulated income)	-	(178)	(178)	2	(176)	(542)
Purchase of tangible assets from endowment funds (capital)	-	-	-	-	-	(261)
Investment income	324	2,278	2,602	306	2,908	3,144
Expenditure from accumulated income	(324)	(3,547)	(3,871)	(188)	(4,059)	(2,471)
Expenditure from capital	-	-	-	(502)	(502)	(1,004)
Balance at 31 July	17,806	136,604	154,410	19,881	174,291	169,244
Representing:						
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
Total	17,806	136,604	154,410	19,881	174,291	169,244

Included within endowments are a number of permanent funds with a combined deficit of accumulated income of £0.02m at 31 July 2014. The University monitors these funds and expects them to return to an accumulated income position over future years.

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 2014 £000	Opening accumulated income £000	Investment income £000	Expenditure £000	Closing accumulated income £000	Date received
Hallsworth Fund *	21,667	426	395	(509)	312	1944
Simon Fund *	12,001	276	219	(111)	384	1943
Oncology department fund *	10,630	34	194	(184)	44	1975
Student Services Centre - prize and scholarship fund *	5,797	564	106	(116)	554	2001
John Rylands general library fund *	5,750	544	105	(45)	604	1972
John Rylands research institute fund *	5,296	1,031	97	(150)	978	1972
National fund for research into crippling diseases	4,475	28	82	(57)	53	1974
Dr Mont Follick professorship in phonetics	3,189	146	58	(25)	179	1962
BNFL permanent endowment	3,051	80	56	(76)	60	2008
Simon Fund (special) 1960	2,746	-	50	(50)	-	1960
Frederick Craven Moore Fund	2,667	203	49	(252)	-	1975
BNFL expendable endowment	2,342	-	47	(47)	-	2008
Davies Chair in Entrepreneurship	2,397	120	44	-	164	2008
Hulme Trust	2,072	-	37	(37)	-	1881
The Ted and Pat Smith Prize	1,801	48	33	-	81	2011
	85,881	3,500	1,572	(1,659)	3,413	
<i>Significant funds and charities with income above £100,000</i>						
See asterixed funds above	61,141	2,875	1,116	(1,115)	2,876	
<i>Funds and charities with income below £100,000</i>						
Fellowships and scholarships (161 funds)	19,510	3,204	358	(757)	2,805	
Prize funds (202 funds)	5,262	875	96	(75)	896	
Chairs and lectureships (76 funds)	31,458	1,875	544	(667)	1,752	
Other (311 funds)	43,839	5,576	794	(1,618)	4,752	
	161,210	14,405	2,908	(4,232)	13,081	

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

24 Endowments (continued)

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, operated by the Simon Fund Committee, 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 approved by the Simon Fund Committee.

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. The classification of this fund and the Postgraduate Prize and Scholarship Fund was changed from expendable to permanent after consultation with the Charities Commission.

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.

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.

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 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.

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 materials field.

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

Balance at beginning of year
Surplus retained for the year
Transfer from revaluation reserve
Transfer pension surplus to pension reserve

Balance at 31 July**Pension reserve**

Balance at beginning of year
Actuarial (loss)/gain on pension schemes
Surplus retained within reserves

Balance at 31 July

Consolidated		University	
2014	2013	2014	2013
£000	£000	£000	£000
281,916	255,370	283,212	255,362
45,024	38,757	42,532	40,061
13	13	13	13
(14,447)	(12,224)	(14,447)	(12,224)
312,506	281,916	311,310	283,212
(64,808)	(109,269)	(64,808)	(109,269)
(57,378)	32,237	(57,378)	32,237
14,447	12,224	14,447	12,224
(107,739)	(64,808)	(107,739)	(64,808)

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

At beginning of year
Revaluation in year
At 31 July

Contribution to depreciation

At beginning of year
Transfer to income and expenditure account
At 31 July

Revaluation reserve**At 31 July**

At beginning of year

Land and buildings	Investment properties	Available for sale investments and associated undertakings	2014 Total
£000	£000	£000	£000
391	6,412	5,818	12,621
-	553	3,593	4,146
391	6,965	9,411	16,767
263	-	229	492
13	-	-	13
276	-	229	505
115	6,965	9,182	16,262
128	6,412	5,589	12,129

26 Revaluation reserve**(b) University****Revaluations**

At beginning of year
Revaluation in year
At 31 July

Contribution to depreciation

At beginning of year
Transfer to income and expenditure account
At 31 July

Revaluation reserve**At 31 July**

At beginning of year

Land and buildings	Investment properties	Available for sale investments and associated undertakings	2014 Total
£000	£000	£000	£000
391	6,412	5,022	11,825
-	553	2,648	3,201
391	6,965	7,670	15,026
263	-	-	263
13	-	-	13
276	-	-	276
115	6,965	7,670	14,750
128	6,412	5,022	11,562

27 Minority interests

At beginning of year
Minority interest in subsidiary undertakings' results for the year

At 31 July

Consolidated	
2014	2013
£000	£000
183	92
41	91
224	183

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation

Depreciation
Deferred capital grants released to income
Investment income
Transfers from endowments
Loss on disposal of fixed assets
Surplus on disposal of fixed asset investments
Interest payable
Break costs for early repayment of loans
Interest receivable
Difference between pension charge and cash contributions
Minority interests
Decrease in stocks
Decrease in long term debtors
(Increase)/decrease in debtors due within one year
Increase in creditors
Increase/(decrease) in provisions
Net cash inflow from operating activities

Consolidated

2014	2013
£000	£000
43,366	38,318
46,230	45,820
(27,693)	(29,850)
(12,935)	(13,815)
1,653	331
1,045	208
(220)	(317)
19,497	9,248
-	10,125
(220)	(146)
(14,447)	(12,224)
41	91
22	14
96	81
(5,851)	3,774
8,098	2,396
1,329	(327)
60,011	53,727

29 Net returns on investments and servicing of finance

Income from endowments
Income from short term investments
Income from donations
Dividend income from general fund investments
Other interest received
Interest paid
Break costs for early repayment of loans
Net cash outflow from returns on investments and servicing of finance

Consolidated

2014	2013
£000	£000
2,908	3,144
4,464	5,431
5,167	4,841
396	399
220	146
(19,497)	(8,840)
-	(10,125)
(6,342)	(5,004)

30 Capital expenditure and financial investment

Purchase of tangible fixed assets
Acquisition of fixed asset investments
Net acquisition of endowment assets
Receipts from sale of fixed asset investments
Deferred capital grants received
New endowments received including unreleased income earned on capital
Net cash outflow from capital expenditure and financial investment

Consolidated

2014	2013
£000	£000
(148,896)	(74,116)
(2,784)	(2,907)
(696)	583
220	317
97,774	24,232
(631)	(461)
(55,013)	(52,352)

31 Management of liquid resources

Withdrawals/(placements) on deposit
Net cash inflow/(outflow) from management of liquid resources

Consolidated

2014	2013
£000	£000
18,677	(207,870)
18,677	(207,870)

32 Financing

	Consolidated	
	2014	2013
	£000	£000
Bond Issue (net of transaction costs)	-	292,533
Bank loan repayments	(9,342)	(44,780)
Capital element of finance lease repayments	(796)	(540)
Net cash (outflow)/inflow from financing	(10,138)	247,213

33 Analysis of changes in net funds

	Consolidated			
	1 August 2013	Cash flows	Non-cash changes	31 July 2014
	£000	£000	£000	£000
<i>Cash and cash equivalents</i>				
Cash at bank	25,829	2,172	-	28,001
Bank deposits repayable on demand (note 17)	61,150	6,350	-	67,500
Endowment asset investments (note 14)	14,408	(1,327)	-	13,081
	101,387	7,195	-	108,582
Bank deposits repayable after due notice (note 17)	350,593	(18,677)	-	331,916
	451,980	(11,482)	-	440,498
<i>Debt</i>				
Debt due within one year (note 20)	(8,422)	9,342	(4,991)	(4,071)
Debt due after one year (note 20)	(421,437)	-	4,991	(416,446)
Finance leases (notes 18 and 19)	(1,412)	796	-	(616)
	(431,271)	10,138	-	(421,133)
Net funds	20,709	(1,344)	-	19,365

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 gains/(losses) are included in the financial statements:

Balance sheet - Pension scheme deficits

University of Manchester Superannuation Scheme	
Greater Manchester Pension Fund	
Manchester Innovation Limited Group Pension Scheme	

Statement of total recognised gains and losses - Actuarial (losses)/gains

University of Manchester Superannuation Scheme	
Greater Manchester Pension Fund	
Manchester Innovation Limited Group Pension Scheme	

Consolidated income and expenditure account**Pension costs (note 6)**

University of Manchester Superannuation Scheme	
Greater Manchester Pension Fund	
Manchester Innovation Limited Group Pension Scheme	
Universities Superannuation Scheme	
NHS Pension Scheme	

Net return on pension schemes (note 5)

University of Manchester Superannuation Scheme	
Greater Manchester Pension Fund	
Manchester Innovation Limited Group Pension Scheme	

Consolidated and University

	2014	2013
	£000	£000
	(95,158)	(55,644)
	(12,581)	(8,702)
	-	(462)
	(107,739)	(64,808)
	(51,609)	26,593
	(5,925)	5,362
	156	282
	(57,378)	32,237
	14,509	12,510
	1,463	1,231
	(306)	4
	56,952	53,321
	2,130	2,288
	74,748	69,354
	5,027	2,494
	2,196	1,158
	-	(41)
	7,223	3,611

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

34 Pension schemes

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

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter. At the valuation date, the value of the assets of the scheme was £32,433.5m and the value of the scheme's technical provisions was £35,343.7m indicating a shortfall of £2,910.2m. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%.

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

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

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

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

34 Pension schemes

(b) Universities Superannuation Scheme ('USS') (continued)

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

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

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

New Entrants

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

Normal pension age

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

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

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

Pension increase cap

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

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

At 31 March 2014, USS had over 162,000 active members and the University of Manchester had 6,090 active members participating in the scheme.

The total pension cost for the University of Manchester was £40.1m (2013: £53.3m). This includes £5.2m (2013: £5.1m) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries.

(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 NHS Body of 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 ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes is being carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

The contribution rate payable by the University during the year ended 31 July 2014 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 £2.1m (2013: £2.3m). This includes £0.4m (2013: £0.4m) outstanding contributions at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

34 Pension schemes (continued)

(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 2014 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 below:

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 6.69% assumption as at 31 July 2014.

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

	2014	2013
Rate of increase in salaries	4.05%	4.30%
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%	2.30%
Discount rate	4.30%	4.70%
Inflation assumption (RPI)	3.30%	3.30%
Inflation assumption (CPI)	2.30%	2.40%

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

	2014	2013
Rate of increase in salaries	4.30%	3.70%
Expected long term return on plan assets	6.69%	6.32%
Discount rate	4.70%	4.40%

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

	2014	
	Male	Female
Member age 62 (current life expectancy)	25.1	27.1
Member age 42 (life expectancy at age 62)	27.0	29.1

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

	2014	2014	2013	2013	2012	2012
		£000		£000		£000
Equities	8.00%	150,323	8.00%	137,929	7.50%	129,364
Bonds	4.60%	164,048	5.10%	167,121	4.70%	138,313
Property	8.00%	87,450	8.00%	65,246	7.50%	61,132
Total market value of assets		401,821		370,296		328,809
Actuarial value of liability		(496,979)		(425,940)		(421,711)
Net pension liability		(95,158)		(55,644)		(92,902)

Analysis of the amount charged to operating surplus

	2014	2013
	£000	£000
Current service cost	14,203	12,453
Past service cost	-	57
Loss on business combination	306	-
Total operating charge	14,509	12,510

Analysis of net return on pension scheme

	2014	2013
	£000	£000
Expected return on pension scheme assets	25,162	21,012
Interest on pension liabilities	(20,135)	(18,518)
Net return	5,027	2,494

34 Pension schemes (continued)**Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	2014	2013
	£000	£000
Actual return less expected return on scheme assets	(2,833)	13,991
Experience gains and losses on liabilities	(14,230)	-
Changes in assumptions	(34,546)	12,602
Actuarial (loss)/gain recognised in STRGL	(51,609)	26,593

Reconciliation of fair value of employer assets

	2014	2013
	£000	£000
Opening fair value of employer assets	370,296	328,809
Expected return on assets	25,162	21,012
Contributions by the employer	21,577	20,681
Contributions by members	983	899
Actuarial (losses)/gains	(2,833)	13,991
Benefits paid	(16,875)	(15,096)
Assets acquired in a business combination	3,511	-
Closing fair value of employer assets	401,821	370,296

Reconciliation of defined benefit obligation

	2014	2013
	£000	£000
Opening defined benefit obligation	425,940	421,711
Current service cost	14,203	12,453
Past service cost	-	57
Interest cost	20,135	18,518
Contributions by members	983	899
Actuarial gains/(losses)	48,776	(12,602)
Estimated benefits paid	(16,875)	(15,096)
Liabilities assumed in a business combination	3,817	-
Closing defined benefit obligation	496,979	425,940

The last full actuarial valuation of the scheme was 31 July 2013 (previous valuation: 31 July 2010). 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 (31 July 2010: £90.0m). The assets therefore were sufficient to recover 75% (31 July 2010: 76%) 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 £1.125m quarterly in arrears, which started on 31 October 2011. With effect from 31 August 2014 it has been agreed that this will increase to £1.5m quarterly in arrears. In addition, as MILGPS has now been merged into UMSS, the University has agreed to make two additional payments into UMSS to clear the MILGPS deficit that was transferred. £424k was paid in September 2013 and £583k was paid in September 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 has given the scheme direct security over a number of properties to the value of at least £17m (2013: £35m).

History of experience gains and losses

	Year ended 31 July				
	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(496,979)	(425,940)	(421,711)	(391,203)	(324,215)
Fair value of scheme assets	401,821	370,296	328,809	317,409	273,505
Deficit in the scheme	(95,158)	(55,644)	(92,902)	(73,794)	(50,710)
Difference between expected and actual return on scheme assets:					
Amount (£000)	(2,833)	13,991	(5,825)	23,043	5,253
Percentage of scheme assets	(1%)	4%	(2%)	7%	2%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(14,230)	-	(826)	(5,229)	-
Percentage of scheme liabilities	3%	0%	0%	1%	0%

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 2014 on an FRS 17 basis by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2014	2013
Rate of increase in salaries	4.05%	4.30%
Rate of increase in pensions in payment and deferred pensions	2.30%	2.40%
Discount rate applied to scheme liabilities	4.30%	4.70%
Inflation assumption (CPI)	2.30%	2.40%
Expected return on assets	7.20%	7.30%

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 2014 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:

	2014	2014		2013		2012	2012	
		£000					£000	
Equities	8.00%	66,785		8.00%	70,486		7.50%	55,347
Bonds	4.60%	16,931		5.10%	17,622		4.70%	17,611
Property	8.00%	5,644		8.00%	5,874		7.50%	4,193
Cash	3.70%	4,703		3.40%	3,916		2.80%	6,709
Total market value of assets		<u>94,063</u>			<u>97,898</u>			<u>83,860</u>
Actuarial value of scheme liability		<u>(106,644)</u>			<u>(106,600)</u>			<u>(99,084)</u>
Net pension liability		<u>(12,581)</u>			<u>(8,702)</u>			<u>(15,224)</u>

Analysis of the amount charged to operating surplus

	2014	2013
	£000	£000
Current service cost	1,454	1,231
Past service cost	9	-
Total operating charge	<u>1,463</u>	<u>1,231</u>

Analysis of the amount charged to operating surplus

	2014	2013
	£000	£000
Expected return on pension scheme assets	7,044	5,370
Interest on pension liabilities	(4,848)	(4,212)
Net return	<u>2,196</u>	<u>1,158</u>

34 Pension schemes (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		2014	2013
		£000	£000
Actual return less expected return on scheme assets		(5,925)	5,362
Actuarial (loss)/gain recognised in STRGL		(5,925)	5,362
Reconciliation of fair value of employer assets			
		2014	2013
		£000	£000
Opening fair value of employer assets		97,898	83,860
Expected return on assets		7,044	5,370
Contributions by members		376	378
Contributions by the employer		1,085	1,046
Actuarial (losses)/gains		(8,172)	11,202
Estimated benefits paid		(4,168)	(3,958)
Closing fair value of employer assets		94,063	97,898
Reconciliation of defined benefit obligation			
		2014	2013
		£000	£000
Opening defined benefit obligation		106,600	99,084
Current service cost		1,454	1,231
Interest cost		4,848	4,212
Contributions by members		376	378
Contributions by the employer to unfunded scheme		(228)	(187)
Actuarial (gains)/losses		(2,247)	5,840
Past service cost		9	-
Estimated benefits paid		(4,168)	(3,958)
Closing defined benefit obligation		106,644	106,600
Analysis of the defined benefit obligation			
		2014	2013
		£000	£000
Present value of unfunded liabilities		2,134	2,065
Present value of funded liabilities		104,510	104,535
Closing defined benefit obligation		106,644	106,600

At the last full actuarial valuation of the scheme as at 31 March 2013 (previous valuation: 31 March 2010), 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 (31 March 2010: £390m). The assets were therefore sufficient to cover 90.5% (31 March 2010: 96.4%) 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 16.8% of members' pensionable pay over the year to 31 July 2013. 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				
	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(106,644)	(106,600)	(99,084)	(97,214)	(102,081)
Fair value of scheme assets	94,063	97,898	83,860	84,434	78,198
Deficit in the scheme	(12,581)	(8,702)	(15,224)	(12,780)	(23,883)
Difference between expected and actual return on scheme assets:					
Amount (£000)	(5,925)	5,362	(2,225)	207	6,199
Percentage of scheme assets	(6%)	5%	(3%)	0%	8%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

34 Pension schemes (continued)

(f) Manchester Innovation Limited Group Pension Scheme ('MILGPS')

The MILGPS was a final salary defined benefit scheme. From 1 June 2003, all active members participating in the MILGPS transferred to UMSS. The deferred members remain within MILGPS. The scheme was closed on 28 August 2013 and the pension assets, liabilities and members transferred into UMSS.

A preliminary actuarial valuation of the scheme was carried out as at 1 September 2011, which was updated to 31 July 2013 by a qualified actuary. The scheme assets and liabilities are now valued within UMSS.

The market assumptions by the actuary in the prior year were:

	2013
Rate of increase in pensions in payment and deferred pensions	5.00%
Discount rate applied to scheme liabilities	4.70%
Inflation assumptions (RPI)	3.30%
Expected return on plan assets	3.80%

The expected returns on plan assets have been based on the current split by investment sector of the assets of the Scheme, using average expected returns on each sector.

The mortality assumptions used are as follows:

Assumed life expectancy in years on retirement at 62	2013
Retiring today:	
Males	27.4
Females	29.5
Retiring in 20 years:	
Males	30.9
Females	32.8

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

	2014	2014	2013	2013	2012	2012
	0.00%	£000	3.50%	£000	4.00%	£000
Investment in bonds	0.00%	-	3.50%	2,418	4.00%	1,982
Investment in unitised with profits policy	0.00%	-	4.50%	1,039	5.25%	986
Other	0.00%	-	1.50%	52	3.50%	18
Total market value of assets		-		3,509		2,986
Actuarial value of liability		-		(3,971)		(4,129)
Net pension liability		-		(462)		(1,143)

Analysis of the amount charged to operating surplus

	2014	2013
	£000	£000
Current service cost	-	4
Gain on transfer of net liabilities to UMSS	(306)	-
Total operating (credit)/charge	(306)	4

As no further benefits are accruing under the scheme, the service costs shown represented the expenses paid to Aviva for running the scheme over the year.

Analysis of net charge to pension finance cost

	2014	2013
	£000	£000
Expected return on pension scheme assets	-	140
Interest on pension liabilities	-	(181)
Net cost	-	(41)

34 Pension schemes (continued)**Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	2014	2013
	£000	£000
Actual return less expected return on pension scheme assets	2	(9)
Experience gains and losses on liabilities	154	(11)
Changes in assumptions	-	302
Actuarial gain recognised in STRGL	156	282

Reconciliation of fair value of employer assets

	2014	2013
	£000	£000
Opening fair value of employer assets	3,509	2,986
Expected return on assets	-	140
Contributions by the employer	-	444
Actuarial gains/(losses)	2	(9)
Benefits paid	-	(52)
Assets transferred to UMSS	(3,511)	-
Closing fair value of employer assets	-	3,509

Reconciliation of defined benefit obligation

	2014	2013
	£000	£000
Opening defined benefit obligation	3,971	4,129
Current service cost	-	4
Interest cost	-	181
Actuarial gains	(154)	(291)
Estimated benefits paid	-	(52)
Liabilities transferred to UMSS	(3,817)	-
Closing defined benefit obligation	-	3,971

History of experience gains and losses

	Year ended 31 July				
	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	-	(3,971)	(4,129)	(2,901)	(2,896)
Fair value of scheme assets	-	3,509	2,986	2,484	2,152
Deficit in the scheme	-	(462)	(1,143)	(417)	(744)
Difference between expected and actual return on scheme assets:					
Amount (£000)	-	(9)	44	107	51
Percentage of scheme assets	0%	(0%)	1%	4%	2%
Experience gains and losses on scheme liabilities:					
Amount (£000)	-	(11)	56	(73)	(9)
Percentage of scheme liabilities	0%	(0%)	1%	(3%)	0%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

35 Capital commitments

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Commitments for future capital expenditure:				
Authorised not contracted	742,034	52,545	742,034	52,545
Contracted not provided	114,014	91,157	114,014	91,157
	856,048	143,702	856,048	143,702

36 Operating lease commitments

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

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Land and buildings				
Expires within one year	3,177	2,445	3,177	3,088
Expires between two and five years	2,640	617	2,640	1
Expires after more than five years	2,255	977	2,365	1,071
	8,072	4,039	8,182	4,160
Other				
Expires within one year	48	587	48	587
Expires between two and five years	476	904	476	904
Expires after more than five years	-	-	-	-
	524	1,491	524	1,491
Total	8,596	5,530	8,706	5,651

37 Contingent liabilities

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Undrawn investment commitments	390	1,170	390	1,170
Bank guarantees	230	230	230	230
All monies guarantee	429	1,288	429	1,288
	1,049	2,688	1,049	2,688

A commitment of up to £7.8m (2013: £7.8m) to invest in the UMIP Premier Fund has been given by UMIP UPF Limited, a wholly owned subsidiary of the University. To date £7.4m (2013: £6.6m) has been invested in the Fund. It is anticipated that the remainder of the investment commitment will be requested within the next year.

The all monies guarantee relates to a bank loan which is due to be 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	172,546	-	-
Biotechnology and Biological Sciences Research Council (BBSRC)	19,894	216	596
MRC (Medical Research Council)	18,670	188	481
Central Manchester University Hospitals NHS Foundation Trust	10,777	4,997	691
BP Plc	6,756	-	267
Health Education England	5,211	-	349
Astra Zeneca	4,602	80	400
Imperial College London	2,047	827	248
Technology Strategy Board (TSB)	1,905	-	121
The Royal Society	1,599	80	48
Manchester City Council	1,581	2,124	(793)
University of Essex	658	23	109
Commonwealth Scholarship Commission in UK (CSC)	364	-	(17)
AWEML	314	-	38
University of Manchester Students' Union	205	692	(234)
Genesis Breast Cancer Prevention Charity	119	-	-
Royal Northern College of Music	109	115	(1)
Marketing Manchester	84	59	-
BBC (British Broadcasting Corporation)	32	-	-
North West Universities Purchasing Consortium	29	-	-
Workers' Educational Association (WEA)	25	-	-
Stockport Metropolitan Borough Council	19	23	(14)
University of Central Lancashire (UCLAN)	8	59	1
UCL (University College London)	8	500	(99)
Sugden Sports Trust	5	-	-
Department of Energy and Climate Change (DECC)	2	811	-
UNIAC	2	347	(5)
British Computer Society	-	49	(10)
Bruntwood	-	2,044	(71)
Building Design Partnership (BDP)	-	45	(9)
GVA	-	60	(2)
Manchester Central Convention Centre	-	289	(60)
Manchester Science Park Ltd	-	92	(9)
Novus Property Solutions Ltd	-	3,477	(309)
One Central Park Ltd	-	227	(7)
Turley Associates Limited	-	64	-
The Corridor Manchester	1	-	-
Walton Centre for Neurology and Neurosurgery NHS Foundation Trust	12	-	-
	247,584	17,488	1,709

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

38 Related party transactions (continued)

Higher Education Funding Council for England

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.

Biotechnology and Biological Sciences Research Council (BBSRC)

The BBSRC is the leading funding agency for academic research and training in the biosciences at UK universities and institutes. One governor is a member of the Council of the BBSRC.

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. A governor and a senior member of the University's management team are both non-executive directors of the Trust.

BP plc

BP 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.

Health Education England

Health Education England (HEE) is a Special Health Authority, and its role is to provide leadership for the NHS staff education and training system. One governor is a member of the HEE Council of Healthcare Science in Higher Education.

AstraZeneca PLC

AstraZeneca PLC is a global integrated biopharmaceutical public limited company. One governor is a non-executive director of the company, whilst two senior managers of the University are former employees and members of the AstraZeneca 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 at the College.

Technology Strategy Board

The Technology Strategy Board is a UK innovation agency. They offer support and funding to help businesses develop new products and services and bring them to market. One governor chairs the TSB Steering Committee.

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 is a member of the Council, and another has declared the Council as one of his clients.

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.

Commonwealth Scholarship Commission in the UK (CSC)

The Commonwealth Scholarship Commission in the United Kingdom (CSC) is responsible for managing Britain's contribution to the Commonwealth Scholarship and Fellowship Plan. One governor is a professional advisor to the CSC.

AWEML

WE Management Ltd (AWEML) manages the UK Government's Atomic Weapons Establishment. One governor is a member of the AWEML Science, Engineering and Technology Advisory Board.

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.

Genesis Breast Cancer Prevention Charity

The Genesis Appeal is a Charity specialising in breast cancer research. One governor is a trustee of the Charity.

Royal Northern College of Music

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.

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.

BBC (British Broadcasting Corporation)

The BBC is Britain's public service broadcaster, operating as a statutory corporation. A governor has declared that their partner is employed by the Corporation.

38 Related party transactions (continued)**North West Universities Purchasing Consortium**

The NWUPC aims to develop and support the procurement process and to make full use of the Consortium's purchasing power to maximize benefit for its member institutions. One senior manager is a member of the Consortium's Board.

Workers' Educational Association (WEA)

The Workers' Educational Association is a charity and major voluntary sector provider of adult education. A senior member of the University management team has declared that a family member works for the WEA.

Stockport Metropolitan Borough Council

Stockport Council provide a full range of local government services in Stockport and nearby communities. One governor has declared that her husband is a member of the Council and serves in an executive role.

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.

UCL (University College London)

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.

Sugden Sports Trust

The Sugden Sports Trust owns and rents buildings for the leisure use of students. Sugden Sports Trust is 50% owned by the University.

Department of Energy and Climate Change (DECC)

This is the UK Government department for energy and climate change. One governor is a member of the DECC Scientific Advisory Group.

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.

British Computer Society

The BCS, as the Chartered Institute for Information Technology, promotes social and economic progress through the advancement of IT science and practice. One governor is a professional member of the BCS.

Bruntwood

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

Building Design Partnership (BDP)

BDP is a major international and interdisciplinary practice of architects, designers, engineers and urbanists. One governor has declared BDP as a client.

GVA

GVA is a multidisciplinary property consultancy and manages real estate. One governor has declared GVA 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.

Manchester Science Park Ltd

Manchester Science Park Ltd rents business accommodation to innovative Companies in sectors such as ICT, biotechnology, industrial technologies and digital media. The Company also offers business development support, including access to academic resources and a PR service. The University owns 12.2% of the ordinary share capital and it is classed as an associate undertaking.

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.

One Central Park Ltd

One Central Park, on Oldham Road, Manchester, is a business park dedicated to the development of new business enterprises delivered by the local community. One Central Park Limited is a 20% owned associate of the University. The Company has sold its building to Manchester City Council and the company will be liquidated shortly.

Turley Associates Limited

Turley Associates is a planning and urban design consultancy operating in the development sector across the UK. One governor is a director of the Company.

The Corridor Manchester

The Corridor is a partnership between Manchester Metropolitan University, the University of Manchester, the Central Manchester University Hospitals NHS Foundation Trust and Bruntwood, with the aim of ensuring that the Oxford Road Corridor is a leading location for research and development and learning and knowledge. It is a Company limited by guarantee.

Walton Centre for Neurology and Neurosurgery NHS Foundation Trust

The Walton Centre in Liverpool is the only integrated Neurosciences Trust in the UK providing diagnostic and treatment services. The Centre also conducts research in all areas of clinical neurosciences. A governor is a non-executive director of the Centre.

Trustees' Expenses

£24,858 was paid in expenses to members of the Board of Governors of the University during the year (2013: £20,667). Where Trustees are also employees of the University the amount includes expenses paid in relation to their employment.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

39 Amounts disbursed as agent (Consolidated and University)

(a) Access Fund

	2014	2013
	£000	£000
Balance unspent at beginning of year	266	247
Funding Council grants	381	357
Interest earned	1	1
Disbursed to students	(561)	(339)
Balance unspent at year end	87	266

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

Student Training Bursaries

	2014	2013
	£000	£000
Balance unspent at beginning of year	70	7
Funding Council grants	3,485	3,635
Disbursed to students	(3,436)	(3,572)
Balance unspent at year end	119	70

The University of Manchester
Oxford Road
Manchester
M13 9PL

tel +44 (0)161 306 6000
www.manchester.ac.uk

Designed by the Division of Communications and Marketing

Royal Charter Number RC000797
M1182 11.14

