



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2011

OFFICERS AND ADVISERS



Officers

Chancellor

Mr Tom Bloxham BA (Hons) MBE

Pro-Chancellor

Admiral Sir John Kerr, GCB, DL

President and Vice-Chancellor

Professor Dame Nancy J Rothwell, BSc, PhD, DSc, FRS, FMedSci

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

Registrar and Secretary

Albert H McMenemy, BA, LLB (retired 31 July 2011)

Registrar, Secretary and Chief Operating Officer

Will Spinks, BSc, Chartered MCIPD (appointed 1 August 2011)

Director of Finance

Stephen Mole, BSc, FCMA, PGCE

Vice-Presidents (Policy)

Teaching and Learning

Professor Colin Sterling, BSc, PhD (stood down 31 May 2011)

Teaching, Learning and Students

Professor Clive Agnew, BSc, PhD (appointed 1 June 2011)

Research and Innovation

Professor Luke Georghiou, BSc, PhD

Vice-Presidents and Deans of Faculties

Engineering and Physical Sciences

Professor Colin G Bailey, BEng, PhD, CEng, FICE, FStructE, MIFireE

Humanities

Professor Alistair M Ulph, BPhil, MA (retired 30 September 2010)
Professor Keith Brown, FRSE, FRHistS (appointed 1 September 2010)

Life Sciences

Professor Martin J Humphries, BSc, PhD, FMedSci

Medical and Human Sciences

Professor R Alan North, MBChB, PhD, DSc, FRCP, FMedSci, FRS (stood down 27 March 2011)
Professor Ian Jacobs, MA, MBBS, MD, FRCOG (appointed 28 March 2010)

Chairs of Committees of the Board of Governors

Chair of Audit Committee

Kathleen Tattersall, OBE, BA, MEd, FRSA (stood down 31 August 2011)
Stephen Dauncey, BSc, FCCA (appointed 1 September 2011)

Chair of Finance Committee

Anil Ruia, OBE, JP, DL, LLB, ACA (stood down 31 August 2010)
Dr Keith Lloyd BCom, PhD (appointed 1 September 2010)

Chair of Remuneration Committee

Norman B M Askew, DLitt, BA (stood down 31 August 2010)
Anil Ruia, OBE, JP, DL, LLB, ACA (appointed 1 September 2010)

Chair of Nominations Committee

Admiral Sir John Kerr, GCB, DL

Chair of Staffing Committee

Gillian Easson, MA

Membership of the Board of Governors

From 1 September 2011:

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

Ms Letty Newton,
General Secretary of the Students' Union

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

Mrs Gillian Easson, MA, Deputy
Chair of the Board of Governors

Mr Stephen Dauncey, BSc, FCCA

Mr Robert E Hough, DL, LLB

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

Councillor Mohammed Afzal Khan, CBE

Mr Paul Lee, DL, MA, LLM

Mrs Christine Lee-Jones, MA

Dr Keith Lloyd, BCom, PhD

Mr Peter H Readle, BSc, MSc, CMATHFIMA

Mr Neville Richardson, FCA

Dr Brenda Smith, BA, MBA, ACA, DLitt

Dr John Stageman, PhD

Mr Gerry Yeung, OBE, BSc

Dr Stuart Allan, BSc, PhD

Professor Colette Fagan, PhD

Professor Maggie Gale, MA, PhD

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

Professor Nancy Papalopulu, PhD

Professor Chris Taylor, FEng, OBE, BSc, PhD

Dr Pamela Vallely, BSc, PhD

Mr Edward Mark Glass

Dr Andrew Walsh, BA, PGCE, MA, PhD

The following members stood down from the Board of Governors on 31 August 2011:

Ms Debra J Dickson

Professor Peter Eccles, BA, PhD

Dr Anne McBride, MA, PhD, MCIPD

Ms Kathleen Tattersall, OBE, BA, Med, FRSA

Ms Sarah Wakefield, BA

The following member stood down from the Board of Governors on 30 September 2010:

Professor Luke Georghiou, BSc, PhD

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CHAIRMAN'S FOREWORD

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



I AM PLEASED TO PROVIDE A FOREWORD FOR THIS SET OF FINANCIAL STATEMENTS FOR THE UNIVERSITY OF MANCHESTER FOR THE YEAR ENDED 31 JULY 2011.

As you will see from the pages that follow, the University has had another successful year despite the uncertain environment for higher education and the difficult financial climate. The award of the Nobel Prize for Physics to Professors Geim and Novoselov and our continuing progress up the Academic Rankings of World Universities are just two of the more public indications of that success.

Our annual programme of Operational and Performance Reviews has revealed reassuring evidence of progress against many of the goals identified in the 'Manchester 2015 Agenda' and some areas where we need to improve our performance.

The realisation of ambitious goals and the implementation of plans to improve performance require sound finances and an ability to invest. I am therefore pleased that these 2010-11 financial results indicate an operating surplus that leaves the University well placed to begin planning for strategic investments in our future.

The global financial climate and the impact of the Government's new fee regime for UK students mean that the future remains very uncertain for the whole of British higher education, but good financial management and confident strategic leadership mean that this University is better placed than most to survive and thrive in this environment.

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

REVIEW OF THE YEAR

by Professor Dame Nancy Rothwell, President and Vice-Chancellor

THESE FINANCIAL STATEMENTS COVER THE FIRST FULL YEAR OF MY TENURE AS PRESIDENT AND VICE-CHANCELLOR. IT HAS BEEN AN EVENTFUL YEAR IN WHICH THE UNIVERSITY HAS CELEBRATED A MAJOR ACHIEVEMENT AND MADE GOOD PROGRESS ON MANY FRONTS DESPITE THE VERY FAST-CHANGING AND UNCERTAIN EXTERNAL ENVIRONMENT.

It is a real tribute to my colleagues from across the campus that despite the obvious external pressures, the University ends this turbulent year with a continuing focus on our strategic priorities and in such a healthy financial state.

In managing the finances of the University in 2010-11, the overriding imperative has been to consolidate the financial position of the University by generating a surplus - both pre and post the exceptional early retirement and voluntary severance costs (within staff costs). This was a key priority as we now face the effects of cuts in Government funding and the uncertainty of student choice under the new fees regime.

I am therefore pleased that these 2010-11 financial results not only fully meet that important priority, but indicate an operating surplus that leaves the University better placed than we had expected to be at this stage. It is essential that we have strong cash reserves, especially given the economic climate, and in the longer term we aim to be generating approximately 7% of turnover for investments in capital, students and research. It is a tribute to the work of the Director of Finance and his team and the efforts of staff from across the University that we have produced such positive results in a very uncertain financial climate.

The core driver of all of our activities during 2010-11 was our "2015 Agenda" and, as you will see below, we continue to make good progress against many of the key performance measures outlined in that document. During the past year, we have also begun to look beyond 2015 to identify our future priorities over the next decade. We have conducted a University-wide consultation on the vision for the University in 2020 and I hope to present a new strategic plan to the Board of Governors in the next few months.

The University continues to perform well in the "Academic Ranking of World Universities" carried out annually by the Institute of Higher Education in China's Shanghai Jiao Tong

University, which we regard as the primary indicator of our international standing and competitiveness. In the 2011 Rankings, we rose six places on the year to 38th position – a rise of some 40 places since the 'merger' of the Victoria University of Manchester and the University of Manchester Institute of Science and Technology (UMIST) in 2004 when the Victoria University of Manchester was ranked in 78th position.

The highlight of the University's research achievement in 2010-11 was the award of the Nobel Prize for Physics to Professor Andre Geim and Professor Konstantin Novoselov for their pioneering work on graphene, which was discovered at this University in 2004. Andre and Kostya have barely been out of the media and public spotlight since their award was announced in October 2010 and this high profile has presented them and the University with many exciting opportunities for investment and collaboration.

Like all universities, we face increasing pressures to undertake research that is of economic benefit. This is, of course, very important, but it is also important that we defend rigorously the value of fundamental research such as that which led to the award of this Nobel Prize.

On the broader research front, our Research Grant and Contract (RGC) income rose again, albeit slightly by 0.8%, to £196.2m, which compared with some of the earlier annual RGC income growth is very modest indeed. In part this is a reflection of the fact that RGC funding is coming under increasing pressure from public funding austerity, but we must also acknowledge that we are not performing as well as our competitors in this crucial area and must do better. It also illustrates the urgent requirement for the University to diversify its research funding streams, especially from non-Government sources.

Within the University, we have been using the intelligence gained from our internal Research Profiling Exercise to assess the quality of our

research and to begin to prepare for the national Research Excellence Framework, which will require submissions by November 2013, and to develop a comprehensive research strategy which begins to address the issue of how we can significantly increase the proportion of our research that is world-class and world-leading.

The newly established Manchester Doctoral College (MDC), which was formally launched on 1 August 2011, aims to optimise the research experience for Postgraduate Research Students and supports the University's research strategy by helping to develop and nurture the careers of excellent researchers and to increase the number of quality research outputs.

We continue to work hard to improve the student experience for all of our students. It is a major concern, however, that the investment of time, energy and resource in improving the student experience is not yet being reflected in the results of the National Student Survey (NSS), which is conducted amongst final year students across the UK. The NSS results for this University in 2011 were, once again, disappointing with the overall result for student satisfaction at 79%, which is below our benchmark figure (84%) and very much lower than most comparable institutions. While this result is the same as last year, we have fallen significantly in the national league table.

NSS performance across the University is very variable. The detailed results show some encouraging signs of improvement in specific areas of teaching and learning, such as transparency of assessment, quality of feedback, academic support and staff contact and some of our courses have performed exceptionally well, with many subjects demonstrating more than 90% student satisfaction. But our overall performance remains unacceptable.

We are addressing the quality of our student experience as a matter of urgency. We have appointed two new Associate Vice-Presidents to work in this area and established a new Directorate of Student Experience to bring



KEY PERFORMANCE INDICATORS

- 1** The University of Manchester has improved its world ranking in 2011 by climbing from 44th to 38th place in the "Academic Rankings of World Universities" produced by the Shanghai Jiao Tong University.
- 2** Growth in Total Audited Research Expenditure – Total Audited Research Expenditure¹ in 2009-10 (latest available figure) was £415.9m, an increase of 2.7% on the previous year.
- 3** Growth in international student fee income – International student fee income (full and part-time) increased by £16.6m (16.3%) during 2010-11.
- 4** Net Liquidity Expenditure Cover² – Closing liquid balances were sufficient to provide 98 days expenditure³ cover (2009-10: 94 days).
- 5** External Borrowing as a Percentage of Total Income – External borrowing reduced from 24.8% of total income (like-for-like basis) to 23.4%.
- 6** Operating Surplus⁴ as a Percentage of Income – Improved from 3.0% in 2009-10 to 6.7% in 2010-11 on a like-for-like basis.

together all the administrative, professional and support services for students. We have also set up a Student Experience Review Group to redesign radically how some courses are delivered, increase the number of staff available to teach on some courses and direct significant further investment in student support, new lecture theatres, laboratories and student study facilities. Construction is well underway on the "Learning Commons", a new student learning facility at the heart of the campus, which will be named in honour of Alan Gilbert.

We have also begun to invest real substance in our proposal to establish a University College, which aims to improve the educational experience of our students by encouraging their development both as mature adult learners and as contributors to society in general.

This has been another good year for home and international student recruitment at the University. The University remains an enormously popular destination for undergraduate and postgraduate study, a reputation that is bolstered by surveys from employers commenting on the attractiveness and employability of our graduates. There has undoubtedly been a "knock-on" impact on applications of the heated political debates around student funding and immigration rules for international students, but this does not appear to have affected applications to this University severely.

As a University, we are now beginning to invest some real substance in our social responsibility activities (Goal Three of the "Manchester 2015 Agenda"). I have been personally leading on this issue and we have made good progress by building on our recent successes in public engagement and widening participation. We have opened a stunning new Discovery Centre at Jodrell Bank and we have launched an innovative package of scholarships and widening access activities that have been welcomed by the Office for Fair Access. We have appointed a new Associate Vice-President and a new Director of Social Responsibility to

take this agenda forward and we have identified six "Flagship Projects" that will showcase the University's distinctive work in this important field.

There are, of course, significant uncertainties – not least the global financial climate and the impact next year of the £9,000 home undergraduate fee - that mean we must continue to bear down on costs and maintain tight financial controls. We intend to continue being an ambitious University: in our target setting, structures and initiatives. These financial results provide us with the foundations to begin making choices about where to invest in our future success.

Professor Dame Nancy Rothwell
President and Vice-Chancellor

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 £191.0m (2010: £186.9m) include the net cash balance and short term investments.

³ Expenditure of £710.7m (2010: £723.7m) is defined as total expenditure less depreciation.

⁴ Operating surplus is defined as the surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation.

FINANCIAL REVIEW

by Stephen Mole, Director of Finance

Income and Expenditure Review

The operating surplus before transfer from endowments was £54.0m, compared with £23.5m for 2009-10. This was ahead of expectations and demonstrates the University's continuing effective financial management and strengthening of its financial position despite the economic situation. It also includes a credit of £14.8m relating to FRS17 adjustments which mainly reflect changes to future benefits, using CPI instead of RPI for the Greater Manchester Pension Fund ("GMPF"). The retained surplus of £54.8m compares with £23.2m in the previous year.

	£m	% total income
Surplus as reported	54.8	6.8
FRS 17 credits		
UMSS	(3.6)	
GMPF	(10.9)	
MILGPS	(0.3)	
	<u>(14.8)</u>	<u>(1.8)</u>
Underlying surplus	40.0	5.0

Whilst an underlying surplus (excluding FRS17 adjustments) of 5.0% is satisfactory, it is still insufficient to support the higher levels of long-term buildings maintenance expenditure and student investment that are needed. In addition this level of surplus will need to be maintained in the future as the change in the balance between the Funding Council core teaching grant and tuition fees, largely funded by the Student Loan Company, takes place.

Available cash resources (inclusive of short term investments) at 31 July 2011 were £191.0m, up from £186.9m in July 2010.

Income

Total income for the University of £808.6m increased by £20.7m (2.6%) from £787.9m in 2009-10.

Funding Council grants were down by £5.8m (2.8%). The core teaching grant reduced by £5.2m (5.1%) as a precursor to more significant changes in the funding regime which will take place over the next few years.

Research funding increased by £0.2m (0.2%). Release of deferred capital grants was £1.7m higher reflecting the completion of a number of building refurbishment programmes started in the previous year.

Tuition fees increased by £19.5m (8.6%). It was another good year for student recruitment with 34,911 full time students, an increase of 1% on the prior year. Full-time international student fee income grew strongly to £107.8m (up by 15.5%).

Research grants and contracts increased slightly by 0.8% to £196.2m. The level of funding from the UK Research Councils was largely unchanged but there were significant increases in income of £5.1m (11.6%) from UK-based charities and £2.9m (14.3%) from overseas sources, reflecting the University's efforts to diversify its research activities. The reduction in funding from central government, hospitals and health authorities of £6.9m (17.4%) related largely to a single research programme whose management moved to an NHS hospital trust.

Other income of £147.0m increased by £1.9m (1.3%). Within academic departments, income increased by £4.3m (13.6%) mainly due to a significant increase in funding received for student scholarships. Releases of deferred capital grants reduced by £3.7m as the prior year had included an accelerated release of a grant.

Endowment and investment income of £14.8m was £3.5m higher than in the prior year. This is mainly due to a net return on pension schemes of £2.5m, compared with a cost (within finance costs) of £1.3m in the prior year. Donation income was £0.8m lower as some projects with multiple funding streams were able to reduce their expenditure against donations. Higher income was received on cash deposits (up £1.7m) reflecting higher average cash balances in the year and improved returns through the use of longer term deposits.

Expenditure

Total expenditure decreased by £10.0m (1.3%). Underlying staff costs (excluding the costs of voluntary severance) were down by £17.6m (4.1%), reflecting savings achieved through the voluntary severance programmes. There was a voluntary severance charge of £12.2m in the year compared with £9.2m in the previous year. The staff cost ratio to income continued to reduce to 50.5% (excluding voluntary severance costs) compared with 54.0% in 2009-10 reflecting active vacancy management measures and the effect of the voluntary severance schemes.

Other operating expenses increased by £3.2m (1.2%) including an increase in consumables and laboratory expenditure of £7.4m and additional estate and maintenance costs of

£3.4m. Most other categories of expenditure reduced including utilities (£3.3m), equipment purchases and maintenance (£2.0m) and professional and other fees (£2.4m).

Depreciation increased from the prior year by £3.0m to £43.8m including the write-off of disused temporary buildings.

Interest and other finance costs were £1.7m lower at £10.3m.

Balance Sheet Review

The University closed the year ended 31 July 2011 with net assets of £731.7m, an increase of £54.5m (8.1%) after taking account of a pension deficit of £87.0m which increased by a net £11.7m in the year, an increase of £23.1m on the University of Manchester Superannuation Scheme ("UMSS") partially offset by a reduction of £11.4m on the GMPF and Manchester Innovation Limited Group Pension Scheme ("MILGPS"). The year end cash position improved by £4.1m, with closing cash and short term investments of £191.0m.

Fixed Assets

Tangible asset additions of £62.1m included £8.7m on equipment, £53.2m on buildings, including capital maintenance works of £11.2m in the year, and £0.2m of heritage assets. Work continued on the new Alan Gilbert Learning Commons facility due for completion in 2012.

Fixed Asset Investments

Fixed asset investments increased by £31.5m including an additional £30.0m cash invested longer term to generate better returns.

Endowment Assets

Overall endowment assets have increased by £14.3m (9.9%). This included appreciation in the value of the portfolio of £12.7m (compared to appreciation of £13.6m in 2009-10) together with £1.6m of new funds. A recovery in world markets during the year led to the increase in the value of endowments held, however since the year end stock markets have deteriorated and the value of endowment assets has depreciated by £16.2m (as at 30 September 2011).

Net Current Assets

Net current assets have decreased by £8.8m, due to an increase in creditors only partly offset by an increase in debtors.



Debtors have increased by £4.0m: trade debtors were up £4.7m, prepayments and accrued income were up £3.2m due to an increase in payments in advance for capital projects and there was a current asset held for sale at year end of £2.5m (2010: £nil) relating to a property on which contracts have been exchanged post year end. This is offset by a £6.3m decrease in accrued income from research grants and contracts due to changes in the profile of funding received.

Creditors falling due within one year have increased by £16.9m: trade creditors were up £8.5m partly due to ongoing capital projects, deferred research income up £10.6m due to a change in the profile of funding with more being received in advance, other loans up £1.0m, social security and taxation up £0.9m and accruals and deferred income up £2.4m. This is offset by a reduction in other creditors of £6.5m mainly due to faster payments to third parties where the University is acting as lead co-ordinator on a research grant.

Short-term investments

The increase in short-term investments of £3.7m reflects good cash generation in the period. The closing liquidity position of £191.0m was sufficient to cover 98 days expenditure (2009-10: 94 days).

Net Cash

Cash reserves have increased by £4.1m (including short-term deposits).

Risks and Uncertainties

The FRS17 pension deficit increased in the year to £87.0m reflecting a reduction in GMPF relating to benefit changes which was more than offset by an increase in the UMSS deficit. The UMSS concluded its triennial actuarial valuation during the year and agreement was reached with the trustees to address the past service deficit. Consultation has commenced on changes to

future benefits for the scheme which will align benefits with the University Superannuation Scheme ("USS") changes already implemented. It is proposed to implement agreed changes from the start of the 2012-13 tax year. The numbers in these statements are based on current benefit levels; the proposed changes would lead to a reduction in future liabilities and a potential benefit in next year's accounts.

The trustees of the USS have recently implemented amendments to the benefits and contributions for members. There are some significant changes including the indexing of benefits using CPI rather than RPI which will reduce future liabilities. However, defined benefit pension schemes remain a major risk for the University which monitors these schemes regularly and ensures financial plans make full provision for these liabilities.

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

Endowment investment performance has improved during the year but remains volatile as financial markets are still uncertain and the pace and sustainability of world economic recovery is variable. This area remains a risk and we engaged Aon Hewitt to conduct a review of our investment strategy during the year.

The biggest challenge to the University and the Higher Education sector generally comes from the planned changes in funding arrangements within the sector. The University will see a substantial 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, will be significantly reduced. It is imperative that the University maintains a strong financial performance whilst these changes take place as there is also considerable uncertainty

concerning the effect of funding changes on demand for places and permitted recruitment levels, 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 liquid balances of £191.0m. The budget for 2011-12 continues to generate a surplus, and forward cash forecasts demonstrate adequate available financial resources. All of the University's external funding is long-term in nature with 96.1% repayable beyond a year and 77.2% repayable beyond 5 years. On this basis, the Board of Governors are assured that the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements.

Conclusion

The University achieved a good financial performance in 2010-11 but faces significant challenges in the coming years. At the same time as the funding arrangements for the Higher Education sector are changing, the University must increase its long term maintenance expenditure to maintain and enhance the estate as well as continuing to invest in the student experience, excellence in research and higher learning.

Stephen Mole
Director of Finance

PUBLIC BENEFIT STATEMENT

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 ITS 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 CHARITY COMMISSION'S PUBLIC BENEFIT GUIDANCE.

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."

History

The University of Manchester was established through the joining of The Victoria University of Manchester and UMIST, both distinguished universities which had worked together for over 100 years, before coming together on 22 October 2004. Manchester has a long tradition of excellence in Higher Education. UMIST had its origins in 1824 through the formation of the Manchester Mechanics' Institute, whilst The Victoria University of Manchester was founded as Owens College in 1851.

The University's history is closely linked to Manchester's emergence as the world's first industrial city. Manchester businessmen and industrialists established the Mechanics' Institute to ensure their workers could learn the basic principles of science. Similarly, John Owens, a Manchester textile merchant, bequeathed £96,942 in 1846 for the purpose of founding a college for the education of males on non-sectarian lines. Owens College was established and granted a Royal Charter in 1880 to become England's first civic university, The Victoria University of Manchester.

Strategic Ambition

The document 'Advancing the Manchester 2015 Agenda', the Strategic Plan of The University of Manchester (www.manchester.ac.uk/aboutus/facts/vision/2015document), sets out our mission to make the University one of the top 25 universities in the world by 2015 and to remain thereafter a world-leader in the quality of the higher education we offer, the excellence and impact of the research we undertake and the value of the contributions we make to the economic, social and cultural life and environmental sustainability of wider society.

Higher Learning

A specific goal of the strategic plan is to provide superb higher education to outstanding students from all backgrounds and to produce graduates distinguished around the world for their professional employability, leadership qualities and broad liberal education.

The University is committed to providing all of its students with a world-class learning experience. The approach to education is designed to ensure that all Manchester graduates leave the University with advanced critical thinking, conceptual reasoning and analytical skills, mastery of a discipline, broad intellectual and cultural interests, advanced skills of written and verbal communication and a personal commitment to equality and diversity. In this way, the University is developing generations of students to become internationally mobile professionals who can serve as informed, thoughtful, globally responsible citizens making a social and economic contribution to society.

The University is an open and accessible institution that pro-actively seeks out talented people capable of benefiting from higher education. Admissions processes are designed to identify exceptional national and international students, irrespective of background or financial situation.

Home and EU full time undergraduate students are able to defer the payment of tuition fees until after they start employment, when the fee and any maintenance loans are repaid gradually through the tax system. Some students may also be eligible to receive non-repayable grants from the government.

We know that many prospective students are deterred from seeking access to a university because of fear of student debt, or because of the opportunity costs of remaining out of the full-time workforce during their student years. The University has therefore invested a significant amount into merit-based and needs-focused bursary and scholarship programmes, with expenditure of £11.5m in 2010-11.

The University also offers Accommodation Awards, whereby the Trustees of a University Hall of Residence, Hulme Hall, kindly meet the full accommodation costs (£5,000) for one year of 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 such as: The Manchester Access Programme; The School of Social Sciences, Pre University Economics Course; or Our Gateways Plus mentoring programme. Without this support such students 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. To date, 85 students have received support to undertake Masters degrees (full-time or online) and more than 250 students have received awards to study in their home country on a University-validated programme. Scholarships also exist for students with asylum status, to enable these students to pay the equivalent of home rather than overseas tuition fees.

Students are provided with excellent facilities and support services, including well resourced libraries, recreational and sporting facilities, community volunteering programmes, careers and financial advice, counselling and healthcare services and disability support. 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 also committed to providing its students with the opportunity to develop key employability skills by taking part, for example, in the Manchester Leadership Programme, which comprises two elements; a credit-rated Leadership in Action unit that enables students to explore the key leadership challenges facing



21st Century society, and an opportunity to contribute to the development of more sustainable communities through completing verified volunteering work. Since its inception in 2005, over 3,500 students have joined the programme, completing over 135,000 hours of volunteering and providing the equivalent of £650,000 of financial benefit to the community.

Research

Another specific goal of the “Manchester 2015 Agenda” is to make the University one of the 25 strongest research universities in the world by appointing and retaining world-leading researchers, producing research outcomes of the highest international significance and giving postgraduate research training, applied and translational research and knowledge transfer activities parity of esteem with fundamental and curiosity-driven research.

Although we value knowledge creation for its own sake, the benefits of our research to the local, national and international community are numerous. Local people benefit directly from the expertise of University-trained medical professionals working in health trusts, while on an international scale, our pioneering research around pressing issues, such as climate change and sustainable energy, global poverty and economics, and biomedical research, is helping to make a real difference to society.

The Sustainable Consumption Institute was established against the background of the global threat from climate change and is researching major national and international issues associated with sustainability and encouraging consumers to adopt more sustainable lifestyles.

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 various 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. The Manchester Beacon for Public Engagement is a partnership between the universities of Salford, Manchester and Manchester Metropolitan University, the Museum of Science and Industry and Manchester Knowledge Capital. One of its principal aims is to create a culture where public engagement is encouraged, valued and supported.

The encouragement of enterprise is a critical part of the University's culture and the commercialisation and exploitation of our intellectual property is a fundamental part of our activity. In the last six years alone we have created 20 new spin-out companies, created hundreds of jobs, and raised nearly £200million in capital for spin-out companies associated with the University.

Social Responsibility

The final specific goal of the strategic plan is to make the University a force for good, locally, nationally and internationally, by bringing knowledge to bear on the great issues facing the world in the 21st century, and by producing graduates prepared to exercise social leadership and environmental responsibility.

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, the University provides

hands-on roadshow activities at school sites, runs higher education awareness days on campus and runs a primary placement scheme where undergraduate students are placed in local primary schools as classroom assistants. The University of Manchester Gateways Programme also provides a series of academic enrichment and higher education awareness activities, as well as information, advice and guidance on course choices and careers, to local secondary school pupils from lower socio-economic groups.

Our flagship initiative, the Manchester Access Programme, supports outstanding Year 12 and 13 students from under-represented groups in Greater Manchester to successfully progress into the University of Manchester and other research-intensive Universities. Of the 753 students who had completed the programme in the four years to 2010, 587 applied to the University of Manchester and 483 were accepted onto a course. Students who complete the programme and register as a student, receive the Opportunity Manchester Scholarship, a £1,750 annual award. These awards are generously supported by the University's Alumni Fund.

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. In 2010-11 the Manchester Museum and the Whitworth Art Gallery had over 34,000 structured contacts with school children and delivered various outreach programmes.

The University seeks to embed the concept of sustainable development in all aspects of its education, research and engagement with the wider economy and society and, wherever possible, will seek to influence local, national and international debate and policies on sustainable development. There is a target to reduce the University's absolute carbon footprint by at least 40% by 2020.

CORPORATE GOVERNANCE STATEMENT

THE UNIVERSITY OF MANCHESTER IS A CHARTERED 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, 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 in so doing the requirements of its funding bodies and the Governance Code of Practice published by the Committee of University Chairman (CUC). The University's corporate governance arrangements have been established in such a way as to meet these responsibilities and continue to comply with relevant provisions in the First (1995) and Second (1996) 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 the 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, with the Chair of the Board of Governors (Mr Anil Ruia, OBE) being appointed from within this 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 (Mrs Gillian Easson). The current members of the Board of Governors are listed on the inside front cover.

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 including, ex officio, those having academic management responsibilities centrally and in the Faculties, members (professorial and non-professorial) elected by the Faculties, and student representatives.

The Board of Governors has an **Audit Committee**, a **Finance Committee**, a **Remuneration Committee**, a **Staffing Committee** and a **Nominations Committee**, which report directly to it, and 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, and in line with the most recent advice and guidance produced by the Turnbull Committee (that is, 'Turnbull 2'), 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. In accordance with 'Turnbull 2', 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. For the Audit Committee, the ordering of responsibilities has been revised to give the management of risk and the risk management framework, and the scrutiny of external and internal audit work, a greater emphasis. As a result of this revision, we have disbanded the Risk Committee in the year.

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, 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 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 performance evaluation and accountability cycle, annual revisions of the University's Strategic Plan and an annual University Budget.

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 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 annually, with its business between Annual 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.

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), **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 the Secretary to the Board of Governors and responsible for providing secretarial services for the General Assembly and Senate.

The University maintains a Register of Interests of members of the Board of Governors, which may be consulted by arrangement with the Registrar, Secretary and COO. 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 which both supports the achievement by the University of its aims and objectives and safeguards public and other funds and assets for which it 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 the 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 internal control framework on the steps being taken to manage risks across the University. The Audit Committee also receives regular reports from the Head of the Internal Audit Service, 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 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.

CORPORATE GOVERNANCE STATEMENT

continued

Board of Governors			
Risk Strategy	Associate Vice-President (Compliance, Risk and Research Integrity) Head of Compliance and Risk	Principal Budget Holders	Audit Committee, PRC and ad-hoc due diligence groups
Risk Registers			
Programme and Project Risk Review		Heads of Administrative Offices and Directorates	Internal Audit Reports and Opinion
University Emergency Incident Management Plan			
Health and Safety Governance (including policies, procedures and guidance)			
Annual Compliance Exercise		Heads of School	Risk and Emergency Management Group
Framework		Risk Owners	Assurance

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

Risk Management

The system that has been adopted by the Board is designed to manage risk and to provide reasonable, but not absolute, assurance of effectiveness. The Board recognises that some risks will always exist. The knowledge that such risks exist is itself a key element in the risk management process of the University. In addition, in order to exercise the responsibility associated with risk awareness/management, the necessary support, assistance and commitment of management has to be provided to all levels in the University. This commitment is critical in that all staff need both to be aware of the nature of the risks associated within their area of authority and to accept responsibility for their identification and their control.

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 strategy, risk registers (at School, Faculty 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 Plan 'Advancing the Manchester 2015 Agenda', are eliminated or reduced 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.

A comprehensive Risk Management framework 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 of the Board 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 Head 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 who both report regularly to the Board of Governors). 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.

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 Training and Development Agency for Schools 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 maintenance and integrity of the University of Manchester website is the responsibility of the Board of Governors; 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.

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

Mr 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 2011 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 net cash flow to increase/(decrease) in net funds/(debt) and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the Board of Governors of the University, as a 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 Board of Governors and auditor

As explained more fully in the Governing Body's Responsibilities Statement, 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 and the group'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 2011 and of its 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 Training and Development Agency for Schools 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 2011 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2011 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 Training and Development Agency for Schools 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.



Christopher Powell
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
Manchester, England

28 November 2011

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2011

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.

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 risk and liquidity risk.

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

Modified historical cost basis

The Financial Statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets and investments.

Basis of consolidation

The consolidated financial statements include the financial statements of the University and subsidiary undertakings for the financial year to 31 July, as disclosed in note 12. 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. 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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

continued

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.

Investments

(a) Fixed asset investments

Listed investments and properties held as fixed asset investments are stated at market value. 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 market value.

Investment properties are revalued annually to open market value. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the income and expenditure account. Depreciation is not provided in respect of freehold investment properties, or in respect of leasehold investment properties where the

unexpired term of the lease is more than 20 years. The Board of Governors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 Accounting for investment properties. The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified due to insufficient information on original cost.

Appreciation/depreciation in the market value of investments within fixed assets is added to or subtracted from the revaluation reserve, via the statement of total recognised gains and losses. A diminution in value is charged to the income and expenditure account, to the extent that it is not covered by a previous revaluation surplus. On the disposal of fixed asset investments, any accumulated surplus brought forward is transferred from the revaluation reserve to the income and expenditure account as a reserve movement.

Certain fixed asset investments are held within investment portfolios managed by independent fund managers. The portfolios are revalued at the balance sheet date through the revaluation reserve. Transactions within the portfolios are not accounted for separately. Realised gains and losses are recognised only on withdrawal of funds from the portfolios.

(b) Subsidiary and associated undertakings

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

(c) Current asset investments

Current asset investments are carried at the lower of cost and net realisable value.

(d) Endowment assets

Endowment asset investments are carried at market value. Appreciation/depreciation in the market value of endowment assets and any gain or loss on disposal is added to or subtracted from the endowment funds concerned and is not brought into the income and expenditure account, but reported through the statement of total recognised gains and losses.

Certain 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 endowment funds on withdrawal of funds from the portfolios.

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 runs a closed scheme, the Manchester Innovation Limited Group Pension Scheme ('MILGPS'). All five 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 five 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 2 of the Charities Act 1993 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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.

Financial instruments

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.

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 37 'Amounts disbursed as agent' and include Access Funds and Training Bursaries.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Income			
Funding body grants	1	203,221	209,018
Tuition fees and education contracts	2	247,275	227,749
Research grants and contracts	3	196,242	194,603
Other income	4	147,004	145,147
Endowment and investment income	5	14,842	11,380
Total income		808,584	787,897
Expenditure			
Staff costs	6	420,232	434,826
Other operating expenses	7(b)	280,107	276,906
Depreciation	11	43,842	40,827
Interest and other finance costs	8	10,326	11,989
Total expenditure		754,507	764,548
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation		54,077	23,349
Share of operating surpluses in associates	12(b)	77	11
Taxation	9	(110)	(100)
Surplus on continuing operations after depreciation of fixed assets at cost/valuation and taxation		54,044	23,260
Minority interest in subsidiary undertakings' results for the year	25	(64)	253
Surplus on continuing operations after depreciation of fixed assets at cost/valuation, taxation and minority interest		53,980	23,513
Surplus for the year transferred from/(to) accumulated income in endowment funds	22	845	(296)
Surplus for the year retained within general reserves	23	54,825	23,217
The surplus for the year retained within general reserves is attributable to the following:			
		2011 £000	2010 £000
University		56,653	21,943
Group undertakings		(1,828)	1,274
		54,825	23,217

STATEMENT OF CONSOLIDATED HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Surplus on continuing operations before taxation		54,090	23,613
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	24	26	229
Historical cost surplus for the year before taxation		54,116	23,842
Historical cost surplus for the year after taxation		54,006	23,742

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2011

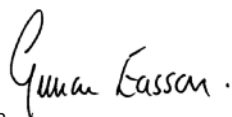
	Notes	2011 £000	2010 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, disposal of assets and taxation		54,825	23,217
Unrealised surplus/(deficit) on revaluation of investment properties	24	317	(663)
Unrealised surplus on revaluation of fixed asset investments	24	1,351	877
Net endowment (expenditure)/income retained in the year	22	(956)	282
New endowments and dividends reinvested	22	2,612	3,117
Net appreciation of endowment assets including reinvested profits on sales	22	12,680	13,642
Actuarial (loss)/gain recognised in respect of pension schemes	32(a)	(26,472)	10,413
Total recognised surplus relating to the year		44,357	50,885
Reconciliation			
Opening reserves and endowments		256,219	205,334
Total recognised gains for the year		44,357	50,885
Closing reserves and endowments		300,576	256,219

BALANCE SHEETS

as at 31 July 2011

	Notes	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
Fixed assets					
Goodwill	10	-	-	-	-
Tangible assets	11	687,813	671,963	654,273	637,385
Investments	12	122,149	90,666	123,041	92,305
Total fixed assets		809,962	762,629	777,314	729,690
Endowment assets	13	158,704	144,368	158,704	144,368
Current assets					
Stock		1,515	1,509	1,447	1,435
Debtors: amounts falling due within one year	14	92,183	88,156	93,319	87,627
Debtors: amounts falling due after more than one year	15	353	389	11,882	10,602
Investments	16	172,045	168,301	172,045	168,301
Cash at bank and in hand		18,989	18,639	3,984	5,738
Total current assets		285,085	276,994	282,677	273,703
Creditors: amounts falling due within one year	17	(246,832)	(229,967)	(235,767)	(219,617)
NET CURRENT ASSETS		38,253	47,027	46,910	54,086
TOTAL ASSETS LESS CURRENT LIABILITIES		1,006,919	954,024	982,928	928,144
Creditors: amounts falling due after more than one year	18	(182,809)	(190,119)	(181,103)	(188,413)
Provisions for liabilities	20	(5,461)	(11,446)	(4,681)	(10,776)
NET ASSETS EXCLUDING PENSION LIABILITIES		818,649	752,459	797,144	728,955
Net pension liabilities	32(a)	(86,991)	(75,337)	(86,991)	(75,337)
NET ASSETS INCLUDING PENSION LIABILITIES		731,658	677,122	710,153	653,618
Deferred capital grants	21	431,014	420,893	411,692	401,018
Endowment funds					
Expendable endowments	22	26,175	23,451	26,175	23,451
Permanent endowments	22	132,529	120,917	132,529	120,917
Total endowment funds		158,704	144,368	158,704	144,368
Reserves					
Income and expenditure account excluding pension reserve	23	211,875	171,842	214,020	172,159
Pension reserve	23	(86,991)	(75,337)	(86,991)	(75,337)
Income and expenditure account including pension reserve		124,884	96,505	127,029	96,822
Revaluation reserve	24	16,988	15,346	12,728	11,410
Total reserves		141,872	111,851	139,757	108,232
Minority interests	25	68	10	-	-
TOTAL FUNDS		731,658	677,122	710,153	653,618

The Financial Statements on pages 13 to 52 were approved by the Board of Governors of the University of Manchester on 23 November 2011 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 2011

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	26	66,411	61,435
Returns on investments and servicing of finance	27	1,896	699
Taxation	9	-	-
Capital expenditure and financial investment	28	(57,424)	(37,951)
Cash inflow before management of liquid resources		10,883	24,183
Management of liquid resources	29	(35,058)	7,844
Financing	30	(6,278)	(6,033)
(Decrease)/increase in cash in the year		(30,453)	25,994

RECONCILIATION OF CONSOLIDATED NET CASH FLOW TO INCREASE/(DECREASE) IN NET FUNDS/(DEBT)

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
(Decrease)/increase in cash in the year	31	(30,453)	25,994
Cash outflow/(inflow) from liquid resources	31	35,058	(7,844)
Change in debt resulting from cash flows	31	6,278	6,033
Reclassification of debt to long term creditors	31	-	704
Movement in net funds in year		10,883	24,887
Net funds/(debt) at beginning of year	31	5,650	(19,237)
Net funds at end of year	31	16,533	5,650

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	
		2011	2010
		£000	£000
		97,054	102,217
		83,161	83,000
		7,572	8,228
		2,700	2,883
		3,406	5,029
		7,738	6,072
		1,590	1,589
		203,221	209,018

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	
		2011	2010
		£000	£000
		84,226	80,265
		107,805	93,371
		21,432	19,250
		15,001	18,209
		17,914	15,635
		897	1,019
		247,275	227,749

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	
		2011	2010
		£000	£000
		76,140	75,574
		48,937	43,832
		32,628	39,494
		14,383	14,133
		23,386	20,469
		768	1,101
		196,242	194,603

Research grants and contracts income includes the release of deferred capital grants of £9.6m for the year ended 31 July 2011 (2010: £7.2m).

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	
		2011	2010
		£000	£000
		47,052	46,163
		2,962	2,634
		35,753	31,477
		2,101	2,529
		77	335
		4,877	2,384
		4,098	4,314
		23,505	28,167
		8,951	7,764
		1,162	917
		7,906	6,373
		1,897	1,770
		6,663	10,320
		147,004	145,147

5 Endowment and investment income

	Consolidated	
	2011 £000	2010 £000
Income from expendable endowments (note 22)	397	507
Income from permanent endowments (note 22)	2,704	3,102
Income from donations	4,463	5,274
Income from short term investments	3,713	1,997
Dividends from general fund investments	415	454
Surplus on disposal of fixed asset investments	170	-
Net return on pension schemes (note 32a)	2,450	-
Other interest receivable	530	46
	14,842	11,380

6 Staff costs

	Consolidated	
	2011 £000	2010 £000
Wages and salaries	325,039	332,153
Social security costs	27,229	28,434
Pension costs (note 32a)	55,776	65,010
Early retirement and voluntary severance scheme costs (note 20)	12,188	9,229
	420,232	434,826

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 £4.7m for the year ended 31 July 2011 (2010: £3.7m).

As set out in note 32, 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.

There are two early retirement and voluntary severance schemes included in the above figures. The first came into effect from 30 April 2010 and concluded 31 January 2011. The second came into effect from 1 May 2011 and remained open at 31 July 2011.

	Consolidated	
	2011 Numbers	2010 Numbers
Staff numbers		
Academic - teaching and research	1,824	1,872
Academic - teaching only	437	436
Research	1,725	1,748
Administrative and management	1,233	1,265
Clerical and secretarial	1,395	1,588
Academic support	1,466	1,331
Craft / manual	869	903
Other	-	253
Total number of staff	8,949	9,396

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

NOTES TO THE FINANCIAL STATEMENTS

continued

6 Staff costs (continued)

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

	Consolidated	
	2011	2010
	Number of Employees	Number of Employees
£100,001 - £110,000	32	17
£110,001 - £120,000	9	16
£120,001 - £130,000	9	7
£130,001 - £140,000	8	6
£140,001 - £150,000	1	1
£150,001 - £160,000	6	3
£160,001 - £170,000	2	7
£170,001 - £180,000	4	1
£180,001 - £190,000	1	1
£200,001 - £210,000	3	2
£280,001 - £290,000	2	1
	77	62

Emoluments of the President and Vice-Chancellor

	Consolidated	
	2011	2010
	£000	£000
Salary	245	279
Benefits in kind	3	14
	248	293
Pension contributions	39	39

The Chair of the Board of Governors and Pro-Chancellor has waived his right to fees in respect of the year.

Two Presidents served during the prior year ended 31 July 2010. The amount disclosed is the aggregate of their emoluments.

Termination payments totalling £0.1m were paid to individuals whose annual remuneration exceeded £100,000.

7(a) Analysis of expenditure by activity

	Consolidated					2010 £000
	Staff Costs £000	Other operating expenses £000	Depreciation £000	Interest payable £000	2011 £000	
Academic departments	236,512	87,626	4,897	-	329,035	328,474
Academic services	25,023	18,524	964	-	44,511	47,093
Research grants and contracts	84,802	57,671	9,169	-	151,642	149,591
Residences, catering and conferences	11,183	22,942	37	2,168	36,330	37,508
Premises	21,216	36,438	27,562	8,046	93,262	92,879
Administration and central services	4,586	9,176	25	-	13,787	30,055
Staff and student facilities	9,778	7,168	-	-	16,946	17,761
General educational expenditure	4,389	22,646	3	-	27,038	24,545
Other services rendered	3,017	4,057	4	-	7,078	8,338
Early retirement and voluntary severance scheme costs	12,188	-	-	-	12,188	9,229
Total University	412,694	266,248	42,661	10,214	731,817	745,473
Subsidiary undertakings	7,538	13,859	1,181	112	22,690	19,075
Total	420,232	280,107	43,842	10,326	754,507	764,548

7(b) Analysis of other operating expenses

	Consolidated	
	2011 £000	2010 £000
Equipment purchases and maintenance	29,411	31,407
Estate repairs and maintenance	24,689	21,315
Consumables and laboratory expenditure	31,600	24,152
Catering supplies	4,754	5,349
Library and publications	8,147	8,162
Professional and other fees	40,295	42,734
Travel and subsistence	15,006	14,948
Printing, stationery and office expenses	12,304	12,336
Fellowships, scholarships and prizes	55,522	55,589
Recruitment, training and welfare	4,359	3,666
Heat, light, water and power	14,567	17,884
Rent, rates and insurance	13,852	14,337
Grants to student union	1,413	1,413
External auditor's remuneration in respect of audit services	228	367
External auditor's remuneration in respect of non audit services	471	490
Other expenditure	9,675	11,859
Subsidiary undertakings other operating expenditure	13,814	10,898
	280,107	276,906

The analysis of auditor's remuneration is as follows:

Fees payable to the University's auditor for the audit of the University's annual accounts

Fees payable to the University's auditor and its associates for other services to the Group

The audit of the University's subsidiaries pursuant to legislation

Total audit fees

Other services pursuant to legislation

Tax services

Consultancy services

Total non-audit fees

	2011 £000	2010 £000
	195	317
	33	50
Total audit fees	228	367
	19	-
	246	210
	206	280
Total non-audit fees	471	490

There are also £633k (2010: £343k) of fees payable to the University's auditor included within the tangible fixed asset additions, for property consultancy services received. The disclosures above are for the Group. The University is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the University because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE FINANCIAL STATEMENTS

continued

8 Interest and other finance costs

	Consolidated	
	2011	2010
	£000	£000
Bank and other loans wholly repayable within five years	40	10
Bank and other loans not wholly or partly repayable within five years	10,174	10,518
Other interest payable	112	153
Pension finance cost (note 32a)	-	1,308
	10,326	11,989

9 Taxation

	Consolidated	
	2011	2010
	£000	£000
Current Tax		
UK corporation tax of 27.33% (2010: 28%) on surplus for the year	-	-
Deferred tax		
Origination and reversal of timing differences	110	100
Total tax charge	110	100
Tax paid in year	-	-

10 Goodwill

	Consolidated
	£000
Cost	
At 1 August 2010 and at 31 July 2011	94
Amortisation	
At 1 August 2010 and at 31 July 2011	94
Net book value	
At 1 August 2010 and at 31 July 2011	-

There are no other intangible assets within the University.

11 Tangible fixed assets

(a) Consolidated	Freehold land and buildings £000	Lease premium £000	Assets under construction £000	Fixtures, fittings, tools and equipment £000	Heritage assets £000	2011 Total £000
Cost/valuation						
At 1 August 2010	749,844	-	17,428	196,977	1,463	965,712
Additions at cost	8,863	-	44,381	8,653	214	62,111
Transfers between categories	10,564	-	(12,259)	1,695	-	-
Disposals	(5,614)	-	-	(8,434)	-	(14,048)
At 31 July 2011	763,657	-	49,550	198,891	1,677	1,013,775
Depreciation						
At 1 August 2010	145,062	-	-	148,687	-	293,749
Charge for the year	22,860	-	-	20,982	-	43,842
Disposals	(3,748)	-	-	(7,881)	-	(11,629)
At 31 July 2011	164,174	-	-	161,788	-	325,962
Net book value						
At 31 July 2011	599,483	-	49,550	37,103	1,677	687,813
At 1 August 2010	604,782	-	17,428	48,290	1,463	671,963

(b) University	Freehold land and buildings £000	Lease premium £000	Assets under construction £000	Fixtures, fittings, tools and equipment £000	Heritage assets £000	2011 Total £000
Cost/valuation						
At 1 August 2010	706,379	5,400	18,158	193,983	1,463	925,383
Additions at cost	8,863	-	44,381	7,991	214	61,449
Transfers between categories	10,564	-	(12,259)	1,695	-	-
Disposals	(5,614)	-	-	(7,684)	-	(13,298)
At 31 July 2011	720,192	5,400	50,280	195,985	1,677	973,534
Depreciation						
At 1 August 2010	139,874	888	-	147,236	-	287,998
Charge for the year	22,091	74	-	20,496	-	42,661
Disposals	(3,748)	-	-	(7,650)	-	(11,398)
At 31 July 2011	158,217	962	-	160,082	-	319,261
Net book value						
At 31 July 2011	561,975	4,438	50,280	35,903	1,677	654,273
At 1 August 2010	566,505	4,512	18,158	46,747	1,463	637,385

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 £13.3m, with accumulated depreciation of £7.0m (2010: £6.7m). These buildings have a net book value of £6.3m at 31 July 2011. The historical cost of these buildings is £11.8m and accumulated depreciation is £6.4m, giving a net book value on a historical cost basis of £5.5m (2010: £5.6m).

Land and buildings with a net book value of £10.1m (2010: £16.0m) are the subject of security granted in respect of certain bank loans as disclosed in note 19 to the financial statements.

At 31 July 2011, freehold land and buildings included £4.5m (2010: £4.5m) in respect of freehold land which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

continued

11 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 www.manchester.ac.uk/aboutus/structure/culturalassets.

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 three years are as follows:

	2011 £000	2010 £000	2009 £000	2008 £000
Cost or valuation at 1 August	1,463	809	409	-
Acquisitions purchased with donations	214	29	-	409
Value of acquisitions by donation	-	625	400	-
Total acquisitions capitalised	214	654	400	409
Cost or valuation at 31 July	1,677	1,463	809	409

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 £1,324m (2010: £1,316m).

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.

12 Investments within fixed assets

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Movement in the year				
Balance at 1 August	90,666	33,159	92,305	36,771
Additions	31,645	57,553	30,403	56,372
Disposals and investments written off	(500)	(76)	(1,055)	(442)
Amounts provided on unquoted shares during the year	(1,217)	(184)	(398)	(1,582)
Release of provisions on investments written off	500	-	1,055	-
Transfer investment properties to current assets	(613)	-	(613)	-
Revaluation/(devaluation) of investment properties	317	(663)	317	(663)
Net appreciation of other investments within fixed assets including reinvested profits on sales	1,351	877	1,027	1,849
Balance at 31 July	122,149	90,666	123,041	92,305
Analysis of closing balance				
Other fixed interest securities	1,864	1,731	1,864	1,731
UK industrial and commercial securities	7,153	6,185	7,153	6,185
Overseas industrial and commercial securities	5,155	4,216	5,155	4,216
Property funds	1,396	1,274	1,396	1,274
Investment properties	10,386	10,682	10,386	10,682
Cash instruments	1,969	2,837	1,969	2,837
Cash held with investment managers	54	163	54	163
Long-term cash deposits	85,000	55,000	85,000	55,000
Bank and building society deposits	-	158	-	158
Interests in subsidiary undertakings (note 12a)	-	-	6,170	6,165
Interests in associated undertakings (note 12b)	6,784	6,383	70	70
Loan to Sugden Sports Trust	-	-	3,705	3,705
Other investments	2,388	2,037	119	119
Total investments within fixed assets	122,149	90,666	123,041	92,305
Investments at cost	105,191	74,659	114,522	85,174

The investment properties totalling £10.4m (2010: £10.7m) were revalued on an open market basis as at 31 July 2008 by an external valuer, GVA Grimley Ltd which is registered with the Royal Institution of Chartered Surveyors. The valuation was performed in accordance with the RICS Valuation Standards (6th Edition). The valuation has been updated to 31 July 2011 by senior management at The University of Manchester and the value was revised upwards to £11.0m as a consequence. Part of a property valued at £0.6m was then transferred to current assets held for sale before year end, resulting in the current valuation of investment properties of £10.4m.

NOTES TO THE FINANCIAL STATEMENTS

continued

12 Investments within fixed assets (continued)

(a) Investments in subsidiary undertakings

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

	Group Holding	University		Description
		2011	2010	
Directly owned	%	£	£	
Manchester Innovation Holdings Limited	100	4,143,092	4,143,092	Holding company
Manchester Innovation Limited	100	-	-	- Construction of a biotech incubator building
Manchester Technology Developments Limited	100	-	-	- Dissolved 23 August 2011
Control Technology Centre Limited	100	-	-	- Dissolved 7 December 2010
The University of Manchester Innovation Centre Limited (formerly Manchester Incubator Company Limited)	100	-	-	- Owns and operates a biotech incubator building
UMIST Ventures Limited	100	1,836,153	1,836,153	Holding company
UVL Investments Limited	100	-	-	- Holding of investments in spin off companies
Fusion (LP One) Limited	100	-	-	- Not trading
Fusion (LP Two) Limited	100	-	-	- Not trading
Fusion (LP Three) Limited	100	-	-	- Not trading
Fusion (LP Four) Limited	100	-	-	- Not trading
UVL Management Services Limited	100	-	-	- Dissolved 1 June 2010
The University of Manchester Venture Fund Management Limited	100	-	-	- Dissolved 15 June 2010
UMIST Ventures Fund (General Partner) Limited	100	-	-	- Dissolved 15 June 2010
UMIST Ventures Fund (Carried Interest Partner) Limited	100	-	-	- Dissolved 15 June 2010
Manchester Informatics Limited	100	100	100	Ceased trading 31 December 2010
Visual Automation Limited	100	2	2	Provision of consultancy services
Manchester Technology Fund Limited	100	-	-	- Dissolved 23 August 2011
The University of Manchester I3 Limited (formerly The University of Manchester Intellectual Property 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
The University of Manchester Incubator Company Limited	100	1	1	Dissolved 23 August 2011
MBS Incubator Limited	56	-	-	- Dissolved 1 November 2011
MBSI Portfolio Limited	100	-	-	- Dissolved 8 November 2011
Dryden Street Nursery Limited (CLG)	50	-	-	- Management of Dryden Street Nursery
Dryden Street Partnership	100	-	-	- Dissolved 31 July 2010
Sugden Sports Trust	50	-	-	- Ownership of sports centre
UMIST Educational Trust	100	-	-	- Rental of buildings
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	-	-	- Dormant
The University of Manchester Ophthalmic Services Limited	100	100	100	Ceased trading 30 September 2011
UoM Singapore PTE Ltd	100	5,260	-	- Teaching of Nursing degrees in Singapore
The University of Manchester (CLG)	100	-	-	- Dormant
Owens College (CLG)	100	-	-	- Dormant
Owens College Manchester (CLG)	100	-	-	- Dormant
Manchester University (CLG)	100	-	-	- Dormant
UMIST (CLG)	100	-	-	- Dormant
		6,170,331	6,165,071	

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 and UMIST Educational Trust, which have a financial year end of 31 March.

12 Investments within fixed assets (continued)

(b) Investments in associated undertakings

Movement in the year	Consolidated	
	2011 £000	2010 £000
Balance at 1 August	6,383	7,344
Share of profits	77	11
Share of property revaluations/(devaluations)	324	(972)
Balance at 31 July	6,784	6,383

The University and Group had the following associated undertakings as at 31 July 2011:

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)	Nature of business
			2011 £000	2010 £000	
Manchester Science Park Limited Financial year end 31 December	£1 ordinary	28%	3,663	3,219	Ownership and management of buildings housing technology based businesses
One Central Park Limited Financial year end 31 July	£1 ordinary	20%	3,164	3,207	Ownership and management of buildings to operate education and incubation services
The Corridor, Manchester Financial year end 31 March	CLG	33%	(43)	(43)	To maximise the economic potential of the City South area of Manchester
			6,784	6,383	

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

NOTES TO THE FINANCIAL STATEMENTS

continued

13 Endowment assets

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Movement in the year				
Balance at 1 August	144,368	127,327	144,368	127,327
New endowments including unreleased income earned on capital	1,656	3,399	1,656	3,399
Net appreciation including reinvested profits on sales	12,680	13,642	12,680	13,642
Balance at 31 July	158,704	144,368	158,704	144,368
Analysis of closing balance				
Other fixed interest securities	15,984	16,037	15,984	16,037
UK industrial and commercial securities	61,558	55,832	61,558	55,832
Overseas industrial and commercial securities	44,276	39,170	44,276	39,170
Property	11,865	11,707	11,865	11,707
Hedge funds	140	134	140	134
Cash instruments	9,817	6,083	9,817	6,083
Cash held with investment managers	559	1,569	559	1,569
Bank and building society deposits and uninvested bank balances	14,505	13,836	14,505	13,836
Total endowment assets	158,704	144,368	158,704	144,368
Endowment assets at cost	110,207	108,551	110,207	108,551

14 Debtors: amounts falling due within one year

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade debtors	27,549	22,835	25,506	19,549
Accrued income on research grants and contracts	29,459	35,790	29,459	35,790
Prepayments and accrued income	32,631	29,462	32,697	30,512
Current assets held for sale	2,480	-	2,480	-
Amounts due from subsidiary companies	-	-	3,177	1,776
Amounts due from associate companies and spin outs	64	69	-	-
Balance at 31 July	92,183	88,156	93,319	87,627

Current assets held for sale represents the book value of a property which was previously held partly in Tangible fixed assets and partly in Fixed asset investments. The sale has been agreed and contracts exchanged soon after the year end.

15 Debtors: amounts falling due after more than one year

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Loans to University of Manchester Students' Union	67	41	67	41
Amounts due from subsidiary companies	-	-	11,815	10,561
Amounts due from associate companies and spin outs	286	348	-	-
Balance at 31 July	353	389	11,882	10,602

16 Investments within current assets

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank deposits repayable after due notice	155,495	120,437	155,495	120,437
Bank deposits repayable on demand	16,550	47,864	16,550	47,864
Balance at 31 July	172,045	168,301	172,045	168,301

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 FSA. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2011 the weighted average interest rate of these fixed rate deposits was 1.2% (2010: 0.85%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 76 days (2010: 76 days).

17 Creditors: amounts falling due within one year

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank loans (note 19)	6,310	6,278	6,310	6,278
Loans other than bank loans (note 19)	1,000	-	1,000	-
Trade creditors	26,337	17,831	24,906	16,713
Social security and other taxation payable	19,899	18,995	19,229	18,844
Amounts owed to group undertakings	-	-	84	274
Other creditors	21,038	27,568	20,538	27,336
Deferred income on research grants and contracts	69,509	58,935	69,509	58,753
Accruals and deferred income	102,739	100,360	94,191	91,419
Balance at 31 July	246,832	229,967	235,767	219,617

18 Creditors: amounts due after more than one year

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank loans (note 19)	70,990	77,300	70,990	77,300
Loans other than bank loans (note 19)	110,706	111,706	109,000	110,000
Other creditors due after more than one year:				
After five years	1,113	1,113	1,113	1,113
Balance at 31 July	182,809	190,119	181,103	188,413

19 Borrowings

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank and other loans				
Bank and other loans are repayable as follows:				
In one year or less	7,310	6,278	7,310	6,278
Between one and two years	10,580	6,310	10,580	6,310
Between two and five years	25,244	30,174	25,244	30,174
In five years or more	145,872	152,522	144,166	150,816
	189,006	195,284	187,300	193,578
Included within creditors: amounts falling due within one year	(7,310)	(6,278)	(7,310)	(6,278)
	181,696	189,006	179,990	187,300

Secured bank loans

Bank loans with an interest rate of 9.6%, repayable by instalments falling due between 2011 and 2021 totalling £21.1m (2010: £22.2m) are secured on various student residences.

Bank loans with an interest rate of 8.4%, repayable by instalments falling due between 2011 and 2017 totalling £1.1m (2010: £1.3m) are secured on Ronson Hall.

Bank loans with an interest rate of LIBOR plus spread, repayable by instalments falling due between 2011 and 2014 totalling £3.0m (2010: £3.9m) are secured by an all monies guarantee (see note 35).

Unsecured bank and other loans

Bank loans with an interest rate of 6.1%, repayable by instalments falling due between 2011 and 2026 totalling £16.2m (2010: £16.8m).

Bank loans with an interest rate of 5.2%, repayable by instalments falling due between 2011 and 2019 totalling £17.7m (2010: £19.8m).

Bank loans with an interest rate of 5.2%, repayable by instalments falling due between 2011 and 2022 totalling £18.1m (2010: £19.4m).

Other loans with an interest rate of 5.04%, repayable by one repayment falling due in 2046 totalling £100.0m (2010: £100.0m).

Other loans which are interest free and repayable by instalments falling due between 2012 and 2014 totalling £10.0m (2010: £10.0m).

Other loans with an interest rate of 6.5%, repayable by one repayment falling due in 2018 totalling £1.7m (2010: £1.7m).

NOTES TO THE FINANCIAL STATEMENTS

continued

20 Provisions for liabilities

(a) Consolidated

	Early retirement / voluntary severance £000	Dilapidation provision £000	Deferred tax £000	2011 Total £000
Balance at beginning of year	9,229	1,547	670	11,446
Utilised during the year	(16,736)	(300)	-	(17,036)
Charged/(credited) to income and expenditure account	12,188	(1,247)	110	11,051
Balance at 31 July	4,681	-	780	5,461

Deferred tax

The elements of deferred tax are as follows:

	2011 £000	2010 £000
Difference between accumulated depreciation and capital allowances	804	729
Other timing differences	(24)	(59)
Balance at 31 July	780	670

(b) University

	Early retirement / voluntary severance £000	Dilapidation provision £000	2011 Total £000
Balance at beginning of year	9,229	1,547	10,776
Utilised during the year	(16,736)	(300)	(17,036)
Charged/(credited) to income and expenditure account	12,188	(1,247)	10,941
Balance at 31 July	4,681	-	4,681

Early retirement and voluntary severance scheme

The early retirement and voluntary severance scheme provision is in respect of future committed payments due to employees at the balance sheet date. The provision is expected to be settled within the next six months dependent upon the agreed departure date of the relevant employees. As the amount of the provision for each employee is already determined at the time of agreeing to the commitment, the amount of the final settlement is anticipated to be in line with the year end provision.

Dilapidation provision

This provision was in respect of costs associated with rectification work for a leased building. The provision has been settled in the year at £300k with the remaining provision being released.

21 Deferred capital grants

	Funding Council £000	Other grants £000	2011 Total £000
(a) Consolidated			
Balance at 1 August 2010			
Buildings	261,892	134,199	396,091
Equipment	4,760	18,701	23,461
Donated assets	-	1,341	1,341
Total	266,652	154,241	420,893
Grants received/receivable			
Buildings	20,267	5,826	26,093
Equipment	-	9,550	9,550
Donated assets	-	-	-
Total received	20,267	15,376	35,643
Released to income and expenditure			
Buildings	7,738	5,215	12,953
Equipment	1,590	10,852	12,442
Donated assets	-	127	127
Total released	9,328	16,194	25,522
Balance at 31 July 2011			
Buildings	274,421	134,810	409,231
Equipment	3,170	17,399	20,569
Donated assets	-	1,214	1,214
Total	277,591	153,423	431,014
(b) University			
Balance at 1 August 2010			
Buildings	261,892	114,324	376,216
Equipment	4,760	18,701	23,461
Donated assets	-	1,341	1,341
Total	266,652	134,366	401,018
Grants received/receivable			
Buildings	20,267	5,826	26,093
Equipment	-	9,550	9,550
Donated assets	-	-	-
Total received	20,267	15,376	35,643
Released to income and expenditure			
Buildings	7,738	4,662	12,400
Equipment	1,590	10,852	12,442
Donated assets	-	127	127
Total released	9,328	15,641	24,969
Balance at 31 July 2011			
Buildings	274,421	115,488	389,909
Equipment	3,170	17,399	20,569
Donated assets	-	1,214	1,214
Total	277,591	134,101	411,692

NOTES TO THE FINANCIAL STATEMENTS

continued

22 Endowments

Consolidated and University	Unrestricted permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2011 Total £000	2010 Total £000
Balance at 1 August						
Capital	14,469	94,354	108,823	21,259	130,082	113,558
Accumulated income	-	12,094	12,094	2,192	14,286	13,769
	14,469	106,448	120,917	23,451	144,368	127,327
New endowments	-	1,946	1,946	684	2,630	2,592
Reclassification of endowment funds	-	(507)	(507)	507	-	-
Dividends reinvested	12	77	89	17	106	290
Appreciation of endowment assets	1,443	9,111	10,554	2,126	12,680	13,642
University of Manchester (withdrawal)/contribution	-	(105)	(105)	(19)	(124)	235
Purchase of tangible assets from endowment funds	-	(110)	(110)	(1)	(111)	(14)
Investment income	361	2,343	2,704	397	3,101	3,609
Expenditure for year	(361)	(2,598)	(2,959)	(987)	(3,946)	(3,313)
Balance at 31 July	15,924	116,605	132,529	26,175	158,704	144,368
Representing:						
Capital	15,924	104,981	120,905	24,593	145,498	130,082
Accumulated income	-	11,624	11,624	1,582	13,206	14,286
Total	15,924	116,605	132,529	26,175	158,704	144,368

There are no restricted permanent endowments which have a deficit on their accumulated income balances.

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 2011 £000	Opening accumulated income £000	Investment income £000	Expenditure £000	Closing accumulated income £000	Date received
Hallsworth Fund*	19,456	502	442	(529)	415	1944
Simon Fund*	10,797	388	245	(417)	216	1943
Oncology department fund*	9,564	222	217	(263)	176	1975
Student Services Centre - prize and scholarship fund*	5,216	222	118	-	340	2001
John Rylands general library fund*	5,174	823	117	(198)	742	1972
John Rylands research institute fund*	4,765	955	108	-	1,063	1972
National fund for research into crippling diseases	4,026	29	91	(113)	7	1974
Dr Mont Follick professorship in phonetics	2,870	180	65	(152)	93	1962
BNFL permanent endowment	2,745	116	62	(157)	21	2008
BNFL expendable endowment	2,745	91	62	(60)	93	2008
Simon Fund (special) 1960	2,471	-	56	(56)	-	1960
Frederick Craven Moore Fund	2,399	243	54	(50)	247	1975
Hulme Trust	2,156	-	39	(39)	-	1881
Davies Chair in Entrepreneurship	1,737	66	44	(15)	95	2008
	76,121	3,837	1,720	(2,049)	3,508	
Significant funds and charities with income above £100,000. See asterixed funds above	54,972	3,112	1,247	(1,407)	2,952	
Funds and charities with income below £100,000						
Fellowships and scholarships (152 funds)	16,712	2,886	378	(292)	2,972	
Prize funds (201 funds)	4,405	952	70	(163)	859	
Chairs and lectureships (74 funds)	27,165	2,029	612	(851)	1,790	
Other (441 funds)	42,244	5,307	794	(1,468)	4,633	
	145,498	14,286	3,101	(4,181)	13,206	

The University has one linked (paragraph (w)) charity which is The Friends of the Whitworth. Its income is less than £0.1m per annum. The capital is invested through investment managers.

22 Endowments (continued)

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

John Rylands general library fund

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

John Rylands research institute fund

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

National fund for research into crippling diseases

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

Dr Mont Follick professorship in phonetics

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

British Nuclear Fuels Ltd (BNFL) permanent endowment

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

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.

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.

Davies Chair in Entrepreneurship

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

NOTES TO THE FINANCIAL STATEMENTS

continued

23 Movement on general reserves

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Income and expenditure account				
Balance at beginning of year	171,842	149,734	172,159	151,554
Surplus retained for the year	54,825	23,217	56,653	21,943
Transfer from revaluation reserve	26	229	26	-
Transfer pension surplus to pension reserve	(14,818)	(1,338)	(14,818)	(1,338)
Balance at 31 July	211,875	171,842	214,020	172,159
Pension reserve				
Balance at beginning of year	(75,337)	(87,088)	(75,337)	(87,088)
Actuarial (loss)/gain on pension schemes	(26,472)	10,413	(26,472)	10,413
Surplus retained within reserves	14,818	1,338	14,818	1,338
Balance at 31 July	(86,991)	(75,337)	(86,991)	(75,337)

24 Revaluation reserve

(a) Consolidated

	Land and buildings £000	Investment properties £000	Other investments within fixed assets £000	2011 Total £000
Revaluations				
At beginning of year	678	8,193	6,915	15,786
Revaluation in year	-	317	1,351	1,668
At 31 July	678	8,510	8,266	17,454
Contribution to depreciation				
At beginning of year	211	-	229	440
Transfer to income and expenditure account	26	-	-	26
At 31 July	237	-	229	466
Revaluation reserve				
At 31 July	441	8,510	8,037	16,988
At beginning of year	467	8,193	6,686	15,346

(b) University

	Land and buildings £000	Investment properties £000	Other investments within fixed assets £000	2011 Total £000
Revaluations				
At beginning of year	678	8,193	2,750	11,621
Revaluation in year	-	317	1,027	1,344
At 31 July	678	8,510	3,777	12,965
Contribution to depreciation				
At beginning of year	211	-	-	211
Transfer to income and expenditure account	26	-	-	26
At 31 July	237	-	-	237
Revaluation reserve				
At 31 July	441	8,510	3,777	12,728
At beginning of year	467	8,193	2,750	11,410

25 Minority interests

	Consolidated	
	2011 £000	2010 £000
At beginning of year	10	119
Minority interest in subsidiary undertakings' results for the year	64	(253)
Minority interest's contribution to deficit	(6)	144
At 31 July	68	10

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

	Consolidated	
	2011	2010
	£000	£000
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation	54,090	23,613
Depreciation	43,842	40,827
Amortisation of goodwill	-	4
Deferred capital grants released to income	(25,522)	(25,202)
Investment income	(11,692)	(11,334)
Transfers from/(to) endowments	845	(296)
Loss on disposal of fixed assets	544	-
Surplus on disposal of fixed asset investments	(170)	-
Interest payable	10,326	10,681
Interest receivable	(530)	(46)
Difference between pension charge and cash contributions	(14,818)	(1,338)
Minority interests	58	(109)
Increase in stocks	(6)	(138)
Decrease/(increase) in long term debtors	36	(320)
Increase in debtors due within one year	(1,547)	(3,195)
Increase in creditors	15,833	18,972
(Decrease)/increase in provisions	(4,878)	9,316
Net cash inflow from operating activities	66,411	61,435

27 Returns on investments and servicing of finance

	Consolidated	
	2011	2010
	£000	£000
Income from endowments	3,101	3,609
Income from short term investments	3,713	1,997
Income from donations	4,463	5,274
Dividend income from general fund investments	415	454
Other interest received	530	46
Interest paid	(10,326)	(10,681)
Net cash inflow from returns on investments and servicing of finance	1,896	699

28 Capital expenditure and financial investment

	Consolidated	
	2011	2010
	£000	£000
Purchase of tangible fixed assets	(62,111)	(37,321)
Net acquisition of fixed asset investments	(31,803)	(57,553)
Net acquisition of endowment assets	(987)	(4,345)
Receipts from sale of tangible fixed assets	8	585
Receipts from sale of fixed asset investments	170	76
Deferred capital grants received	35,643	57,208
Endowments received	1,656	3,399
Net cash outflow from capital expenditure and financial investment	(57,424)	(37,951)

29 Management of liquid resources

	Consolidated	
	2011	2010
	£000	£000
(Placements)/withdrawals on deposit	(35,058)	7,844
Net cash (outflow)/inflow from management of liquid resources	(35,058)	7,844

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Financing

	Consolidated	
	2011	2010
	£000	£000
Bank loan repayments	(6,278)	(6,029)
Capital element of hire purchase repayments	-	(4)
Net cash outflow from financing	(6,278)	(6,033)

31 Analysis of changes in net debt

	Consolidated			
	1 August	Cash flows	Non-cash	31 July
	2010	£000	changes	2011
	£000	£000	£000	£000
Cash at bank	18,639	350	-	18,989
Bank deposits repayable on demand (note 16)	47,864	(31,314)	-	16,550
Uninvested bank balances - fixed asset investments (note 12)	158	(158)	-	-
Endowment asset investments (note 13)	13,836	669	-	14,505
	80,497	(30,453)	-	50,044
Bank deposits repayable after due notice (note 16)	120,437	35,058	-	155,495
Debt due within one year (note 19)	(6,278)	6,278	(7,310)	(7,310)
Debt due after one year (note 19)	(189,006)	-	7,310	(181,696)
Net debt	5,650	10,883	-	16,533

32 Pension Schemes

(a) Pension schemes - summary

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

	Consolidated and University	
	2011	2010
	£000	£000
Balance sheet - Pension scheme deficits		
University of Manchester Superannuation Scheme	(73,794)	(50,710)
Greater Manchester Pension Fund	(12,780)	(23,883)
Manchester Innovation Limited Group Pension Scheme	(417)	(744)
	(86,991)	(75,337)
Statement of total recognised gains and losses - Actuarial (losses)/gains		
University of Manchester Superannuation Scheme	(26,713)	5,371
Greater Manchester Pension Fund	207	5,272
Manchester Innovation Limited Group Pension Scheme	34	(230)
	(26,472)	10,413
Consolidated income and expenditure account		
Pension costs (note 6)		
University of Manchester Superannuation Scheme	14,275	13,047
Greater Manchester Pension Fund	(9,309)	1,865
Manchester Innovation Limited Group Pension Scheme	3	3
Universities Superannuation Scheme	48,011	47,107
NHS Pension Scheme	2,796	2,988
	55,776	65,010
Net return on pension schemes (note 5) / Pension finance cost (note 8)		
University of Manchester Superannuation Scheme	2,379	(140)
Greater Manchester Pension Fund	100	(1,125)
Manchester Innovation Limited Group Pension Scheme	(29)	(43)
	2,450	(1,308)

32 Pension schemes (continued)

(a) Pension schemes - summary (continued)

The four principal pension schemes for the University's staff are the Universities' Superannuation Scheme (USS), the NHS Pension Scheme, the University of Manchester Superannuation Scheme (UMSS) and the Greater Manchester Pension Fund (GMPF). In addition, the University runs a closed scheme, the Manchester Innovation Limited Group Pension Scheme (MILGPS).

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 for academic and related employees of all pre-1992 UK Universities and some other employers. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The last triennial actuarial valuation of the scheme was at 31 March 2008 and was carried out using the projected unit method. To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum, salary increases would be 4.3% per annum (plus 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 3.3% per annum. At the valuation date, the value of the assets of the scheme was £28,842.6m and the value of the scheme's technical provisions was £28,135.3m indicating a surplus of £707.3m. The assets were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2011 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700m). Compared to the previous 12 months, the funding level has improved from 91% (as at 31 March 2010) to 98%.

The next formal triennial valuation will be as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently. 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.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

The total pension cost for the University of Manchester was £48.0m (2010: £47.1m). This includes £4.3m (2010: £3.9m) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries.

NOTES TO THE FINANCIAL STATEMENTS

continued

32 Pension schemes (continued)

(c) NHS Pension Scheme ('NHSPS')

The University of Manchester also participates in the NHSPS which is contracted out of the State Second Pension (S2P). The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government. There are no underlying assets. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is therefore equal to the contributions payable to the scheme for the year.

The latest published actuarial valuation of the scheme was at 31 March 2004. It was assumed that the rate of real earnings growth would be 1.5% per annum (plus an additional allowance for increases in salary due to salary progression and promotion in line with recent experience) and the valuation rate of return would be 6.5% per annum.

The contribution rate payable by the University during the year ended 31 July 2011 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 £2.8m (2010: £3.0m). This includes £0.3m (2010: £0.2m) outstanding contributions at the balance sheet date.

32 Pension schemes (continued)

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

UMSS is a final salary defined benefit scheme in the UK which is contracted out of the State Second Pension (S2P). A full actuarial valuation was carried out at 31 July 2010 and updated to 31 July 2011 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 7.10% assumption as at 31 July 2011.

Weighted average assumptions used to determine benefit obligations at 31 July 2011:

	2011	2010
Rate of increase in salaries	4.50%	4.20%
Rate of increase of pensions in payment and deferred pensions	3.50%	3.20%
Discount rate	5.40%	5.50%
Inflation assumption	3.50%	3.20%

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

	2011	2010
Rate of increase in salaries	4.20%	4.60%
Expected long term return on plan assets	7.37%	7.20%
Discount rate	5.50%	5.90%

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

	2011	Female
Member age 62 (current life expectancy)	Male 25.2	27.4
Member age 42 (life expectancy at age 62)	27.6	29.9

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

	2011	2011	2010	2010	2009	2009
	7.90%	£000	8.25%	£000	8.00%	£000
Equities	7.90%	145,829	8.25%	162,379	8.00%	121,812
Bonds	5.70%	116,348	5.80%	97,742	6.30%	109,631
Property	7.90%	55,232	8.25%	13,384	7.50%	12,181
Total market value of assets		317,409		273,505		243,624
Actuarial value of liability		(391,203)		(324,215)		(302,124)
Net pension liability		(73,794)		(50,710)		(58,500)

Analysis of the amount charged to operating surplus

	2011	2010
	£000	£000
Current service cost	14,000	13,035
Past service cost	275	12
Total operating charge	14,275	13,047

Analysis of net return on pension scheme/pension finance cost

	2011	2010
	£000	£000
Expected return on pension scheme assets	20,194	17,811
Interest on pension liabilities	(17,815)	(17,951)
Net return/(cost)	2,379	(140)

NOTES TO THE FINANCIAL STATEMENTS

continued

32 Pension Schemes (continued)

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

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2011 £000	2010 £000
Actual return less expected return on scheme assets	23,043	5,253
Experience gains and losses on liabilities	(5,229)	-
Changes in assumptions	(44,527)	118
Actuarial (loss)/gain recognised in STRGL	(26,713)	5,371

Reconciliation of fair value of employer assets

	2011 £000	2010 £000
Opening fair value of employer assets	273,505	243,624
Expected return on assets	20,194	17,811
Contributions by the employer	15,525	15,606
Contributions by members	941	790
Actuarial gains	23,043	5,253
Benefits paid	(15,799)	(9,579)
Closing fair value of employer assets	317,409	273,505

Reconciliation of defined benefit obligation

	2011 £000	2010 £000
Opening defined benefit obligation	324,215	302,124
Current service cost	14,000	13,035
Past service cost	275	12
Interest cost	17,815	17,951
Contributions by members	941	790
Actuarial losses/(gains)	49,756	(118)
Estimated benefits paid	(15,799)	(9,579)
Closing defined benefit obligation	391,203	324,215

At the last full actuarial valuation of the scheme as at 31 July 2010, the value of the assets of the scheme was £273.5m and the value of the past service liabilities was £324.2m leaving a deficit of £50.7m. The assets therefore were sufficient to recover 84.4% 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 26% of pensionable pay for those that do. For those that do not participate in PensionChoice, member contributions are payable in addition at the rate of 6.25% of pensionable pay. The employer will also pay £1.125m quarterly in arrears, starting on 31 October 2011.

A bank guarantee facility of £40m was given by one of the University's bankers in favour of UMSS Limited as trustee of the University of Manchester Superannuation Scheme. The guarantee expired on 31 March 2010. The University has now given the scheme direct security over a number of properties to the value of at least £40m.

History of experience gains and losses

	2011	Year ended 31 July			
		2010	2009	2008	2007
Present value of defined benefit obligations	(391,203)	(324,215)	(302,124)	(265,188)	(296,602)
Fair value of scheme assets	317,409	273,505	243,624	266,472	282,099
(Deficit)/surplus in the scheme	(73,794)	(50,710)	(58,500)	1,284	(14,503)
Difference between expected and actual return on scheme assets:					
Amount (£000)	23,043	5,253	(47,964)	(36,764)	4,714
Percentage of scheme assets	7%	2%	(20%)	(14%)	2%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(5,229)	-	5,000	(1,736)	-
Percentage of scheme liabilities	1%	0%	2%	(1%)	0%

32 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 July 2008 and updated to 31 July 2011 on an FRS 17 basis by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2011	2010
Rate of increase in salaries	4.70%	4.10%
Rate of increase in pensions in payment and deferred pensions	2.70%	3.10%
Discount rate applied to scheme liabilities	5.40%	5.50%
Inflation assumption	2.70%	3.10%
Expected return on assets	6.20%	6.40%

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 2011 are as follows:

Life expectancy is based on the PFA92 and PMA92 tables based on individual year of birth with improvements in line with the medium cohort and a 1% per annum underpin from 2007. Based on these assumptions, average future life expectancies at age 65 are:

- for current pensioners: 20.1 years for males and 22.9 years for females.
- for future pensioners: 22.5 years for males and 25.0 years for females.

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

	2011	2011	2010	2010	2009	2009
		£000		£000		£000
Equities	7.00%	57,415	7.30%	53,956	7.30%	49,621
Bonds	4.60%	16,042	4.80%	11,730	5.30%	9,649
Property	5.10%	4,222	5.30%	4,692	5.30%	4,135
Cash	4.00%	6,755	4.40%	7,820	4.30%	5,513
Total market value of assets		84,434		78,198		68,918
Actuarial value of scheme liability		(97,214)		(102,081)		(96,711)
Net pension liability		(12,780)		(23,883)		(27,793)

Analysis of the amount charged to operating surplus

	2011	2010
	£000	£000
Current service cost	1,496	1,854
Past service (income)/cost	(10,805)	11
Total operating (income)/charge	(9,309)	1,865

The past service income of £10.8m relates to the change from RPI to CPI for pension increases. This change has been accounted for on this basis as a constructive obligation for this change has arisen due to government communications of the basis of pension increases.

Analysis of net return on pension scheme/pension finance cost

	2011	2010
	£000	£000
Expected return on pension scheme assets	4,932	4,502
Interest on pension liabilities	(4,832)	(5,627)
Net return/(cost)	100	(1,125)

NOTES TO THE FINANCIAL STATEMENTS

continued

32 Pension schemes (continued)

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

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2011 £000	2010 £000
Actual return less expected return on scheme assets	207	6,199
Changes in assumptions	-	(927)
Actuarial gain recognised in STRGL	207	5,272

Reconciliation of fair value of employer assets

	2011 £000	2010 £000
Opening fair value of employer assets	78,198	68,918
Expected return on assets	4,932	4,502
Contributions by members	518	569
Contributions by the employer	1,297	1,438
Actuarial gains	3,481	6,199
Estimated benefits paid	(3,992)	(3,428)
Closing fair value of employer assets	84,434	78,198

Reconciliation of defined benefit obligation

	2011 £000	2010 £000
Opening defined benefit obligation	102,081	96,711
Current service cost	1,496	1,854
Interest cost	4,832	5,627
Contributions by members	518	569
Contributions by the employer to unfunded scheme	(190)	(190)
Actuarial losses	3,274	927
Past service (income)/cost	(10,805)	11
Estimated benefits paid	(3,992)	(3,428)
Closing defined benefit obligation	97,214	102,081

Analysis of the defined benefit obligation

	2011 £000	2010 £000
Present value of unfunded liabilities	2,115	2,299
Present value of funded liabilities	95,099	99,782
Closing defined benefit obligation	97,214	102,081

The University has paid contributions at the rate of 16.8% of members' pensionable pay over the year to 31 July 2011. It was agreed with the Trustees that contributions for the following year would remain at that level.

History of experience gains and losses

	2011	Year ended 31 July			
		2010	2009	2008	2007
Present value of defined benefit obligations	(97,214)	(102,081)	(96,711)	(85,392)	(80,609)
Fair value of scheme assets	84,434	78,198	68,918	71,749	79,039
Deficit in the scheme	(12,780)	(23,883)	(27,793)	(13,643)	(1,570)
Difference between expected and actual return on scheme assets:					
Amount (£000)	207	6,199	(5,895)	(11,425)	2,265
Percentage of scheme assets	0%	8%	(9%)	(16%)	3%
Experience gains and losses on scheme liabilities:					
Amount (£000)	-	-	-	(2,897)	1
Percentage of scheme liabilities	0%	0%	0%	(3%)	0%

32 Pension schemes (continued)

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

The MILGPS is 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.

A full valuation of the scheme was carried out as at 1 September 2008, which has been updated to 31 July 2011 by a qualified actuary.

The market assumptions used in this valuation were:

	2011	2010
Rate of increase in pensions in payment and deferred pensions	5.00%	5.00%
Discount rate applied to scheme liabilities	5.50%	5.90%
Inflation assumptions	3.60%	3.60%
Expected return on plan assets	5.60%	5.60%

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:

	2011	2010
Assumed life expectancy in years on retirement at 62		
Retiring today:		
Males	26.8	26.7
Females	28.9	28.8
Retiring in 20 years:		
Males	29.0	28.9
Females	30.1	30.1

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

	2011	2011	2010	2010	2009	2009
		£000		£000		£000
Investment in bonds	5.50%	1,495	5.50%	1,089	5.50%	663
Investment in unitised with profits policy	5.75%	989	5.75%	1,054	5.75%	1,031
Other	3.50%	-	3.50%	9	3.50%	16
Total market value of assets		2,484		2,152		1,710
Actuarial value of liability		(2,901)		(2,896)		(2,505)
Net pension liability		(417)		(744)		(795)

Analysis of the amount charged to operating surplus

	2011	2010
	£000	£000
Current service cost	3	3

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

Analysis of net charge to pension finance cost

	2011	2010
	£000	£000
Expected return on pension scheme assets	124	104
Interest on pension liabilities	(153)	(147)
Net cost	(29)	(43)

NOTES TO THE FINANCIAL STATEMENTS

continued

32 Pension schemes (continued)

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

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	107	51
Experience gains and losses on liabilities	(73)	(9)
Changes in assumptions	-	(272)
Actuarial gain/(loss) recognised in STRGL	34	(230)

Reconciliation of fair value of employer assets

	2011 £000	2010 £000
Opening fair value of employer assets	2,152	1,710
Expected return on assets	124	104
Contributions by the employer	325	327
Actuarial gains	107	51
Estimated benefits paid	(224)	(40)
Closing fair value of employer assets	2,484	2,152

Reconciliation of defined benefit obligation

	2011 £000	2010 £000
Opening defined benefit obligation	2,896	2,505
Current service cost	3	3
Interest cost	153	147
Actuarial losses	73	281
Estimated benefits paid	(224)	(40)
Closing defined benefit obligation	2,901	2,896

History of experience gains and losses

	2011	Year ended 31 July			
	2011	2010	2009	2008	2007
Present value of defined benefit obligations	(2,901)	(2,896)	(2,505)	(1,938)	(2,181)
Fair value of scheme assets	2,484	2,152	1,710	1,867	1,711
Deficit in the scheme	(417)	(744)	(795)	(71)	(470)
Difference between expected and actual return on scheme assets:					
Amount (£000)	107	51	(345)	(43)	82
Percentage of scheme assets	4%	2%	(20%)	(2%)	5%
Experience gains and losses on scheme liabilities:					
Amount (£000)	(73)	(9)	(24)	(1)	(32)
Percentage of scheme liabilities	3%	0%	(1%)	0%	(1%)

The University expects to contribute £325,000 (including £30,000 for expenses) to MILGPS in the year ending 31 July 2012.

33 Capital commitments

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Commitments for future capital expenditure:				
Authorised not contracted	46,999	35,498	46,999	35,498
Contracted not provided	36,779	25,485	36,779	25,485
	83,778	60,983	83,778	60,983

34 Operating lease commitments

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

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Land and buildings				
Expires within one year	2,008	1,605	2,008	1,605
Expires between two and five years	4,835	5,020	4,835	5,020
Expires after more than five years	967	1,232	1,059	1,337
	7,810	7,857	7,902	7,962
Other				
Expires within one year	568	232	568	232
Expires between two and five years	195	767	195	767
Expires after more than five years	99	17	99	17
	862	1,016	862	1,016
Total	8,672	8,873	8,764	8,978

35 Contingent liabilities

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Undrawn investment commitments	3,900	5,070	3,900	5,070
Bank guarantees	230	230	-	-
All monies guarantee	3,005	3,863	3,005	3,863
	7,135	9,163	6,905	8,933

A commitment of up to £7.8m (2010: £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 £3.9m (2010: £2.7m) has been invested in the Fund. It is anticipated that the remainder of the investment commitment will be requested in tranches of £0.4m within the next three years.

Bank guarantees comprise £0.2m (2010: £0.2m) in relation to a bank overdraft guarantee.

The all monies guarantee relates to a bank loan which is due to be repaid in 2014 (see note 19).

NOTES TO THE FINANCIAL STATEMENTS

continued

36 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	Expenditure recognised within the financial statements	Balance due to/(from) the University recognised within the financial statements
	£000	£000	£000
Biotechnology and Biological Sciences Research Council (BBSRC)	18,201	-	1,701
Central Manchester University Hospitals NHS Foundation Trust	13,410	(5,680)	588
North West Regional Development Agency	9,801	-	-
European Commission	8,837	-	821
Astra Zeneca	3,106	-	131
The Royal Society	2,155	(54)	374
Imperial College London	212	(426)	-
Alzheimer's Society	175	-	-
Manchester City Council	160	(2,220)	(762)
Students' Union	137	(1,447)	91
Stockport NHS Foundation Trust	55	(82)	(1)
University of Central Lancashire (UCLAN)	20	(53)	3
Health & Safety Lab, HSE, Buxton	9	(26)	-
UNISON	6	(166)	-
One Central Park	4	(295)	(68)
Manchester Science Park	1	(126)	(1)
Uniac	1	(293)	-
	56,290	(10,868)	2,877

Biotechnology and Biological Sciences Research Council (BBSRC)

The BBSRC funds research in biotechnology and biological sciences, including stem cell biology, brain function and behaviour, nanotechnology and e-science. One governor is a member of the BBSRC's Council.

Central Manchester University Hospitals NHS Foundation Trust

The University has a major Medical School, and so has very significant dealings with the Central Manchester University Hospitals NHS Foundation Trust (formerly the Central Manchester and Manchester Children's Hospital NHS Trust), which incorporates several major teaching hospitals in central Manchester. The close relationship between the University and the predecessors of the Trust dates back over 100 years. Many staff, including senior consultants, work for both organisations, so to simplify payroll arrangements they are employed by one body, and salary costs are recharged. In the majority of cases, staff are employed by the University, and a proportion of their pay costs are recharged to the Trust. There are many other transactions between the two bodies, for example related to shared accommodation and the sale and purchase of laboratory supplies. One member of the Board of Governors is also a Trust member.

North West Regional Development Agency (NWDA)

The North West Regional Development Agency is a public body that aims to stimulate economic growth and regeneration in this region. It has funded a significant part of the University's capital programme. Two members of the Board of Governors also served on the NWDA Board.

European Commission

The European Commission is the main executive body of the European Union (EU). Its activities include funding significant regional development programmes, the European Social Fund (ESF) and European Regional Development Fund (ERDF), as well as a wide range of research into issues such as transport, health and the environment. The University undertakes a number of ESF and ERDF funded programmes, as well as other research work for the Commission. A member of the Board of Governors is, in his capacity as a member of the academic staff, an advisor to the Commission and chairs a High-level Expert Group on Rationales for the European Research Area.

AstraZeneca

A major pharmaceutical company, AstraZeneca plc discovers and develops new medicines and manufactures existing drugs. One Board member is a non-executive director of the company.

36 Related party transactions (continued)

The Royal Society

The Royal Society is a Fellowship of the world's most distinguished scientists. Founded in 1660, it has three roles: as the UK academy of science promoting the natural and applied sciences, as a learned society, and as a funding agency. A Board member is one of the Royal Society's Vice-Presidents and a member of its Council.

Imperial College London

Imperial College London (ICL) is a science-based institution with a focus on teaching and research. It has many dealings with this University for the sale and purchase of laboratory supplies, publications etc. Again, these links have existed for many years. A member of the Board of Governors is a Visiting Professor at Imperial College.

Alzheimer's Society

The Alzheimer's Society is a charity that provides information and support to people with Alzheimer's Disease and their families, as well as funding research into the condition. One governor is a member of the Society's Audit Committee.

Manchester City Council

The University is located within the City of Manchester, with the exception of a few outlying facilities such as Jodrell Bank. This has been the case since the University was founded. Many of the transactions with the City Council are estates related, such as business rates, rents and fees for planning applications. The University's academic sector also has some dealings, for example, links with the City Council's Education Department. Under University Statute IX, the City Council can appoint two members to the University's General Assembly, one of whom is also a member of the Board of Governors.

Students' Union

University Statute XVII requires that there shall be a Students' Union at the University. The University contributes towards the Union's running costs, and there are also transactions relating to the buildings occupied by the Union. Under Statute VI, the Board of Governors must include an officer of the Students' Union. This is currently the Union's General Secretary. This arrangement is long standing, although the individual concerned changes annually.

Stockport NHS Foundation Trust

The Stockport NHS Foundation Trust provides acute hospital care for children and adults across Stockport and the High Peak area of Derbyshire. The Trust's major site is Stepping Hill Hospital, and it also runs two smaller hospitals in Stockport and a maternity unit in Buxton. Two members of the University's Governors serve on the Trust's Board, one as Vice-Chair.

University of Central Lancashire (UCLAN)

Originally founded in 1828 and later known as Lancashire Polytechnic, this Higher Education institution became the University of Central Lancashire in 1992. The main campus is in Preston, with other sites in Burnley and West Cumbria. A member of the University of Manchester's Board is an Honorary Professor at UCLAN and also serves on that institution's Audit Committee.

Health & Safety Lab, HSE, Buxton

The Health and Safety Laboratory (HSL) was originally set up to help the Health and Safety Executive minimise risks to people's health and safety at work. Today, the HSL also works with a wide range of other organisations, conducting research and development work. Its main location is near Buxton in Derbyshire. One Board member is a non-executive director of the HSL.

UNISON

UNISON is the second largest trade union in the United Kingdom with over 1.3 million members, most of whom work in the public sector. UNISON is the main union at the University for staff who are not in academic or academic-related posts. One member of the Board of Governors is UNISON's National Representative for Higher Education in the North West.

One Central Park Limited

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 owns a building in the park, which is part occupied by the University. A wholly owned subsidiary of the University, The University of Manchester Innovation Centre Limited, is partly responsible for marketing and managing this facility.

Manchester Science Park

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 27% of the ordinary share capital, so it is classed as an associate undertaking.

Uniac

The University Internal Audit Consortium (Uniac) is the body appointed by the Board of Governors on the recommendation of the Audit Committee to act as the University's internal auditors. Uniac is a consortium made up of Manchester and several other universities where it acts as the internal auditors, so it is partly owned by the University. A member of the Board of Governors is also Chair of the Uniac Board, which comprises representatives of the member universities.

Trustees' Expenses

£16,008 was paid in expenses to members of the Board of Governors of the University during the year (2010: £36,000). Where Trustees are also employees of the University the amount includes expenses paid in relation to their employment.

NOTES TO THE FINANCIAL STATEMENTS

continued

37 Amounts disbursed as agent (Consolidated and University)

(a) Access Fund

	2011 £000	2010 £000
Balance (prepaid)/unspent at beginning of year	351	184
Funding Council grants	353	996
Interest earned	1	1
Disbursed to students	(421)	(830)
Balance unspent at year end	284	351

(b) Training and Development Agency for Schools (TDA)

	2011 £000	2010 £000
Student Training Bursaries		
Balance (prepaid)/unspent at beginning of year	(60)	116
Funding Council grants	2,350	2,350
Disbursed to students	(2,178)	(2,526)
Balance unspent/(prepaid) at year end	112	(60)

Student Associates Scheme

	2011 £000	2010 £000
Balance unspent at beginning of year	-	-
Funding Council grants	103	359
Paid out during the year	(100)	(359)
Balance unspent at year end	3	-

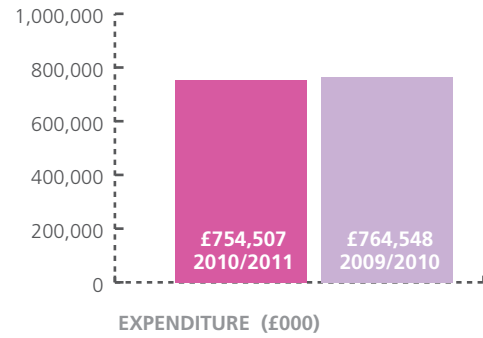
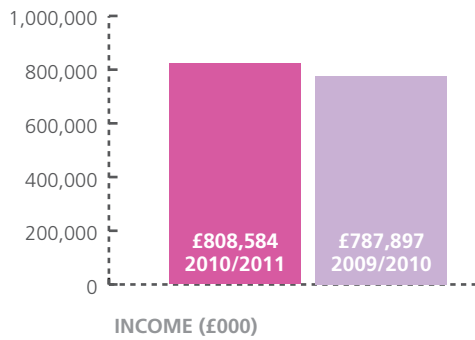
Minority Ethnic Recruitment

	2011 £000	2010 £000
Balance unspent at beginning of year	-	9
Funding Council grants	-	4
Paid out during the year	-	(13)
Balance unspent at year end	-	-

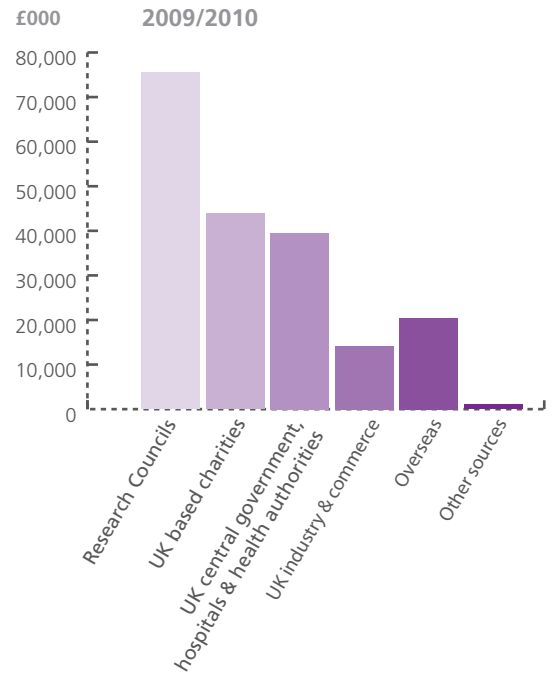
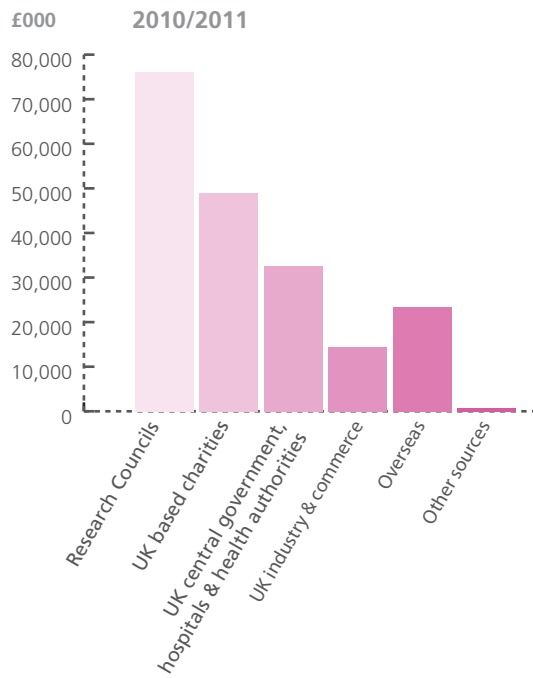
Funding Council grants are available solely for students. The University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account.

AT A GLANCE

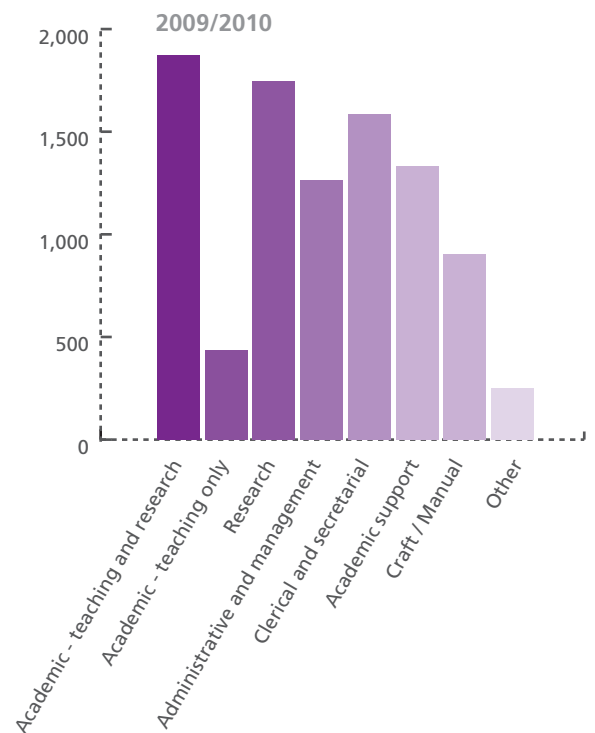
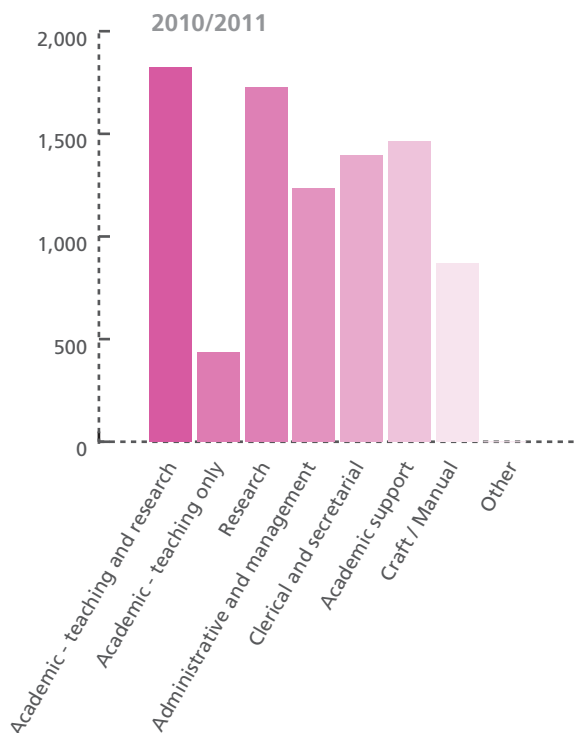
INCOME AND EXPENDITURE



RESEARCH GRANTS AND CONTRACTS



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