FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2013

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OFFICERS AND ADVISERS

OFFICERS

Chancellor
Mr Tom Bloxham, BA, MBE

Pro-Chancellor
Gillian Easson, MA

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

Deputy President and Deputy Vice-Chancellor
Professor Rod W Coombs, BSc, MSc, PhD

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

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

Registrar, Secretary and Chief Operating Officer
Will Spinks, BSc, Chartered MCIPD

Director of Finance
Stephen Mole, BSc, PGCE, CGMA,

VICE-PRESIDENTS (POLICY)

Teaching, Learning and Students
Professor Clive Agnew, BSc, PhD

Research and Innovation
Professor Luke Georghiou, BSc, PhD

VICE-PRESIDENTS AND DEANS OF FACULTIES

Engineering and Physical Sciences
Professor Colin G Bailey, FREng, CEng, FICE, FIStructE, MIFireE

Humanities
Professor Keith Brown, MA, PhD, FRHS, FRSE

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

Medical and Human Sciences
Professor Ian Jacobs, MA, MBBS, MD, FRCOG

CHAIRS OF COMMITTEES OF THE BOARD OF GOVERNORS

Chair of Audit Committee
Stephen Dauncey, BSc, FCCA

Chair of Finance Committee (to 31 December 2012)
Dr Keith Lloyd, BCom, PhD

Chair of Finance Committee (from 1 January 2013)
Neville Richardson, BA, FCA

Chair of Remuneration Committee
Anil Ruia, OBE, JP, DL, LLB, ACA

Chair of Nominations Committee
Gillian Easson, MA

Chair of Staffing Committee
Robert E Hough, DL

MEMBERSHIP OF THE BOARD OF GOVERNORS

From 1 September 2013:

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

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

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

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

Mr Michael Crick, BA

Mr Stephen Dauncey, BSc, FCCA

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

Councillor Mohammed Afzal Khan, CBE

Mr Paul Lee, DL, MA, LLM

Mrs Christine Lee-Jones, DL, MA

Dr Neil McArthur MBE, CEng, FIMechE, FIET

Mr Neville Richardson, BA, FCA

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

Mr Andrew Spinoza, BA, MCIPR

Dr John Stageman, OBE, PhD

Dr Angela Strank, BSc, PhD

Professor Colette Fagan, PhD

Professor Maggie Gale, MA, PhD

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

Dr Reinmar Hager, MSc, PhD

Dr Caroline Jay, BSc, PhD

Professor Chris Taylor, OBE, FREng, BSc, PhD

Professor Pamela Vallely, BSc, PhD

Ms Iram Kiani, BA

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

The following members stood down from the Board of Governors on 31 August 2013:

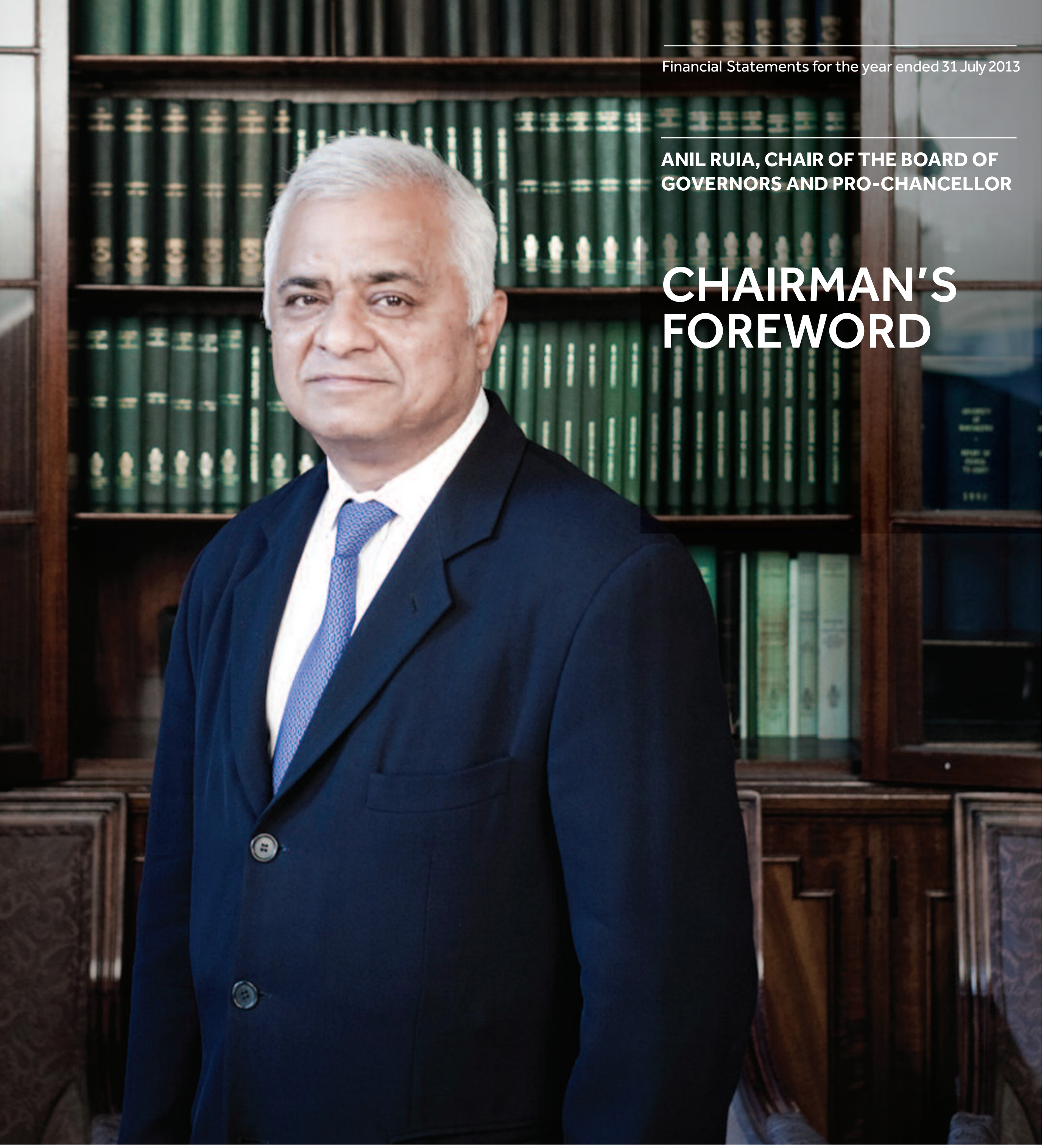
Mr Nick Pringle, *General Secretary of the Students' Union* (w/e from 30 June 2013)

Dr Keith Lloyd, BCom, PhD

Mr Gerry Yeung, OBE, BSc

Mr Edward Mark Glass

Dr Andrew Walsh, BA, PGCE, MA, PhD



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

CHAIRMAN'S FOREWORD

I am pleased to provide a foreword for this set of Financial Statements for The University of Manchester for the year ended 31 July 2013.

As you will see from the pages that follow, the University has generated a financial surplus and has recorded some major achievements over the past year.

I am particularly pleased that the University has secured the funding from investors to enable work to begin on our vision to create a single campus with the construction of new teaching and research buildings, student facilities and major improvements to the public realm.

The success of the Bond issue demonstrates the strong support shown by investors in the University and its mission and is a tribute to the hard work of all those University staff and external partners involved in the preparation and presentation of our prospectus to the markets.

The realisation of the ambitious goals outlined for the University in the Manchester 2020 Strategic Plan will require sound finances, adequate resources for investment and clear strategic leadership. In my view, these Financial Statements provide further evidence of our ability to deliver all three.

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

PROFESSOR DAME NANCY ROTHWELL,
PRESIDENT AND VICE-CHANCELLOR

REVIEW OF THE YEAR

During the year covered by these Financial Statements, the University continued to maintain a strong financial performance. We have made significant progress towards many of our strategic goals, but we still face significant challenges in achieving the "step change" in some areas that will be required to meet our ambitions. In July 2013, we also secured funding to enable the commencement of Phase 1 of our ambitious Campus Masterplan.

This strong performance was secured against a backdrop of continuing uncertainty in the higher education environment and the general economy. This is a tribute to the hard work and dedication of my colleagues from across the campus. It also demonstrates, yet again, the effective financial management of the Senior Leadership Team supported by the Director of Finance and his very professional team.

The over-riding financial imperative once again this year was to consolidate the financial position of the University by generating a 'surplus', both before and after considering exceptional (i.e. one-off) items. I am therefore pleased that these financial results show a robust surplus of 4.7% of income.

The core driver for all of our activities is Manchester 2020, the University's Strategic Plan, which retains the three core goals of world-class research, outstanding learning and student experience, and social responsibility.

One of the most prominent Key Performance Indicators (KPIs) in Manchester 2020 is our performance in the "Academic Ranking of World Universities" carried out annually by the Institute of Higher Education in China's Shanghai Jiao Tong University. In the 2013 Rankings, we remain in 5th position in the UK, but we dropped one place in the international table to 41st position;

a disappointment, but also a timely reminder of the fast-moving competitive environment in global higher education at this level.

On the research front, our Research Grant and Contract (RGC) income increased by 6.2% to £199.6 million, which reflects the significant growth in the value of awards made to the University starting to flow through. Within this overall figure there was a welcome increase in income from UK-based charities, overseas organisations and from UK industry and commerce, demonstrating success in the University's efforts to diversify its research activities and funding sources. An even more encouraging sign for the future was the dramatic 37% increase in research awards during 2012/13.

Recent awards and successes include funding from the Higher Education Funding Council (HEFCE) to support a new facility for advanced materials and manufacturing (£18 million) and our new cancer building (£13 million) and major awards for nuclear manufacturing (£14 million) and, the Dalton Cumbria Facility (£10 million).

Our bid to the European Regional Development Fund for £23 million for our National Graphene Institute was supported in full. We also received £6 million from the Government Department for International Development for work on Effective States and Inclusive Development, £6 million from the Department of Health for Primary Care research and £5 million from the Medical Research Council for our e-Health project.

Preparations for the University's submission later this year for the Research Excellence Framework (REF), which will assess research quality, are now well advanced. Our submission covers 34 different subjects and demonstrates the volume and range of internationally-leading research going on here. This REF exercise differs from previous national assessments because it is attempting to judge the "impact" of research on wider society as well as academic quality. Research impact is a new and complex area to demonstrate and measure, so the whole exercise has a degree of uncertainty. The REF submission will be evaluated by a panel of experts in each discipline and we expect to receive a judgment on our performance in December 2014. Within the University, we are all well aware of the importance of the REF outcome - both for funding but, probably more importantly, for our 'reputation'.

The results of the National Students Survey (NSS) of satisfaction with their undergraduate study were published in August 2013 and show that this University has increased its overall level of student satisfaction this year by two percent to reach 85%. This is good progress, and the six percentage points increase in the last two years, demonstrates our sustained success in enhancing student satisfaction. These increases extend across individual questions (21 in total) and it was gratifying to note substantial improvements in the challenging area of "assessment" and "feedback". There was also an increase in satisfaction with the Students' Union (up by four percent to 71%) and some tremendous achievements in individual subject areas with 23 subjects achieving 90% or more overall satisfaction (up from 16 subjects in 2012). This sets us well on our aim to achieve 90% satisfaction.

We now need to build on these achievements to reach our goal of being in the top quartile of the Russell Group of universities. We are continuing to invest in the student experience and the Alan Gilbert Learning Commons, which was formally opened by the late Professor Gilbert's wife Ingrid in the summer, has been hailed as a great success by our students.

Tuition fee income increased by 15.4% during 2012/13 to £302.4 million which was mirrored by a decline in government funding for teaching. Home and EU undergraduate (UG) admissions were slightly down on target, whilst overseas recruitment at undergraduate level was slightly up. Despite these perturbations, it is reassuring to see that this University remains an enormously popular destination for undergraduate and postgraduate study.

We have been working hard over the past year to define a sharper focus to our work on the Goal Three - Social Responsibility agenda. We held a major consultation amongst staff, students, members of the local community and other key stakeholders to establish the most important and powerful contributions that we make in this important area. As a result of this, we have re-aligned our structures and activities to focus on specific activities and ensure that we can measure and demonstrate more effectively the real impact we are making in this area. We have launched a major campaign around some of these specific themes to demonstrate the positive difference that we are making to the lives of people in our local neighbourhood and wider afield.

All of these achievements in research, teaching and social responsibility are only possible because of the hard work and dedication of our staff. Our staff demonstrated their commitment to the University in their response to the staff survey, which was conducted on our behalf by Capita in the Spring of 2013. An impressive 6,500 staff (71%) completed the survey with a remarkable 92% of respondents saying they are proud to work for the University and 94% feeling that the University is a good place to work - the highest score of the 28 universities that Capita has worked with during 2012/13. Of course, there are other areas where staff indicated that we could make improvements and we have analysed the results and conducted consultations over the summer to inform detailed action plans that are now being implemented.

In early July 2013, the University undertook a fundraising exercise in the form of a public bond issue to enable the commencement of Phase 1 of the University's Campus Masterplan. Rating agency Moody's were engaged and issued a rating of Aa1 Stable for the University. The bond issue was extremely successful being nearly four times oversubscribed and raised £300 million on a 40 year basis at 0.8% over the underlying reference government treasury stock (4.25% annual coupon payable semi annually). The bonds are listed on the London Stock Exchange.

The fundraising exercise was a new and fascinating experience for me as I learnt about gilts, coupons, book-runners and other financial terms. We presented in London, Manchester and Edinburgh to potential investors, talking to them about the University and our Campus Masterplan in about 20 separate meetings. External experts have suggested that this was a very successful bond issue for us.

Securing this funding has enabled us to commence work on our vision to create a single campus and will involve the construction of new teaching and research buildings, student facilities and major improvements to the public realm. This first phase of the plan will be delivered over the next six years and will include the building of a new engineering campus, new centres for the School of Law and Manchester Business School, a new teaching block, a major refurbishment of the University Library, a bigger and better Students' Union and a new Medical School for our students to be based in Dover Street.

The University will also spend several million pounds to improve the University's public realm and landscaping in order to capitalise on the future improvements to Oxford Road, which will see wider pavements, tree-lined boulevards and the removal of all cars from some roads during 2015.

The fact that we have generated a surplus and secured substantial funding to commence work on an ambitious capital programme in an uncertain economic climate should provide a valuable signal to the wider world that we are a confident and well-run institution with an ambitious vision for the future. Although first-class buildings and infrastructure are important features of any world-class organisation, people are by far our most important asset and we will continue to invest strategically in staff development and new appointments in pursuit of our Manchester 2020 goals.

Investment in staff and facilities on this scale will mean that we have to make choices about how we invest future university funds and will require a concerted effort to maintain our strong financial management and to make the savings and generate the income required to make this possible.

Professor Dame Nancy Rothwell
President and Vice-Chancellor

KEY PERFORMANCE INDICATORS

41st

Academic Rankings of World Universities

The University of Manchester has slipped from 40th to 41st place in the "Academic Rankings of World Universities" produced by the Shanghai Jiao Tong University. The drop is due to Pierre and Marie Curie University - Paris VI rising several places. Our overall score was up on last year and the University remains 5th in the UK.

1

2

+0.5%

Growth in Total Audited Research Expenditure

Total Audited Research Expenditure[1] in 2011/12 (latest available figure) was £410.5m, an increase of 0.5% on the previous year.

£13.1m

Growth in international student fee income

International student fee income (full and part-time) increased by £13.1m (9.6%) during 2012/13.

3

4

215days

Net Liquidity Expenditure Cover[2]

Closing liquid balances were sufficient to provide 215 days expenditure[3] cover (2011/12: 99 days).

52.0%

External borrowing as a Percentage of Total Income

External borrowing increased from 22.5% of total income (like-for-like basis) to 52.0%.

5

6

4.6%

Operating Surplus

Operating Surplus[4] as a Percentage of Income – decreased from 6.1% in 2011/12 to 4.6% in 2012/13 on a like-for-like basis.

1 Total Audited Research Expenditure is defined as research expenditure as calculated in the University's Transparent Approach to Costing (TRAC) return.

2 Closing liquid balances of £437.6m (2012: £194.1m) include the net cash balance and short term investments.

3 Expenditure of £742.8m (2012: £716.7m) is defined as total expenditure less depreciation.

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

STEPHEN MOLE,
DIRECTOR OF FINANCE

FINANCIAL REVIEW

KEY HIGHLIGHTS

	2012/13 £000	2011/12 £000	% Change
Total Income	826,970	807,311	2.4%
Expenditure	788,658	758,157	4.0%
Retained Surplus	38,757	48,823	-20.6%
Retained Surplus as a % Income	4.7%	6.0%	
Total funding body grants	177,780	196,466	-9.5%
Tuition Fee Income			
Full Time Home and EU	113,834	86,675	31.3%
Full Time International	130,659	119,737	9.1%
Other Fees	57,876	55,663	4.0%
Total Fee Income	302,369	262,075	15.4%
Research grants and contracts income			
Research Councils, UK Charities, UK Government, Hospitals and Health Authorities	153,388	149,777	2.4%
Other Outside Bodies	46,234	38,242	20.9%
Total Research Income	199,622	188,019	6.2%
General Reserves	217,108	146,101	48.6%
Endowments	169,244	153,668	10.1%
Deferred Capital Grants	425,872	431,490	-1.3%
Net Assets	824,536	746,228	10.5%
Capital Expenditure and Financial Investment	52,352	48,978	6.9%
Cash and Short term investments *	437,572	194,110	125.4%
Borrowings (note 20)	429,859	181,696	136.6%
Net Funds (note 33)	20,709	24,748	-16.3%

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

Funding – Bond issue

In early July 2013, the University undertook a fund raising exercise in the form of a public bond issue to enable the commencement of Phase 1 of the University's Campus Development Plan. Rating agency Moody's were engaged and issued a rating of Aa1 Stable for the University. The bond issue was extremely successful being nearly four times oversubscribed and raised £300m (£292.5m net of directly attributable costs) on a 40 year basis at 0.8% over the underlying reference government treasury stock (4.25% annual coupon payable semi annually). The bonds are listed on the London Stock Exchange.

Income and expenditure review

The operating surplus before transfer from endowments for the year was £38.4m, compared with £48.6m for 2011/12, although this was after one off break costs of £10.1m associated with settlement of certain existing loans. This was ahead of expectations and demonstrates the University's continuing effective financial management and maintenance of a strong financial position despite the external economic climate. The retained surplus of £38.8m compares with £48.8m in the previous year. Excluding FRS17 pension credits and one off break costs, the underlying surplus declined from £43.2m (5.4% of income) to £36.7m (4.4% of income).

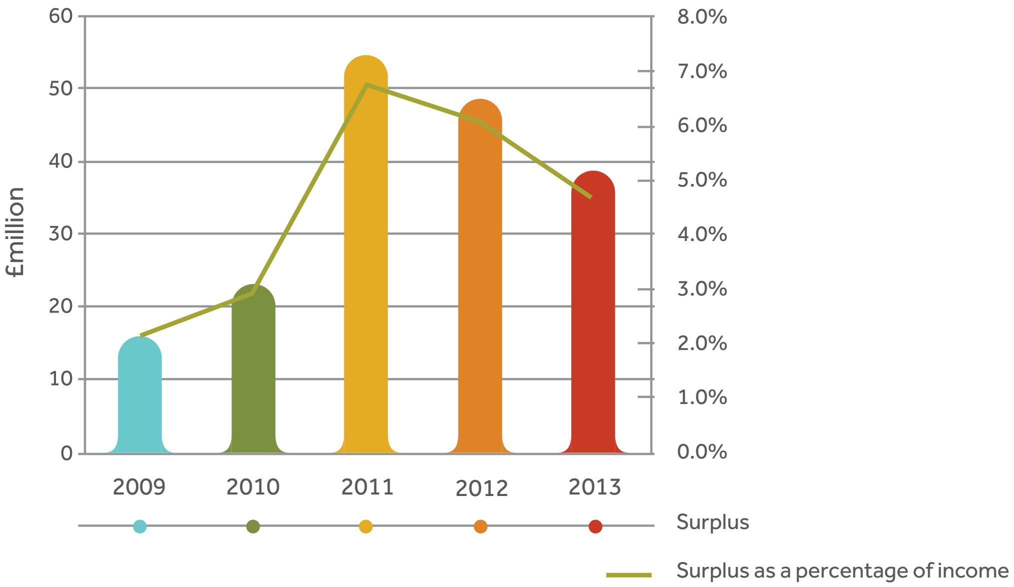
The decrease in underlying surplus is primarily attributable to the reduction in the core teaching grant and lower home student intake with its consequent impact on ancillary income such as student residential and catering.

	£m	% total Income
Surplus as reported	38.8	4.7
One off break costs	10.1	
FRS 17 credits		
UMSS	(10.7)	
GMPF	(1.1)	
MILGPS	(0.4)	
	(12.2)	
Underlying surplus	36.7	4.4

EBITDA was £74.0m (9.0% of income) for the year compared with £76.3m (9.5% of income) in the previous year. This will be a key financial KPI in future as the surplus will be reduced by increased interest cost relating to the bond issue and increased depreciation charges as the fixed assets grow with the implementation of the Campus Master Plan. The University will be considering monitoring EBITDA performance as one of its KPI's.

Available cash resources (inclusive of short term investments) at 31 July 2013 were £437.6m up from £194.1m in July 2012 reflecting the proceeds of the successful bond issue launched in July 2013 net of loan repayments.

Retained surplus as a percentage of income



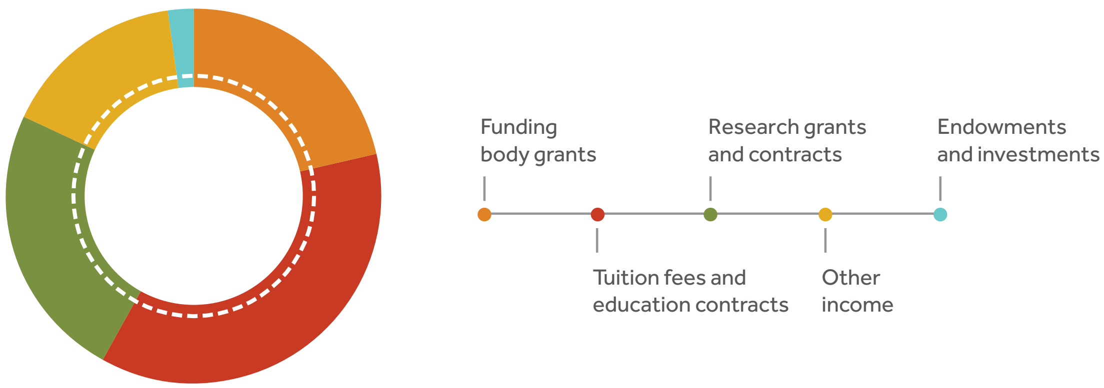
Income

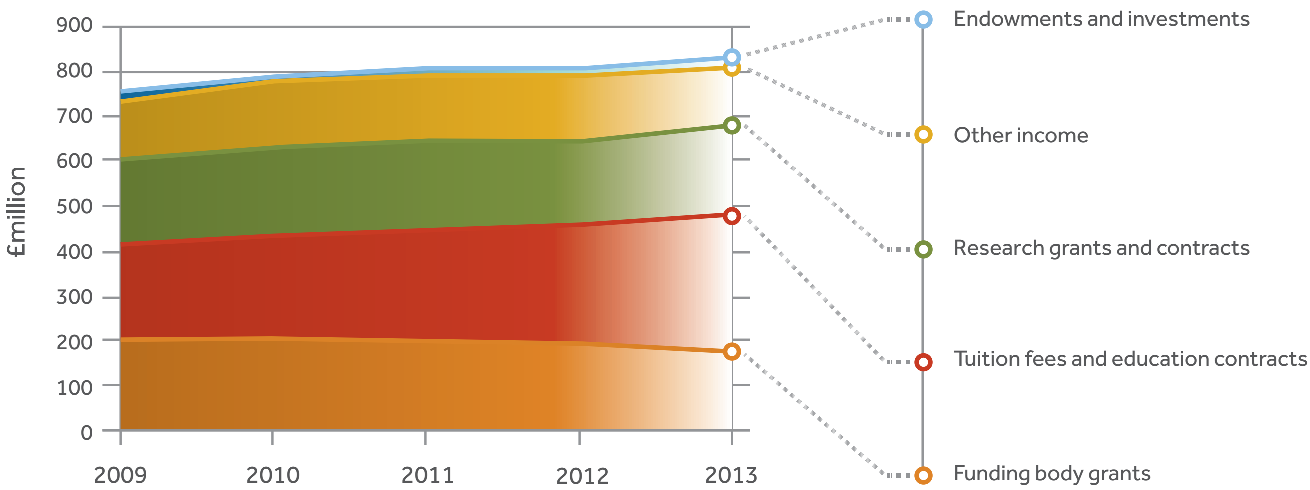
Total income for the University of £827.0m increased by £19.7m (2.4%) from £807.3m in 2011/12.

Funding Council grants were down by £18.7m (9.5%). The core teaching grant reduced by £18.5m (19.9%) reflecting the continuation of significant changes to the funding regime as the block teaching grant is replaced by tuition fees.

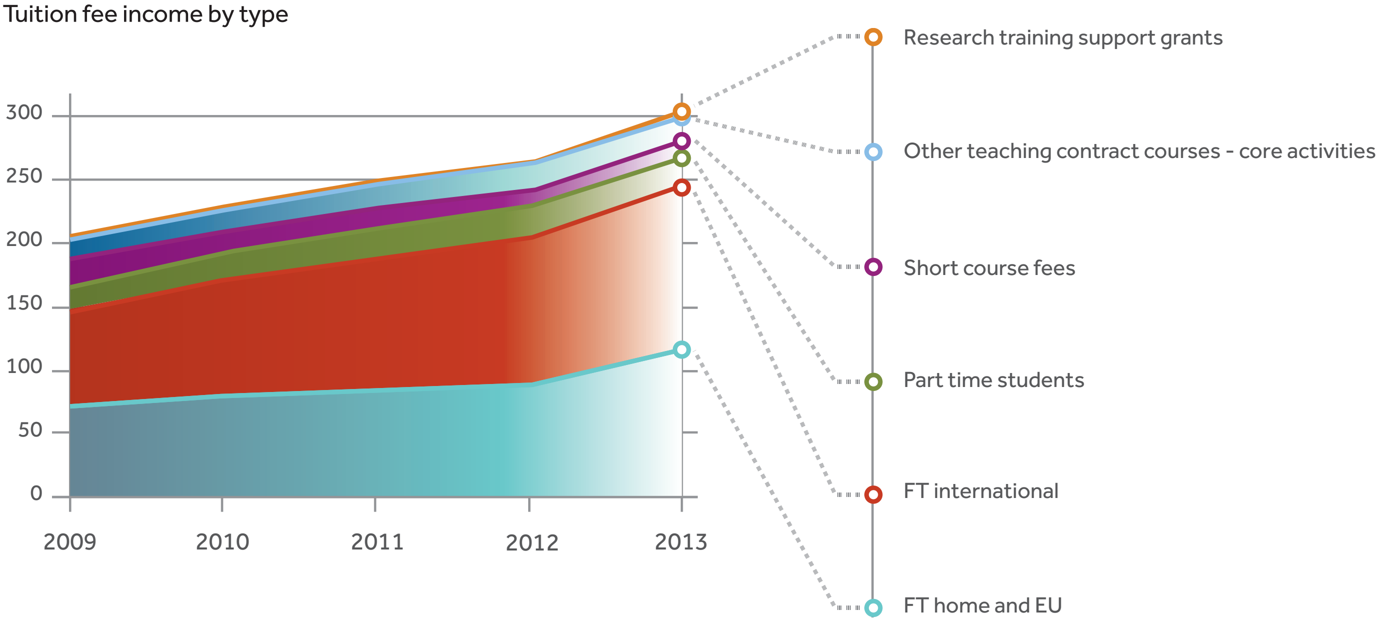
Research funding increased by £1.7m (2.0%). Release of deferred capital grants was £0.3m lower reflecting a lower proportion of HEFCE funded projects.

2013 Total income





Tuition fee income by type



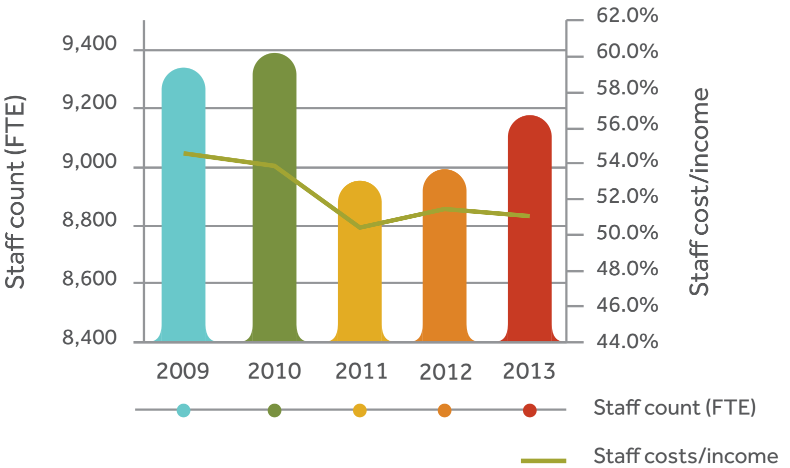
Tuition fees increased by £40.3m (15.4%). It was a year of slightly lower home student recruitment with 33,573 full time students, a decrease of 4.1% on the prior year. Full-time international student fee income again grew strongly to £130.7m (up by 9.1%).

Research grants and contracts increased by 6.2% to £199.6m reflecting the significant growth in the value of awards made to the University starting to flow through. The level of funding from the UK Research Councils was down £1.0m and income from UK-based charities was up £1.1m (2.4%). There was an increase of £4.5m (18.2%) from overseas sources and £3.8m (29.9%) from UK industry and commerce reflecting the University's efforts to diversify its research activities. Research awards grew strongly in the year to £272.2m from £199.1m in the previous year, up 37%.

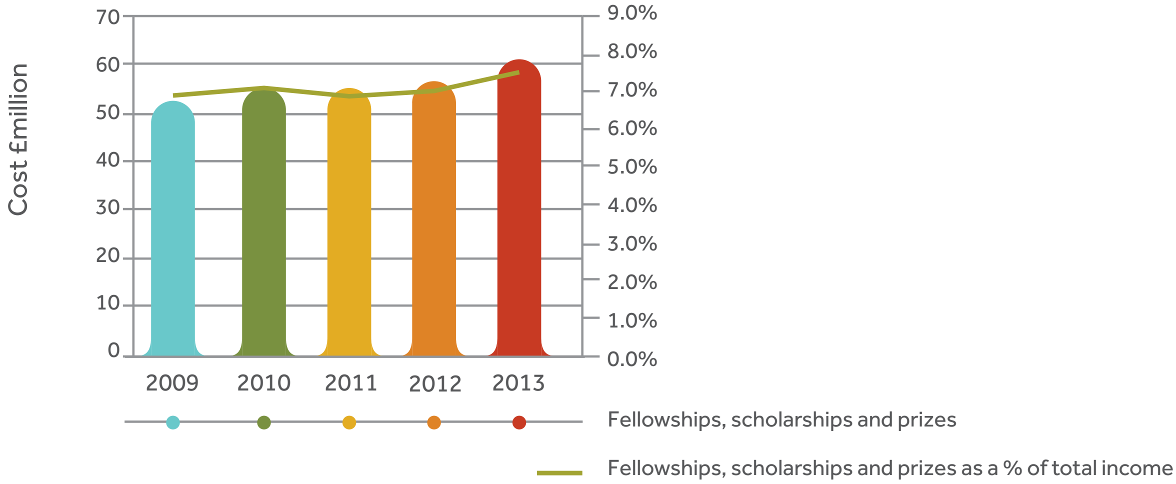
Other income of £129.3m was £16.2m (11.1%) lower than last year last due to lower student residential income reflecting the lower student intake in 2012/13. Residences, catering and conferences reduced by £3.1m (6.4%) and academic departments income reduced by £8.1m (22%). Other general income fell by £1.5m (10.4%) and administration and central services was down by £4.2m (53.8%).

Endowment and investment income of £17.9m was £2.7m higher than the prior year. This is mainly due to higher income earned on short term investments and a higher net return on pension schemes.
Donation income was £0.5m higher than last year at £4.8m.

Staff count (FTE) and staff costs
(excluding early retirement and voluntary severance)



Fellowships, scholarships and prizes



Expenditure

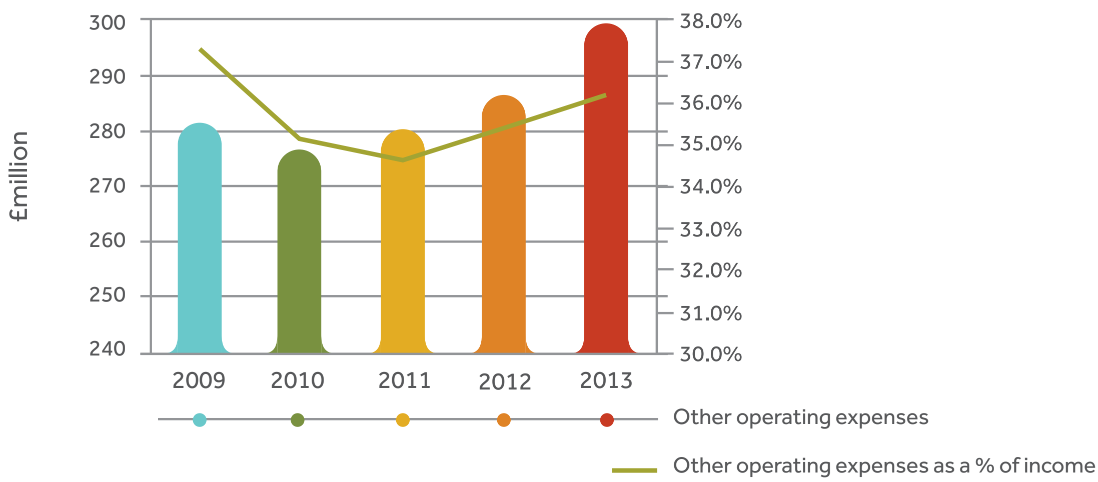
Total expenditure increased by £30.5m (4.0%), although this included one off break costs associated with settlement of certain existing loans. Underlying staff costs (excluding the costs of voluntary severance) were up by £7.8m (1.9%), reflecting strategic investments in new posts partly offset by savings from earlier voluntary redundancy schemes and continuing active vacancy management measures. There was a voluntary severance charge of £0.8m in the year compared with £5.2m in the previous year. The staff cost ratio to income was 51.2% (excluding voluntary severance costs) compared with 51.5% in 2011/12.

Other operating expenses increased by £13.4m (4.7%) including an increase in fellowships, scholarships and prizes of £4.7m, utilities costs an increase of £1.8m and travel and subsistence an increase of £1.9m. Increases were also shown in professional fees (£2.1m), library and publications (£1.3m) and consumables (£1.5m).

Depreciation increased from the prior year by £4.4m to £45.8m. Interest and other finance costs were £0.8m lower at £9.2m.

Expenditure includes £10.1m break costs on settlement of certain existing borrowings following the receipt of the proceeds of the bond issue. These loans were at significantly higher rates of interest (up to 9.58%) compared with 4.25% for the bond so substantial interest savings (£4.8m over the remaining life of the loans) will be realised going forward.

Other operating expenses as a percentage of income



Balance sheet review

The University closed the year ended 31 July 2013 with net assets of £824.5m, an increase of £78.3m (10.5%) after taking account of a pension deficit of £64.8m which decreased by a net £44.5m in the year, a decrease of £37.3m on The University of Manchester Superannuation Scheme ("UMSS") and a total decrease of £7.2m on the Greater Manchester Pension Fund ("GMPF") and the Manchester Innovation Limited Group Pension Scheme ("MILGPS"). The MILGPS scheme was merged with the UMSS at 31 August 2013 to realise administrative savings. The year end cash position improved by £243.5m, with closing cash and short term investments of £437.6m.

Fixed assets

Tangible asset additions of £86.8m included £15.3m on equipment, £70.7m on buildings, including capital maintenance works of £25.3m in the year, and £0.7m of heritage assets.

Fixed asset investments

Fixed asset investments reduced by £0.6m.

Endowment assets

Overall endowment assets have increased by £15.6m (10.1%). This included appreciation in the value of the portfolio of £16.0m (compared to depreciation of £5.5m in 2011/12) offset by £0.5m of funds spent. Markets performed more strongly during the year with gains in every month except June 2013. Since the year end stock markets have performed less well and the value of endowment assets has depreciated by £1.8m (at 30 September 2013).

Net current assets

Net current assets have increased by £226.8m, due largely to the increase in cash and short term investments resulting from the bond issue.
Debtors have decreased by £3.9m, trade debtors were up £0.9m, prepayments and accrued income were down by £2.2m due to lower payments in advance for capital projects. In addition, there was a £2.3m 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 £12.8m to £263.1m; trade creditors were down £7.9m, deferred research income up £16.4m due to an overall increase in the level of research funding received, loans down £2.2m, social security and taxation up £1.0m and accruals and deferred income up £3.4m.

Short-term investments

Short-term investments increased by £242.6m and cash at bank was up £0.8m at year end reflecting the proceeds of the bond issue in July 2013. The closing liquidity position of £437.6m was sufficient to cover 215 days expenditure (2011/12: 99 days).

Net cash

Cash reserves have increased by £243.5m (including short-term deposits).

Risks and uncertainties

The FRS17 pension deficit decreased in the year to £64.8m reflecting the substantial increase in bond yields in the last year and hence discount rates applied to liabilities as well as a strong asset performance during the year. The second annual payment of £4.5m towards the UMSS deficit was made in the year. The next triennial actuarial valuation will be based on the position as at 31 July 2013 and should be available in the first quarter of 2014.

The University Superannuation Scheme ("USS") had already made changes to future benefits to reduce liabilities and will have its next triennial actuarial valuation as at 31 March 2014.

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

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

Endowment investment performance has been strong during the year but remains a risk as financial markets are still uncertain and the pace and sustainability of world economic recovery is variable. We undertook a review of our investment strategy aided by Aon Hewitt during the previous year which has resulted in a move to a modified asset class portfolio with an increase in bonds and a corresponding reduction in equities coupled with a move to more international equity stocks rather than the UK preponderance that was in place previously. Further work is in hand to determine any future changes to asset class allocations.

The biggest challenge to the University and the Higher Education sector generally comes from the changes in funding arrangements within the sector. The University will see a continuing reduction in its annual Funding Council core teaching grant over the next couple of years before the full benefit of increased student tuition fees is realised. At the same time capital funding, previously provided by the Funding Council, has been significantly reduced. It is imperative that the University maintains a strong financial performance whilst these changes take place as there is still uncertainty concerning the effect of funding changes on demand for places 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 cash resources of £437.6m. The budget for 2013/14 continues to generate a surplus albeit at levels lower than the last few years, and forward cash forecasts demonstrate adequate available financial resources. All of the University's external funding is long-term in nature with 98.0% repayable beyond 1 year and 94.2% repayable beyond 5 years. No material uncertainties that cast significant doubt about the ability of the University to continue as a going concern have been identified by the Board of Governors.

Conclusion

The University achieved a robust financial performance in 2012/13 but faces significant challenges in the coming years. At the same time as the funding arrangements for the Higher Education sector are changing, the University must increase its long term maintenance expenditure to maintain and enhance the estate as well as continuing to invest in the student experience, excellence in research and higher learning. The recent successful funding exercise has provided the resources to enable the University to embark on an ambitious Campus Development Plan and this will ensure that the University has the facilities to compete with the best in the world in the years ahead.

THE UNIVERSITY AND PUBLIC BENEFIT

Introduction

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

Strategic ambition

The University of Manchester Strategic Plan 2020 sets out our mission to make the University one of the top 25 research universities in the world by 2020, where all students enjoy a rewarding educational and wider experience. The University intends to be known internationally as a place where the highest academic values and educational innovation are cherished, where research prospers and makes a real difference, and where the fruits of scholarship resonate throughout society.

Access to world-leading learning

Embedded into the University's strategic plan are a set of values and policies that commit us to being an open, meritocratic institution that pro-actively seeks out people capable of benefiting from higher education, minimises barriers to their participation and in so doing contributes to the expansion of higher education opportunities, locally, nationally and internationally.

The University is committed to providing all of its students (39,953 in 2012/13) with an outstanding learning and student 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 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 who are equipped to make a valuable social and economic contribution to society.

A new system of fees was introduced in 2012 and the University's Access Agreement with the Office for Fair Access (OFFA), available on their website, provides detailed information on the University's commitment to all students, regardless of background or financial circumstance.

The University is committed to fair access and monitors the outcomes of activities in relation to their impact on progression of less advantaged groups into the University. We examine our position in relation to the main "access indicators" set out by the Higher Education Statistics Agency (HESA) and Office for Fair Access (OFFA) as well as monitoring the outcomes of all our outreach work.

We have the highest absolute number of students across each of the key widening participation indicators among our peer institutions in the Russell Group. We also perform towards the top end of this group for the proportion of learners from these backgrounds. We are among only a handful of Russell Group institutions that exceed our institutional benchmark for low participation neighbourhoods and disability.

The University wants to admit and support students on the basis of their academic ability rather than ability to pay. To build up a full and rounded view of applicant achievement and potential, we collate contextual information, alongside standard UCAS information, to supplement undergraduate applications. This data gives a better understanding of an applicant's prior social and educational experiences and the opportunity to assess potential to succeed at The University of Manchester in the context of any challenges they may have encountered. We also aim to ensure financial issues do not present an obstacle for learners to access the full student experience.

- In 2011/12 the University's investment in scholarships and bursaries was the highest in the English Russell Group of universities. It totalled over £11m with approximately £10.5m being accountable under our Access Agreement with OFFA
- Data shows that in 2012/13, of those students eligible for the Manchester Bursary and listed as being in University accommodation, 67% have chosen to receive their award as an accommodation discount whilst 33% opted for the fee discount.

The University also offers Accommodation Awards, whereby the Trustees of a University Hall of Residence, Hulme Hall, kindly meet the full accommodation costs 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. 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, 126 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 at the University 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 committed to providing its students with the opportunity to develop key employability skills by taking part, for example, in the Manchester Leadership Programme (MLP), 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. In 2012/13, a total of 1,143 MLP students delivered over 53,000 hours of volunteering activity. The total economic value generated by this student volunteering was over £250,000.

Our local communities in Greater Manchester have some of the lowest progression rates into higher education in the UK. Manchester Higher, a partnership programme between The University of Manchester and Manchester Metropolitan University, has been developed through consultation with local schools and colleges to help address this. It aims to provide high quality, impartial information, advice and awareness-raising activities to ensure young people from less advantaged backgrounds are able to make informed choices about future educational pathways. The programme is primarily focused on work with pre-16 pupils and their key influencers. It is delivered through a range of on-campus and in-school workshops, presentations and events. The programme is highly targeted using our own school-level Manchester Prioritisation Model to identify priority schools using a basket of free school meal and school achievement data. For all campus-based events teachers are required to target pupils using the programme's eligibility criteria.

During 2012/13, 2,616 young people attended visits on campus and participated in workshops delivered in school through the Manchester Higher Programme. A further 3,244 have received a presentation from a member of staff or Student Ambassador in their school and the programme supported over 100 Information, Advice and Guidance events in schools e.g. Careers Events and Options Evenings.

Over 90% of students agreed that:
- They understand more about the benefits of going to university
- They have a better understanding of how university is different from school

Over 80% agreed that the activity they participated in has made them more likely to consider going to university.

Research, public policy, and wider influence

The University is committed to the nurture and support of curiosity-driven, fundamental research, while seeking to ensure the maximum impact and benefit of its discoveries and creations by working closely with business, the public services and the third sector.

Although we value knowledge creation for its own sake, the benefits of our research to local, national and international communities are numerous. By way of example, the people of Greater Manchester 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 influence public policy and make a real difference to society.

In 2011, the UK chancellor, George Osborne, announced the allocation of £50m to support the commercial development of Graphene, to build upon the work undertaken at Manchester by our Nobel Prize Winners Professor Sir Andre Geim and Professor Sir Kostantin Novoselov. £38m of this funding was allocated to the University, to support the creation of a National Graphene Institute.

The National Graphene Institute, acting as a national hub, will attract further investment for applied research and collaboration and will provide the required catalyst for growth of businesses in the region to support the supply chain in various application sectors. The University's core aim is to ensure that continual research and development remains focused in the region, with commercialisation of the developed applications having a direct impact on the regional and national economy.

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 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. Its impact through the creation and transfer of intellectual property to the market – and through other forms such as consulting, continuing professional development courses, and collaborative research programmes – is wide ranging and benefits society both directly and indirectly. New jobs have been created, many processes improved and valuable new products have been developed which have been sold here and abroad.

Social responsibility, cultural impact and environmental sustainability

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

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

To provide an insight into higher education for primary school pupils, 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 (MAP), supports outstanding Year 12 and 13 students from under-represented groups in Greater Manchester to progress successfully into The University of Manchester and other research-intensive universities. Since its development in 2005, 886 MAP students have now been successful in gaining a place at Manchester. Those who complete the programme and register as a student with the University, receive the Opportunity Manchester Scholarship, a £1,000 annual award. These awards are generously supported by the University's Alumni Fund. In addition, many MAP students have also progressed to courses at other highly-selective, research-intensive universities including Oxford, Cambridge and UCL.

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 2012/13 the Manchester Museum and the Whitworth Art Gallery had over 35,000 structured contacts with school children and delivered various outreach programmes.

As part of our Social Responsibility goal, the University has established an initiative to encourage more staff to support the strategic development of state schools in our local communities by volunteering as School Governors. The University of Manchester School Governor Initiative (UMSGI) is designed to:

- help staff find volunteering placements as governors in local schools through a unique HE partnership with the School Governors' One Stop Shop (SGOSS)
- provide a network for University staff working as governors to share best practice, support each other and act as positive ambassadors for the University's work with schools and colleges

100% more governors have been recruited by the University in the first year since the campaign began. A specific target was agreed with the Office for Fair Access that the University would increase the proportion of staff working as School Governors by 50% from its baseline in 2011. Such was the effectiveness of the recruitment campaign that the University exceeded this five-year target in its first year with 115 now serving as Governors from a baseline of 52.

Finally, the University remains committed to operating as a sustainable and socially responsible institution, minimising the impact of its own activities on the environment.

CORPORATE GOVERNANCE STATEMENT

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

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

The University of Manchester, like other public bodies, has a duty to conduct its affairs in a responsible and transparent way, and to take into account the requirements of its funding bodies and the Governance Code of Practice published by the Committee of University Chairs (CUC). The University's corporate governance arrangements were established in such a way as to meet these responsibilities and continue to comply with relative provisions in the First and Second Reports of the Committee on Standards in Public Life.

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

The University's Corporate Governance Framework

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

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

The Chair of the Board of Governors plays an important role in the governance of the University while working independently of its regular executive management. He is supported by the Deputy Chair (Mr Robert Hough). The current members of the Board of Governors are listed on the inside front cover.

A review of the effectiveness of the Board of Governors was undertaken in autumn 2011 by an independent HE consultant, Dr David Fletcher. His report found that "the University has in place a comprehensive framework and structure of governance which conforms to sector best practice". The review found the governing body sound on monitoring and assurance but with scope to extend its strategic involvement and impact. Through its Chair, the Board has continued to oversee the implementation of the report's recommendations in order to improve its operation and effectiveness.

The **Senate** is responsible to the Board for the promotion of research and for monitoring standards in teaching. It acts as the University's principal academic authority. It is the final arbiter on purely academic matters, and it is this autonomy of academic governance which sets higher education institutions apart from other corporate entities. A large number of the statutory powers reserved to Senate are 'regulatory' in nature and control the academic business of the University. The Senate has 66 members; a third of these are designated *ex-officio* and reserved for those with academic management responsibilities centrally and in the faculties. The remaining two-thirds are elected academic members (professorial and non-professorial) and student representatives.

Following on from the most recent review of the effectiveness of the Board of Governors, the University completed a review of the effectiveness of Senate during spring 2013, as part of the ongoing implementation of the review's findings. The Board routinely revisit the recommendations and observations made within the original review in order to assess progress and track implementation.

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

The **Planning and Resources Committee** (PRC), which is chaired by the President and Vice-Chancellor and includes in its membership the Vice-Presidents, the Registrar, Secretary and Chief Operating Officer, and the Director of Finance, with representation from Heads of Services and the Students' Union, is the key central management committee. PRC serves as the primary source of advice to the Board of Governors on matters relating to the development and allocation of the University's resources, on strategic planning issues and 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 (over 200 members) than the Board and, in common with it, has a majority of lay members. Lay members are drawn from a wide range of local, regional and national interests, and together they offer the University a wealth of experience and expertise from differing perspectives. The main purpose of the General Assembly is to act as a two-way channel of communication through which the University presents its achievements to its broader 'constituencies' and receives feedback and advice on matters relating to University business. It also includes University staff, alumni and students within its membership.

The **Alumni Association** is the body of the University's graduates, and promotes fellowship among graduates while helping them to keep in touch with the University by providing opportunities to take an interest in its development and ongoing activities. General Meetings of the Association are held 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), the **Vice-Presidents** and the senior administrative officers contribute in various ways to this work, collectively acting as the University's **Senior Leadership Team**, but the ultimate executive responsibility rests with the President and Vice-Chancellor.

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

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

Internal Control

The duties conferred upon the Board of Governors by the University's Charter and Statutes require it to institute and maintain a sound system of internal control. This is designed to support the achievement by the University of its aims and objectives and, at the same time, safeguard public and other funds and assets for which the University is responsible. In that context, the Board is satisfied that the University complies with those provisions of the CUC Guide on the financial aspects of corporate governance which are applicable in a higher education institution. Guidance provided by the Turnbull Committee on a risk management approach to internal control of institutional activity, as mediated by HEFCE through its Financial Memorandum, has been adopted by the Board as the basis for evaluating the University's systems of internal control and for reviewing its effectiveness. The Audit Committee, on behalf of the Board, is ultimately responsible for the oversight of the University's review and monitoring of the system of internal control. The Board receives regular reports, at each meeting, from the Audit Committee on the steps being taken to manage risks across the University. The Audit Committee also receives regular reports from the internal auditors (Uniac), which include the internal auditors' independent opinion on the adequacy and effectiveness of the University's system of internal control, together with any recommendations for improvement.

Financial Control

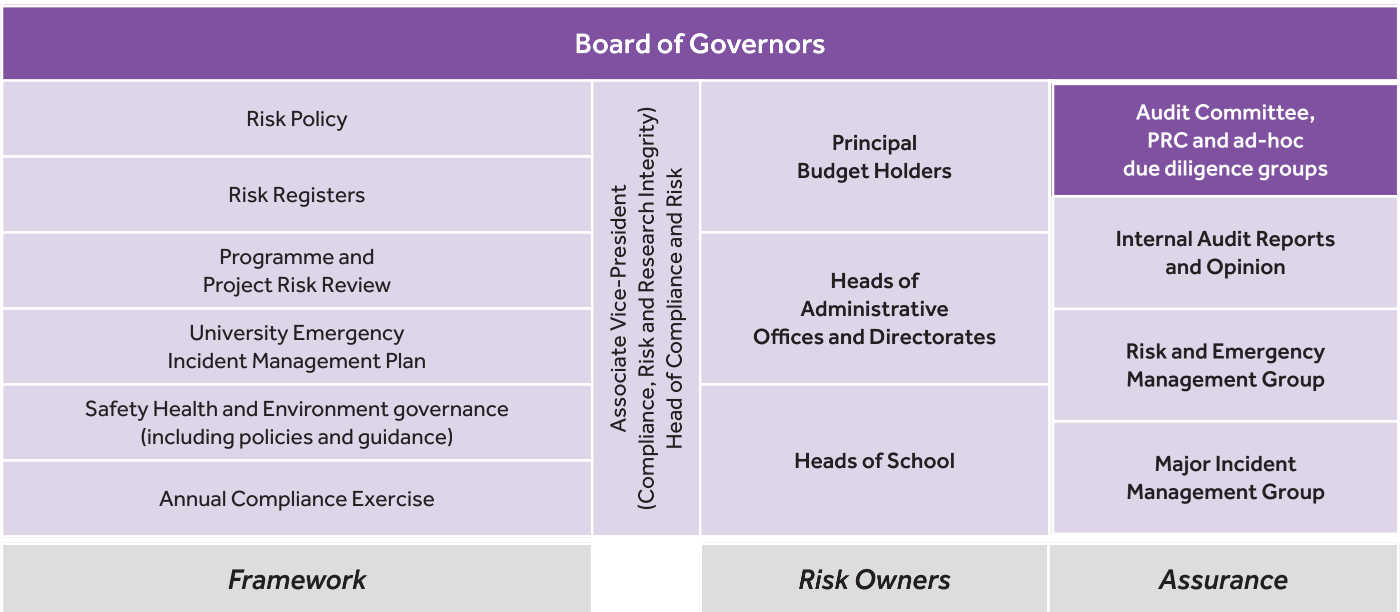
The Board of Governors, both directly and through its Finance Committee and Audit Committee, is responsible for ensuring the economical, efficient and effective management of the University resources and expenditure, and for safeguarding its assets, including specific responsibility for the oversight of systems that prevent and detect fraud. It must ensure that the University uses public funds only for the purposes for which they were provided, and that those funds derived from HEFCE are used in accordance with the requirements of the Financial Memorandum.

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

The University sets out matters concerning the broad policies relating to financial control in its Financial Regulations. The Regulations are approved by the Board and apply to the University and all its 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

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 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, in addition, the Head of Compliance and Risk provides a report to the Board of Governors at each meeting). They oversee the adoption and dissemination, on a continual basis, of risk awareness/management training and the preparation of contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the University and its business capability. The Risk Register is reviewed by the Audit Committee on a routine basis, and is presented to the Board of Governors at each meeting.



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

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

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

STATEMENT OF THE BOARD OF GOVERNORS' RESPONSIBILITIES

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

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

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

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

The Board has taken reasonable steps to:

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

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

The 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.

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 2013 which comprise the consolidated income and expenditure account, the statement of consolidated historical cost surpluses and deficits, the statement of consolidated total recognised gains and losses, the consolidated and university balance sheets, the consolidated cash flow statement, the reconciliation of consolidated net cash flow to movements in net funds and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the governing body in accordance with the charter and statutes of the university. Our audit work has been undertaken so that we might state to the governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board of governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governing body and auditor

As explained more fully in the Statement of the Board of Governors' Responsibilities, the governing body is responsible for the preparation of the financial statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University and the group's affairs as at 31 July 2013 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

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

In our opinion:

- in all material respects, income from the funding council, the National College for Teaching and Leadership and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2013 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2013 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council, the funding agreement with the National College for Teaching and Leadership and the funding agreement with the Learning and Skills Council.

Matter on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the Statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the University.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
22 November 2013

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2013

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, with the exception of FRS 26, which was first adopted in 2012/13. Financial liabilities are recognised at amortised cost under the effective interest rate method. For financial liabilities which originated pre 2012/13 (FRS 26 transition date), the opening debt balance has been determined under FRS 26 accounting retrospectively and restated accordingly. No balances have been restated relating to financial assets.

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Director of Finance's Financial Review of the year which forms part of the Board of Governors' Report. The Board of Governors' Report also describes the financial position of the University, its cash flows, liquidity position and borrowing facilities. The University's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to credit and liquidity risks are set out on page 24.

The Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain investment properties and financial instruments at fair value as permitted by the Companies Act 2006 and in accordance with applicable United Kingdom accounting standards.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the University and subsidiary undertakings for the financial year to 31 July, as disclosed in note 13. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements include the University's share of the profits and net assets of material associated undertakings over which the University has a significant but not dominant influence.

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

Recognition of income

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

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

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

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

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

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments after the result for the year has been struck. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

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

Accounting for charitable donations

(a) Unrestricted donations
Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

(b) Endowment funds
Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

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

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

(d) Gifts in kind, including donated tangible fixed assets
Gifts in kind are included as a donation in other income using a reasonable estimate of their gross value or the amount actually realised. Donated tangible fixed assets, with the exception of land, are valued and accounted for as fixed assets under the appropriate fixed asset category. The same amount is credited to deferred capital grants where the accounting treatment is then the

same as for grant funded tangible fixed assets. Where the asset is not depreciated, the deferred capital grant is released immediately to the income and expenditure account. Land donated for use by the University is valued, and the associated credit is taken to the income and expenditure account as a donation in other income.

Intra-group transactions

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

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

Foreign currency translations

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

Tangible fixed assets

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

Buildings under construction are included at cost, based on the value of architects' certificates and other costs incurred at 31 July. 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 yrs)

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

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

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

(f) Assets held for resale
Tangible fixed assets surplus to requirements are held at the lower of cost and net realisable value.

(g) Heritage assets
Works of art and other valuable artefacts (heritage assets) acquired since 1 August 2007 and valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.
Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material. Where heritage assets have not been capitalised, details of the nature and age of these assets are disclosed.

Leases

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

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

Goodwill and intangible assets

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

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

Website development costs

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

Subsidiary and associate undertakings

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

Investment properties

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

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

Financial instruments

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

Financial assets

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

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

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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

(c) Available for sale financial assets
Listed shares held by the University that are traded in an active market are classified as being Available for Sale (AFS) and are stated at fair value. Fair value is determined in the manner described in the 'Financial instruments' section below. Gains and losses arising from changes in fair value are recognised through the Statement of Total Recognised Gains and Losses in the investments revaluation reserve with the exception of impairment losses, which are recognised directly in the income and expenditure account. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to the income and expenditure account for the period.

Investments in the UMIP Premier Fund are valued using accepted methodologies for venture capital investments. Investments held on a listed market are valued at their estimated realisable value. Investments in companies set up so as to exploit University intellectual property are carried at the lower of cost and net realisable value. Other investments are stated at the lower of cost and fair value.

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

Stocks

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

Pension schemes

The four principal schemes for the University's staff are the Universities' Superannuation Scheme ('USS'), the NHS Pension scheme ('NHSPS'), the University of Manchester Superannuation Scheme ('UMSS') and the Greater Manchester Pension Fund ('GMPF'). All four schemes are contracted out of the State Second Pension ('S2P'). In addition, the University 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 3 of the Charities Act 2011 (formerly Schedule 2 of the Charities Act 1993) and is considered to pass the tests set out in Paragraph 1 of Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 of the Corporation Tax Act 2009 (CTA 2009) and Sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

Deferred taxation

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

Cash flows and liquid resources

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

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

Provisions and contingent liabilities

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

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

Agency arrangements

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

FINANCIAL INSTRUMENTS

Capital risk management

The University manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst optimising the debt and equity balance. The University's overall strategy remains unchanged from 2012.

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

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

Gearing ratio

The gearing ratio at the year end is as follows:

	2013 £000	2012 £000
Debt (note 33)	(431,271)	(183,648)
Cash and cash equivalents (note 33)	451,980	208,396
Net funds (note 33)	20,709	24,748
Total funds (excluding minority interests)	824,353	746,136
Net funds to total funds ratio	2.5%	3.3%

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

Financial risk management objectives

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

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

The Treasury function reports to the Director of Finance.

Interest rate sensitivity analysis

The University only has one loan subject to a floating interest rate. It is due to be repaid in 2014 and the balance outstanding at the year end was £1.3m (2012: £2.1m). The University is therefore not subject to any significant exposure to interest rates in relation to its financial liabilities.

The University had £511.1m (2012: £268.4m) on short and long term deposit. The weighted average interest rate for these fixed rate deposits was 1.02% (2012: 1.98%). All deposits were subject to fixed interest rates therefore the University was not subject to any significant exposure to interest rates in relation to its financial assets.

Credit risk management

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

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

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

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

The University places deposits with a number of counterparties selected using Fitch credit ratings for banks or published net asset value for building societies. In line with the Treasury Management Policy approved by Finance Committee, counterparties must have a long term credit rating of A- or higher and a short term credit rating of F1 or higher. The maximum credit limit currently in place is £80m which is applicable for one counterparty only. Other credit limits range from £5m to £60m depending upon the assessed credit strength of the counterparty. As at 31 July 2013 the University held deposits with 23 (2012: 17) counterparties.

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

Financial assets and other credit exposure

	Maximum credit risk 2013 £000	2012 £000
Guarantee provided by a subsidiary to a bank on a spinout entity's loan	230	230

Liquidity risk management

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

Consolidated income and expenditure account

For the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Income			
Funding body grants	1	177,780	196,466
Tuition fees and education contracts	2	302,369	262,075
Research grants and contracts	3	199,622	188,019
Other income	4	129,310	145,524
Endowment and investment income	5	17,889	15,227
Total income		826,970	807,311
Expenditure			
Staff costs	6	424,055	420,677
Other operating expenses	7(b)	299,410	286,053
Depreciation	12	45,820	41,421
Interest and other finance costs	8	9,248	10,006
Break costs for early repayment of loans	20	10,125	-
Total expenditure		788,658	758,157
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation		38,312	49,154
Share of operating surpluses/(losses) in associates	13(b)	97	(766)
Taxation	10	108	238
Surplus on continuing operations after depreciation of fixed assets at cost/valuation and taxation		38,517	48,626
Minority interest in subsidiary undertakings' results for the year	27	(91)	(67)
Surplus on continuing operations after depreciation of fixed assets at cost/valuation, taxation, minority interest and exceptional items		38,426	48,559
Surplus for the year transferred from accumulated income in endowment funds	24	331	264
Surplus for the year retained within general reserves	25	38,757	48,823

The surplus/(deficit) for the year retained within general reserves is attributable to the following:

	2013 £000	2012 £000
University	40,061	46,670
Group undertakings	(1,304)	2,153
	38,757	48,823

Statement of consolidated historical cost surpluses and deficits

For the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Surplus on continuing operations before taxation		38,318	48,321
Realisation of property revaluation gains	26	-	287
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	26	13	13
Historical cost surplus for the year before taxation		38,331	48,621
Historical cost surplus for the year after taxation		38,439	48,859

Statement of consolidated total recognised gains and losses

For the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, disposal of assets and taxation		38,757	48,823
Unrealised deficit on revaluation of investment properties	26	(1,265)	(833)
Unrealised deficit on revaluation of fixed asset investments	26	(1,470)	(978)
Net endowment expenditure in the year	24	(1,145)	(351)
New endowments and dividends reinvested	24	684	854
Net appreciation/(depreciation) of endowment assets including reinvested profits on sales	24	16,037	(5,539)
Actuarial gain/(loss) recognised in respect of pension schemes	34(a)	32,237	(27,906)
Total recognised surplus relating to the year		83,835	14,070
Reconciliation			
Opening reserves and endowments		314,646	300,576
Total recognised gains for the year		83,835	14,070
Closing reserves and endowments		398,481	314,646

Balance sheets

As at 31 July 2013

		Consolidated		University	
		2013	2012	**2013**	2012
	Notes	**£000**	£000	**£000**	£000
Fixed assets					
Goodwill	11	**-**	-	**-**	-
Tangible assets	12	**759,902**	719,173	**727,122**	685,689
Investments	13	**121,906**	122,469	**122,956**	121,431
Total fixed assets		**881,808**	841,642	**850,078**	807,120
Endowment assets	14	**169,244**	153,668	**169,244**	153,668
Current assets					
Stock		**1,495**	1,509	**1,443**	1,459
Debtors: amounts falling due within one year	15	**86,020**	89,794	**90,667**	89,546
Debtors: amounts falling due after more than one year	16	**209**	290	**14,131**	13,096
Investments	17	**411,743**	169,123	**411,743**	169,123
Cash at bank and in hand		**25,829**	24,987	**7,593**	8,581
Total current assets		**525,296**	285,703	**525,577**	281,805
Creditors: amounts falling due within one year	18	**(263,089)**	(250,285)	**(251,644)**	(237,124)
NET CURRENT ASSETS		**262,207**	35,418	**273,933**	44,681
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,313,259**	1,030,728	**1,293,255**	1,005,469
Creditors: amounts falling due after more than one year	19	**(423,386)**	(173,530)	**(421,680)**	(171,824)
Provisions for liabilities	22	**(529)**	(1,701)	**(95)**	(1,159)
NET ASSETS EXCLUDING PENSION LIABILITIES		**889,344**	855,497	**871,480**	832,486
Net pension liabilities	34(a)	**(64,808)**	(109,269)	**(64,808)**	(109,269)
NET ASSETS INCLUDING PENSION LIABILITIES		**824,536**	746,228	**806,672**	723,217
Deferred capital grants	23	**425,872**	431,490	**407,462**	412,624
Endowment funds					
Expendable endowments	24	**26,779**	24,968	**26,779**	24,968
Permanent endowments	24	**142,465**	128,700	**142,465**	128,700
Total endowment funds		**169,244**	153,668	**169,244**	153,668
Reserves					
Income and expenditure account excluding pension reserve	25	**281,916**	255,370	**283,212**	255,362
Pension reserve	25	**(64,808)**	(109,269)	**(64,808)**	(109,269)
Income and expenditure account including pension reserve		**217,108**	146,101	**218,404**	146,093
Revaluation reserve	26	**12,129**	14,877	**11,562**	10,832
Total reserves		**229,237**	160,978	**229,966**	156,925
Minority interests	27	**183**	92	**-**	-
TOTAL FUNDS		**824,536**	746,228	**806,672**	723,217

The Financial Statements on pages 19 to 64 were approved by the Board of Governors of the University of Manchester on 20 November 2013 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 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	28	53,727	56,472
Net returns on investments and servicing of finance	29	(5,004)	3,011
Taxation	10	-	-
Capital expenditure and financial investment	30	(52,352)	(48,978)
Cash (outflow)/inflow before management of liquid resources		(3,629)	10,505
Management of liquid resources	31	(207,870)	12,772
Financing	32	247,213	(7,648)
Increase in cash in the year		35,714	15,629

Reconciliation of consolidated net cash flow to increase in net funds

For the year ended 31 July 2013

	Notes	2013 £000	2012 £000
Increase in cash in the year	33	35,714	15,629
Cash inflow/(outflow) from liquid resources	33	207,870	(12,772)
Change in debt resulting from cash flows	33	(247,213)	7,648
Change in debt resulting from non-cash changes	33	(410)	-
New finance lease		-	(2,290)
Movement in net funds in year		(4,039)	8,215
Net funds at beginning of year	33	24,748	16,533
Net funds at end of year	33	20,709	24,748

Notes to the financial statements

1 Funding body grants

	Consolidated 2013 £000	2012 £000
Recurrent grants		
Higher Education Funding Council - Teaching	74,271	92,722
Higher Education Funding Council - Research	84,205	82,528
Higher Education Funding Council - Other	6,428	6,876
Training and Development Agency	317	2,396
Specific grants		
Special initiatives	4,355	3,412
Deferred capital grants released in year:		
Buildings	7,610	7,150
Equipment	594	1,382
	177,780	196,466

2 Tuition fees and education contracts

	Consolidated 2013 £000	2012 £000
Fees in respect of:		
Full-time home and EU students	113,834	86,675
Full-time international students	130,659	119,737
Part-time students	25,445	22,273
Short course fees	13,746	14,254
Other teaching contract courses - core activities	18,259	18,506
Research training support grants	426	630
	302,369	262,075

3 Research grants and contracts

	Consolidated 2013 £000	2012 £000
Research Councils	71,352	72,343
UK based charities	46,875	45,767
UK central government, hospitals and health authorities	35,161	31,667
UK industry and commerce	16,647	12,819
Overseas	29,151	24,666
Other sources	436	757
	199,622	188,019

Research grants and contracts income includes the release of deferred capital grants of £14.8m for the year ended 31 July 2013 (2012: £9.0m).

4 Other income

	Consolidated 2013 £000	2012 £000
Residences, catering and conferences	44,693	47,760
Premises	2,599	2,963
Academic departments	28,651	36,710
Academic services	1,988	2,251
Continuing education and training	2	164
Administration and central services	3,648	7,892
Services rendered	5,431	4,744
Health authorities	20,076	19,732
Other general income - University only	11,041	6,754
Use of sports facilities	1,034	1,035
Other general income - subsidiary undertakings	1,497	7,243
Manchester University Press	1,857	1,912
Releases of deferred capital grants from non-funding body sources	6,793	6,364
	129,310	145,524

5 Endowment and investment income

	Consolidated 2013 £000	2012 £000
Income from donations	**4,841**	4,302
Net return on pension schemes (note 34a)	**3,611**	1,533
	8,452	5,835
Income from expendable endowments (note 24)	**484**	490
Income from permanent endowments (note 24)	**2,660**	2,549
Income from short term investments	**5,431**	5,011
Dividends from general fund investments	**399**	360
Surplus on disposal of fixed asset investments	**317**	677
Other interest receivable	**146**	305
	9,437	9,392
	17,889	15,227

Investment income earned on financial assets analysed by category of asset, is as follows;	2013 £000	2012 £000
Available-for-sale financial assets	**3,860**	4,076
Held-to-maturity financial assets	**5,577**	5,316
Total investment income for financial assets not designated at fair value through profit or loss	**9,437**	9,392

6 Staff costs

	Consolidated 2013 £000	2012 £000
Wages and salaries	**325,915**	319,479
Social security costs	**27,991**	26,938
Pension costs (note 34a)	**69,354**	69,062
Early retirement and voluntary severance scheme costs (note 22)	**795**	5,198
	424,055	420,677

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 £4.4m for the year ended 31 July 2013 (2012: £4.4m).

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

The early retirement and voluntary severance scheme came into effect from 1 May 2011 and concluded 30 September 2011 with the exception of certain specific areas.

	Consolidated 2013 Numbers	2012 Numbers
Staff numbers		
Academic - teaching and research	**1,918**	1,876
Academic - teaching only	**496**	442
Research	**1,791**	1,740
Administrative and management	**1,319**	1,303
Clerical and secretarial	**1,400**	1,385
Academic support	**1,455**	1,446
Craft / manual	**799**	796
Total number of staff	**9,178**	8,988

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

6 Staff costs (continued)

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

	Consolidated	
	2013 Number of Employees	2012 Number of Employees
£100,001 - £110,000	27	28
£110,001 - £120,000	19	23
£120,001 - £130,000	8	9
£130,001 - £140,000	6	7
£140,001 - £150,000	4	4
£150,001 - £160,000	4	5
£160,001 - £170,000	4	4
£170,001 - £180,000	3	3
£180,001 - £190,000	2	1
£200,001 - £210,000	1	1
£280,001 - £290,000	1	1
£290,001 - £300,000	1	1
£300,001 - £310,000	1	1
	81	88

Emoluments of the President and Vice-Chancellor	Consolidated	
	2013 £000	2012 £000
Salary	248	245
Benefits in kind	4	3
	252	248
Pension contributions	40	39

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

7(a) Analysis of expenditure by activity

	Staff Costs	Other operating expenses	Depreciation	Interest payable	Consolidated 2013	2012
	£000	£000	£000	£000	**£000**	£000
Academic departments	249,555	79,122	4,605	-	**333,282**	333,993
Academic services	26,491	19,444	26	-	**45,961**	41,554
Research grants and contracts	86,778	58,587	14,509	-	**159,874**	150,503
Residences, catering and conferences	5,566	12,832	37	1,365	**19,800**	31,330
Premises	20,292	50,853	23,012	7,738	**101,895**	90,839
Administration and central services	11,211	12,991	2,281	33	**26,516**	26,746
Staff and student facilities	10,119	7,391	-	-	**17,510**	17,660
General educational expenditure	4,833	35,306	238	-	**40,377**	27,851
Other services rendered	2,184	3,292	-	-	**5,476**	5,841
Early retirement and voluntary severance scheme costs	758	-	-	-	**758**	5,059
Total University	**417,787**	**279,818**	**44,708**	**9,136**	**751,449**	731,376
Subsidiary undertakings	6,268	19,592	1,112	112	**27,084**	26,781
Total	**424,055**	**299,410**	**45,820**	**9,248**	**778,533**	758,157

7(b) Analysis of other operating expenses

	Consolidated 2013	2012
	£000	£000
Equipment purchases and maintenance	**35,277**	35,317
Estate repairs and maintenance	**19,332**	20,104
Consumables and laboratory expenditure	**31,762**	30,247
Catering supplies	**823**	5,155
Library and publications	**10,048**	8,742
Professional and other fees	**42,171**	40,093
Travel and subsistence	**16,712**	14,768
Printing, stationery and office expenses	**13,146**	12,504
Fellowships, scholarships and prizes	**61,280**	56,610
Recruitment, training and welfare	**8,586**	8,221
Heat, light, water and power	**18,463**	16,664
Rent, rates and insurance	**16,102**	16,015
Grants to student union	**1,613**	1,413
External auditor's remuneration in respect of audit services	**234**	263
External auditor's remuneration in respect of non audit services	**315**	548
Other expenditure	**4,015**	3,745
Subsidiary undertakings other operating expenditure	**19,531**	15,644
	299,410	286,053

The analysis of auditor's remuneration is as follows:

	2013	2012
	£000	£000
Fees payable to the University's auditor for the audit of the University's annual accounts	**184**	219
Fees payable to the University's auditor and its associates for other services to the Group:		
The audit of the University's subsidiaries pursuant to legislation	**50**	44
Total audit fees	**234**	263
Tax services	**152**	190
Consultancy services	**135**	358
Services in respect of the bond issue	**28**	-
Total non-audit fees	**315**	548

There is also £661k (2012: £468k) of fees payable to the University's auditor included within tangible fixed asset additions, for property consultancy services received.

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

8 Interest and other finance costs

	Consolidated 2013 £000	Consolidated 2012 £000
Bank and other loans wholly repayable within five years	**2,047**	36
Bank and other loans not wholly repayable within five years	**6,111**	9,848
Bond interest	**945**	-
Finance leases	**33**	11
Other interest payable	**112**	111
	9,248	10,006

9 Other gains and losses

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

10 Taxation

	Consolidated 2013 £000	Consolidated 2012 £000
Current Tax		
UK Corporation tax of 23.67% (2012: 25.33%) on surplus for the year	**-**	-
Deferred tax		
Reversal of timing differences	**(108)**	(238)
Total tax credit	**(108)**	(238)
Tax paid in year	**-**	-

11 Goodwill

	Consolidated £000
Cost	
At 1 August 2012 and at 31 July 2013	94
Amortisation	
At 1 August 2012 and at 31 July 2013	94
Net book value	
At 1 August 2012 and at 31 July 2013	-

There are no other intangible assets within the University.

12 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	2013 Total £000
Cost/valuation						
At 1 August 2012	798,750	-	69,512	211,142	1,837	**1,081,241**
Additions at cost	8,164	-	62,543	15,340	710	**86,757**
Transfers between categories	43,147	-	(53,064)	9,917	-	**-**
Disposals	-	-	(185)	(38,988)	-	**(39,173)**
At 31 July 2013	850,061	-	78,806	197,411	2,547	**1,128,825**
Depreciation						
At 1 August 2012	185,607	-	-	176,461	-	**362,068**
Charge for the year	23,558	-	-	22,262	-	**45,820**
Disposals	-	-	-	(38,965)	-	**(38,965)**
At 31 July 2013	209,165	-	-	159,758	-	**368,923**
Net book value						
At 31 July 2013	**640,896**	**-**	**78,806**	**37,653**	**2,547**	**759,902**
At 1 August 2012	613,143	-	69,512	34,681	1,837	**719,173**

(b) University	Freehold land and buildings £000	Lease premium £000	Assets under construction £000	Fixtures, fittings, tools and equipment £000	Heritage assets £000	2013 Total £000
Cost/valuation						
At 1 August 2012	755,285	5,400	70,242	207,231	1,837	**1,039,995**
Additions at cost	8,164	-	62,543	14,932	710	**86,349**
Transfers between categories	43,147	-	(53,064)	9,917	-	**-**
Disposals	-	-	(185)	(38,988)	-	**(39,173)**
At 31 July 2013	806,596	5,400	79,536	193,092	2,547	**1,087,171**
Depreciation						
At 1 August 2012	178,883	1,036	-	174,387	-	**354,306**
Charge for the year	22,790	74	-	21,844	-	**44,708**
Disposals	-	-	-	(38,965)	-	**(38,965)**
At 31 July 2013	201,673	1,110	-	157,266	-	**360,049**
Net book value						
At 31 July 2013	**604,923**	**4,290**	**79,536**	**35,826**	**2,547**	**727,122**
At 1 August 2012	576,402	4,364	70,242	32,844	1,837	**685,689**

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

Included in Freehold land and buildings are buildings which were revalued to £12.7m, with accumulated depreciation of £7.5m (2012: £7.2m). These buildings have a net book value of £5.2m at 31 July 2013. The historical cost of these buildings is £11.8m and accumulated depreciation is £7.4m, giving a net book value on a historical cost basis of £4.4m (2012: £5.7m).

At 31 July 2013, freehold land and buildings included £4.4m (2012: £4.4m) in respect of freehold land which is not depreciated.

Consolidated fixtures, fittings and equipment include assets held under finance leases as follows:	**Year Ended 31 July 2013 £'000**	Year Ended 31 July 2012 £'000
Cost	**2,805**	2,290
Accumulated depreciation	**343**	229
Charge for year	**114**	229

12 Tangible fixed assets (continued)

Heritage assets

The University holds and maintains certain heritage assets, such as historic buildings and collections of art and other valuable artefacts of historical, scientific and artistic importance. The University conserves these assets and augments the collections where appropriate in order to enable use of the assets for teaching and research and access to the assets for engagement with members of the public. Further information on the University's policies regarding conservation, preservation, management and disposal of heritage assets can be found on the University's website **www.manchester.ac.uk/aboutus/structure/visitor-attractions**.

Heritage assets acquired since 1 August 2007 and valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. These comprise in the main works of art purchased by the Whitworth Art Gallery and books donated to the John Rylands University Library. Capitalised donated heritage assets have been valued internally on acquisition on the basis of knowledge and experience of similar assets. Heritage assets held at cost or valuation are not depreciated due to their indefinite life and high residual value. Amounts for the current year and previous four years are as follows:

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Cost or valuation at 1 August	**1,837**	**1,677**	**1,463**	**809**	**409**
Acquisitions purchased with donations	**56**	60	214	29	-
Value of acquisitions by donation	**654**	100	-	625	400
Total acquisitions capitalised	**710**	160	214	654	400
Cost or valuation at 31 July	**2,547**	**1,837**	**1,677**	**1,463**	**809**

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 £1,337m (2012: £1,335m).

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.

13 Investments within fixed assets

	Consolidated		University	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Movement in the year				
Balance at 1 August	**122,469**	122,149	**121,431**	123,041
Additions	**2,907**	3,293	**1,641**	2,210
Disposals and investments written off	**-**	(1,015)	**(500)**	(5,457)
Amounts provided on unquoted shares during the year	**(735)**	(303)	**(359)**	(818)
Release of provisions on investments written off	**-**	156	**-**	4,051
Devaluation of investment properties	**(1,265)**	(1,048)	**(1,265)**	(833)
Net appreciation/(depreciation) of other investments within fixed assets including reinvested profits on sales	**(1,470)**	(763)	**2,008**	(763)
Balance at 31 July	**121,906**	122,469	**122,956**	121,431
Analysis of closing balance				
Interests in subsidiary undertakings (note 13a)	**-**	-	**4,290**	4,790
Interests in associated undertakings (note 13b)	**2,768**	5,803	**-**	-
Investment properties	**8,287**	9,553	**8,287**	9,553
Available-for-sale investments carried at fair value				
Other fixed interest securities	**2,767**	2,596	**2,767**	2,596
UK index linked	**2,360**	2,170	**2,360**	2,170
UK industrial and commercial securities	**6,360**	5,445	**6,360**	5,445
Overseas industrial and commercial securities	**5,350**	3,995	**5,350**	3,995
Property funds	**2,792**	2,117	**2,792**	2,117
Cash instruments	**2,462**	1,883	**2,462**	1,883
Cash held with investment managers	**(536)**	59	**(536)**	59
Other investments	**4,296**	3,848	**118**	118
Held-to-maturity investments carried at amortised cost				
Long-term cash deposits	**85,000**	85,000	**85,000**	85,000
Loans receivable carried at amortised cost				
Loan to Sugden Sports Trust	**-**	-	**3,706**	3,705
Total investments within fixed assets	**121,906**	122,469	**122,956**	121,431
Investments at cost	**110,376**	107,469	**112,416**	111,275

The investment properties currently totalling £8.3m (2012: £9.6m) 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 2013 by senior management at The University of Manchester and the value was revised downwards to £8.3m as a consequence.

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

The available-for-sale investments included above represent investments that present the University with opportunity for return through dividend income and trading gains. Within other investments, the Group holds a strategic non-controlling interest of 25% in the UMIP Premier Fund valued at £4.2m (2012: £3.7m). This investment is not held for trading and accordingly is classified as available for sale. The University has provided a loan to the Sugden Sports Trust at a rate comparable to the average commercial rate of interest. The fair values of all equity securities are based on quoted market prices.

13 Investments within fixed assets (continued)

(a) Investments in subsidiary undertakings

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

Directly owned Indirectly owned	Group Holding %	University 2013 £	2012 £	Description
Manchester Innovation Holdings Limited	100	3,599,100	3,599,100	Holding company
Manchester Innovation Limited	100	-	-	Construction of a biotech incubator building
Manchester Technology Developments Limited	100	-	-	Dissolved 23 August 2011
The University of Manchester Innovation Centre Limited	100	1	1	Owns and operates a biotech incubator building
UMIST Ventures Limited	100	1	500,001	Holding company
UVL Investments Limited	100	-	-	Dissolved 4 September 2012
Fusion (LP One) Limited	100	-	-	Dissolved 20 March 2012
Fusion (LP Two) Limited	100	-	-	Dissolved 20 March 2012
Fusion (LP Three) Limited	100	-	-	Dissolved 20 March 2012
Fusion (LP Four) Limited	100	-	-	Dissolved 20 March 2012
Manchester Informatics Limited	100	-		Dissolved 10 April 2012
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	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	-	-	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)	100	-	-	Dissolved 3 September 2013
Sugden Sports Trust	50	-	-	Ownership of sports centre
UMIST Educational Trust	100	-	-	Ceased trading 31 March 2012
Vumpine Limited	50	50	50	Dormant
UMSS Limited	100	2	2	To undertake the duty of trustee of UMSS
MBS Worldwide Limited	100	124,288	124,288	Provision of distance learning
Manchester Business School (Shanghai) Limited	100	-	-	Consultancy and management services
Manchester Business School America Inc	100	-	-	Provision of distance learning
Manchester Business School PTE Ltd	100	-	-	Provision of distance learning
The University of Manchester Ophthalmic Services Limited	100	-	-	Dissolved 17 July 2012
UoM Singapore PTE Ltd	100	5,260	5,260	Teaching of Nursing degrees in Singapore
2-Dtech Ltd	100	500,000	500,000	Graphene supply and consultancy
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
		4,289,987	4,789,987	

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

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

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

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

13 Investments within fixed assets (continued)

(b) Investments in associated undertakings

Movement in the year	Consolidated 2013 £000	Consolidated 2012 £000
Balance at 1 August	5,803	6,784
Share of profits	97	23
Loss on dilution of shareholding	-	(789)
Share of property devaluations	(3,132)	(215)
Balance at 31 July	2,768	5,803

The University and Group had the following associated undertakings as at 31 July 2013:

Name of associate	Class of share capital held	Proportion held by the University and Group	Share of net assets/(liabilities) 2013 £000	Share of net assets /(liabilities) 2012 £000
Manchester Science Park Limited Financial year end 31 December	£1 ordinary	19.78%	2,827	2,730
One Central Park Limited Financial year end 31 July	£1 ordinary	20%	(16)	3,116
The Corridor, Manchester Financial year end 31 March	CLG	33%	(43)	(43)
			2,768	5,803

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

14 Endowment assets

	Consolidated		University	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Movement in the year				
Balance at 1 August	**153,668**	158,704	**153,668**	158,704
New endowments including unreleased income earned on capital	**(461)**	503	**(461)**	503
Net appreciation/(depreciation) including reinvested profits on sales	**16,037**	(5,539)	**16,037**	(5,539)
Balance at 31 July	**169,244**	153,668	**169,244**	153,668
Analysis of closing balance				
Available-for-sale investments carried at fair value				
Other fixed interest securities	**20,449**	20,729	**20,449**	20,729
UK Index Linked	**17,438**	17,138	**17,438**	17,138
UK industrial and commercial securities	**46,979**	43,642	**46,979**	43,642
Overseas industrial and commercial securities	**39,520**	31,937	**39,520**	31,937
Commodities	**-**	57	**-**	57
Property funds	**20,628**	16,764	**20,628**	16,764
Hedge funds	**-**	134	**-**	134
Cash instruments	**12,102**	8,394	**12,102**	8,394
Cash held with investment managers	**(3,872)**	587	**(3,872)**	587
Bonds	**1,592**	-	**1,592**	-
Held-to-maturity investments carried at amortised cost				
Bank and building society deposits and uninvested bank balances	**14,408**	14,286	**14,408**	14,286
Total endowment assets	**169,244**	153,668	**169,244**	153,668
Endowment assets at cost	**110,249**	110,710	**110,249**	110,710

The available-for-sale investments included above represent investments that present the University endowment funds with opportunity for return through dividend income and trading gains. The fair values of all equity securities are based on quoted market prices.

15 Debtors: amounts falling due within one year

	Consolidated		University	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Loans and receivables				
Trade debtors	**36,391**	35,497	**35,312**	34,603
Accrued income on research grants and contracts	**24,890**	27,199	**24,890**	27,199
Prepayments and accrued income	**24,661**	26,910	**26,953**	26,403
Amounts due from subsidiary companies	**-**	-	**3,512**	1,216
Amounts due from associate companies and spin outs	**78**	188	**-**	125
Balance at 31 July	**86,020**	89,794	**90,667**	89,546

	Consolidated		University	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Amount receivable for the services provided/ sale of goods	**40,904**	40,527	**39,220**	38,788
Allowance for doubtful debts	**(4,513)**	(5,030)	**(3,908)**	(4,185)
Trade debtors	**36,391**	35,497	**35,312**	34,603

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

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

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

Trade debtors disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the University has not recognised an allowance for doubtful debtors because there has not been a significant change in credit quality and the amounts are still considered recoverable. The University does not hold any collateral or other credit enhancements over these balances nor does it have the legal right of offset against any amounts owed by the University to the counterparty. The average age of these debtors is 115 days (2012: 112days).

Ageing of past due but not impaired debtors

	Consolidated 2013 £000	Consolidated 2012 £000
1-90 days	6,119	8,706
91-180 days	2,549	853
181-270 days	934	868
271-365 days	129	372
Total	9,731	10,799

Movement in the allowance for doubtful debts

	Consolidated 2013 £000	Consolidated 2012 £000
Balance at the beginning of the year	5,030	6,291
Amounts written off during the year as uncollectable	(907)	(435)
Change in doubtful debt provision	390	(826)
Balance at the end of the year	4,513	5,030

Ageing of impaired trade debtors

	Consolidated 2013 £000	Consolidated 2012 £000
Current	74	1
1-90 days	39	104
91-180 days	308	237
181-270 days	265	106
271-365 days	186	116
365+ days	3,641	4,466
Total	4,513	5,030

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

16 Debtors: amounts falling due after more than one year

	Consolidated 2013 £000	Consolidated 2012 £000	University 2013 £000	University 2012 £000
Loans and receivables				
Loans to University of Manchester Students' Union	51	68	51	68
Amounts due from subsidiary companies	-	-	14,080	13,028
Amounts due from associate companies and spin outs	158	222	-	-
Balance at 31 July	209	290	14,131	13,096

17 Investments within current assets

	Consolidated 2013 £000	Consolidated 2012 £000	University 2013 £000	University 2012 £000
Held-to-maturity investments carried at amortised cost				
Bank deposits repayable after due notice	350,593	142,723	350,593	142,723
Bank deposits repayable on demand	61,150	26,400	61,150	26,400
Balance at 31 July	411,743	169,123	411,743	169,123

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

At 31 July 2013 the weighted average interest rate of these fixed rate deposits was 0.76% (2012: 1.46%) per annum and the remaining average period for which the interest rate is fixed on these deposits was 143 days (2012: 122 days).

18 Creditors: amounts falling due within one year

	Consolidated 2013 £000	Consolidated 2012 £000	University 2013 £000	University 2012 £000
Bank loans (note 20)	**4,422**	6,581	**4,422**	6,581
Loans other than bank loans (note 20)	**4,000**	4,000	**4,000**	4,000
Trade creditors	**26,436**	34,363	**25,538**	32,928
Obligations under finance leases	**672**	650	**672**	650
Social security and other taxation payable	**11,096**	10,070	**10,588**	9,694
Amounts owed to group undertakings	**-**	-	**59**	179
Other creditors	**29,287**	27,257	**28,924**	26,768
Deferred income on research grants and contracts	**84,288**	67,886	**84,288**	67,720
Accruals and deferred income	**102,888**	99,478	**93,153**	88,604
Balance at 31 July	**263,089**	250,285	**251,644**	237,124

19 Creditors: amounts due after more than one year

	Consolidated 2013 £000	Consolidated 2012 £000	University 2013 £000	University 2012 £000
Bank loans (note 20)	**25,787**	60,409	**25,787**	60,409
Loans other than bank loans (note 20)	**395,650**	110,706	**393,944**	109,000
Other creditors due after more than one year:				
Obligations under finance leases due within one to five years	**740**	1,302	**740**	1,302
Other creditors due within one to five years	**96**	-	**96**	-
Other creditors due after five years	**1,113**	1,113	**1,113**	1,113
Balance at 31 July	**423,386**	173,530	**421,680**	171,824

20 Borrowings

	Consolidated 2013 £000	Consolidated 2012 £000	University 2013 £000	University 2012 £000
Unsecured borrowing at amortised cost				
Bond	**293,478**	-	**293,478**	-
Bank loans	**28,921**	43,948	**28,921**	43,948
Other loans	**106,172**	114,706	**104,466**	113,000
	428,571	158,654	**426,865**	156,948
Secured borrowing at amortised cost				
Bank loans	**1,288**	23,042	**1,288**	23,042
	1,288	23,042	**1,288**	23,042
Total Borrowings	**429,859**	181,696	**428,153**	179,990
Borrowings are repayable as follows:				
In one year or less	**8,422**	10,581	**8,422**	10,581
Between one and two years	**5,071**	10,864	**5,071**	10,864
Between two and five years	**11,436**	21,389	**11,436**	21,389
In five years or more	**404,930**	138,862	**403,224**	137,156
	429,859	181,696	**428,153**	179,990

Bond

In July 2013 an unsecured fixed rate public bond was issued for the sum of £300 million over a 40 year term with a coupon rate of 4.25%. There are no capital payments to be made over the term, with the bond maturing in 2053. The bond transaction costs of £7.5m will be amortised over the life of the bond and charged to interest costs. The University may, at its option, redeem some or all of the bond at the Redemption Price together with interest accrued to the date of redemption. The 'Redemption Price' shall be the higher of (a) the principal amount of the bond to be redeemed and (b) the product of the principal amount of the bond to be redeemed and the sum of the Gross Redemption Yield (4.25% Treasury Stocks due December 2055) and 0.15%. Some of the proceeds from the bond issue have been used to repay two secured bank loans (balance as at 31 July 2012: £20.9m) and one unsecured bank loan (balance as at 31 July 2012: £15.5m). The payment consisted of £34.2m capital, £0.1m accrued interest and £10.1m break costs.

Unsecured bank and other loans

Bank loans with an interest rate of 5.2%, repayable by instalments falling due between 2013 and 2019 totalling £13.5m (2012: £15.6m).
Bank loans with an interest rate of 5.2%, repayable by instalments falling due between 2013 and 2022 totalling £15.4m (2012: £16.8m).
Other loans with an interest rate of 5.04%, repayable by one repayment falling due in 2046 totalling £99.5m (2012: £100.0m).
Other loans which are interest free and repayable by instalments falling due between 2013 and 2014 totalling £5m (2012: £9m).
Other loans with an interest rate of 6.5%, repayable by one repayment falling due in 2018 totalling £1.7m (2012: £1.7m).

Secured bank loans

Bank loans with an interest rate of LIBOR plus spread, repayable by instalments falling due between 2013 and 2014 totalling £1.3m (2012: £2.1m) are secured by an all monies guarantee (see note 37).

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

	Consolidated 2013 %	Consolidated 2012 %	University 2013 %	University 2012 %
Bond	**4.25**	-	**4.25**	-
Bank loans	**5.08**	6.58	**5.11**	6.58
Other loans	**5.06**	5.06	**5.04**	5.04

21 Financial Instruments

(a) Categories of financial instruments

	Consolidated 2013 £000	Consolidated 2012 £000	University 2013 £000	University 2012 £000
Financial assets				
Cash and bank balances	**25,829**	24,987	**7,593**	8,581
Held-to-maturity investments	**511,151**	268,409	**511,151**	268,409
Loans and receivables	**86,229**	90,084	**108,504**	106,347
Available-for-sale financial assets	**180,687**	161,495	**176,509**	157,765
	803,896	544,975	**803,757**	541,102
Financial liabilities				
Amortised cost	**686,475**	423,815	**673,324**	408,948

(b) Liquidity and interest risk tables

Financial liabilities

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

Consolidated

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2013					
Non-interest bearing	0.00	257,995	1,096	1,113	**260,204**
Finance lease liability	10.71	744	906	-	**1,650**
Variable interest rate instruments	1.51	872	434	-	**1,306**
Fixed interest rate instruments	4.51	22,917	92,238	998,575	**1,113,730**
		282,528	94,674	999,688	**1,376,890**
2012					
Non-interest bearing	0.00	243,054	5,000	1,113	**249,167**
Finance lease liability	12.00	689	1,540	-	**2,229**
Variable interest rate instruments	1.22	879	1,306	-	**2,185**
Fixed interest rate instruments	5.73	15,403	60,721	293,147	**369,271**
		260,025	68,567	294,260	**622,852**

University

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2013					
Non-interest bearing	0.00	246,550	1,096	1,113	**248,759**
Finance lease liability	10.71	744	906	-	**1,650**
Variable interest rate instruments	1.51	872	434	-	**1,306**
Fixed interest rate instruments	4.50	22,807	90,153	998,575	**1,111,535**
		270,973	92,589	999,688	**1,363,250**
2012					
Non-interest bearing	0.00	229,893	5,000	1,113	**236,006**
Finance lease liability	12.00	689	1,540	-	**2,229**
Variable interest rate instruments	1.22	879	1,306	-	**2,185**
Fixed interest rate instruments	5.72	15,292	60,277	291,395	**366,964**
		246,753	68,123	292,508	**607,384**

21 Financial Instruments (continued)

Financial assets

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

Consolidated

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2013					
Non-interest bearing	0.00	86,023	172	180,694	**266,889**
Variable interest rate instruments	-	-	-	-	**-**
Fixed interest rate instruments	1.02	459,567	55,427	10	**515,004**
		545,590	55,599	180,704	**781,893**
2012					
Non-interest bearing	0.00	89,797	235	161,506	**251,538**
Variable interest rate instruments	-	-	-	-	**-**
Fixed interest rate instruments	1.98	216,772	56,781	16	**273,569**
		306,569	57,016	161,522	**525,107**

University

	Weighted average effective interest rate %	<1 year £000	1-5 years £000	5+ years £000	Total £000
2013					
Non-interest bearing	0.00	90,124	14	176,516	**266,654**
Variable interest rate instruments	2.29	205	575	14,661	**15,441**
Fixed interest rate instruments	1.06	459,778	59,854	10	**519,642**
		550,107	60,443	191,187	**801,737**
2012					
Non-interest bearing	0.00	89,226	13	157,776	**247,015**
Variable interest rate instruments	2.13	103	459	13,593	**14,155**
Fixed interest rate instruments	2.03	216,983	57,625	3,810	**278,418**
		306,312	58,097	175,179	**539,588**

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

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

21 Financial Instruments (continued)

Fair value of financial instruments carried at amortised cost

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

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the balance sheet

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	**£000**	**£000**	**£000**	**£000**
Consolidated				
31 July 2013	152,971	23,420	4,296	180,687
31 July 2012	138,575	19,072	3,848	161,495
University				
31 July 2013	152,971	23,420	118	176,509
31 July 2012	138,575	19,072	118	157,765

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

22 Provisions for liabilities

(a) Consolidated

	Early retirement/ voluntary severance £000	Deferred tax £000	2013 Total £000
Balance at beginning of year	1,159	542	**1,701**
Utilised during the year	(1,859)	-	**(1,859)**
Charged/(credited) to income and expenditure account	795	(108)	**687**
Balance at 31 July	**95**	**434**	**529**

Deferred tax

The elements of deferred tax are as follows:

	2013 £000	2012 £000
Difference between accumulated depreciation and capital allowances	**438**	457
Other timing differences	**(4)**	85
Balance at 31 July	**434**	542

(b) University

	Early retirement/ voluntary severance £000	2013 Total £000
Balance at beginning of year	1,159	**1,159**
Utilised during the year	(1,822)	**(1,822)**
Charged to income and expenditure account	758	**758**
Balance at 31 July	95	**95**

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.

23 Deferred capital grants

(a) Consolidated	Funding Council £000	Other grants £000	2013 Total £000
Balance at 1 August 2012			
Buildings	277,489	132,643	**410,132**
Equipment	2,988	16,733	**19,721**
Donated assets	-	1,637	**1,637**
Total	280,477	151,013	**431,490**
Grants received/receivable			
Buildings	11,099	2,751	**13,850**
Equipment	-	9,754	**9,754**
Donated assets	-	628	**628**
Total received	11,099	13,133	**24,232**
Released to income and expenditure			
Buildings	7,364	5,872	**13,236**
Equipment	664	15,267	**15,931**
Donated assets	-	683	**683**
Total released	8,028	21,822	**29,850**
Balance at 31 July 2013			
Buildings	281,224	129,522	**410,746**
Equipment	2,324	11,220	**13,544**
Donated assets	-	1,582	**1,582**
Total	**283,548**	**142,324**	**425,872**

(b) University	Funding Council £000	Other grants £000	2013 Total £000
Balance at 1 August 2012			
Buildings	277,489	113,777	**391,266**
Equipment	2,988	16,733	**19,721**
Donated assets	-	1,637	**1,637**
Total	280,477	132,147	**412,624**
Grants received/receivable			
Buildings	11,099	2,751	**13,850**
Equipment	-	9,754	**9,754**
Donated assets	-	628	**628**
Total received	11,099	13,133	**24,232**
Released to income and expenditure			
Buildings	7,364	5,416	**12,780**
Equipment	664	15,267	**15,931**
Donated assets	-	683	**683**
Total released	8,028	21,366	**29,394**
Balance at 31 July 2013			
Buildings	281,224	111,112	**392,336**
Equipment	2,324	11,220	**13,544**
Donated assets	-	1,582	**1,582**
Total	**283,548**	**123,914**	**407,462**

24 Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2013 Total £000	2012 Total £000
Balance at 1 August						
Capital	15,361	101,361	**116,722**	22,669	**139,391**	145,498
Accumulated income	-	11,978	**11,978**	2,299	**14,277**	13,206
	15,361	113,339	**128,700**	24,968	**153,668**	158,704
New endowments	43	130	**173**	514	**687**	800
Dividends reinvested	-	-	**-**	-	**-**	62
University of Manchester withdrawal	-	(2)	**(2)**	(1)	**(3)**	(8)
Appreciation/(depreciation) of endowment assets	1,750	11,549	**13,299**	2,738	**16,037**	(5,539)
Reclassification of endowment funds (capital)	(21)	10	**(11)**	-	**(11)**	-
Purchase of tangible assets from endowment funds (accumulated income)	-	(242)	**(242)**	(300)	**(542)**	(87)
Purchase of tangible assets from endowment funds (capital)	-	-	**-**	(261)	**(261)**	
Investment income	350	2,310	**2,660**	484	**3,144**	3,039
Expenditure from accumulated income	(350)	(1,762)	**(2,112)**	(359)	**(2,471)**	(1,873)
Expenditure from capital	-	-	**-**	(1,004)	**(1,004)**	(1,430)
Balance at 31 July	**17,133**	**125,332**	**142,465**	**26,779**	**169,244**	**153,668**
Representing:						
Capital	17,133	113,050	**130,183**	24,656	**154,839**	139,391
Accumulated income	-	12,282	**12,282**	2,123	**14,405**	14,277
Total	**17,133**	**125,332**	**142,465**	**26,779**	**169,244**	**153,668**

Included within endowments are a number of permanent funds with a combined deficit of accumulated income of £0.1m at 31 July 2013. The University monitors these funds and expects them to return to an accumulated income position over future years.

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

	Capital value at 31 July 2013 £000	Opening accumulated income £000	Investment income £000	Expenditure £000	Closing accumulated income £000	Date received
Hallsworth Fund *	**20,873**	323	426	(323)	**426**	1944
Simon Fund *	**11,569**	174	236	(134)	**276**	1943
Oncology department fund *	**10,248**	102	209	(277)	**34**	1975
Student Services Centre - prize and scholarship fund *	**5,588**	450	114	-	**564**	2001
John Rylands general library fund *	**5,543**	719	113	(288)	**544**	1972
John Rylands research institute fund *	**5,105**	1,163	104	(236)	**1,031**	1972
National fund for research into crippling diseases	**4,314**	25	88	(85)	**28**	1974
Dr Mont Follick professorship in phonetics	**3,075**	100	62	(16)	**146**	1962
BNFL permanent endowment	**2,942**	102	60	(82)	**80**	2008
Simon Fund (special) 1960	**2,648**	-	54	(54)	**-**	1960
Frederick Craven Moore Fund	**2,571**	218	53	(68)	**203**	1975
BNFL expendable endowment	**2,468**	-	54	(54)	**-**	2008
Davies Chair in Entrepreneurship	**2,311**	91	47	(18)	**120**	2008
Hulme Trust	**1,953**	-	39	(39)	**-**	1881
The Ted and Pat Smith Prize	**1,736**	13	35	-	**48**	2011
	82,944	**3,480**	**1,694**	**(1,674)**	**3,500**	
Significant funds and charities with income above £100,000						
See asterixed funds above	**58,926**	2,931	1,202	(1,258)	**2,875**	
Funds and charities with income below £100,000						
Fellowships and scholarships (158 funds)	**18,637**	3,131	373	(300)	**3,204**	
Prize funds (203 funds)	**5,080**	832	104	(61)	**875**	
Chairs and lectureships (75 funds)	**30,307**	1,744	589	(458)	**1,875**	
Other (309 funds)	**41,889**	5,639	876	(939)	**5,576**	
	154,839	**14,277**	**3,144**	**(3,016)**	**14,405**	

24 Endowments (continued)

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

All endowment capital is invested through investment managers.

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

Simon Fund
This restricted permanent endowment, operated by the Simon Fund Committee, primarily funds the appointment of Fellowships and Visiting Professorships in the field of Social Sciences, Professorial Industrial and Professorial Fellowships, Engineering Research Scholarships and a grant for entertainment to academic departments and Halls of Residence. Its purpose is also to promote research and teaching in the Social Sciences and a substantial portion of the income is to be used for Senior Fellowships. It also funds various ad hoc projects approved by the Simon Fund Committee.

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

Student Services Centre - prize and scholarship fund
This 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.

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

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

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

25 Movement on general reserves

	Consolidated		University	
	2013	2012	2013	2012
Income and expenditure account	£000	£000	£000	£000
Balance at beginning of year	255,370	211,875	255,362	214,020
Surplus retained for the year	38,757	48,823	40,061	46,670
Transfer from revaluation reserve	13	300	13	300
Transfer pension surplus to pension reserve	(12,224)	(5,628)	(12,224)	(5,628)
Balance at 31 July	281,916	255,370	283,212	255,362
Pension reserve				
Balance at beginning of year	(109,269)	(86,991)	(109,269)	(86,991)
Actuarial gain/ (loss) on pension schemes	32,237	(27,906)	32,237	(27,906)
Surplus retained within reserves	12,224	5,628	12,224	5,628
Balance at 31 July	(64,808)	(109,269)	(64,808)	(109,269)

26 Revaluation reserve

(a) Consolidated

	Land and buildings £000	Investment properties £000	Available for sale investments and associated undertakings £000	2013 Total £000
Revaluations				
At beginning of year	391	7,677	7,288	15,356
(Devaluation)/revaluation in year	-	(1,265)	(1,470)	(2,735)
At 31 July	391	6,412	5,818	12,621
Contribution to depreciation				
At beginning of year	250	-	229	479
Transfer to income and expenditure account	13	-	-	13
At 31 July	263	-	229	492
Revaluation reserve				
At 31 July	**128**	**6,412**	**5,589**	**12,129**
At beginning of year	141	7,677	7,059	14,877

(b) University

	Land and buildings £000	Investment properties £000	Available for sale investments £000	2013 Total £000
Revaluations				
At beginning of year	391	7,677	3,014	11,082
(Devaluation)/revaluation in year	-	(1,265)	2,008	743
At 31 July	391	6,412	5,022	11,825
Contribution to depreciation				
At beginning of year	250	-	-	250
Transfer to income and expenditure account	13	-	-	13
At 31 July	263	-	-	263
Revaluation reserve				
At 31 July	**128**	**6,412**	**5,022**	**11,562**
At beginning of year	141	7,677	3,014	10,832

27 Minority interests

	Consolidated	
	2013 £000	2012 £000
At beginning of year	92	68
Minority interest in subsidiary undertakings' results for the year	91	67
Minority interest's contribution to deficit	-	(43)
At 31 July	183	92

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

	Consolidated 2013 £000	Consolidated 2012 £000
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation	**38,318**	48,321
Depreciation	**45,820**	41,421
Deferred capital grants released to income	**(29,850)**	(23,917)
Investment income	**(13,815)**	(12,712)
Transfers from endowments	**331**	264
Loss on disposal of fixed assets	**208**	45
Surplus on disposal of fixed asset investments	**(317)**	(677)
Interest payable	**9,248**	10,006
Break costs for early repayment of loans	**10,125**	-
Interest receivable	**(146)**	(305)
Difference between pension charge and cash contributions	**(12,224)**	(5,628)
Minority interests	**91**	24
Decrease in stocks	**14**	6
Decrease in long term debtors	**81**	63
Decrease in debtors due within one year	**3,774**	2,389
Increase/(decrease) in creditors	**2,396**	(468)
Increase/(decrease) in provisions	**(327)**	(2,360)
Net cash inflow from operating activities	**53,727**	56,472

29 Net returns on investments and servicing of finance

	Consolidated 2013 £000	Consolidated 2012 £000
Income from endowments	**3,144**	3,039
Income from short term investments	**5,431**	5,011
Income from donations	**4,841**	4,302
Dividend income from general fund investments	**399**	360
Other interest received	**146**	305
Interest paid	**(8,840)**	(10,006)
Break costs for early repayment of loans	**(10,125)**	-
Net cash (outflow)/ inflow from returns on investments and servicing of finance	**(5,004)**	3,011

30 Capital expenditure and financial investment

	Consolidated 2013 £000	Consolidated 2012 £000
Purchase of tangible fixed assets	**(74,116)**	(70,536)
Acquisition of fixed asset investments	**(2,907)**	(3,293)
Net acquisition of endowment assets	**583**	(722)
Receipts from sale of fixed asset investments	**317**	677
Deferred capital grants received	**24,232**	24,393
New endowments received including unreleased income earned on capital	**(461)**	503
Net cash outflow from capital expenditure and financial investment	**(52,352)**	(48,978)

31 Management of liquid resources

	Consolidated 2013 £000	Consolidated 2012 £000
(Placements)/withdrawals on deposit	**(207,870)**	12,772
Net cash (outflow)/inflow from management of liquid resources	**(207,870)**	12,772

32 Financing

	Consolidated 2013 £000	2012 £000
Bond Issue (net of transaction costs)	292,533	-
Bank loan repayments	(44,780)	(7,310)
Capital element of finance lease repayments	(540)	(338)
Net cash inflow/ (outflow) from financing	247,213	(7,648)

33 Analysis of changes in net debt

	1 August 2012 £000	Cash flows £000	Non-cash changes £000	Consolidated 31 July 2013 £000
Cash and cash equivalents				
Cash at bank	24,987	842	-	25,829
Bank deposits repayable on demand (note 17)	26,400	34,750	-	61,150
Endowment asset investments (note 14)	14,286	122	-	14,408
	65,673	35,714	-	101,387
Bank deposits repayable after due notice (note 17)	142,723	207,870	-	350,593
	208,396	243,584	-	451,980
Debt				
Debt due within one year (note 20)	(10,581)	10,581	(8,422)	(8,422)
Debt due after one year (note 20)	(171,115)	(258,334)	8,012	(421,437)
Finance leases (notes 18 and 19)	(1,952)	540		(1,412)
	(183,648)	(247,213)	(410)	(431,271)
Net funds	24,748	(3,629)	(410)	20,709

34 Pension Schemes

(a) Pension schemes - summary

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

	Consolidated and University 2013 £000	2012 £000
Balance sheet - Pension scheme deficits		
University of Manchester Superannuation Scheme	(55,644)	(92,902)
Greater Manchester Pension Fund	(8,702)	(15,224)
Manchester Innovation Limited Group Pension Scheme	(462)	(1,143)
	(64,808)	(109,269)

	2013 £000	2012 £000
Statement of total recognised gains and losses - Actuarial gains/(losses)		
University of Manchester Superannuation Scheme	26,593	(24,645)
Greater Manchester Pension Fund	5,362	(2,225)
Manchester Innovation Limited Group Pension Scheme	282	(1,036)
	32,237	(27,906)

Consolidated income and expenditure account

	2013 £000	2012 £000
Pension costs (note 6)		
University of Manchester Superannuation Scheme	12,510	14,192
Greater Manchester Pension Fund	1,231	1,586
Manchester Innovation Limited Group Pension Scheme	4	4
Universities Superannuation Scheme	53,321	50,663
NHS Pension Scheme	2,288	2,617
	69,354	69,062

	2013 £000	2012 £000
Net return on pension schemes (note 5)		
University of Manchester Superannuation Scheme	2,494	1,462
Greater Manchester Pension Fund	1,158	82
Manchester Innovation Limited Group Pension Scheme	(41)	(11)
	3,611	1,533

34 Pension schemes

(a) Pension schemes - summary (continued)

The four principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS), the NHS Pension Scheme, the University of Manchester Superannuation Scheme (UMSS) and the Greater Manchester Pension Fund (GMPF). 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 which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

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 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

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

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

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

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

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

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries. Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

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

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

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

Flexible Retirement
Flexible Retirement options were introduced.

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

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

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

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

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

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

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

At 31 March 2013, USS had over 148,000 active members and the institution had 5,693 active members participating in the scheme.

The total pension cost for the University of Manchester was £53.3m (2012: £50.7m). This includes £5.1m (2012: £4.6m) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries.

(c) NHS Pension Scheme ('NHSPS')

The University of Manchester also participates in the NHSPS which is contracted out of the State Second Pension (S2P). The notional assets of NHSPS are assessed by the Government Actuary and the benefits are underwritten by the Government. 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 2013 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 £2.3m (2012: £2.6m). This includes £0.4m (2012: £0.4m) outstanding contributions at the balance sheet date.

34 Pension schemes (continued)

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

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

A full actuarial valuation was carried out at 31 July 2010 and updated to 31 July 2013 on an FRS 17 basis by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are detailed below:

To develop the expected long-term rate of return on assets assumptions, the University considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumptions for the portfolio. This resulted in the selection of the 6.69% assumption as at 31 July 2013.

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

	2013	2012
Rate of increase in salaries	4.30%	3.70%
Rate of increase of pensions in payment and deferred pensions (RPI)	3.20%	2.70%
Rate of increase of pensions in payment and deferred pensions (CPI)	2.30%	1.80%
Discount rate	4.70%	4.40%
Inflation assumption (RPI)	3.30%	2.70%
Inflation assumption (CPI)	2.40%	1.80%

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

	2013	2012
Rate of increase in salaries	3.70%	4.50%
Expected long term return on plan assets	6.32%	7.09%
Discount rate	4.40%	5.40%

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

	2013	
	Male	Female
Member age 62 (current life expectancy)	25.0	27.3
Member age 42 (life expectancy at age 62)	27.0	29.3

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

	2013	2013 £000	2012	2012 £000	2011	2011 £000
Equities	8.00%	137,929	7.50%	129,364	7.90%	145,829
Bonds	5.10%	167,121	4.70%	138,313	5.70%	116,348
Property	8.00%	65,246	7.50%	61,132	7.90%	55,232
Total market value of assets		370,296		328,809		317,409
Actuarial value of liability		(425,940)		(421,711)		(391,203)
Net pension liability		(55,644)		(92,902)		(73,794)

Analysis of the amount charged to operating surplus	2013 £000	2012 £000
Current service cost	12,453	14,067
Past service cost	57	125
Total operating charge	12,510	14,192

Analysis of net return on pension scheme

	2013 £000	2012 £000
Expected return on pension scheme assets	21,012	22,399
Interest on pension liabilities	(18,518)	(20,937)
Net return	2,494	1,462

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

	2013 £000	2012 £000
Actual return less expected return on scheme assets	13,991	(5,825)
Experience gains and losses on liabilities	-	(826)
Changes in assumptions	12,602	(17,994)
Actuarial gain/(loss) recognised in STRGL	26,593	(24,645)

Reconciliation of fair value of employer assets

	2013 £000	2012 £000
Opening fair value of employer assets	328,809	317,409
Expected return on assets	21,012	22,399
Contributions by the employer	20,681	18,267
Contributions by members	899	894
Actuarial gains/(losses)	13,991	(5,825)
Benefits paid	(15,096)	(24,335)
Closing fair value of employer assets	370,296	328,809

Reconciliation of defined benefit obligation

	2013 £000	2012 £000
Opening defined benefit obligation	421,711	391,203
Current service cost	12,453	14,067
Past service cost	57	125
Interest cost	18,518	20,937
Contributions by members	899	894
Actuarial (gains)/losses	(12,602)	18,820
Estimated benefits paid	(15,096)	(24,335)
Closing defined benefit obligation	425,940	421,711

At the last full actuarial valuation of the scheme as at 31 July 2010, the value of the assets of the scheme was £287.1m and the value of the past service liabilities was £377.1m leaving a deficit of £90.0m. The assets therefore were sufficient to recover 76% of the benefits which had accrued to members' deficit after allowing for expected future increases in earnings. The University currently pays contributions at the rate of 19.75% of pensionable pay for members who do not participate in PensionChoice and 19.75% of pensionable pay plus the appropriate member rate for those that do. Members who do not participate in PensionChoice paid contributions at the rate of 7% of pensionable pay until 1 April 2013 and 7.5% thereafter for the Final Salary section and 6.5% of pensionable pay for the CARE section. The employer also pays £1.125m quarterly in arrears, which started on 31 October 2011. With effect from 1 April 2012 pensions in payment and deferred pensions increase at a rate based on CPI as opposed to RPI (but still capped at 5%).

The University has given the scheme direct security over a number of properties to the value of at least £35m (2012: £35m).

History of experience gains and losses	Year ended 31 July				
	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of defined benefit obligations	(425,940)	(421,711)	(391,203)	(324,215)	(302,124)
Fair value of scheme assets	370,296	328,809	317,409	273,505	243,624
(Deficit)/surplus in the scheme	(55,644)	(92,902)	(73,794)	(50,710)	(58,500)
Difference between expected and actual return on scheme assets:					
Amount (£000)	13,991	(5,825)	23,043	5,253	(47,964)
Percentage of scheme assets	4%	(2%)	7%	2%	(20%)
Experience gains and losses on scheme liabilities:					
Amount (£000)	-	(826)	(5,229)	-	5,000
Percentage of scheme liabilities	0%	0%	(1%)	0%	2%

34 Pension schemes (continued)

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

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

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 July 2013 on an FRS 17 basis by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2013	2012
Rate of increase in salaries	**4.30%**	3.70%
Rate of increase in pensions in payment and deferred pensions	**2.40%**	1.80%
Discount rate applied to scheme liabilities	**4.70%**	4.40%
Inflation assumption (CPI)	**2.40%**	1.80%
Expected return on assets	**7.30%**	6.50%

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 2013 are as follows:

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

- for current pensioners: 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:

	2013	**2013 £000**	2012	2012 £000	2011	2011 £000
Equities	**8.00%**	**70,486**	7.50%	55,347	7.00%	57,415
Bonds	**5.10%**	**17,622**	4.70%	17,611	4.60%	16,042
Property	**8.00%**	**5,874**	7.50%	4,193	5.10%	4,222
Cash	**3.40%**	**3,916**	2.80%	6,709	4.00%	6,755
Total market value of assets		**97,898**		83,860		84,434
Actuarial value of scheme liability		**(106,600)**		(99,084)		(97,214)
Net pension liability		**(8,702)**		(15,224)		(12,780)

Analysis of the amount charged to operating surplus

	2013 £000	2012 £000
Current service cost	**1,231**	1,510
Past service cost	**-**	76
Total operating charge	**1,231**	1,586

Analysis of net return on pension scheme

	2013 £000	2012 £000
Expected return on pension scheme assets	**5,370**	5,151
Interest on pension liabilities	**(4,212)**	(5,069)
Net return	**1,158**	82

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

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

	2013 £000	2012 £000
Actual return less expected return on scheme assets	5,362	(2,225)
Actuarial gain/(loss) recognised in STRGL	5,362	(2,225)

Reconciliation of fair value of employer assets

	2013 £000	2012 £000
Opening fair value of employer assets	83,860	84,434
Expected return on assets	5,370	5,151
Contributions by members	378	420
Contributions by the employer	1,046	1,094
Actuarial gains/(losses)	11,202	(2,975)
Estimated benefits paid	(3,958)	(4,264)
Closing fair value of employer assets	97,898	83,860

Reconciliation of defined benefit obligation

	2013 £000	2012 £000
Opening defined benefit obligation	99,084	97,214
Current service cost	1,231	1,510
Interest cost	4,212	5,069
Contributions by members	378	420
Contributions by the employer to unfunded scheme	(187)	(191)
Actuarial losses/(gains)	5,840	(750)
Past service cost	-	76
Estimated benefits paid	(3,958)	(4,264)
Closing defined benefit obligation	106,600	99,084

Analysis of the defined benefit obligation

	2013 £000	2012 £000
Present value of unfunded liabilities	2,065	2,141
Present value of funded liabilities	104,535	96,943
Closing defined benefit obligation	106,600	99,084

The University has paid contributions at the rate of 16.8% of members' pensionable pay over the year to 31 July 2013. It was agreed with the Trustees that contributions for the following year would remain at that level.

History of experience gains and losses

	Year ended 31 July				
	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of defined benefit obligations	(106,600)	(99,084)	(97,214)	(102,081)	(96,711)
Fair value of scheme assets	97,898	83,860	84,434	78,198	68,918
Deficit in the scheme	(8,702)	(15,224)	(12,780)	(23,883)	(27,793)
Difference between expected and actual return on scheme assets:					
Amount (£000)	5,362	(2,225)	207	6,199	(5,895)
Percentage of scheme assets	5%	(3%)	0%	8%	(9%)

34 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. The scheme was closed on 31 August 2013 and the pension assets, liabilities and members transferred into UMSS.

A preliminary actuarial valuation of the scheme was carried out as at 1 September 2011, which has been updated to 31 July 2013 by a qualified actuary. The market assumptions used in this valuation were:

	2013	2012
Rate of increase in pensions in payment and deferred pensions	5.00%	5.00%
Discount rate applied to scheme liabilities	4.70%	4.40%
Inflation assumptions (RPI)	3.30%	2.70%
Expected return on plan assets	3.80%	4.41%

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

The mortality assumptions used are as follows:

Assumed life expectancy in years on retirement at 62	2013	2012
Retiring today:		
Males	27.4	27.3
Females	29.5	29.4
Retiring in 20 years:		
Males	30.9	30.7
Females	32.8	32.6

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

	2013	2013 £000	2012	2012 £000	2011	2011 £000
Investment in bonds	3.50%	2,418	4.00%	1,982	5.50%	1,495
Investment in unitised with profits policy	4.50%	1,039	5.25%	986	5.75%	989
Other	1.50%	52	3.50%	18	3.50%	-
Total market value of assets		3,509		2,986		2,484
Actuarial value of liability		(3,971)		(4,129)		(2,901)
Net pension liability		(462)		(1,143)		(417)

Analysis of the amount charged to operating surplus

	2013 £000	2012 £000
Current service cost	4	4

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

	2013 £000	2012 £000
Expected return on pension scheme assets	140	148
Interest on pension liabilities	(181)	(159)
Net cost	(41)	(11)

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

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

	2013	2012
	£000	£000
Actual return less expected return on pension scheme assets	**(9)**	44
Experience gains and losses on liabilities	**(11)**	56
Changes in assumptions	**302**	(1,136)
Actuarial gain/(loss) recognised in STRGL	**282**	(1,036)

Reconciliation of fair value of employer assets

	2013	2012
	£000	£000
Opening fair value of employer assets	**2,986**	2,484
Expected return on assets	**140**	148
Contributions by the employer	**444**	325
Actuarial (losses)/gains	**(9)**	44
Benefits paid	**(52)**	(15)
Closing fair value of employer assets	**3,509**	2,986

Reconciliation of defined benefit obligation

	2013	2012
	£000	£000
Opening defined benefit obligation	**4,129**	2,901
Current service cost	**4**	4
Interest cost	**181**	159
Actuarial (gains)/losses	**(291)**	1,080
Estimated benefits paid	**(52)**	(15)
Closing defined benefit obligation	**3,971**	4,129

History of experience gains and losses

	Year ended 31 July				
	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	**(3,971)**	(4,129)	(2,901)	(2,896)	(2,505)
Fair value of scheme assets	**3,509**	2,986	2,484	2,152	1,710
Deficit in the scheme	**(462)**	(1,143)	(417)	(744)	(795)
Difference between expected and actual return on scheme assets:					
Amount (£000)	**(9)**	44	107	51	(345)
Percentage of scheme assets	**(0%)**	1%	4%	2%	(20%)
Experience gains and losses on scheme liabilities:					
Amount (£000)	**(11)**	56	(73)	(9)	(24)
Percentage of scheme liabilities	**(0%)**	1%	(3%)	0%	(1%)

35 Capital commitments

	Consolidated		University	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Commitments for future capital expenditure:				
Authorised not contracted	**52,545**	78,491	**52,545**	78,491
Contracted not provided	**91,157**	31,175	**91,157**	31,175
	143,702	109,666	**143,702**	109,666

36 Operating lease commitments

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

	Consolidated		University	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Land and buildings				
Expires within one year	**2,445**	1,697	**3,088**	1,697
Expires between two and five years	**617**	4,839	**1**	4,839
Expires after more than five years	**977**	964	**1,071**	1,056
	4,039	7,500	**4,160**	7,592
Other				
Expires within one year	**587**	206	**587**	206
Expires between two and five years	**904**	407	**904**	407
Expires after more than five years	**-**	9	**-**	9
	1,491	622	**1,491**	622
Total	**5,530**	8,122	**5,651**	8,214

37 Contingent liabilities

	Consolidated		University	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Undrawn investment commitments	**1,170**	2,340	**1,170**	2,340
Bank guarantees	**-**	230	**-**	-
All monies guarantee	**1,288**	2,146	**1,288**	2,146
	2,458	4,716	**2,458**	4,486

A commitment of up to £7.8m (2012: £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 £6.6m (2012: £5.5m) 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 two years.

Bank guarantees comprise £0.2m (2012: £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 20).

38 Related party transactions

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

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

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

	Income recognised within the financial statements £000	Expenditure recognised within the financial statements £000	Balance due to/(from) the University recognised within the financial statements £000
Higher Education Funding Council for England	177,780	-	-
Biotechnology and Biological Sciences Research Council (BBSRC)	18,422	-	157
Central Manchester University Hospitals NHS Foundation Trust	11,817	3,628	256
Astra Zeneca	6,609	-	564
Imperial College London	2,855	552	192
Technology Strategy Board (TSB)	1,708	-	-
Manchester Metropolitan Universitry (MMU)	1,356	342	(57)
Manchester City Council	1,138	1,895	(812)
Health & Safety Lab, HSE, Buxton	902	4	28
Genesis Breast Cancer Prevention Charity	212	-	-
Department of Energy and Climate Change (DECC)	172	-	-
Students' Union	152	55	101
Royal Northern College of Music	103	15	1
University of Central Lancashire (UCLAN)	37	58	(2)
Westinghouse	31	-	-
Stockport Metropolitan Borough Council	26	36	(16)
Workers Educational Association (WEA)	26	-	-
Association of Certified Accountants	25	-	1
Arts Council North West	18	-	-
BBC (British Broadcasting Corporation)	14	3	(3)
Sugden Sports Trust	14	-	-
Walton Centre for Neurology and Neurosurgery NHS Foundation Trust	11	-	10
Manchester Science Park Ltd	4	110	(28)
British Computer Society	3	12	(1)
Marketing Manchester	1	28	-
Society of Biology	1	23	-
One Central Park Ltd	-	300	(622)
Bruntwood	-	372	(79)
Turley Associates Limited	-	22	-
Bionow Ltd (former name of CELS Ltd)	-	12	-
Materialise Ltd	-	10	-
North West Business Leadership Team (NWBLT)	-	10	-
	223,437	**7,487**	**(310)**

38 Related party transactions (continued)

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

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

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

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

Imperial College London
Imperial College London is a university specialising in teaching and research in science, engineering and medicine. One governor is a visiting professor at the College.

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

Manchester Metropolitan University (MMU)
Manchester Metropolitan Univeristy (MMU) is a university which is based in Manchester, with some departments based in Cheshire. One governor has declared that their spouse serves on the MMU Board of Governors.

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

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.

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

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

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 Chair of Trustees and General Secretary. This arrangement is long standing, although the individual concerned changes annually.

Royal Northern College of Music
The Royal Northern College of Music (RNCM) is a conservatoire on Oxford Road, Manchester. One senior officer of the University supports financially a prize for RNCM students.

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.

Westinghouse
The Westinghouse Electric Company provides fuel, services, technology, plant design, and equipment for the commercial nuclear electric power industry. One governor is a consultant to the company.

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

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

Association of Certified Accountants
The ACCA (Association of Chartered Certified Accountants) is a global body for professional accountants. One of the governors has declared that he is a Fellow of the ACCA.

Arts Council North West
The Arts Council supports a range of activities across the arts, museums and libraries. It has several regional arts councils. One governor chairs the Arts Council North West.

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

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

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

Manchester Science Park Ltd
Manchester Science Park Ltd rents business accommodation to innovative companies in sectors such as ICT, biotechnology, industrial technologies and digital media. The company also offers business development support, including access to academic resources and a PR service. The University owns 19.78% of the ordinary share capital, so it is classed as an associate undertaking.

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

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

Society of Biology
The Society of Biology acts as a voice for biology: advising Government, advancing education and encouraging public interest in the life sciences. One governor is the President of the Society.

One Central Park Ltd
One Central Park, on Oldham Road, Manchester, is a business park dedicated to the development of new business enterprises delivered by the local community. One Central Park Limited is a 20% owned associate of the University. The company 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 (UMIC), is partly responsible for marketing this facility. It has been agreed that the company will sell the building to Manchester City Council and the University and UMIC are due to pay a total lease surrender premium of £550k.

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

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

Bionow Ltd (former name of CELS Ltd)
CELS Ltd, which has merged with Bionow Ltd, is a provider of business services to life-science and biomedical companies across the North of England. A governor chairs the board of the company.

Materialise Ltd
Materialise Ltd is a company offering graphic design, printing and related services. The company is wholly owned by the University of Manchester Students' Union. One governor, who is the Union's General secretary, is a director of the company.

North West Business Leadership Team (NWBLT)
The North West Business Leadership Team (NWBLT) brings together a group of business leaders in the North West. It addresses key strategic issues affecting the well-being of the region and its people. One governor chairs the NWBLT.

Trustees' Expenses
£20,667 was paid in expenses to members of the Board of Governors of the University during the year (2012: £31,622). Where Trustees are also employees of the University the amount includes expenses paid in relation to their employment.

39 Amounts disbursed as agent (Consolidated and University)

(a) Access Fund

	2013 £000	2012 £000
Balance unspent at beginning of year	247	284
Funding Council grants	357	363
Interest earned	1	1
Disbursed to students	(339)	(401)
Balance unspent at year end	266	247

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

Student Training Bursaries	2013 £000	2012 £000
Balance unspent at beginning of year	7	112
Funding Council grants	3,635	1,122
Disbursed to students	(3,572)	(1,227)
Balance unspent at year end	70	7

Student Associates Scheme	2013 £000	2012 £000
Balance unspent at beginning of year	-	3
Funding Council grants	-	-
Paid out during the year	-	(3)
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.

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