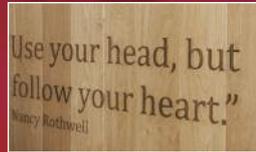


MANCHESTER
1824

The University of Manchester

Financial Statements

for the year ended 31 July 2012



Officers and advisers

Officers

Chancellor

Mr Tom Bloxham, BA, MBE

Pro-Chancellor

Gillian Easson, MA

President and Vice-Chancellor

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

Deputy President and Deputy Vice-Chancellor

Professor Rod W Coombs, BSc, MSc, PhD

Chair of the Board of Governors and Pro-Chancellor

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

Registrar, Secretary and Chief Operating Officer

Will Spinks, BSc, Chartered MCIPD

Director of Finance

Stephen Mole, BSc, PGCE, FCMA,

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, FEng, BEng, PhD, CEng, FICE, FStructE, MIFireE

Humanities

Professor Keith Brown, FRSE, FRHistS

Life Sciences

Professor Martin J Humphries, BSc, PhD, FMedSci

Medical and Human Sciences

Professor Ian Jacobs, MA, MBBS, MD, FRCOG

The following members stood down from the Board of Governors on 31 August 2012:

Ms Letty Newton; Mrs Gillian Easson, MA; Mr Peter H Readle, BSc, MSc, CMathFIMA; Dr Stuart Allan, BSc, PhD; Professor Nancy Papalopulu, PhD

Chairs of Committees of the Board of Governors

Chair of Audit Committee

Stephen Dauncey, BSc, FCCA

Chair of Finance Committee

Dr Keith Lloyd, BCom, PhD

Chair of Remuneration Committee

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

Chair of Nominations Committee

Gillian Easson, MA

Chair of Staffing Committee

Robert E Hough, DL

Membership of the Board of Governors

From 1 September 2012:

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

Mr Nick Pringle, *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 Keith Lloyd, BCom, PhD

Mr Neville Richardson, BA, FCA

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

Mr Andrew Spinoza, BA, MCIPR

Dr John Stageman, OBE, PhD

Mr Gerry Yeung, OBE, BSc

Professor Colette Fagan, PhD

Professor Maggie Gale, MA, PhD

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

Dr Reinmar Hager, MSc, PhD

Professor Chris Taylor, OBE, FEng, BSc, PhD

Professor Pamela Vallely, BSc, PhD

Mr Edward Mark Glass

Dr Andrew Walsh, BA, PGCE, MA, PhD

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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 2012.

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



I am particularly pleased to see that even in these difficult economic times we have found resources to invest in the appointment of new world-class scholars and the development of our current staff.

I am also pleased that the investment and concerted effort made over the past few years to improve the student experience is now beginning to be reflected in the results of the National Student Survey (NSS).

One of the key reasons for the University's success over recent years has been the clear sense of direction and focus provided by our original Manchester 2015 strategic plan. I was therefore delighted earlier this year when the Board of Governors endorsed a new strategic plan - *Manchester 2020* - which builds on those strong foundations and lays out what we want to achieve as a University by 2020.

The realisation of the goals detailed in *Manchester 2020* will require sound finances and adequate resources to enable continuing investment in first-class staff and facilities.

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

A handwritten signature in black ink that reads "Anil". The signature is written in a cursive style with a long horizontal stroke underneath.

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

Review of the year

These Financial Statements cover an eventful year for the University when we have continued to maintain a strong financial performance and make progress towards many of our strategic goals despite major changes in the higher education funding environment and an uncertain external economic climate.



This strong performance is a tribute to the hard work and dedication of many colleagues from across the campus and demonstrates 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 this year has been to consolidate the financial position of the University by generating a surplus, both pre-and post-exceptionals. I am therefore pleased that these financial results show an underlying surplus (excluding FRS 17 pension credits) of 5.4%. Whilst this is satisfactory, especially given the external operating environment, it is still insufficient to support the investment required to deliver our ambitions. In the longer term, we aim to be generating approximately 7% of income for investments in capital, students and research.

The core driver for all of our activities must be the University's Strategic Plan. Early in 2012, the Board of Governors enthusiastically endorsed a new plan - *Manchester 2020* - which was developed following widespread consultation across the campus. The plan builds on the strong foundations of previous documents and our achievements since 2004, but lays out what we want to achieve as a University by 2020, and sets this in the context of the opportunities and challenges we are likely to face.

Manchester 2020 reaffirms our headline ambition to become one of the top 25 research universities in the world and retains the three core goals of world-class research, outstanding learning and student experience and social responsibility. The detail surrounding each of these goals has been enhanced and we have identified eight enabling goals and some more precise Key Performance Indicators (KPIs).

One of the most prominent of those KPIs 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, which we regard as the primary indicator of our international standing and competitiveness. I am disappointed to report that in the 2012 Rankings the University has dropped two places to 40th position. The drop can be explained largely by a merger of two leading research institutes in France and an improved performance by the University of Maryland, which last year shared 38th position with us, but

these explanations only serve to underline the fast-moving competitive environment in global higher education at this level.

The University received some notable prizes during the 2011/12 financial year. We won the Queen's Award for Enterprise for our achievement in more than doubling annual overseas income over the last six years and the Queen's Anniversary Prize for our applied research and skills training for the nuclear industry. We also won University Challenge earlier this year - the 50th anniversary year of the programme! Whilst not in themselves financially significant, these public accolades illustrate the University's growing reputation and global significance.

Following the award of the Nobel Prize for Physics in 2010 to Professor Andre Geim and Professor Kostya Novoselov for groundbreaking experiments regarding the two-dimensional material graphene, the University has announced it will be building a state-of-the-art National Graphene Institute (NGI) to continue research into the wonder material. Chancellor of the Exchequer George Osborne visited the University in October 2011 and announced that the Government would be providing £50m worth of funding for graphene research in the UK, £38m of which has been provided for the NGI. The Institute is set to open in early 2015.

The Chancellor of the Exchequer was also present in London in August 2012 when it was announced that BP is to establish a £64 million international research centre, known as the BP International Centre for Advanced Materials, or BP-ICAM, at this University. The centre will lead research aimed at advancing the fundamental understanding and use of materials across a variety of oil and gas industrial applications. The BP-ICAM, will be modelled on a "hub and spoke" structure, with the 'hub' located within the Faculty of Engineering and Physical Sciences, which has core strengths in materials, engineering, characterisation, collaborative working, and a track record of delivering breakthrough research and engineering applications that can be deployed in the real world.

On the broader research front, our Research Grant and Contract (RGC) income reduced by 4.2% to £188m, which was disappointing. In part this is a reflection of the fact that RGC funding is under increasing pressure from public funding austerity, but we must also acknowledge that we are not performing as well as some of our competitors in this crucial area and must do better. Within this overall figure there was a welcome 5.5% increase in income from overseas sources reflecting our efforts to diversify our income streams in this area and recent awards and applications are significantly increased.

Colleagues from across the University have spent an enormous amount of time during 2011/12 preparing for the forthcoming Research Excellence Framework (REF), which will assess research quality. This is the successor to the Research Assessment Exercise (RAE), which was last run in 2007/8, and in which the University performed very well. The results of the RAE/REF are important because they are used to assess how much block funding for research we receive from Government, but the results also have a much wider reputational impact. What is new for REF, compared to earlier RAE exercises, is the requirement to submit cases showing the 'impact of our research'. This is challenging because it is new, but we already have many excellent stories of how the research we do makes a difference locally, nationally and internationally.

We continue to work hard to improve the student experience for all of our students, so I was delighted to learn in August that the results of the annual National Student Survey (NSS), showed that this University has moved up four percentage points from 79%

overall satisfaction to 83%. This is a major achievement and a real testament to the hard work of many of our staff as it represents the first step towards our goal of achieving at least 90% in the NSS - though of course, no-one is complacent and there is much more to do.

The improved NSS scores would seem to indicate that the concerted effort we have been making over the past three or four years to improve the student experience are beginning to bear fruit. Many of these improvements have been effected on the front-line of learning in the classroom and the laboratory, but during 2011, some major University-wide initiatives have come on stream, including the launch of University College, which aims to improve the educational experience of our students by enabling them to study a range of interesting courses from across the University alongside their main degree subject, and also the opening in time for the 2011/12 academic year of the £24 million Alan Gilbert Learning Commons.

2011/12 was another good year for home and international student recruitment as reflected in the increase in Tuition Fee income in these financial statements, although it was widely acknowledged across the sector that this was a highly unusual year as record numbers of home students sought places before the introduction of the £9,000 fee. Nevertheless, as we enter a much more turbulent and competitive environment for student recruitment it is reassuring to see that this University remains an enormously popular destination for undergraduate and postgraduate study.

In terms of our Goal Three and the "Social Responsibility" agenda, we continue to make an impact with a range of impressive initiatives and activities, particularly in the areas of widening participation and public engagement, with major events taking place at the Manchester Museum, Whitworth Art Gallery and the Jodrell Bank Discovery Centre. We have also begun a serious review of how we can embed and promote social responsibility as a key feature of our work of our schools and Faculties and in the day-to-day operational activities of the University.

I am pleased to report, that despite the harsh external economic climate, we have found resources over the past year to appoint a significant number of new academic staff. In November 2011, we launched a high-profile "World-leading Minds" campaign to recruit more than 100 new academic staff from across the world. We also found additional resources to invest a significant sum in the development of our existing staff through an innovative "Investing in Success" scheme. During 2011, we also began the process of planning and prioritising the future capital needs of the University for the next decade.

The fact that we have again generated a surplus and found resources and time in a very uncertain economic environment to recruit new staff, invest in existing staff and discuss and determine our future capital plans is testimony to our sound financial health and will I hope provide a very clear signal to the wider world that we intend to continue to be an ambitious University that will invest in its future success.



Professor Dame Nancy Rothwell
President and Vice-Chancellor

Key performance indicators

<p>1 The University of Manchester has slipped from 38th to 40th place in the "Academic Rankings of World Universities" produced by the Shanghai Jiao Tong University. The drop can be explained largely by a merger of two leading research institutes in France and an improved performance by the University of Maryland, which last year shared 38th position with us.</p>	40th
<p>2 Growth in Total Audited Research Expenditure – Total Audited Research Expenditure¹ in 2010/11 (latest available figure) was £408.3m, a decrease of 1.8% on the previous year.</p>	-1.8%
<p>3 Growth in international student fee income – International student fee income (full and part-time) increased by £12.9m (10.4%) during 2011/12.</p>	£12.9m
<p>4 Net Liquidity Expenditure Cover² – Closing liquid balances were sufficient to provide 99 days expenditure³ cover (2010/11: 98 days).</p>	99 days
<p>5 External Borrowing as a Percentage of Total Income – External borrowing reduced from 23.4% of total income (like-for-like basis) to 22.5%.</p>	22.5%
<p>6 Operating Surplus⁴ as a Percentage of Income – Reduced from 6.7% in 2010/11 to 6.1% in 2011/12 on a like-for-like basis.</p>	6.1%

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 £194.1m (2011: £191.0m) include the net cash balance and short term investments.

3 Expenditure of £716.7m (2011: £710.7m) is defined as total expenditure less depreciation.

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

Financial review

Key highlights

	2011/12 £000	2010/11 £000	% Change
Total Income	807,311	808,584	-0.2%
Expenditure	758,157	754,507	0.5%
Retained Surplus	48,823	54,825	-10.9%
Retained Surplus as a % Income	6.0%	6.7%	
Tuition Fee Income			
Full Time Home and EU	86,675	84,226	2.9%
Full Time International	119,737	107,805	11.1%
Other Fees	55,663	55,244	0.8%
Total Fee Income	262,075	247,275	6.0%
Research grants and contracts income			
Research Councils, UK Charities, UK Government, Hospitals and Health Authorities	149,777	157,705	-5.0%
Other Outside Bodies	38,242	38,537	-0.8%
Total Research Income	188,019	196,242	-4.2%
General Reserves	146,101	124,884	17.0%
Endowments	153,668	158,704	-3.2%
Deferred Capital Grants	431,490	431,014	0.1%
Net Assets	746,228	731,658	2.0%
Capital Expenditure and Financial Investment	48,978	57,424	-14.7%
Cash and Short term investments *	194,110	191,034	1.6%
Borrowings (note 19)	181,696	189,006	-3.9%
Net Funds (note 31)	24,748	16,533	49.7%

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

Financial review



Income and expenditure review

The operating surplus before transfer from endowments was £48.6m, compared with £54.0m for 2010/11. 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 £48.8m compares with £54.8m in the previous year. Excluding FRS17 pension credits, the underlying surplus rose from £40.0m (5.0% of income) to £43.2m (5.4% of income).

	£m	% total Income
Retained surplus as reported	48.8	6.0
FRS 17 credits		
UMSS	(5.5)	
GMPF	0.2	
MILGPS	(0.3)	
	(5.6)	(0.7)
Underlying surplus	43.2	5.4

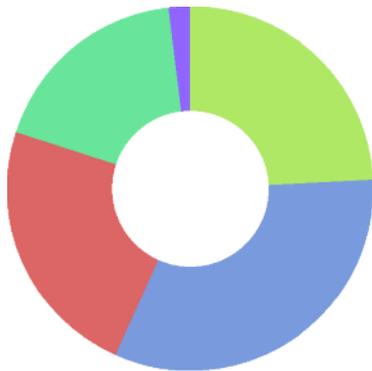
Whilst an underlying surplus (excluding FRS17 adjustments) of 5.4% is satisfactory, it is also insufficient to support the higher levels of long-term buildings maintenance expenditure, estate development and student investment that are needed. The level of surplus will need to be increased in the future as the change in the balance between the Funding Council core teaching grant and tuition fees, largely funded by the Student Loan Company, takes place and a key performance measure for Vision 2020 for the University is to deliver a surplus at 7% of income.

Available cash resources (inclusive of short term investments) at 31 July 2012 were £194.1m up from £191.0m in July 2011.



Income

Total income for the University of £807.3m reduced marginally by £1.3m (0.2%) from £808.6m in 2010/11.

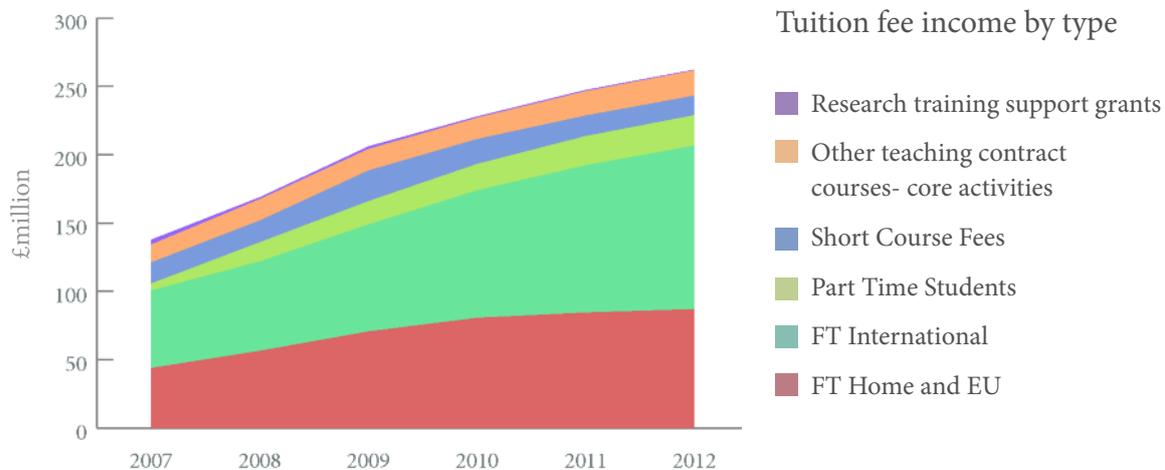


2012 total income

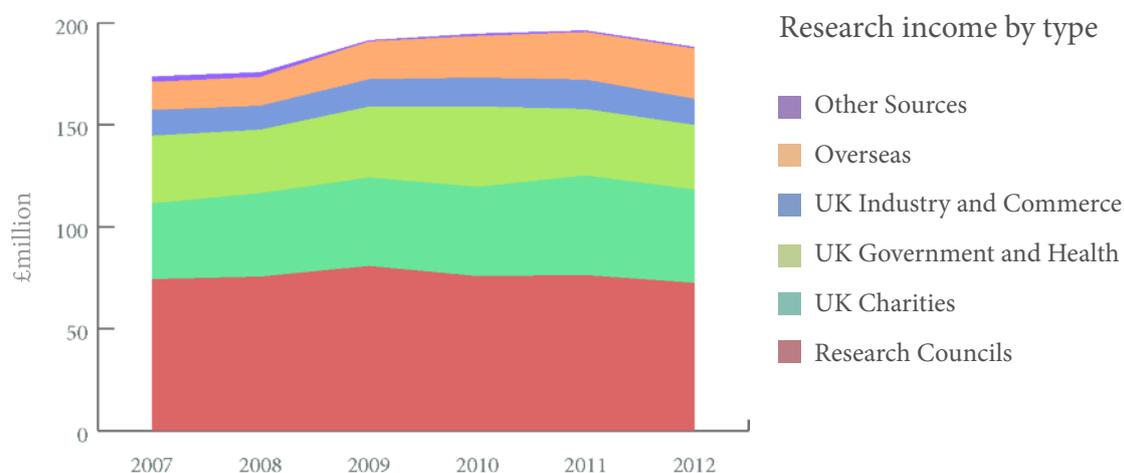
- Funding Body Grants
- Tuition Fees and Education Contracts
- Research Grants and Contracts
- Other Income
- Endowment and Investments

Funding Council grants were down by £6.8m (3.3%). The core teaching grant reduced by £4.3m (4.5%) reflecting the commencement of significant changes to the funding regime as the block teaching grant is replaced by tuition fees.

Research funding reduced by £0.6m (0.8%). Release of deferred capital grants was £0.8m lower reflecting lower capitalisation levels.



Tuition fees increased by £14.8m (6.0%). It was another good year for student recruitment with 35,013 full time students, an increase of 0.3% on the prior year. Full-time international student fee income grew strongly to £119.7m (up by 11.1%).

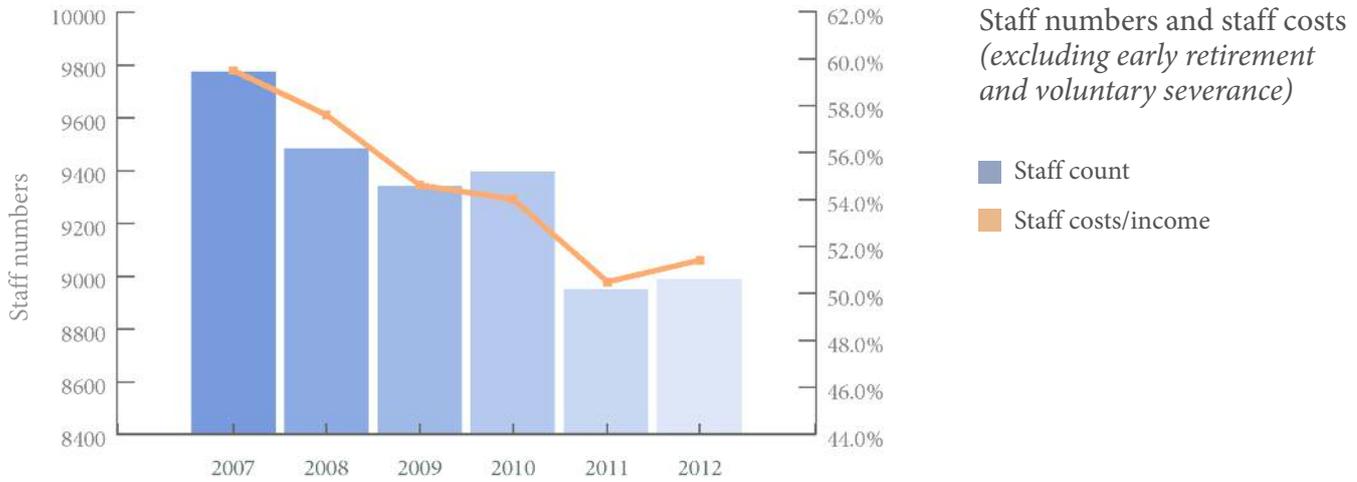


Research grants and contracts reduced by 4.2% to £188.0m. The level of funding from the UK Research Councils was down £3.8m and income from UK-based charities was down £3.2m (6.5%), although the number of awards was up 8% in the year and applications were up by 59%. This was offset by a £1.3m (5.5%) increase from overseas sources reflecting the University's efforts to diversify its research activities.

Other income of £145.5m was £1.5m (1.0%) lower than last year. Within academic departments, income increased by £1.0m (2.7%) due to a significant increase in funding received for student scholarships. Health authority income fell by £3.8m (16.1%) and releases of deferred capital grants reduced by £0.3m.

Endowment and investment income of £15.2m was £0.4m higher than the prior year. This is mainly due to higher income earned on short term investments partially offset by a lower net return on pension schemes.

Donation income was similar to last year at £4.3m. Higher income was received on cash deposits (up £1.3m) reflecting higher average cash balances in the year and the surplus on disposal of fixed asset investments increased by £0.5m.



Expenditure

Total expenditure increased by £3.7m (0.5%). Underlying staff costs (excluding the costs of voluntary severance) were up by £7.4m (1.8%), reflecting strategic investments in new posts partly offset by savings from voluntary redundancy schemes. There was a voluntary severance charge of £5.2m in the year compared with £12.2m in the previous year. The staff cost ratio to income was 51.5% (excluding voluntary severance costs) compared with 50.5% in 2010/11 reflecting continuing active vacancy management measures and the effect of the voluntary severance schemes offset by new strategic posts.

Other operating expenses increased by £5.9m (2.1%) due to an increase in equipment purchase and maintenance expenditure (£5.9m), utilities costs (£2.1m) and facilities costs (£2.2m), offset by reductions in estate repairs (£4.6m) and consumables (£1.4m).

Depreciation reduced from the prior year by £2.4m to £41.4m.

Interest and other finance costs were £0.3m lower at £10.0m.

Balance sheet review

The University closed the year ended 31 July 2012 with net assets of £746.2m, an increase of £14.6m (2.0%) after taking account of a pension deficit of £109.3m which increased by a net £22.3m in the year, an increase of £19.1m on the University of Manchester Superannuation Scheme ("UMSS") and a total increase of £3.2m on the Greater Manchester Pension Fund ("GMPF") and the Manchester Innovation Limited Group Pension Scheme ("MILGPS").

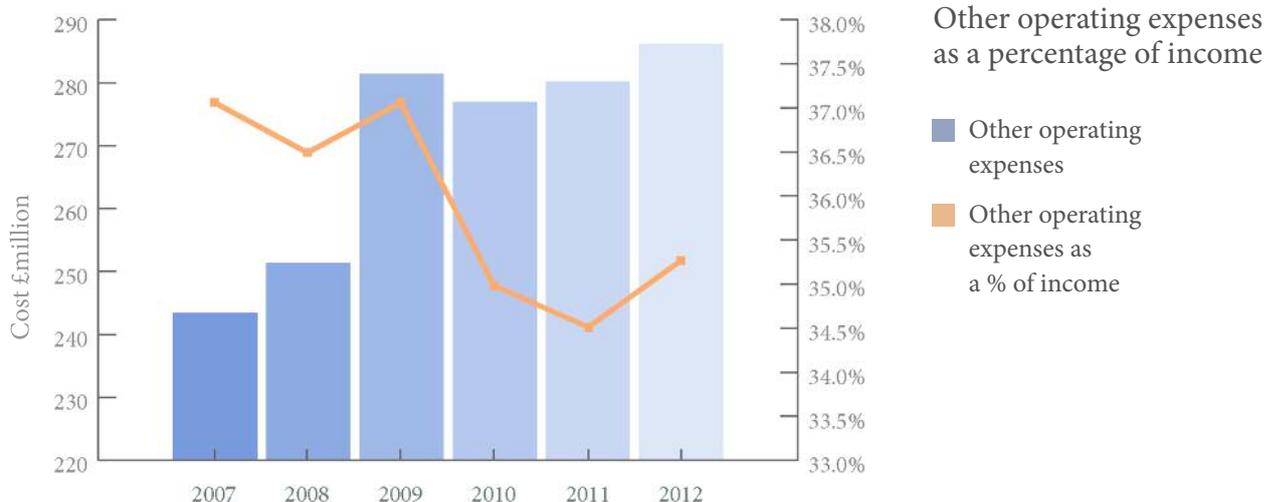
The year end cash position improved by £3.1m, with closing cash and short term investments of £194.1m.

Fixed assets

Tangible asset additions of £72.8m included £12.4m on equipment, £60.2m on buildings including capital maintenance works of £19.5m in the year and £0.2m of heritage assets. The new Alan Gilbert Learning Commons facility was completed in September 2012.

Fixed asset investments

Fixed asset investments increased by £0.3m.



Endowment assets

Overall endowment assets have reduced by £5.0m (3.2%). This included depreciation in the value of the portfolio of £5.5m (compared to appreciation of £12.7m in 2010/11) offset by £0.5m of new funds. Volatility in world markets continued during the year leading to significant monthly fluctuations in the value of endowments held, however since the year end stock markets have recovered slightly and the value of endowment assets has appreciated by £1.6m (at 30 September 2012).

Net current assets

Net current assets have decreased by £2.8m, due to a decrease in debtors and an increase in creditors, partially offset by an increase in investments.

Debtors have decreased by £2.5m, trade debtors were up £7.9m, prepayments and accrued income were down by £5.7m due to lower payments in advance for capital projects and there was no current asset held for sale at year end (2011: £2.5m). 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 £3.5m to £250.3m; trade creditors were up £8.0m partly due to ongoing capital projects, deferred research income down £1.6m due to an overall reduction in the levels of research income received, other loans up £3.0m, social security and taxation down £9.8m and accruals and deferred income down £3.3m.

Short term investments

Short term investments decreased by £2.9m but cash at bank was up £6.0m at year end. The closing liquidity position of £194.1m was sufficient to cover 99 days expenditure (2010/11: 98 days).

Net cash

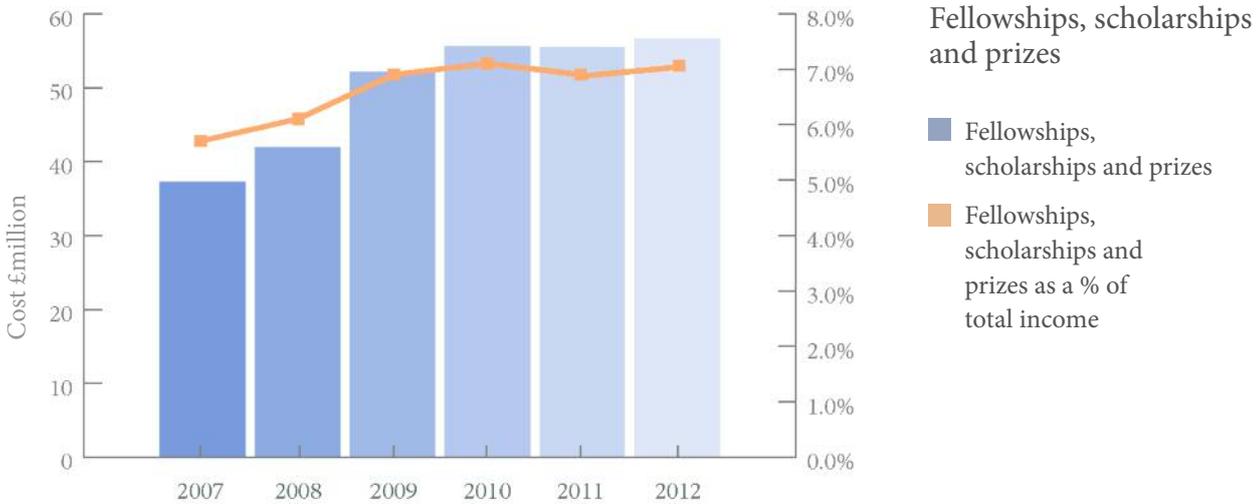
Cash reserves have increased by £3.1m (including short-term deposits).

Risks and uncertainties

The FRS17 pension deficit increased in the year to £109.3m reflecting the substantial reduction in bond yields and hence discount rates applied to liabilities. The first annual payment of £4.5m towards the UMSS deficit was made in the year and changes to future benefits for the scheme which will align benefits with the USS changes already implemented took effect from April 2012. There is a small benefit in the deficit number of £0.7m reflecting these changes but as they relate to future service and are not retrospective the effect is modest in the FRS17 calculation.

The trustees of the University Superannuation Scheme ("USS") implemented amendments to the benefits and contributions for members in October 2011. There are a number of significant changes including the indexing of benefits using CPI rather than RPI which will reduce future liabilities. However, defined benefit pension schemes remain a major risk for the University which monitors these schemes regularly and ensures financial plans make full provision for these liabilities.

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



Endowment investment performance has been volatile during the year and 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 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.

The biggest challenge to the University and the Higher Education sector generally comes from the planned changes in funding arrangements within the sector. The University will see a substantial reduction in its annual Funding Council core teaching grant over the next couple of years before the full benefit of increased student tuition fees is realised. At the same time capital funding, previously provided by the Funding Council, has been significantly reduced. It is imperative that the University maintains a strong financial performance whilst these changes take place as there is also considerable uncertainty concerning the effect of funding changes on demand for places and permitted recruitment levels, alongside the impact of more students potentially opting to live at home whilst they study. All of these factors could have a major impact on the finances of the University.

Going concern

The University ended the year with cash resources of £194.1m. The budget for 2012/13 continues to generate a surplus, and forward cash forecasts demonstrate adequate available financial resources. All of the University's external funding is long term in nature with 94.2% repayable beyond a year and 76.4% repayable beyond 5 years. On this basis, the Board of Governors are assured that the University has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of signature of these financial statements.

Conclusion

The University achieved a strong financial performance in 2011/12 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 maintain and enhance its estate as well as continuing to invest in the student experience, excellence in research and higher learning.

The University - public benefit and social responsibility

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 Charity Commission's public benefit guidance.



The objects of the University, as set out in the Royal Charter awarded in 2004, are "to advance education, knowledge and wisdom by research, scholarship, learning and teaching, for the benefit of individuals and society at large."

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 (39,732 in 2011/12) 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 skills of written and verbal communication and a personal commitment to equality and diversity. In this way, the

University is developing generations of students to become internationally mobile professionals who can serve as informed, thoughtful, globally responsible citizens making a social and economic contribution to society.

A new system of fees has been 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.

Under the new fee system, Home and EU full-time and part-time undergraduate students loan the money for fees from the government, and pay this back over time when they graduate and begin working. In addition, we recognise that many prospective students may be deterred from seeking access to a university because of fear of student debt, or because of the opportunity costs of remaining out of the full-time workforce during their student years. The University has therefore invested significant funds in merit-based and needs-focused bursary and scholarship programmes.

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 such as: The Manchester Access Programme; The School of Social Sciences Pre-University Economics Course; or our Gateways Plus mentoring programme. Without this support such students would otherwise be prevented from experiencing a key aspect of university life – the residential experience.

International Equity and Merit Scholarships are also available to cover fees and/or living costs for students in developing countries who are studying courses that are likely to be of greatest benefit to their home country. To date, 85 students have received support to undertake Masters degrees (full-time or online) and more than 250 students have received awards to study in their home country on a University-validated programme. Scholarships also exist for students with asylum status, to enable these students to pay the equivalent of home rather than overseas tuition fees.

Students 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, which comprises two elements; a credit-rated Leadership in Action unit that enables students to explore the key leadership challenges facing 21st Century society, and an opportunity to contribute to the development of more sustainable communities through completing verified volunteering work. Since its inception in 2005, approximately 6,000 students have joined the programme, completing over 213,000 hours of volunteering and providing the equivalent of over £1m of financial benefit to the community.

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 Konstantin 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.

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

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

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

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

The 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.

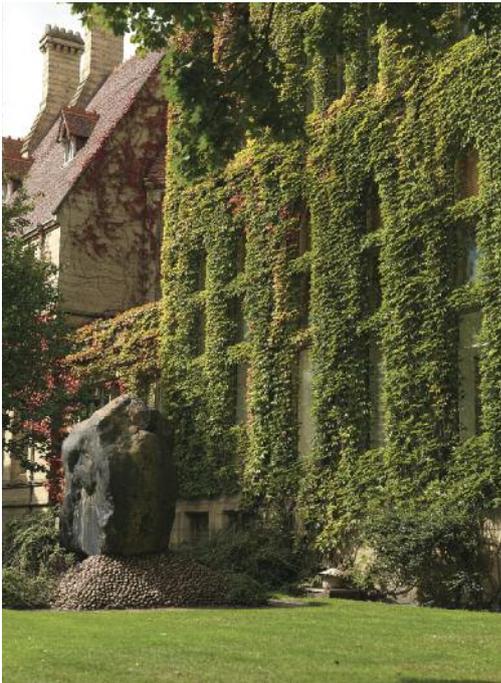
Our flagship initiative, the Manchester Access Programme (MAP), supports outstanding Year 12 and 13 students from under-represented groups in Greater Manchester to progress successfully into the University of Manchester and other research-intensive Universities. Since its development in 2005, 716 MAP 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.

The University acknowledges it has 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 2011/12 the Manchester Museum and the Whitworth Art Gallery had over 35,000 structured contacts with school children and delivered various outreach programmes.

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 in so doing the requirements of its funding bodies and the Governance Code of Practice published by the Committee of University Chairs (CUC). The University's corporate governance arrangements were established in such a way as to meet these responsibilities and continue to comply with relative provisions in the First and Second Reports of the Committee on Standards in Public Life.

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

The University's corporate governance framework

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

The **Board of Governors**, is the University's governing body, and carries the ultimate responsibility for the University's overall strategic direction and for the management of its finances, property and affairs generally, including the employment arrangements for all staff. It is a specific role of the Board to satisfy itself that work being undertaken on its behalf, whether by committees or by officers, is consistent with corporate objectives and is within the bounds of accepted good practice. The Board meets formally at least five times in each academic year. Its membership of 25 has a majority of persons who are



not employed by the University, known as 'lay' members. The Chair of the Board of Governors, Mr Anil Ruia, OBE, is appointed by the Board of Governors from within the lay category of the membership. Members of the Senate, members of the support staff and a student representative also serve on the Board.

The Chair of the Board of Governors plays an important role in the governance of the University while working independently of its regular executive management. He is supported by the Deputy Chair (Mr Robert Hough). The current members of the Board of Governors are listed on the 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, and the Board is now overseeing 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 review of the effectiveness of the Board of Governors, the University will undertake a review of the effectiveness of Senate over 2012/13.

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

The function of the University's Professional Support Services is to support the primary institutional objectives in respect of teaching and research, to oversee the discharge of the University's statutory and regulatory responsibilities and to implement the policy decisions of Senate and the Board. Through the provision of specialist expertise, it also contributes to and advises on the formulation of University policy. The Head of the Professional Support Services is the **Registrar, Secretary and Chief Operating Officer** (Mr Will Spinks), who is also clerk to the governing body and responsible for 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 Audit and Finance Committees, is responsible for ensuring the economical, efficient and effective management of the University resources and expenditure, and for safeguarding its assets, including specific responsibility for the oversight of systems that prevent and detect fraud. It must ensure that the University uses public funds only for the purposes for which they were provided, and that those funds derived from HEFCE are used in accordance with the requirements of the Financial Memorandum.

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

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

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

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.

Risk management

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

The 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.

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 who both report regularly to the Board of Governors). They oversee the adoption and dissemination, on a continual basis, of risk awareness/management training and the preparation of contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the University and its business capability.

Statement of the Board of Governors' responsibilities

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

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

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

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

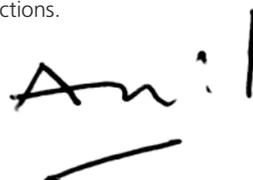
The Board has taken reasonable steps to:

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

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

The maintenance and integrity of the University of Manchester website is the responsibility of the Board of Governors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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



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

Independent auditor's report

to the Board of Governors of The University of Manchester

We have audited the financial statements of The University of Manchester for the year ended 31 July 2012 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 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting for Further and Higher Education.

This report is made solely to the 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 2012 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 Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2012 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2012 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum, with the funding council, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

Matter on which we are required to report by exception

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

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



Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, England
30 November 2012

*Financial Statements
for the year ended 31 July 2012*



Financial Statements
for the year ended 31 July 2012

Statement of principal accounting policies

Basis of preparation

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

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

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

Basis of accounting

Modified historical cost basis

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

Basis of consolidation

The consolidated financial statements include the financial statements of the University and subsidiary undertakings for the financial year to 31 July, as disclosed in note 12. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation. The consolidated financial statements include the University's share of the profits and net assets of material associated undertakings over which the University has a significant but not dominant influence.

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

Recognition of income

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

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

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

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

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

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

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

Accounting for Charitable donations

(a) Unrestricted donations

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

(b) Endowment funds

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

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

(c) Donations for fixed assets

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

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

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

Intra-group transactions

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

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

Foreign currency translations

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

Tangible fixed assets**(a) Land and buildings**

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

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

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

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

(b) Equipment

Individual items of equipment and groups of functionally dependant items costing more than £25,000 are capitalised at cost. All other items are written off to the income and expenditure account in the year of acquisition. Capitalised equipment is depreciated on a straight line basis over its expected useful economic life as follows:

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

(c) Grant-funded tangible fixed assets

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

(d) Impairment

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

(e) Maintenance

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

(f) Assets held for resale

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

(g) Heritage assets

Works of art and other valuable artefacts (heritage assets) acquired since 1 August 2007 and valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

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

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

Leases

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

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

Goodwill and intangible assets

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

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

Website development costs

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

Investments

(a) Fixed asset investments

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

Investment properties are revalued annually to open market value. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess

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

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

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

(b) Subsidiary and associated undertakings

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

(c) Current asset investments

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

(d) Endowment assets

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

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

Stocks

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

Pension schemes

The four principal schemes for the University's staff are the Universities' Superannuation Scheme ('USS'), the NHS Pension

scheme ('NHSPS'), the University of Manchester Superannuation Scheme ('UMSS') and the Greater Manchester Pension Fund ('GMPF'). All four schemes are contracted out of the State Second Pension ('S2P'). In addition, the University runs a closed scheme, the Manchester Innovation Limited Group Pension Scheme ('MILGPS'). All five schemes are defined benefit schemes which are funded, with the assets of the schemes held separately from those of the Group, in separate trustee administered funds. With the exception of NHSPS, each fund has a full valuation every three years carried out by professionally qualified independent actuaries.

Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of FRS 17.

Of the five schemes, USS and NHSPS are both multi-employer schemes. Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the two schemes on a consistent and reasonable basis. Therefore, as required by FRS 17, these schemes are accounted for as if they are defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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

Taxation status

The University is an exempt charity within the meaning of Schedule 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.

Financial instruments

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash flows and liquid resources

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

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

Provisions and contingent liabilities

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

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

Agency arrangements

Where the University receives and disburses funds as paying agent on behalf of a funding body for which the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction, then the related income and expenditure is excluded from the consolidated income and expenditure account. Details are disclosed within note 37 'Amounts disbursed as agent' and include Access Funds and Training Bursaries.

Consolidated income and expenditure account

For the year ended 31 July 2012

	Notes	2012 £000	2011 £000
Income			
Funding body grants	1	196,466	203,221
Tuition fees and education contracts	2	262,075	247,275
Research grants and contracts	3	188,019	196,242
Other income	4	145,524	147,004
Endowment and investment income	5	15,227	14,842
Total income		807,311	808,584
Expenditure			
Staff costs	6	420,677	420,232
Other operating expenses	7(b)	286,053	280,107
Depreciation	11	41,421	43,842
Interest and other finance costs	8	10,006	10,326
Total expenditure		758,157	754,507
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation		49,154	54,077
Share of operating (losses)/surpluses in associates	12(b)	(766)	77
Taxation	9	238	(110)
Surplus on continuing operations after depreciation of fixed assets at cost/valuation and taxation		48,626	54,044
Minority interest in subsidiary undertakings' results for the year	25	(67)	(64)
Surplus on continuing operations after depreciation of fixed assets at cost/valuation, taxation and minority interest		48,559	53,980
Surplus for the year transferred from accumulated income in endowment funds	22	264	845
Surplus for the year retained within general reserves	23	48,823	54,825
The surplus for the year retained within general reserves is attributable to the following:			
		2012 £000	2011 £000
University		46,670	56,653
Group undertakings		2,153	(1,828)
		48,823	54,825

Statement of consolidated historical cost surpluses and deficits

For the year ended 31 July 2012

	Notes	2012 £000	2011 £000
Surplus on continuing operations before taxation		48,321	54,090
Realisation of property revaluation gains	24	287	-
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	24	13	26
Historical cost surplus for the year before taxation		48,621	54,116
Historical cost surplus for the year after taxation		48,859	54,006

Statement of consolidated total recognised gains and losses

For the year ended 31 July 2012

	Notes	2012 £000	2011 £000
Surplus on continuing operations after depreciation of assets at cost/valuation, disposal of assets and taxation		48,823	54,825
Unrealised (deficit)/surplus on revaluation of investment properties	24	(833)	317
Unrealised (deficit)/surplus on revaluation of fixed asset investments	24	(978)	1,351
Net endowment expenditure in the year	22	(351)	(956)
New endowments and dividends reinvested	22	854	2,612
Net (depreciation)/appreciation of endowment assets including reinvested profits on sales	22	(5,539)	12,680
Actuarial loss recognised in respect of pension schemes	32(a)	(27,906)	(26,472)
Total recognised surplus relating to the year		14,070	44,357
Reconciliation			
Opening reserves and endowments		300,576	256,219
Total recognised gains for the year		14,070	44,357
Closing reserves and endowments		314,646	300,576

Balance sheets

As at 31 July 2012

	Notes	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Goodwill	10	-	-	-	-
Tangible assets	11	719,173	687,813	685,689	654,273
Investments	12	122,469	122,149	121,431	123,041
Total fixed assets		841,642	809,962	807,120	777,314
Endowment assets	13	153,668	158,704	153,668	158,704
Current assets					
Stock		1,509	1,515	1,459	1,447
Debtors: amounts falling due within one year	14	89,794	92,183	89,546	93,319
Debtors: amounts falling due after more than one year	15	290	353	13,096	11,882
Investments	16	169,123	172,045	169,123	172,045
Cash at bank and in hand		24,987	18,989	8,581	3,984
Total current assets		285,703	285,085	281,805	282,677
Creditors: amounts falling due within one year	17	(250,285)	(246,832)	(237,124)	(235,767)
NET CURRENT ASSETS		35,418	38,253	44,681	46,910
TOTAL ASSETS LESS CURRENT LIABILITIES		1,030,728	1,006,919	1,005,469	982,928
Creditors: amounts falling due after more than one year	18	(173,530)	(182,809)	(171,824)	(181,103)
Provisions for liabilities	20	(1,701)	(5,461)	(1,159)	(4,681)
NET ASSETS EXCLUDING PENSION LIABILITIES		855,497	818,649	832,486	797,144
Net pension liabilities	32(a)	(109,269)	(86,991)	(109,269)	(86,991)
NET ASSETS INCLUDING PENSION LIABILITIES		746,228	731,658	723,217	710,153
Deferred capital grants	21	431,490	431,014	412,624	411,692
Endowment funds					
Expendable endowments	22	24,968	26,175	24,968	26,175
Permanent endowments	22	128,700	132,529	128,700	132,529
Total endowment funds		153,668	158,704	153,668	158,704
Reserves					
Income and expenditure account excluding pension reserve	23	255,370	211,875	255,362	214,020
Pension reserve	23	(109,269)	(86,991)	(109,269)	(86,991)
Income and expenditure account including pension reserve		146,101	124,884	146,093	127,029
Revaluation reserve	24	14,877	16,988	10,832	12,728
Total reserves		160,978	141,872	156,925	139,757
Minority interests	25	92	68	-	-
TOTAL FUNDS		746,228	731,658	723,217	710,153

The Financial Statements on pages 21 to 61 were approved by the Board of Governors of The University of Manchester on 29 November 2012 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 2012

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities	26	56,472	66,411
Returns on investments and servicing of finance	27	3,011	1,896
Taxation	9	-	-
Capital expenditure and financial investment	28	(48,978)	(57,424)
Cash inflow before management of liquid resources		10,505	10,883
Management of liquid resources	29	12,772	(35,058)
Financing	30	(7,648)	(6,278)
Increase/(decrease) in cash in the year		15,629	(30,453)

Reconciliation of consolidated net cash flow to increase in net funds

For the year ended 31 July 2012

	Notes	2012 £000	2011 £000
Increase/(decrease) in cash in the year	31	15,629	(30,453)
Cash (outflow)/inflow from liquid resources	31	(12,772)	35,058
Change in debt resulting from cash flows	31	7,648	6,278
New finance lease	31	(2,290)	-
Movement in net funds in year		8,215	10,883
Net funds at beginning of year	31	16,533	5,650
Net funds at end of year	31	24,748	16,533

Notes to the financial statements

1 Funding body grants

	Consolidated	
	2012	2011
	£000	£000
Recurrent grants		
Higher Education Funding Council - Teaching	92,722	97,054
Higher Education Funding Council - Research	82,528	83,161
Higher Education Funding Council - Other	6,876	7,572
Training and Development Agency	2,396	2,700
Specific grants		
Special initiatives	3,412	3,406
Deferred capital grants released in year:		
Buildings	7,150	7,738
Equipment	1,382	1,590
	196,466	203,221

2 Tuition fees and education contracts

	Consolidated	
	2012	2011
	£000	£000
Fees in respect of:		
Full-time home and EU students	86,675	84,226
Full-time international students	119,737	107,805
Part-time students	22,273	21,432
Short course fees	14,254	15,001
Other teaching contract courses - core activities	18,506	17,914
Research training support grants	630	897
	262,075	247,275

3 Research grants and contracts

	Consolidated	
	2012	2011
	£000	£000
Research Councils	72,343	76,140
UK based charities	45,767	48,937
UK central government, hospitals and health authorities	31,667	32,628
UK industry and commerce	12,819	14,383
Overseas	24,666	23,386
Other sources	757	768
	188,019	196,242

Research grants and contracts income includes the release of deferred capital grants of £9.0m for the year ended 31 July 2012 (2011: £9.6m).

4 Other income

	Consolidated	
	2012	2011
	£000	£000
Residences, catering and conferences	47,760	47,052
Premises	2,963	2,962
Academic departments	36,710	35,753
Academic services	2,251	2,101
Continuing education and training	164	77
Administration and central services	7,892	4,877
Services rendered	4,744	4,098
Health authorities	19,732	23,505
Other general income - University only	6,754	8,951
Use of sports facilities	1,035	1,162
Other general income - subsidiary undertakings	7,243	7,906
Manchester University Press	1,912	1,897
Releases of deferred capital grants from non-funding body sources	6,364	6,663
	145,524	147,004

5 Endowment and investment income

	Consolidated	
	2012	2011
	£000	£000
Income from expendable endowments (note 22)	490	397
Income from permanent endowments (note 22)	2,549	2,704
Income from donations	4,302	4,463
Income from short term investments	5,011	3,713
Dividends from general fund investments	360	415
Surplus on disposal of fixed asset investments	677	170
Net return on pension schemes (note 32a)	1,533	2,450
Other interest receivable	305	530
	15,227	14,842

6 Staff costs

	Consolidated	
	2012	2011
	£000	£000
Wages and salaries	319,479	325,039
Social security costs	26,938	27,229
Pension costs (note 32a)	69,062	55,776
Early retirement and voluntary severance scheme costs (note 20)	5,198	12,188
	420,677	420,232

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 2012 (2011: £4.7m).

As set out in note 32, in June 2009 the University introduced a salary sacrifice arrangement, known as PensionChoice, for University employees who are members of the USS and UMSS pension schemes. Wages and salaries for USS and UMSS members participating in PensionChoice reflect the reduced gross pay earned by staff and the pension costs reflect the increased employer element of the USS and UMSS pension contributions.

There are two early retirement and voluntary severance schemes included in the above figures. The first came into effect from 30 April 2010 and concluded 31 January 2011. The second came into effect from 1 May 2011 and concluded 30 September 2011 with the exception of certain specific areas.

	Consolidated	
	2012	2011
	Numbers	Numbers
Staff numbers		
Academic - teaching and research	1,876	1,824
Academic - teaching only	442	437
Research	1,740	1,725
Administrative and management	1,303	1,322
Clerical and secretarial	1,385	1,395
Academic support	1,446	1,466
Craft / manual	796	869
Total number of staff	8,988	9,038

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

Notes to the financial statements (continued)

6 Staff costs (continued)

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

	2012 Number of Employees	Consolidated 2011 Number of Employees
£100,001 - £110,000	28	32
£110,001 - £120,000	23	9
£120,001 - £130,000	9	9
£130,001 - £140,000	7	8
£140,001 - £150,000	4	1
£150,001 - £160,000	5	6
£160,001 - £170,000	4	2
£170,001 - £180,000	3	4
£180,001 - £190,000	1	1
£200,001 - £210,000	1	3
£280,001 - £290,000	1	2
£290,001 - £300,000	1	-
£300,001 - £310,000	1	-
	88	77

Emoluments of the President and Vice-Chancellor

	2012 £000	Consolidated 2011 £000
Salary	245	245
Benefits in kind	3	3
	248	248
Pension contributions	39	39

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

7(a) Analysis of expenditure by activity

Consolidated

	Staff Costs	Other operating expenses	Depreciation	Interest payable	2012 £000	2011 £000
Academic departments	237,446	91,661	4,886	-	333,993	329,035
Academic services	23,327	18,202	25	-	41,554	44,511
Research grants and contracts	84,945	54,688	10,870	-	150,503	151,642
Residences, catering and conferences	5,918	23,324	37	2,051	31,330	36,330
Premises	20,188	38,316	24,502	7,833	90,839	93,262
Administration and central services	17,393	9,342	-	11	26,746	13,787
Staff and student facilities	9,789	7,871	-	-	17,660	16,946
General educational expenditure	4,237	23,611	3	-	27,851	27,038
Other services rendered	2,531	3,273	37	-	5,841	7,078
Early retirement and voluntary severance scheme costs	4,938	121	-	-	5,059	12,188
Total University	410,712	270,409	40,360	9,895	731,376	731,817
Subsidiary undertakings	9,965	15,644	1,061	111	26,781	22,690
Total	420,677	286,053	41,421	10,006	758,157	754,507

7(b) Analysis of other operating expenses

Consolidated

	2012 £000	2011 £000
Equipment purchases and maintenance	35,317	29,411
Estate repairs and maintenance	20,104	24,689
Consumables and laboratory expenditure	30,247	31,600
Catering supplies	5,155	4,754
Library and publications	8,742	8,147
Professional and other fees	40,093	40,295
Travel and subsistence	14,768	15,006
Printing, stationery and office expenses	12,504	12,304
Fellowships, scholarships and prizes	56,610	55,522
Recruitment, training and welfare	8,221	4,359
Heat, light, water and power	16,664	14,567
Rent, rates and insurance	16,015	13,852
Grants to student union	1,413	1,413
External auditor's remuneration in respect of audit services	263	228
External auditor's remuneration in respect of non audit services	548	471
Other expenditure	3,745	9,675
Subsidiary undertakings other operating expenditure	15,644	13,814
	286,053	280,107

The analysis of auditor's remuneration is as follows:

	2012 £000	2011 £000
Fees payable to the University's auditor for the audit of the University's annual accounts	219	195
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	44	33
Total audit fees	263	228
Other services pursuant to legislation	-	19
Tax services	190	246
Consultancy services	358	206
Total non-audit fees	548	471

There is also £468k (2011: £633k) 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.

Notes to the financial statements (continued)

8 Interest and other finance costs

	Consolidated	
	2012	2011
	£000	£000
Bank and other loans wholly repayable within five years	36	40
Bank and other loans not wholly repayable within five years	9,848	10,174
Finance leases	11	-
Other interest payable	111	112
	10,006	10,326

9 Taxation

	Consolidated	
	2012	2011
	£000	£000
Current Tax		
UK Corporation tax of 25.33% (2011: 27.33%) on surplus for the year	-	-
Deferred tax		
Origination and reversal of timing differences	(238)	110
Total tax (credit)/charge	(238)	110
Tax paid in year	-	-

10 Goodwill

	Consolidated
	£000
Cost	
At 1 August 2011 and at 31 July 2012	94
Amortisation	
At 1 August 2011 and at 31 July 2012	94
Net book value	
At 1 August 2011 and at 31 July 2012	-

There are no other intangible assets within the University.

11 Tangible fixed assets

(a) Consolidated	Freehold land and buildings £000	Lease premium £000	Fixtures, fittings		Heritage assets £000	2012 Total £000
			Assets under construction £000	tools and equipment £000		
Cost/valuation						
At 1 August 2011	763,657	-	49,550	198,891	1,677	1,013,775
Additions at cost	(5,337)	-	65,555	12,448	160	72,826
Transfers between categories	40,430	-	(45,593)	5,163	-	-
Disposals	-	-	-	(5,360)	-	(5,360)
At 31 July 2012	798,750	-	69,512	211,142	1,837	1,081,241
Depreciation						
At 1 August 2011	164,174	-	-	161,788	-	325,962
Charge for the year	21,433	-	-	19,988	-	41,421
Disposals	-	-	-	(5,315)	-	(5,315)
At 31 July 2012	185,607	-	-	176,461	-	362,068
Net book value						
At 31 July 2012	613,143	-	69,512	34,681	1,837	719,173
At 1 August 2011	599,483	-	49,550	37,103	1,677	687,813
(b) University	Freehold land and buildings £000	Lease premium £000	Fixtures, fittings		Heritage assets £000	2012 Total £000
			Assets under construction £000	tools and equipment £000		
Cost/valuation						
At 1 August 2011	720,192	5,400	50,280	195,985	1,677	973,534
Additions at cost	(5,337)	-	65,555	11,443	160	71,821
Transfers between categories	40,430	-	(45,593)	5,163	-	-
Disposals	-	-	-	(5,360)	-	(5,360)
At 31 July 2012	755,285	5,400	70,242	207,231	1,837	1,039,995
Depreciation						
At 1 August 2011	158,217	962	-	160,082	-	319,261
Charge for the year	20,666	74	-	19,620	-	40,360
Disposals	-	-	-	(5,315)	-	(5,315)
At 31 July 2012	178,883	1,036	-	174,387	-	354,306
Net book value						
At 31 July 2012	576,402	4,364	70,242	32,844	1,837	685,689
At 1 August 2011	561,975	4,438	50,280	35,903	1,677	654,273

The negative additions to freehold land and buildings relate to the late receipt of VAT refunds from HMRC.

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

Included in Freehold land and buildings are buildings which were revalued to £13.4m, with accumulated depreciation of £7.2m (2011: £7.0m). These buildings have a net book value of £6.2m at 31 July 2012. The historical cost of these buildings is £12.0m and accumulated depreciation is £6.3m, giving a net book value on a historical cost basis of £5.7m (2011: £5.5m).

Land and buildings with a net book value of £9.6m (2011: £10.1m) are the subject of security granted in respect of certain bank loans as disclosed in note 19 to the financial statements.

At 31 July 2012, freehold land and buildings included £4.4m (2011: £4.5m) 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 2012 £'000	Year Ended 31 July 2011 £'000
Cost	2,290	-
Accumulated depreciation	229	-
Charge for year	229	-

Notes to the financial statements (continued)

11 Tangible fixed assets (continued)

Heritage assets

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

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

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Cost or valuation at 1 August	1,677	1,463	809	409	-
Acquisitions purchased with donations	60	214	29	-	409
Value of acquisitions by donation	100	-	625	400	-
Total acquisitions capitalised	160	214	654	400	409
Cost or valuation at 31 July	1,837	1,677	1,463	809	409

The University also holds heritage assets that are not capitalised as, due to their unique nature, reliable information on cost or valuation is not readily available. This is owing to the lack of information on original purchase cost and the fact that these assets are not readily realisable. All costs incurred in relation to preservation and conservation are expensed as incurred. Key heritage assets held by the University fall into the categories detailed below. Their total value for insurance purposes is £1,335m (2011: £1,324m).

Whitworth Art Gallery, Manchester Museum and Manchester Medical Museum

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

Historic buildings: John Rylands Library Deansgate and Tabley House

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

Jodrell Bank

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

12 Investments within fixed assets

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Movement in the year				
Balance at 1 August	122,149	90,666	123,041	92,305
Additions	3,293	31,645	2,210	30,403
Disposals and investments written off	(1,015)	(500)	(5,457)	(1,055)
Amounts provided on unquoted shares during the year	(303)	(1,217)	(818)	(398)
Release of provisions on investments written off	156	500	4,051	1,055
Transfer investment properties to current assets	-	(613)	-	(613)
(Devaluation)/revaluation of investment properties	(1,048)	317	(833)	317
Net depreciation of other investments within fixed assets including reinvested profits on sales	(763)	1,351	(763)	1,027
Balance at 31 July	122,469	122,149	121,431	123,041
Analysis of closing balance				
Other fixed interest securities	2,596	1,864	2,596	1,864
UK Index Linked	2,170	-	2,170	-
UK industrial and commercial securities	5,445	7,153	5,445	7,153
Overseas industrial and commercial securities	3,995	5,155	3,995	5,155
Other Investments - Pooled Funds	2,117	-	2,117	-
Property funds	-	1,396	-	1,396
Investment properties	9,553	10,386	9,553	10,386
Cash instruments	1,883	1,969	1,883	1,969
Cash held with investment managers	59	54	59	54
Long-term cash deposits	85,000	85,000	85,000	85,000
Interests in subsidiary undertakings (note 12a)	-	-	4,790	6,170
Interests in associated undertakings (note 12b)	5,803	6,784	-	70
Loan to Sugden Sports Trust	-	-	3,705	3,705
Other investments	3,848	2,388	118	119
Total investments within fixed assets	122,469	122,149	121,431	123,041
Investments at cost	107,469	105,191	111,275	114,522

The investment properties totalling £9.6m (2011: £10.4m) 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 2012 by senior management at The University of Manchester and the value was revised downwards to £9.6m as a consequence.

As a result of an independent review of the University's investment strategy, in March 2012 the investment portfolio of one of the University's two main investment managers was transferred to the other investment manager. Where possible the portfolio was integrated into existing funds / portfolios. If this was not possible, then the investments were sold and reinvested as appropriate. The transfer amounted to £3.7m and is not considered to be a disposal.

Notes to the financial statements (continued)

12 Investments within fixed assets (continued)

(a) Investments in subsidiary undertakings

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

Directly owned Indirectly owned	Group Holding %	University		Description
		2012 £	2011 £	
Manchester Innovation Holdings Limited	100	3,599,100	4,143,092	Holding company
Manchester Innovation Limited	100	-	-	Construction of a biotech incubator building
Manchester Technology Developments Limited	100	-	-	Dissolved 23 August 2011
Control Technology Centre Limited	100	-	-	Dissolved 7 December 2010
The University of Manchester Innovation Centre Limited	100	1	1	Owns and operates a biotech incubator building
UMIST Ventures Limited	100	500,001	1,836,153	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	-	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	-	-	Ceased trading 31 July 2012
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	-	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	-	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
		4,789,987	6,170,331	

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

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

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

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

12 Investments within fixed assets (continued)

(b) Investments in associated undertakings

Movement in the year	Consolidated	
	2012 £000	2011 £000
Balance at 1 August	6,784	6,383
Share of profits	23	77
Loss on dilution of shareholding	(789)	-
Share of property (devaluations)/revaluations	(215)	324
Balance at 31 July	5,803	6,784

The University and Group had the following associated undertakings as at 31 July 2012:

Name of associate	Class of share capital held	Proportion held by the University and Group	Share of net assets/ (liabilities)	Share of net assets/ (liabilities)
			2012 £000	2011 £000
Manchester Science Park Limited Financial year end 31 December	£1 ordinary	19.78%	2,730	3,663
One Central Park Limited Financial year end 31 July	£1 ordinary	20%	3,116	3,164
The Corridor, Manchester Financial year end 31 March	CLG	33%	(43)	(43)
			5,803	6,784

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

Notes to the financial statements (continued)

13 Endowment assets

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Movement in the year				
Balance at 1 August	158,704	144,368	158,704	144,368
New endowments including unreleased income earned on capital	503	1,656	503	1,656
Net (depreciation)/appreciation including reinvested profits on sales	(5,539)	12,680	(5,539)	12,680
Balance at 31 July	153,668	158,704	153,668	158,704
Analysis of closing balance				
Other fixed interest securities	20,729	15,984	20,729	15,984
UK Index Linked	17,138	-	17,138	-
UK industrial and commercial securities	43,642	61,558	43,642	61,558
Overseas industrial and commercial securities	31,937	44,276	31,937	44,276
Other Investments - Pooled Funds	16,724	-	16,724	-
Commodities	57	-	57	-
Property	40	11,865	40	11,865
Hedge funds	134	140	134	140
Cash instruments	8,394	9,817	8,394	9,817
Cash held with investment managers	587	559	587	559
Bank and building society deposits and uninvested bank balances	14,286	14,505	14,286	14,505
Total endowment assets	153,668	158,704	153,668	158,704
Endowment assets at cost	110,710	110,207	110,710	110,207

As a result of an independent review of the University's investment strategy, in March 2012 the investment portfolio of one of the University's two main investment managers was transferred to the other investment manager. Where possible the portfolio was integrated into existing funds / portfolios. If this was not possible, then the investments were sold and reinvested as appropriate. The transfer amounted to £29.2m and is not considered to be a disposal.

14 Debtors: amounts falling due within one year

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade debtors	35,497	27,549	34,603	25,506
Accrued income on research grants and contracts	27,199	29,459	27,199	29,459
Prepayments and accrued income	26,910	32,631	26,403	32,697
Current assets held for sale	-	2,480	-	2,480
Amounts due from subsidiary companies	-	-	1,216	3,177
Amounts due from associate companies and spin outs	188	64	125	-
Balance at 31 July	89,794	92,183	89,546	93,319

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

15 Debtors: amounts falling due after more than one year

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Loans to University of Manchester Students' Union	68	67	68	67
Amounts due from subsidiary companies	-	-	13,028	11,815
Amounts due from associate companies and spin outs	222	286	-	-
Balance at 31 July	290	353	13,096	11,882

16 Investments within current assets

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank deposits repayable after due notice	142,723	155,495	142,723	155,495
Bank deposits repayable on demand	26,400	16,550	26,400	16,550
Balance at 31 July	169,123	172,045	169,123	172,045

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

At 31 July 2012 the weighted average interest rate of these fixed rate deposits was 1.46% (2011: 1.2%) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 122 days (2011: 76 days).

17 Creditors: amounts falling due within one year

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans (note 19)	6,581	6,310	6,581	6,310
Loans other than bank loans (note 19)	4,000	1,000	4,000	1,000
Trade creditors	34,363	26,337	32,928	24,906
Obligations under finance leases	650	-	650	-
Social security and other taxation payable	10,070	19,899	9,694	19,229
Amounts owed to group undertakings	-	-	179	84
Other creditors	27,257	21,038	26,768	20,538
Deferred income on research grants and contracts	67,886	69,509	67,720	69,509
Accruals and deferred income	99,478	102,739	88,604	94,191
Balance at 31 July	250,285	246,832	237,124	235,767

18 Creditors: amounts due after more than one year

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans (note 19)	60,409	70,990	60,409	70,990
Loans other than bank loans (note 19)	110,706	110,706	109,000	109,000
Other creditors due after more than one year:				
Obligations under finance leases due within one to five years	1,302	-	1,302	-
After five years	1,113	1,113	1,113	1,113
Balance at 31 July	173,530	182,809	171,824	181,103

19 Borrowings

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank and other loans				
Bank and other loans are repayable as follows:				
In one year or less	10,581	7,310	10,581	7,310
Between one and two years	10,864	10,580	10,864	10,580
Between two and five years	21,389	25,244	21,389	25,244
In five years or more	138,862	145,872	137,156	144,166
	181,696	189,006	179,990	187,300
Included within creditors: amounts falling due within one year	(10,581)	(7,310)	(10,581)	(7,310)
	171,115	181,696	169,409	179,990

Secured bank loans

Bank loans with an interest rate of 9.6%, repayable by instalments falling due between 2012 and 2021 totalling £19.9m (2011: £21.1m) are secured on various student residences.

Bank loans with an interest rate of 8.4%, repayable by instalments falling due between 2012 and 2017 totalling £1m (2011: £1.1m) are secured on Ronson Hall.

Bank loans with an interest rate of LIBOR plus spread, repayable by instalments falling due between 2012 and 2014 totalling £2.1m (2011: £3.0m) are secured by an all monies guarantee (see note 35).

Unsecured bank and other loans

Bank loans with an interest rate of 6.1%, repayable by instalments falling due between 2012 and 2026 totalling £15.5m (2011: £16.2m).

Bank loans with an interest rate of 5.2%, repayable by instalments falling due between 2012 and 2019 totalling £15.6m (2011: £17.7m).

Bank loans with an interest rate of 5.2%, repayable by instalments falling due between 2012 and 2022 totalling £16.8m (2011: £18.1m).

Other loans with an interest rate of 5.04%, repayable by one repayment falling due in 2046 totalling £100m (2011: £100m).

Other loans which are interest free and repayable by instalments falling due between 2012 and 2014 totalling £9m (2011: £10m).

Other loans with an interest rate of 6.5%, repayable by one repayment falling due in 2018 totalling £1.7m (2011: £1.7m).

Notes to the financial statements (continued)

20 Provisions for liabilities

(a) Consolidated

	Early retirement/ voluntary severance £000	Deferred tax £000	2012 Total £000
Balance at beginning of year	4,681	780	5,461
Utilised during the year	(8,720)	-	(8,720)
Charged/(credited) to income and expenditure account	5,198	(238)	4,960
Balance at 31 July	1,159	542	1,701

Deferred tax

The elements of deferred tax are as follows:

	2012 £000	2011 £000
Difference between accumulated depreciation and capital allowances	457	804
Other timing differences	85	(24)
Balance at 31 July	542	780

(b) University

	Early retirement/ voluntary severance £000	2012 Total £000
Balance at beginning of year	4,681	4,681
Utilised during the year	(8,452)	(8,452)
Charged to income and expenditure account	4,930	4,930
Balance at 31 July	1,159	1,159

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.

21 Deferred capital grants

	Funding Council	Other grants	2012 Total
	£000	£000	£000
(a) Consolidated			
Balance at 1 August 2011			
Buildings	274,421	134,810	409,231
Equipment	3,170	17,399	20,569
Donated assets	-	1,214	1,214
Total	277,591	153,423	431,014
Grants received/receivable			
Buildings	10,218	3,231	13,449
Equipment	1,200	9,114	10,314
Donated assets	-	630	630
Total received	11,418	12,975	24,393
Released to income and expenditure			
Buildings	7,150	5,398	12,548
Equipment	1,382	9,780	11,162
Donated assets	-	207	207
Total released	8,532	15,385	23,917
Balance at 31 July 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
	Funding Council	Other grants	2012 Total
	£000	£000	£000
(b) University			
Balance at 1 August 2011			
Buildings	274,421	115,488	389,909
Equipment	3,170	17,399	20,569
Donated assets	-	1,214	1,214
Total	277,591	134,101	411,692
Grants received/receivable			
Buildings	10,218	3,231	13,449
Equipment	1,200	9,114	10,314
Donated assets	-	630	630
Total received	11,418	12,975	24,393
Released to income and expenditure			
Buildings	7,150	4,942	12,092
Equipment	1,382	9,780	11,162
Donated assets	-	207	207
Total released	8,532	14,929	23,461
Balance at 31 July 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

Notes to the financial statements (continued)

22 Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2012 Total £000	2011 Total £000
Balance at 1 August						
Capital	15,924	104,981	120,905	24,593	145,498	130,082
Accumulated income	-	11,624	11,624	1,582	13,206	14,286
	15,924	116,605	132,529	26,175	158,704	144,368
New endowments	42	400	442	358	800	2,630
Reclassification of endowment funds (capital)	-	(34)	(34)	34	-	-
Reclassification of endowment funds (accumulated income)	-	115	115	(115)	-	-
Dividends reinvested	7	45	52	10	62	106
Depreciation of endowment assets	(612)	(4,031)	(4,643)	(896)	(5,539)	12,680
University of Manchester withdrawal	-	(7)	(7)	(1)	(8)	(124)
Purchase of tangible assets from endowment funds	-	(10)	(10)	(77)	(87)	(111)
Investment income	338	2,211	2,549	490	3,039	3,101
Expenditure from accumulated income	(338)	(1,955)	(2,293)	420	(1,873)	(3,946)
Expenditure from capital	-	-	-	(1,430)	(1,430)	-
Balance at 31 July	15,361	113,339	128,700	24,968	153,668	158,704
Representing:						
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
Total	15,361	113,339	128,700	24,968	153,668	158,704

Included within endowments are a number of permanent funds with a combined deficit of accumulated income of £0.1m at 31 July 2012. 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 2012 £000	Opening accumulated income £000	Investment income £000	Expenditure £000	Closing accumulated income £000	Date received
Hallsworth Fund *	18,709	415	412	(504)	323	1944
Simon Fund *	10,376	216	229	(271)	174	1943
Oncology department fund *	9,191	176	203	(277)	102	1975
Student Services Centre - prize and scholarship fund *	5,012	340	111	(1)	450	2001
John Rylands general library fund *	4,972	742	110	(133)	719	1972
John Rylands research institute fund *	4,579	1,063	100	-	1,163	1972
National fund for research into crippling diseases	3,869	7	85	(67)	25	1974
Dr Mont Follick professorship in phonetics	2,758	93	61	(54)	100	1962
BNFL permanent endowment	2,638	118	58	(74)	102	2008
BNFL expendable endowment	2,390	(4)	58	(54)	-	2008
Simon Fund (special) 1960	2,375	-	52	(52)	-	1960
Frederick Craven Moore Fund	2,306	249	51	(82)	218	1975
Davies Chair in Entrepreneurship	2,072	95	46	(50)	91	2008
Hulme Trust	1,711	-	37	(37)	-	1881
The Ted and Pat Smith Prize	1,527	-	13	-	13	2011
	74,485	3,510	1,626	(1,656)	3,480	
Significant funds and charities with income above £100,000						
See asterixed funds above	52,839	2,952	1,165	(1,186)	2,931	
Funds and charities with income below £100,000						
Fellowships and scholarships (155 funds)	16,359	2,972	356	(197)	3,131	
Prize funds (202 funds)	4,516	859	79	(106)	832	
Chairs and lectureships (75 funds)	27,375	1,790	576	(622)	1,744	
Other (309 funds)	38,302	4,633	863	143	5,639	
	139,391	13,206	3,039	(1,968)	14,277	

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.

The 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.

Notes to the financial statements (continued)

23 Movement on general reserves

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Income and expenditure account				
Balance at beginning of year	211,875	171,842	214,020	172,159
Surplus retained for the year	48,823	54,825	46,670	56,653
Transfer from revaluation reserve	300	26	300	26
Transfer pension surplus to pension reserve	(5,628)	(14,818)	(5,628)	(14,818)
Balance at 31 July	255,370	211,875	255,362	214,020
Pension reserve				
Balance at beginning of year	(86,991)	(75,337)	(86,991)	(75,337)
Actuarial loss on pension schemes	(27,906)	(26,472)	(27,906)	(26,472)
Surplus retained within reserves	5,628	14,818	5,628	14,818
Balance at 31 July	(109,269)	(86,991)	(109,269)	(86,991)

24 Revaluation reserve

(a) Consolidated

	Land and buildings £000	Investment properties £000	Other investments within fixed assets £000	2012 Total £000
Revaluations				
At beginning of year	678	8,510	8,266	17,454
Revaluation in year	-	(833)	(978)	(1,811)
Transfer to general reserve on disposal	(287)	-	-	(287)
At 31 July	391	7,677	7,288	15,356
Contribution to depreciation				
At beginning of year	237	-	229	466
Transfer to income and expenditure account	13	-	-	13
At 31 July	250	-	229	479
Revaluation reserve				
At 31 July	141	7,677	7,059	14,877
At beginning of year	441	8,510	8,037	16,988

(b) University

	Land and buildings £000	Investment properties £000	Other investments within fixed assets £000	2012 Total £000
Revaluations				
At beginning of year	678	8,510	3,777	12,965
Revaluation in year	-	(833)	(763)	(1,596)
Transfer to general reserve on disposal	(287)	-	-	(287)
At 31 July	391	7,677	3,014	11,082
Contribution to depreciation				
At beginning of year	237	-	-	237
Transfer to income and expenditure account	13	-	-	13
At 31 July	250	-	-	250
Revaluation reserve				
At 31 July	141	7,677	3,014	10,832
At beginning of year	441	8,510	3,777	12,728

25 Minority interests

	Consolidated	
	2012 £000	2011 £000
At beginning of year	68	10
Minority interest in subsidiary undertakings' results for the year	67	64
Minority interest's contribution to deficit	(43)	(6)
At 31 July	92	68

26 Reconciliation of operating surplus to net cash inflow from operating activities	Consolidated	
	2012	2011
	£000	£000
Surplus on continuing operations after depreciation of tangible fixed assets at cost/valuation and before taxation	48,321	54,090
Depreciation	41,421	43,842
Deferred capital grants released to income	(23,917)	(25,522)
Investment income	(12,712)	(11,692)
Transfers from endowments	264	845
Loss on disposal of fixed assets	45	544
Surplus on disposal of fixed asset investments	(677)	(170)
Interest payable	10,006	10,326
Interest receivable	(305)	(530)
Difference between pension charge and cash contributions	(5,628)	(14,818)
Minority interests	24	58
Decrease/(increase) in stocks	6	(6)
Decrease in long term debtors	63	36
Decrease/(increase) in debtors due within one year	2,389	(1,547)
(Decrease)/increase in creditors	(468)	15,833
Decrease in provisions	(2,360)	(4,878)
Net cash inflow from operating activities	56,472	66,411
27 Returns on investments and servicing of finance	Consolidated	
	2012	2011
	£000	£000
Income from endowments	3,039	3,101
Income from short term investments	5,011	3,713
Income from donations	4,302	4,463
Dividend income from general fund investments	360	415
Other interest received	305	530
Interest paid	(10,006)	(10,326)
Net cash inflow from returns on investments and servicing of finance	3,011	1,896
28 Capital expenditure and financial investment	Consolidated	
	2012	2011
	£000	£000
Purchase of tangible fixed assets	(70,536)	(62,111)
Acquisition of fixed asset investments	(3,293)	(31,803)
Net acquisition of endowment assets	(722)	(987)
Receipts from sale of tangible fixed assets	-	8
Receipts from sale of fixed asset investments	677	170
Deferred capital grants received	24,393	35,643
Endowments received	503	1,656
Net cash outflow from capital expenditure and financial investment	(48,978)	(57,424)
29 Management of liquid resources	Consolidated	
	2012	2011
	£000	£000
Withdrawals/(placements) on deposit	12,772	(35,058)
Net cash inflow/(outflow) from management of liquid resources	12,772	(35,058)

Notes to the financial statements (continued)

30 Financing

	Consolidated	
	2012	2011
	£000	£000
Bank loan repayments	(7,310)	(6,278)
Capital element of finance lease repayments	(338)	-
Net cash outflow from financing	(7,648)	(6,278)

31 Analysis of changes in net debt

	Consolidated			
	1 August 2011	Cash flows	Non-cash	31 July
	£000	£000	changes	2012
			£000	£000
Cash at bank	18,989	5,998	-	24,987
Bank deposits repayable on demand (note 16)	16,550	9,850	-	26,400
Endowment asset investments (note 13)	14,505	(219)	-	14,286
	50,044	15,629	-	65,673
Bank deposits repayable after due notice (note 16)	155,495	(12,772)	-	142,723
Debt due within one year (note 19)	(7,310)	7,310	(10,581)	(10,581)
Debt due after one year (note 19)	(181,696)	-	10,581	(171,115)
Finance leases (notes 17 and 18)	-	338	(2,290)	(1,952)
Net funds	16,533	10,505	(2,290)	24,748

32 Pension Schemes

(a) Pension schemes - summary

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

	Consolidated and University	
	2012	2011
	£000	£000
Balance sheet - Pension scheme deficits		
University of Manchester Superannuation Scheme	(92,902)	(73,794)
Greater Manchester Pension Fund	(15,224)	(12,780)
Manchester Innovation Limited Group Pension Scheme	(1,143)	(417)
	(109,269)	(86,991)
Statement of total recognised gains and losses - Actuarial (losses)/gains		
University of Manchester Superannuation Scheme	(24,645)	(26,713)
Greater Manchester Pension Fund	(2,225)	207
Manchester Innovation Limited Group Pension Scheme	(1,036)	34
	(27,906)	(26,472)
Consolidated income and expenditure account		
Pension costs (note 6)		
University of Manchester Superannuation Scheme	14,192	14,275
Greater Manchester Pension Fund	1,586	(9,309)
Manchester Innovation Limited Group Pension Scheme	4	3
Universities Superannuation Scheme	50,663	48,011
NHS Pension Scheme	2,617	2,796
	69,062	55,776
Net return on pension schemes (note 5)		
University of Manchester Superannuation Scheme	1,462	2,379
Greater Manchester Pension Fund	82	100
Manchester Innovation Limited Group Pension Scheme	(11)	(29)
	1,533	2,450

32 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 2012 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 were therefore sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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.

Notes to the financial statements (continued)

32 Pension schemes (continued)

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 as at 31 March 2008 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 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%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 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 2012 estimation.

The total pension cost for the University of Manchester was £50.7m (2011: £48.0m). This includes £4.6m (2011: £4.3m) 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 2012 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 £2.6m (2011: £2.8m). This includes £0.4m (2011: £0.3m) outstanding contributions at the balance sheet date.

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

UMSS is a defined benefit scheme in the UK which is contracted out of the State Second Pension (S2P). A new Career Average Revalued Earnings (CARE) section of UMSS was introduced to new joiners from 1 April 2012. Existing members at 1 April 2012 were able to continue in the Final Salary section of the scheme, but also had a one-off opportunity to switch to the new CARE section of UMSS, on 1 April 2012, for future pension build up. A full actuarial valuation was carried out at 31 July 2010 and updated to 31 July 2012 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 6.33% assumption as at 31 July 2012.

Weighted average assumptions used to determine benefit obligations at 31 July 2012:	2012	2011
Rate of increase in salaries	3.70%	4.50%
Rate of increase of pensions in payment and deferred pensions (RPI)	2.70%	3.50%
Rate of increase of pensions in payment and deferred pensions (CPI)	1.80%	n/a
Discount rate	4.40%	5.40%
Inflation assumption (RPI)	2.70%	3.50%
Inflation assumption (CPI)	1.80%	n/a

Weighted average assumptions used to determine net pension cost for year ended:	2012	2011
Rate of increase in salaries	4.50%	4.20%
Expected long term return on plan assets	7.09%	7.37%
Discount rate	5.40%	5.50%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:	2012	
	Male	Female
Member age 62 (current life expectancy)	25.3	27.5
Member age 42 (life expectancy at age 62)	27.7	30.0

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

	2012	2012	2011	2011	2010	2010
		£000		£000		£000
Equities	7.50%	129,364	7.90%	145,829	8.25%	162,379
Bonds	4.70%	138,313	5.70%	116,348	5.80%	97,742
Property	7.50%	61,132	7.90%	55,232	8.25%	13,384
Total market value of assets		328,809		317,409		273,505
Actuarial value of liability		(421,711)		(391,203)		(324,215)
Net pension liability		(92,902)		(73,794)		(50,710)

Analysis of the amount charged to operating surplus

	2012	2011
	£000	£000
Current service cost	14,067	14,000
Past service cost	125	275
Total operating charge	14,192	14,275

Analysis of net return on pension scheme

	2012	2011
	£000	£000
Expected return on pension scheme assets	22,399	20,194
Interest on pension liabilities	(20,937)	(17,815)
Net return	1,462	2,379

Notes to the financial statements (continued)

32 Pension schemes (continued)

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

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

	2012 £000	2011 £000
Actual return less expected return on scheme assets	(5,825)	23,043
Experience gains and losses on liabilities	(826)	(5,229)
Changes in assumptions	<u>(17,994)</u>	(44,527)
Actuarial loss recognised in STRGL	(24,645)	(26,713)

Reconciliation of fair value of employer assets

	2012 £000	2011 £000
Opening fair value of employer assets	317,409	273,505
Expected return on assets	22,399	20,194
Contributions by the employer	18,267	15,525
Contributions by members	894	941
Actuarial (losses)/gains	(5,825)	23,043
Benefits paid	<u>(24,335)</u>	(15,799)
Closing fair value of employer assets	328,809	317,409

Reconciliation of defined benefit obligation

	2012 £000	2011 £000
Opening defined benefit obligation	391,203	324,215
Current service cost	14,067	14,000
Past service cost	125	275
Interest cost	20,937	17,815
Contributions by members	894	941
Actuarial losses	18,820	49,756
Estimated benefits paid	<u>(24,335)</u>	(15,799)
Closing defined benefit obligation	421,711	391,203

At the last full actuarial valuation of the scheme as at 31 July 2010, the value of the assets of the scheme was £273.5m and the value of the past service liabilities was £324.2m leaving a deficit of £50.7m. The assets therefore were sufficient to recover 84.4% of the benefits which had accrued to members' deficit after allowing for expected future increases in earnings. The University currently pays contributions at the rate of 19% (19.75% until 1 April 2012) of pensionable pay for members who do not participate in PensionChoice and 26% of pensionable pay for those that do. For those that do not participate in PensionChoice, member contributions are payable in addition at the rate of 7% (6.25% until 1 April 2012) of pensionable pay. 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%). This has reduced the service cost for the year ended 31 July 2012 by £0.7m.

The University has given the scheme direct security over a number of properties to the value of at least £35m (2011: £40m).

History of experience gains and losses

	2012	2011	Year ended 31 July		
			2010	2009	2008
Present value of defined benefit obligations	(421,711)	(391,203)	(324,215)	(302,124)	(265,188)
Fair value of scheme assets	328,809	317,409	273,505	243,624	266,472
(Deficit)/surplus in the scheme	<u>(92,902)</u>	(73,794)	(50,710)	(58,500)	1,284
Difference between expected and actual return on scheme assets:					
Amount (£000)	(5,825)	23,043	5,253	(47,964)	(36,764)
Percentage of scheme assets	(2%)	7%	2%	(20%)	(14%)
Experience gains and losses on scheme liabilities:					
Amount (£000)	(826)	(5,229)	-	5,000	(1,736)
Percentage of scheme liabilities	0%	(1%)	0%	2%	(1%)

(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 2012 on an FRS 17 basis by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2012	2011
Rate of increase in salaries	3.70%	4.70%
Rate of increase in pensions in payment and deferred pensions	1.80%	2.70%
Discount rate applied to scheme liabilities	4.40%	5.40%
Inflation assumption (CPI)	1.80%	2.70%
Expected return on assets	6.50%	6.20%

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

The mortality assumptions used as at 31 July 2012 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:

	2012	2012	2011	2011	2010	2010
		£000		£000		£000
Equities	7.50%	55,347	7.00%	57,415	7.30%	53,956
Bonds	4.70%	17,611	4.60%	16,042	4.80%	11,730
Property	7.50%	4,193	5.10%	4,222	5.30%	4,692
Cash	2.80%	6,709	4.00%	6,755	4.40%	7,820
Total market value of assets		<u>83,860</u>		<u>84,434</u>		<u>78,198</u>
Actuarial value of scheme liability		<u>(99,084)</u>		<u>(97,214)</u>		<u>(102,081)</u>
Net pension liability		<u>(15,224)</u>		<u>(12,780)</u>		<u>(23,883)</u>

Analysis of the amount charged to operating surplus

	2012	2011
	£000	£000
Current service cost	1,510	1,496
Past service cost/(income)	76	(10,805)
Total operating charge/(income)	<u>1,586</u>	<u>(9,309)</u>

The past service income of £10.8m in 2011 relates to the change from RPI to CPI for pension increases. This change has been accounted for on this basis as a constructive obligation for this change has arisen due to government communications of the basis of pension increases.

Analysis of net return on pension scheme

	2012	2011
	£000	£000
Expected return on pension scheme assets	5,151	4,932
Interest on pension liabilities	(5,069)	(4,832)
Net return	<u>82</u>	<u>100</u>

Notes to the financial statements (continued)

32 Pension schemes (continued)

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

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

	2012 £000	2011 £000
Actual return less expected return on scheme assets	(2,225)	207
Actuarial (loss)/gain recognised in STRGL	(2,225)	207

Reconciliation of fair value of employer assets

	2012 £000	2011 £000
Opening fair value of employer assets	84,434	78,198
Expected return on assets	5,151	4,932
Contributions by members	420	518
Contributions by the employer	1,094	1,297
Actuarial (losses)/gains	(2,975)	3,481
Estimated benefits paid	(4,264)	(3,992)
Closing fair value of employer assets	83,860	84,434

Reconciliation of defined benefit obligation

	2012 £000	2011 £000
Opening defined benefit obligation	97,214	102,081
Current service cost	1,510	1,496
Interest cost	5,069	4,832
Contributions by members	420	518
Contributions by the employer to unfunded scheme	(191)	(190)
Actuarial (gains)/losses	(750)	3,274
Past service cost/(income)	76	(10,805)
Estimated benefits paid	(4,264)	(3,992)
Closing defined benefit obligation	99,084	97,214

Analysis of the defined benefit obligation

	2012 £000	2011 £000
Present value of unfunded liabilities	2,141	2,115
Present value of funded liabilities	96,943	95,099
Closing defined benefit obligation	99,084	97,214

The University has paid contributions at the rate of 16.8% of members' pensionable pay over the year to 31 July 2012. It was agreed with the Trustees that contributions for the following year would remain at that level.

History of experience gains and losses

	2012	Year ended 31 July			
		2011	2010	2009	2008
Present value of defined benefit obligations	(99,084)	(97,214)	(102,081)	(96,711)	(85,392)
Fair value of scheme assets	83,860	84,434	78,198	68,918	71,749
Deficit in the scheme	(15,224)	(12,780)	(23,883)	(27,793)	(13,643)
Difference between expected and actual return on scheme assets:					
Amount (£000)	(2,225)	207	6,199	(5,895)	(11,425)
Percentage of scheme assets	(3%)	0%	8%	(9%)	(16%)
Experience gains and losses on scheme liabilities:					
Amount (£000)	-	-	-	-	(2,897)
Percentage of scheme liabilities	0%	0%	0%	0%	(3%)

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

The MILGPS is a final salary defined benefit scheme. From 1 June 2003, all active members participating in the MILGPS transferred to UMSS. The deferred members remain within MILGPS.

A preliminary actuarial valuation of the scheme was carried out as at 1 September 2011, which has been updated to 31 July 2012 by a qualified actuary.

The market assumptions used in this valuation were:

	2012	2011
Rate of increase in pensions in payment and deferred pensions	5.00%	5.00%
Discount rate applied to scheme liabilities	4.40%	5.50%
Inflation assumptions (RPI)	2.70%	3.60%
Expected return on plan assets	4.41%	5.60%

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

The mortality assumptions used are as follows:

	2012	2011
Assumed life expectancy in years on retirement at 62		
Retiring today:		
Males	27.3	26.8
Females	29.4	28.9
Retiring in 20 years:		
Males	30.7	29.0
Females	32.6	30.1

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

	2012	2012				
		£000	2011	2011	2010	2010
				£000		£000
Investment in bonds	4.00%	1,982	5.50%	1,495	5.50%	1,089
Investment in unitised with profits policy	5.25%	986	5.75%	989	5.75%	1,054
Other	3.50%	18	3.50%	-	3.50%	9
Total market value of assets		<u>2,986</u>		2,484		2,152
Actuarial value of liability		<u>(4,129)</u>		(2,901)		(2,896)
Net pension liability		<u>(1,143)</u>		<u>(417)</u>		<u>(744)</u>

Analysis of the amount charged to operating surplus

	2012	2011
	£000	£000
Current service cost	<u>4</u>	3

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

Analysis of net charge to pension finance cost

	2012	2011
	£000	£000
Expected return on pension scheme assets	148	124
Interest on pension liabilities	(159)	(153)
Net cost	<u>(11)</u>	<u>(29)</u>

Notes to the financial statements (continued)

32 Pension schemes (continued)

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

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

	2012 £000	2011 £000
Actual return less expected return on pension scheme assets	44	107
Experience gains and losses on liabilities	56	(73)
Changes in assumptions	(1,136)	-
Actuarial (loss)/gain recognised in STRGL	(1,036)	34

Reconciliation of fair value of employer assets

	2012 £000	2011 £000
Opening fair value of employer assets	2,484	2,152
Expected return on assets	148	124
Contributions by the employer	325	325
Actuarial gains	44	107
Benefits paid	(15)	(224)
Closing fair value of employer assets	2,986	2,484

Reconciliation of defined benefit obligation

	2012 £000	2011 £000
Opening defined benefit obligation	2,901	2,896
Current service cost	4	3
Interest cost	159	153
Actuarial losses	1,080	73
Estimated benefits paid	(15)	(224)
Closing defined benefit obligation	4,129	2,901

History of experience gains and losses

	2012	Year ended 31 July			
		2011	2010	2009	2008
Present value of defined benefit obligations	(4,129)	(2,901)	(2,896)	(2,505)	(1,938)
Fair value of scheme assets	2,986	2,484	2,152	1,710	1,867
Deficit in the scheme	(1,143)	(417)	(744)	(795)	(71)
Difference between expected and actual return on scheme assets:					
Amount (£000)	44	107	51	(345)	(43)
Percentage of scheme assets	1%	4%	2%	(20%)	(2%)
Experience gains and losses on scheme liabilities:					
Amount (£000)	56	(73)	(9)	(24)	(1)
Percentage of scheme liabilities	1%	(3%)	0%	(1%)	0%

The University expects to contribute £443,600 (including £30,000 for expenses) to MILGPS in the year ending 31 July 2013.

33 Capital commitments

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Commitments for future capital expenditure:				
Authorised not contracted	78,491	46,999	78,491	46,999
Contracted not provided	31,175	36,779	31,175	36,779
	109,666	83,778	109,666	83,778

34 Operating lease commitments

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

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Land and buildings				
Expires within one year	1,697	2,008	1,697	2,008
Expires between two and five years	4,839	4,835	4,839	4,835
Expires after more than five years	964	967	1,056	1,059
	7,500	7,810	7,592	7,902
Other				
Expires within one year	206	568	206	568
Expires between two and five years	407	195	407	195
Expires after more than five years	9	99	9	99
	622	862	622	862
Total	8,122	8,672	8,214	8,764

35 Contingent liabilities

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
Undrawn investment commitments	2,340	3,900	2,340	3,900
Bank guarantees	230	230	-	-
All monies guarantee	2,146	3,005	2,146	3,005
	4,716	7,135	4,486	6,905

A commitment of up to £7.8m (2011: £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 £5.5m (2011: £3.9m) has been invested in the Fund. It is anticipated that the remainder of the investment commitment will be requested in tranches of £0.4m within the next three years.

Bank guarantees comprise £0.2m (2011: £0.2m) in relation to a bank overdraft guarantee.

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

Notes to the financial statements (continued)

36 Related party transactions

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

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

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

	Income recognised within the financial statements	Expenditure recognised the financial statements	Balance due to/(from) the University recognised within the financial statements
	£000	£000	£000
Higher Education Funding Council for England	196,749	-	-
Biotechnology and Biological Sciences Research Council (BBSRC)	18,029	128	241
Central Manchester University Hospitals NHS Foundation Trust	13,877	5,316	22
Wellcome Trust	10,131	1	929
North West Regional Development Agency	4,730	-	-
Astra Zeneca	3,168	-	829
The Royal Society	1,092	30	(230)
Imperial College London	385	360	220
Manchester City Council	212	2,125	(1,656)
Students' Union	130	54	17
Royal Academy of Engineering	104	-	13
Alzheimer's Society	99	-	16
Royal Northern College of Music	66	34	(1)
Stockport Metropolitan Borough Council	37	24	(1)
Horsrace Betting Levy Board	33	-	-
University of Central Lancashire (UCLAN)	18	74	1
Westinghouse	12	-	(1)
The Physiological Society	12	-	1
UNISON	11	140	-
Walton Centre for Neurology and Neurosurgery NHS Foundation Trust	11	-	-
One Central Park	4	219	(2)
Stockport NHS Foundation Trust	3	33	1
Health & Safety Lab, HSE, Buxton	-	23	(1)
Manchester Science Park	-	125	(11)
	248,913	8,686	387

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

Central Manchester University Hospitals NHS Foundation Trust

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

Wellcome Trust

The Wellcome Trust is a global charitable foundation who seek to achieve improvements in human and animal health by supporting research in biomedical subjects and the medical humanities. One Governor serves on the management committee of a Wellcome Trust funded facility, and another is on the Trust's Fellowship Interviews Committee.

North West Regional Development Agency (NWDA)

The North West Regional Development Agency was a public body that aimed to stimulate economic growth and regeneration in this region. It funded a significant part of the University's capital programme. Two members of the Board of Governors served on the NWDA Board. The NWDA ceased operations on 31st March 2012 and was abolished formally on 1st July.

AstraZeneca

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

The Royal Society

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

Imperial College London

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

Manchester City Council

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

Students' Union

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

Royal Academy of Engineering

The Royal Academy for Engineering aims to advance and promote excellence in engineering by providing analysis and policy support, leading on engineering education and investing in research. One governor is a fellow of the Academy.

Alzheimer's Society

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

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.

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.

Horsrace Betting Levy Board

The HBLB is a statutory body operating under the Betting, Gaming and Lotteries Act 1963. It collects a statutory levy from the horseracing business of bookmakers and the Tote which it distributes for the improvement of horseracing, horse breeding and veterinary science and education. One governor serves as Chairman of the HBLB.

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.

Notes to the financial statements (continued)

36 Related party transactions (continued)

The Physiological Society

Founded in 1876, the Physiological Society's members have made significant contributions to knowledge of biological systems and the treatment of disease. The Society promotes physiology and organises scientific meetings, offers grants for research, collaboration and travel, and publishes two scientific journals. One governor is a member of the Society.

UNISON

UNISON is the second largest trade union in the United Kingdom with over 1.3 million members, most of whom work in the public sector. UNISON is the main union at the University for staff who are not in academic or academic-related posts. One member of the Board of Governors is a UNISON member and served as a shop steward.

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.

One Central Park Limited

One Central Park, on Oldham Road, Manchester, is a business park dedicated to the development of new business enterprises delivered by the local community. One Central Park Limited is a 20% owned associate of the University. The company owns a building in the park, which is part occupied by the University. A wholly owned subsidiary of the University, The University of Manchester Innovation Centre Limited, is partly responsible for marketing this facility.

Stockport NHS Foundation Trust

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

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.

Manchester Science Park

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

Trustees' Expenses

£31,622 was paid in expenses to members of the Board of Governors of the University during the year (2011: £16,008). Where Trustees are also employees of the University the amount includes expenses paid in relation to their employment.

37 Amounts disbursed as agent (Consolidated and University)

(a) Access Fund	2012	2011
	£000	£000
Balance unspent at beginning of year	284	351
Funding Council grants	363	353
Interest earned	1	1
Disbursed to students	(401)	(421)
Balance unspent at year end	247	284
<hr/>		
(b) Training and Development Agency for Schools (TDA)		
Student Training Bursaries	2012	2011
	£000	£000
Balance unspent/(prepaid) at beginning of year	112	(60)
Funding Council grants	1,122	2,350
Disbursed to students	(1,227)	(2,178)
Balance unspent at year end	7	112
<hr/>		
Student Associates Scheme	2012	2011
	£000	£000
Balance unspent at beginning of year	3	-
Funding Council grants		103
Paid out during the year	(3)	(100)
Balance unspent at year end	-	3
<hr/>		

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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