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The University of Manchester

The University of Manchester

Financial statements

For the year ended 31 July 2007












Contents

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Officers and advisers

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Co-Chancellor
Anna Ford, BA(Econ), DpAdultEd, LLD

Co-Chancellor
Sir Terry Leahy, BSc

Pro-Chancellor
Admiral Sir John Kerr, GCB, DL

President and Vice-Chancellor
Professor Alan D Gilbert, MA, DPhil, FASSA

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Norman B M Askew, BA

Registrar and Secretary
Albert H McMenemy, BA, LLB

Director of Finance
Marianne McKenzie, BA, ACA

Vice-Presidents (Policy)

Teaching and Learning
Professor Robert W Munn, BSc, PhD, DSc, CChem, CPhys, FRSC, FInstP
(retired 31 October 2007)

Innovation and Economic Development
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Research
Professor Dame Nancy J Rothwell, PhD, DSc, FRS, FMedSci

Professor Simon J Gaskell, BSc, PhD, CChem, FRSC

Vice-President
Professor David Gordon, MA, MB, BChir, FRCP, FMedSci

Vice-Presidents and Deans of Faculties

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Humanities
Professor Alistair M Ulph, BPhil, MA

Life Sciences
Professor R Alan North, MB, ChB, PhD, DSc, FRS

Medical and Human Sciences
Professor R Alan North, MB, ChB, PhD, DSc, FRS

Chairs of Committees of the Board of Governors

Chair of Audit Committee
Kathleen Tattersall, OBE, BA, MEd, FRSA

Chair of Finance Committee
Nigel A L Llewellyn, MA, FCA, FRSA
(retired 30 September 2007)

Anil Ruia, OBE, JP, DL, LLB, ACA
(appointed 1 October 2007)

Chair of Risk Committee
Gillian Easson, MA

Chair of Remuneration Committee
Norman B M Askew, BA

Chair of Nominations Committee
Admiral Sir John Kerr, GCB, DL

Advisers

Bankers
Barclays Bank plc
National Westminster Bank plc

External Auditors
PricewaterhouseCoopers LLP

Solicitors
Eversheds LLP
Pinsent Masons
DLA Piper UK LLP

Chairman's Foreword

I am pleased to provide a Foreword for The University of Manchester Financial Statements for the year ended 31 July 2007.

As you will see from the introduction from the President and Vice-Chancellor, the University continues to make excellent progress towards many of the goals identified in the *Manchester 2015 Agenda*, our strategic plan for repositioning the University as one of the top 25 universities in the world. Progress in the research field is particularly noteworthy with the growth in research grants and contracts and total research expenditure exceeding even our most optimistic targets.

This growth can, in part, be attributed to the dramatic net growth in frontline academic staff since the establishment of the University in October 2004 and the bold decision taken by the Board of Governors in 2005 to invest in outstanding researchers ahead of the University's submission for the next Research Assessment Exercise in November 2007.

The most visible sign of transformation at the University is on the campus itself, where we have fully-funded and are nearing completion of Phases One and Two of our ambitious Capital Programme, which together amount to more than £400 million worth of new buildings and facilities.

The goals identified in the *Manchester 2015 Agenda* remain ambitious, but I am greatly encouraged by evidence of our progress and the sense of purpose with which the senior management and all University staff are approaching the challenge.

Norman Askew

Pro-Chancellor and
Chairman of the Board of Governors

Review of the year
by Professor Alan Gilbert, President and Vice-Chancellor

Reflecting on the past three years, it is remarkable what the University has achieved. Although the merger was a massive undertaking, it is in most respects now well and truly over and the energy of the campus community is focused on achieving the ambitious goals identified in our strategic plan, the *Manchester 2015 Agenda*.

The journey to 2015 was never going to be easy, and we are currently at perhaps the most testing stage of the entire process. But had I been told in October 2004 that the new University would by October 2007 have reached the position we are now in, I would have been delighted. On most of the key measures we adopted for charting the progress of the University, we have actually exceeded our challenging targets.

Our progress has also been recognised and acknowledged by many observers outside the University. In September 2006 we were named "University of the Year" by the *Sunday Times* and our position continues to improve in what is considered to be the only credible international league table of universities, the "Academic Ranking of World Universities" produced by the Shanghai Jiao Tong University. In successive years, our position has improved from 78th in 2004 to 53rd in 2005, 50th in 2006 to 48th in 2007.

Two key developments during the 2006/7 academic year were the appointment of distinguished novelist Martin Amis as Professor of Creative Writing and Robert D Putnam as a Visiting Professor to head a new joint project between Manchester and Harvard on Social Change. Alongside the appointment last year of Nobel Laureate Professor Joseph Stiglitz, these two further "iconic" appointments made in the 2006/7 session reflect the boldness and ambition of the "step change" transformation laid out in the *Manchester 2015 Agenda.*

A "step change" in the University's ambitions and performance is perhaps best illustrated in the research field, where research grant and contract income has grown by over 40 percent in just three years, and where we are beginning to witness the world-leading impact that our Research Institutes are having in fields as diverse as cancer studies, poverty reduction and nuclear science. Indeed, the University is emerging as a genuine research powerhouse, with total research expenditure during the first three years growing from £269 million in 2004/5 to an anticipated £398 million in 2006/7.

This research success was confirmed in the league table compiled recently by the *Times Higher Education Supplement* and based on the number of awards received from the five major research councils. It showed Manchester in first place having been awarded 163 research grants, followed by Cambridge with 158. In a similar vein, the widely read *Research Fortnight* published its own "Research Success Rankings" and stressed that, "in terms of sheer volume, both of applications and awards, there is a clear break between the 'Big Five' (Imperial, Cambridge, Manchester, University College London and Oxford) and the rest".

One notable success in the research field occurred in September 2007, when we were able to announce the successful outcome of a competitive bidding process to TESCO plc to create a Sustainable Consumption Institute (SCI) in partnership with the University.
The investment from TESCO will be at least £25 million over five years and will lead to the establishment of a research institute of genuine international significance that will help tackle climate change and deliver a revolution in "green consumption".

Review of the year
by Professor Alan Gilbert, President and Vice-Chancellor

Without in any way diminishing the importance that it attaches to fundamental research, the University has, since its inception, sought to place equal weight on knowledge and technology transfer. In the past two years, there has been a 100 per cent increase in the number of 'declarations of discovery' identifying intellectual property (IP) of potential commercial value. In other key areas, Renovo, one of our spin-out companies has become a national good news story in knowledge and technology transfer, and there has been substantial year-on-year growth in third party investment in our spin-out companies more generally.

In the teaching and learning field, applications to study at the University remain buoyant. The 2006/7 session saw record levels of enrolment by international students and students enrolled on programmes relying predominantly on on-line and distance learning. There has also been a continuing programme of investment in study facilities and support services.

All that said, this University, like all other large comprehensive universities around the world, faces a real challenge in addressing the urgent need for quality improvement in the undergraduate learning experience in an age of "mass" higher education. I am currently chairing a major strategic review that is examining this important issue. Although the Review is at an early stage, I am optimistic that when it reports its findings to the Board of Governors early in 2008, it will recommend far-reaching changes of benefit to students and perhaps even establish a distinctive "Manchester" approach to undergraduate study.

The University achieved the major successes described above in part through a dramatic net growth of some 2,800 staff in the 30 months following its foundation in October 2004. Achieving such growth required a deliberate strategy of deficit-funding in the run up to the 2008 Research Assessment Exercise (RAE). This growth meant that 2006/7 was always going to be a year of consolidation and slower growth. Two other factors added to this deficit. Mergers always create duplication and we knew on 1 October 2004 that we were carrying forward around £10 million of additional costs after bringing VUM and UMIST together, a legacy complicated by a necessary agreement with the campus trade unions obliging us not to begin to tackle this structural deficit for at least two years. These two elements have been compounded by higher than expected salary increases in 2005 and 2006 across the UK higher education system. All in all, these developments meant that we started the 2006/7 financial year with an operating deficit of around £30 million.

As planned, we introduced a range of decisive measures in February 2007 to improve our efficiency and to eliminate the deficit, including tighter financial management and an early retirement/voluntary severance scheme for staff. These measures never involved a staffing freeze, but did mean managing both pay and non-pay costs with real stringency. By the end of the 2006/7 academic year, we had already signed-off more than 500 voluntary severances/early retirements. Taken together with the number of posts lost through the rigorous control of vacancies these measures are having the desired effect. Yet when the University's operational "running rate" returns to surplus late in 2008, the University will have reduced staff numbers by little more than a third of the net growth experienced in the previous 30 months.

The University's financial strategies have included the completion of the largest capital programme ever undertaken in UK higher education. Having secured important sales of property which was either surplus to requirements or no longer fit for purpose during the present year, we are in the excellent position of having fully funded Phases One and Two of the Capital Programme, which together amount to £401 million worth of new state-of-the-art buildings and facilities.

Transforming our very good University into a world leader in higher education was never going to be an easy task and building sustainability into our ambitious agenda was always going to present the greatest challenge. But due to the commitment, creativity and hard work of our staff we are firmly on track.

Alan Gilbert

Professor Alan Gilbert

President and Vice-Chancellor

Financial review

The University of Manchester's consolidated results for the 12 months to 31 July 2007 show a surplus of £3.3 million.

Financial Highlights

- Income up by £49.2 million (8.4%)
- Growth in research income of £26.8 million (18.3%)
- Operating deficit, after disposal of fixed asset investments, of £12.4 million (2005/6 £22.8 million deficit)
- Surplus for the year of £3.3 million (2005/6 £20.7 million deficit)
- Historical cost surplus of £24.9 million (2005/6 £20.3 million deficit)
- Continued investment in the ambitious capital programme of £139.4 million

Income and Expenditure Review

Following the merger of the two institutions, a structural deficit of £10 million arose. A further £10 million deficit was approved by the Board of Governors to support the University's ambitious 2015 agenda. This enabled investment in outstanding researchers as well as the development of the estate and the scientific infrastructure. Along with the rest of the HE sector, abnormal levels of wage inflation have also added to the cost base of the new University.

As part of the merger agreement with the campus trade unions no job losses were permitted in the period to October 2006, so there were no immediate economies arising from the rationalisation of processes and services, or from the significant investment in new operating systems. Financial year 2006/7 therefore became the key year in which to take action to address the deficit position. This challenging transitional period will continue into 2008.

In February 2007, the President and Vice Chancellor prepared an action plan to bring the underlying finances of the University back to breakeven by 2008/9. The plan addresses income generation, as well as cost reduction. The pay bill is being reduced through a significant early retirement and voluntary severance scheme, and tight vacancy management control. Non pay costs are also being addressed with a £10 million target for efficiency dividends. This transition plan is being managed whilst maintaining the momentum behind long term strategic initiatives and the continuation of the major investment programme in the University estate, that are required to deliver the 2015 ambitions.

Income

Total income for the University has increased by £49.2 million (8.4%).

Funding Council grants were up by £8.2 million. Tuition fees and education contracts increased by £15.3 million (12.5%).

Research grants and contract income has increased by £26.8 million (18.3%). This success follows on from the investment in previous years in the recruitment of leading researchers. In addition, a greater number of grants are now contributing to overheads through the Full Economic Costing initiative. The growth in commerce and industrial research of £4.3 million, a 52.5% increase, is particularly pleasing. Efforts have been made to uplift both the volume and quality of applications and improve our working relationships with commerce and industry. This effort is starting to show results.

Investments previously held directly by the University were transferred towards the end of 2005/6 into portfolios which are managed externally. Profits are no longer accounted for on the basis of individual sale transactions within the portfolios, but the portfolios are revalued in total at the year end via the revaluation reserve.

Endowment and investment income has increased by £0.9 million. However, increases of £1.4 million on short term investments, due to higher average cash balances held during the year, and increased donations of £0.4 million, have been offset by a £1.8 million reduction on endowment income. Total investment returns have in fact exceeded the benchmarks set for the portfolios, however a number of property holdings were disposed of during the year where the income returns were reflected in the capital proceeds. In addition the investment strategy was refreshed in late 2005/6 when the funds were transferred into externally managed portfolios. This meant that the income targets were not comparable year on year.

Financial review (continued)

Expenditure

Total expenditure increased by £53.5 million (8.8%), with staff costs increasing by £38.4 million (11%). Staff costs were impacted by the growth in research activity together with further impact from the HERA job grading exercise, and the above inflation negotiated pay settlements for the sector. In excess of 500 early retirement/voluntary severance applications had been accepted prior to the year end, as the action plan was put into place.

Other operating expenses have increased by £8.8 million (3.8%). A decision was taken shortly before the end of the year to incur costs of £2 million to reduce the high interest rate on a longstanding loan. This action will benefit the interest cost in future years.

Cost increases arising from increased activity have been offset by lower maintenance costs.

Some £15.1 million surplus has been realised from the disposal of fixed asset investments. This included the disposal of the remaining shareholding in Renovo PLC, a successful University spin out company. These assets were earmarked as funding for the capital programme and have been realised in anticipation of expenditure in 2007/8.

Exceptional Items

Exceptional items include £30.6 million relating to the sale of the Weston Hotel and Conference Centre buildings and the Weston and Chandos Halls of Residence. The disposal of surplus property assets arising from the merger of the two institutions was part of the agreed funding strategy for the capital programme.

This income is offset by £14.0 million relating to the early retirement/voluntary severance scheme.

Balance Sheet Review

The University closed the year with net assets of £622.7 million, an increase of £90.8 million (17.1%), after taking account of a £12.6 million pension deficit. The year end cash position was strong with short term investments of £122 million.

Fixed Assets

Tangible assets have increased by £99.7 million with new buildings completed and into operation for Astronomy, Physics, Mathematics, Photon Science, Life Sciences, Social Sciences, Environment and Development. A further £81.3 million was received during the year in capital grants.

Fixed asset investments reduced by £46.4 million during the year as funds were released for the capital programme.

Endowment Assets

The University's endowments have increased by £12.6 million (9.5%) in the year. A substantial investment was held in the Tabley estate, the majority of which was sold during the year. The disposal proceeds realised were significantly ahead of expectations, and have contributed to the high level of capital growth.

Current Assets

Debtors have increased by £5.4 million due to higher deferred income on research grants, in line with growth. Underlying trade debtors have reduced.

Investments

Short term investments have increased by £37.9 million. This was due to the property disposals which took place towards the end of the financial year. These funds are earmarked for the ongoing capital programme.

Creditors

Creditors falling due after more than one year have increased by £17.1 million mainly due to the drawdown of an additional loan of £20 million.

Provisions for Liabilities and Charges

At the end of the year a provision of £13.3 million was carried relating to agreed early retirement and voluntary severance payments.

Mrs Marianne McKenzie

Director of Finance

Corporate governance statement

Introduction

The University of Manchester is a chartered corporation which formally came into existence on 1 October 2004. It was created upon 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 new, merged institution by means of The University of Manchester Act 2004.

Currently, the University operates under the terms of a Royal Charter granted in 2004, and it is also an exempt charity under Section 3 of the Charities Act 1993. The University enjoys substantial autonomy to determine and direct its own affairs, and, in particular, has the freedom to determine the scope of its teaching and research activity. However, universities receive a significant element of their funding from public funds allocated principally through the Higher Education Funding Councils and the Research Councils. The conditions attached to grants from the Higher Education Funding Council for England (HEFCE) are set down in a Financial Memorandum between HEFCE and the University.

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 funding bodies, the standards in public life enunciated by the Nolan Committee (in 1996) and recommendations arising from the Dearing Inquiry into Higher Education (in 1997). The University's corporate governance arrangements have been established in such a way as to conform with these duties, and, where appropriate, are also informed by the guidance on good practice in university governance offered by the Committee of University Chairmen (most recently in 2004).

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 statement on corporate governance is divided into three parts. The first part provides a framework statement on the structure of corporate governance within the University. The second part outlines the University's approach to risk management and the maintenance of a sound system of internal control. The third part cites examples in the financial year in question that provide assurances regarding the effectiveness of the University's corporate governance framework.

Summary of the University's Structure of Corporate Governance

The University's overarching Mission is to make the institution, already an internationally distinguished centre of research, innovation, learning and scholarly inquiry, one of the leading universities in the world by 2015.

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

The **Board of Governors**, which, as the University's governing body, 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 also 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 four or five times in each academic year. Its membership of 25 has a majority of persons who are not employed by the University (the 'lay' members), with the Chairman being appointed from within this category of the membership. Members of the Senate (see below), members of the support staff and a student also serve on the Board. A Nominations Committee (see below) makes recommendations to the General Assembly (see below) in respect of vacancies occurring in the category of co-opted General Assembly membership, and to the Board of Governors with respect to vacancies occurring in the lay category of Board membership and in the category of General Assembly lay membership appointed by the Board.

The Board has appointed an **Audit Committee**, a **Finance Committee**, a **Risk Committee**, a **Remuneration Committee** and a **Nominations Committee**, which report directly to it, and has also established processes which ensure both that it is kept regularly advised on the strategic and policy elements of estates, personnel and health and safety issues, and that it can act effectively and in an informed way with respect to these matters when it is required to do so. In the context of institutional governance, and in line with the most recent advice and guidance produced by the Turnbull Committee (that is, 'Turnbull 2'), the Audit Committee has a particularly important function in expressing opinions and giving assurances to the Board relating to its review of the effectiveness of the University's arrangements for risk management, control and governance. (The risk management element of this role includes the review of the processes which lead to the statement on internal control in the Annual Accounts.) In accordance with 'Turnbull 2', the Committee will also, whenever appropriate, provide explicit confirmation to the Board that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal control.

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 and Secretary and the Director of Finance, is the key central management committee. PRC serves as the primary source of advice to the Board of Governors on matters relating to the development and allocation of the University's resources, on strategic planning issues and on the financial, educational and research performance of the University against agreed goals and targets. Additionally, in consultation with other relevant committees, it develops, for approval by the Board, the University's annual planning, budgeting performance evaluation and accountability cycle, annual revisions of the University's Strategic Plan and an annual University Budget.

Corporate governance statement (continued)

The **Senate**, the University's principal academic authority, is ultimately responsible for the promotion of research and for teaching and examination arrangements. 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. To be effective, the process of academic governance must be subject to self-regulation by the academic community within the institution and be protected from other influences. A large number of the statutory powers reserved to Senate are 'regulatory' in nature and control the academic business of the University. When the academic decisions of the Senate carry resource implications of any sort, the approval of the Board is also required. In practice, matters such as the resourcing of academic plans and strategic planning are considered by the Planning and Resources Committee. The Senate has 66 members including, *ex officio*, those having academic management responsibilities centrally and in the Faculties, members (professorial and non-professorial) elected by the Faculties, and student representatives.

Provision is made within the arrangements for governance for the involvement of independent or 'lay' members not only in the work of the Board of Governors (as has been mentioned) but also in that of the **General Assembly**, which is the body providing the interface between the University and the wider community. It is a much larger body (200+ members) than the Board, and both the Board and General Assembly are constituted so as to have a majority of lay members. Lay members are drawn from a wide range of local, regional and national interests, and together they contribute to 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 both presents itself and its achievements to its broader 'constituencies' and receives from them feedback and advice on matters relating to University business. It also includes University staff and students within its membership.

The **Alumni Association** is the body of the University's graduates, and has the function of promoting fellowship among graduates and 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, and the business between Annual General Meetings is conducted by an elected committee. Elections are held at AGMs of twenty members to serve on the General Assembly and of one person for nomination to serve on the Board.

The members of the General Assembly and the Alumni Association, together with all members of paid University staff eligible to hold superannuable appointments (c. 11,500) form the constituency for the election of the **Chancellor** who is the ceremonial Head of the University presiding over meetings of the General Assembly and over congregations of the University for the conferment of degrees.

The **President and Vice-Chancellor** is the chief executive officer and the principal academic and administrative officer of the University. In fulfilment of 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 Accounting Officer) to HEFCE for the use of the public funds which have been allocated. In this capacity the President and Vice-Chancellor can be summoned to appear before the Public Accounts Committee of the House of Commons. 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 the shaping of institutional ethos. The **Vice-Presidents** and the senior administrative officers all contribute in various ways to this aspect of the work, in particular acting as a **Senior Executive**, but the ultimate executive responsibility rests with the President and Vice-Chancellor.

The function of the University Administration is to support the primary institutional objectives in respect of teaching and research 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 Administration is the **Registrar and Secretary**, who is the Secretary to the Board of Governors and is also responsible for providing secretarial services for the General Assembly and Senate.

The University maintains a Register of Interests of members of the Board of Governors, which may be consulted by arrangement with the Registrar and Secretary. Members of the Board 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.

Statement on Risk Management

The duties conferred upon the Board of Governors by the University's Charter and Statutes require it to institute and maintain a sound system of internal control which both supports the achievement by the University of its aims and objectives and safeguards public and other funds and assets for which it is responsible. In that context, the Board is satisfied that the University complies with those provisions of the Combined Code of Best Practice 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 in its Accounts Direction, has been adopted by the Board as the basis for evaluating the University's systems of internal control and for reviewing its effectiveness.

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

Corporate governance statement (continued)

The risk management objectives of the University listed below are based on the overarching policy to adopt best practice in the identification, evaluation and cost-effective control of risks in order that the risks associated with the University's strategy, as set out in its Strategic Plan (*'Towards Manchester 2015'*), are eliminated and/or reduced to an acceptable level. The policy includes the following key actions:

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

The objectives are being achieved by:

- the establishment of a framework which assists the management of the University in the identification of the key risks inherent in the delivery of the University's strategy;
- the review of the framework by a Risk Committee of the Board;
- identification by senior management of systems to assist in achieving appropriate compliance;
- the evaluation of risks inherent in all plans and proposals, including the identification of the steps that would be required to mitigate, eliminate and control such risks;
- 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.

In addition to the above, the Board and the senior management of the University have agreed that a number of actions be taken, including:

- a Planning and Accountability Conference to be held each February/March to review the strategic plans and direction of the University, thereby allowing the Board to review performance and raise questions, arising from the key performance indicators, with the senior management of the University;
- regular reports, at each meeting of the Board, to be received from the Audit Committee concerning internal control, including progress reports on key projects, and from the Risk Committee on the steps being taken to manage risks across the University;
- the Audit Committee to receive regular reports from the Head of the Internal Audit Service, which include the internal auditors' independent opinion on the adequacy and effectiveness of the University's system of internal control, together with any recommendations for improvement;
- the adoption of a Risk Management Framework to underpin the Risk Management Policy already in place, details of which have been circulated to University staff;
- key risks facing the University to be drawn up and recorded, in order to ensure that actions to manage them have been, and will continue to be, developed; and
- the establishment, where necessary, of *ad hoc* due diligence groups for key projects.

In summary, the following components of a robust approach to risk management have been, and continue to be, developed. The components are:

- a Risk Committee of the Board;
- a Risk Management Policy;
- a Risk Management Framework and process, including guidance;
- a high-level risk register derived from the University's strategy document, '*Towards Manchester 2015*';
- resources to support the risk management process, including the appointment of a Head of Risk and Compliance and the designation of an Associate Vice-President for Compliance and Risk Management (who provide direct advice to senior officers of the University and report to each meeting of the Board of Governors);
- a University Emergency Incident Plan, which includes major incident reporting and monitoring;
- a clearly articulated governance framework for the oversight of a best-practice approach to Health and Safety;
- Health and Safety policies, procedures and guidance;
- a Risk and Emergency Management Group (as a sub-group of the Planning and Resources Committee), to ensure:
    - that policies and procedures are in place in the main operational areas of the University to develop an awareness of the need for risk management, in order to eliminate, mitigate, control or accept risks facing those areas;
    - that such policies and procedures are operating in the most effective and efficient manner through a process of monitoring and audit, and that appropriate assurance as to compliance with the University's regulatory framework is secured;
    - that key areas of activity involving Emergency Management Planning and the operational management of Health and Safety meet legislative requirements and are based on best practice;

Corporate governance statement (continued)

- that roles and responsibilities include matters in respect of risk and related management, and that such matters are unambiguously developed to minimise the emergence of risks;
- that mechanisms are in place for staff to be adequately trained in areas of risk management;
- that the University actively promotes best practice in the management and control of risk; and
- that cost-effective systems are in place to address business continuity and disaster recovery.

• the appointment of external monitors for the University's Capital Development Programme, who report on a regular basis to the Finance and the Planning and Resources Committees; and

• regular review of major incidents at each meeting of the Risk and Emergency Management Group.

The Board's review of effectiveness of the system of internal control continues to be informed by all these processes, and by comments made by the external auditors in their management letter and by internal audit reports.

Report on Corporate Governance over 2006/7

The assurance provided by the risk management process over 2006/7 is exemplified by the following:

- The steady progress of the University's Capital Development Programme.
- The success in attracting high-quality staff to the institution.
- The transfer and integration of the Information Systems Programme into business areas, and the work undertaken to ensure efficiencies and benefits are realised from the introduction of the new systems.
- The action taken by the management of the University to tackle weaknesses in the internal control system which emerged following the introduction of new Information Technology Systems. The University's internal auditors noted that significant progress had been made by the University in addressing this issue.

Norman Askew

Mr Norman Askew

Chair of the Board of Governors

Arthurs Lewis building

Statement of the Board of Governors' responsibilities

University Place

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 Statement of Recommended Practice: Accounting for Further and Higher Education, and applicable UK law and accounting standards, 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 ia responsible for ensuring that:

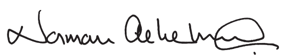
- funds from HEFCE and the Training and Development Agency for Schools are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with HEFCE and any other terms and conditions which HEFCE may from time to time prescribe;
- there are appropriate financial and management controls in place to safeguard public and other funds and to ensure that they are used properly;
- the assets of The University of Manchester are safeguarded and that reasonable steps are taken to prevent and detect fraud and other irregularities; and
- secure the economical, efficient and effective management of The University of Manchester's resources and expenditure so that the benefits that should be derived from the application of public funds by HEFCE are not put at risk.

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 auditors are 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.

Approved by the Board of Governors of The University of Manchester on 10 December 2007 and signed on its behalf by:



Mr Norman Askew

Chair of the Board of Governors

Independent auditors' 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 2007 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out therein.

Respective responsibilities of the Board of Governors and auditors

The Board of Governors' responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the 'Statement of the Board of Governors' responsibilities'.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Board of Governors of the University in accordance with the Charters and Statutes of the University. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education. We report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the Financial Memorandum with HEFCE and with the funding agreement with the Training and Development Agency for Schools. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the 'Foreword and review of the year', the 'Financial review' and the 'Corporate governance statement'.

We also review the statement of internal control (included as part of the Corporate governance statement) and comment if the statement is inconsistent with our knowledge of the University and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and with the HEFCE Code of Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

i the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2007, and of the surplus of income over expenditure, recognised gains and losses and cashflows for the year then ended, and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and United Kingdom Generally Accepted Accounting Practice;

ii in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;

iii in all material respects, income has been applied in accordance with the University's statutes and where appropriate in accordance with the Financial Memorandum (2006/24) with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

17 December 2007

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 HEFCE, the Financial Memorandum agreed with HEFCE, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable United Kingdom law and accounting standards. The accounting policies detailed below have been applied consistently.

Basis of accounting

Modified historical cost basis

The Financial Statements are prepared under 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 13. In accordance with FRS 2, The University of Manchester Students' Union has not been consolidated because the University does not control its activities. 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.

Recognition of income

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

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

Income from tuition fees is included in the year in which it is earned.

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.

All income from investments within current assets is credited to the income and expenditure account in the year in which it is earned.

Income from specific endowments is credited to income and expenditure account in the year in which it is earned. Any income earned in excess of that applied to the specific purpose is transferred from the income and expenditure account to specific endowments in the balance sheet after the result for the year has been struck.

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

Foreign currencies

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 at year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Tangible fixed assets

(a) Land and buildings

Land and buildings are stated at cost. 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 dependent 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 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 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) Tangible donated fixed assets

Tangible donated fixed assets are capitalised at market value with the corresponding amount being credited to the revaluation reserve. The assets are depreciated over their estimated useful lives, generally consistent with the lives detailed above. A corresponding amount is released each year from the revaluation reserve to credit general reserves.

(e) 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.

(f) Maintenance

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

Leases

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 on the same basis as for owned fixed assets. 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 in equal amounts over the periods of the relevant lease.

Goodwill and intangible assets

Goodwill arising on consolidation is capitalised and taken to the income and expenditure account over its useful life.

Intangible assets are recorded at cost, and amortised over their expected useful life.

Statement of principal accounting policies (continued)

Investments and endowment assets

(a) Fixed asset investments

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

Appreciation/depreciation in the market value of investments within fixed assets is added to or subtracted from the revaluation reserve. Where the depreciation exceeds the available balance within the revaluation reserve it is then charged to the income and expenditure account. On the realisation 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 portfolio is revalued at the balance sheet date through the revaluation reserve. Transactions within the portfolio are not accounted for separately. Realised gains and losses are recognised only on withdrawal of funds from the portfolio.

(b) Subsidiary and associated undertakings

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

(c) Current asset investments

Current asset investments and investments in companies set up for the purposes of exploiting university intellectual property, 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 realisation is added to or subtracted from the endowment funds concerned and is not brought into the income and expenditure account.

Certain endowment asset investments are held within investment portfolios managed by independent fund managers. Transactions within the portfolio 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 portfolio.

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 externally funded. With the exception of NHSPS, each fund has a full valuation every three years carried out by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of FRS17.

Of the schemes, USS and NHSPS are both multi-employer schemes. It is not possible to identify the assets and liabilities of the two schemes which are attributable to the University. Therefore, in accordance with FRS 17, these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable.

For the remaining three schemes, assets are included at market value 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, net of the related amount of deferred tax. 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, net of the related deferred tax, in the statement of total recognised gains and losses.

Taxation status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 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 receives no similar exemption in respect of Value Added Tax. 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. 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.

Cash flow and liquid resources

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

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 endowment asset investments.

Provisions

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.

Agency arrangements

The University acts as an agent for the collection and subsequent payment of Access Funds and Training Bursaries. The related income and expenditure is excluded from the consolidated income and expenditure account. Details are disclosed within note 39 'Funds held by the University which are excluded from the income and expenditure account'.

Consolidated income and expenditure account for the year ended 31 July 2007

		Consolidated	
		2007	2006
Income	**Notes**	**£000**	£000
Funding Council grants	1	**182,237**	173,990
Tuition fees and education contracts	2	**137,682**	122,344
Research grants and contracts	3	**173,606**	146,787
Other operating income	4	**128,209**	130,352
Endowment and investment income	5	**15,586**	14,694
Total income		**637,320**	588,167
Expenditure			
Staff costs	6	**387,884**	349,530
Other operating expenses	7	**243,404**	234,606
Depreciation	11	**22,059**	19,904
Interest payable	8	**11,477**	7,244
Total expenditure		**664,824**	611,284
Deficit on continuing operations after depreciation of fixed assets at cost/valuation and before disposal of fixed asset investments, exceptional items and taxation		**(27,504)**	(23,117)
Surplus on disposal of fixed asset investments		**15,100**	-
Share of operating surpluses in associated undertakings		**2**	352
Deficit on continuing operations after depreciation of fixed assets at cost/valuation and disposal of fixed asset investments and before exceptional items and taxation		**(12,402)**	(22,765)
Exceptional items	10	**16,588**	4,729
Surplus/(deficit) on continuing operations after depreciation of fixed assets at cost/valuation, disposal of fixed asset investments and exceptional items and before taxation		**4,186**	(18,036)
Taxation	9	**(100)**	(538)
Surplus/(deficit) on continuing operations after depreciation of fixed assets at cost/valuation, disposal of fixed asset investments, exceptional items and taxation		**4,086**	(18,574)
Minority interest in subsidiary undertakings' losses for the year	26	**-**	27
Transfers to accumulated income within specific endowments	23	**(744)**	(2,111)
Surplus/(deficit) for the year transferred to general reserves	25	**3,342**	(20,658)

The consolidated income and expenditure account is in respect of continuing activities.

Consolidated statement of historical cost surpluses and deficits for the year ended 31 July 2007

	Notes	2007 £000	2006 £000
Surplus/(deficit) on continuing operations after depreciation of fixed assets at cost/valuation, disposal of fixed asset investments and exceptional items and before taxation		**4,186**	(18,036)
Realisation of fixed asset investment revaluation gains of previous years	24	**21,399**	-
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	24	**244**	380
Historical cost surplus/(deficit) for the year before taxation		**25,829**	(17,656)
Historical cost surplus/(deficit) for the year retained after taxation, disposal of fixed asset investments, exceptional items, minority interests and transfers to accumulated income within specific endowments		**24,985**	(20,278)

Consolidated statement of total recognised gains and losses for the year ended 31 July 2007

	Notes	2007 £000	2006 £000
Surplus/(deficit) for the year retained within general reserves		**3,342**	(20,658)
Unrealised surplus on revaluation of donated assets	24	**150**	-
Unrealised surplus/(deficit) on revaluation of investments within fixed assets	24	**8,146**	(2,304)
New endowments less realisations	23	**647**	130
Net appreciation of endowment assets including reinvested profits on sales	23	**11,182**	8,000
Specific and general endowment income received	23	**3,825**	5,650
Specific and general endowment income released to income and expenditure account	23	**(3,081)**	(3,539)
Actuarial (loss)/gain recognised in the pension schemes	34(f)	**(1,279)**	8,091
Total recognised gains/(losses) relating to the year		**22,932**	(4,630)

Reconciliation

	2007 £000	2006 £000
Opening reserves and endowments	**271,666**	276,296
Total recognised gains/(losses) for the year	**22,932**	(4,630)
Closing reserves and endowments	**294,598**	271,666

Balance Sheets
as at 31 July 2007

	Notes	Consolidated 2007 £000	Consolidated Restated 2006 £000	University 2007 £000	University Restated 2006 £000
Fixed assets					
Tangible assets	11	**595,322**	495,631	**558,056**	459,204
Intangible assets	12	**260**	165	-	-
Investments	13	**26,047**	72,470	**33,016**	83,520
		621,629	568,266	**591,072**	542,724
Endowment assets	14	**145,525**	132,952	**145,525**	132,952
Current assets					
Stocks		**1,902**	1,737	**1,822**	1,649
Debtors: amounts falling due within one year	15	**125,858**	120,460	**125,516**	124,150
Debtors: amounts falling due after more than one year	16	**352**	214	**8,203**	9,317
Investments	17	**121,993**	84,138	**121,993**	84,138
Cash at bank and in hand		**11,511**	14,284	**4,323**	3,855
		261,616	220,833	**261,857**	223,109
Creditors: amounts falling due within one year	18	**(179,509)**	(188,478)	**(176,373)**	(185,339)
NET CURRENT ASSETS		**82,107**	32,355	**85,484**	37,770
TOTAL ASSETS LESS CURRENT LIABILITIES		**849,261**	733,573	**822,081**	713,446
Creditors: amounts falling due after more than one year	19	**(197,300)**	(180,244)	**(195,122)**	(178,528)
Provisions for liabilities and charges	21	**(16,726)**	(8,573)	**(16,204)**	(8,013)
NET ASSETS EXCLUDING PENSION DEFICITS		**635,235**	544,756	**610,755**	526,905
Pension deficits	34(f)	**(12,554)**	(12,839)	**(12,084)**	(11,754)
NET ASSETS INCLUDING PENSION DEFICITS		**622,681**	531,917	**598,671**	515,151
Deferred capital grants	22	**327,684**	260,119	**306,438**	238,424
Endowments					
Specific endowments	23	**136,787**	125,002	**136,787**	125,002
General endowments	23	**8,738**	7,950	**8,738**	7,950
		145,525	132,952	**145,525**	132,952
Reserves					
Revaluation reserve	24	**10,682**	24,029	**6,298**	24,029
General reserve excluding pension reserve		**150,945**	127,524	**152,494**	131,500
Pension reserve		**(12,554)**	(12,839)	**(12,084)**	(11,754)
General reserve including pension reserve	25	**138,391**	114,685	**140,410**	119,746
Total reserves		**149,073**	138,714	**146,708**	143,775
Minority interests	26	**399**	132	-	-
TOTAL FUNDS		**622,681**	531,917	**598,671**	515,151

The analysis of the 2006 reserves has been restated to show the general reserve before reflecting the pension deficits. This has not affected net assets or total funds of the University at 31 July 2006 as reported in these or prior year financial statements.

The financial statements on pages 12 to 45 were approved by the Board of Governors of The University of Manchester on 10 December 2007 and were signed on its behalf by:

Norman Askew

Mr Norman Askew
Chair of the Board of Governors

Alan Gilbert

Professor Alan Gilbert
President and Vice-Chancellor

M. McKenzie

Mrs Marianne McKenzie
Director of Finance

Consolidated cash flow statement for the year ended 31 July 2007

	Notes	2007 £000	2006 £000
Net cash outflow from operating activities	27	**(1,681)**	(10,356)
Returns on investments and servicing of finance	28	**(997)**	2,402
Taxation		**-**	(461)
Capital expenditure and financial investment	29	**21,629**	(40,084)
Acquisitions and disposals	40	**-**	5,404
Management of liquid resources	30	**(37,855)**	(44,853)
Financing	31	**18,448**	92,949
(Decrease)/increase in cash in the year		**(456)**	5,001

Reconciliation of net cash flow to decrease in net debt for the year ended 31 July 2007

	Note	2007 £000	2006 £000
(Decrease)/increase in cash in the year	32	**(456)**	5,001
Cash inflow from liquid resources	32	**37,855**	44,853
Change in debt resulting from cash flows	32	**(18,448)**	(92,949)
Movement in net debt in year		**18,951**	(43,095)
Net debt at beginning of year	32	**(75,278)**	(32,183)
Net debt at end of year	32	**(56,327)**	(75,278)

Notes to the financial statements

1 Funding Council grants

	Consolidated 2007 £000	Consolidated 2006 £000
Recurrent grant - teaching	**89,080**	84,475
Recurrent grant - research	**74,319**	68,931
Recurrent grants - other	**6,326**	7,553
Special Initiatives	**6,495**	8,156
Training and Development Agency - recurrent grant	**2,345**	2,350
Releases of deferred capital grants from Funding Council sources	**3,672**	2,525
	182,237	173,990

2 Tuition fees and education contracts

	Consolidated 2007 £000	Consolidated 2006 £000
Fees in respect of:		
Full-time students charged home fees	**43,605**	33,246
Full-time students charged overseas fees	**56,820**	49,448
Part-time students	**5,134**	7,350
Short course fees	**15,393**	14,964
Other teaching contract courses - core activities	**13,225**	13,913
Research training support grants	**3,505**	3,423
	137,682	122,344

3 Research grants and contracts

	Consolidated 2007 £000	Consolidated 2006 £000
Research councils	**74,137**	57,851
UK based charities	**37,175**	31,507
UK central government, hospitals and health authorities	**33,240**	33,536
UK industry and commerce	**12,555**	8,232
Overseas	**13,847**	12,449
Other sources	**2,652**	3,212
	173,606	146,787

4 Other operating income

	Consolidated 2007 £000	Consolidated 2006 £000
Residences, catering and conferences	**45,559**	43,335
Premises	**4,079**	2,822
Use of sports facilities	**845**	142
Academic departments	**18,568**	17,179
Academic services	**1,923**	2,360
Continuing education and training	**2,101**	1,796
Administration and central services	**6,698**	17,121
Profit on disposal of tangible fixed assets	**842**	-
Services rendered	**9,683**	12,360
Health authorities	**18,420**	9,388
Other general income	**4,020**	11,780
Subsidiary undertakings - other general income	**10,352**	6,695
Profit on disposal of subsidiaries	**-**	3
Manchester University Press	**1,718**	1,651
Releases of deferred capital grants from non-Funding Council sources	**3,401**	2,102
Dividends from general fund investments	**-**	1,618
	128,209	130,352

Notes to the financial statements

5 Endowment and investment income

	Consolidated 2007 £000	2006 £000
Income from specific endowments (note 23)	**3,570**	5,344
Income from general endowments (note 23)	**255**	306
Income from donations	**3,014**	2,600
Income from short term investments	**3,305**	1,906
Dividends from general fund investments	**1,270**	-
Pension finance interest (note 34c,d)	**3,836**	4,156
Other interest receivable	**336**	382
	15,586	14,694

6 Staff costs

	Consolidated 2007 £000	2006 £000
Wages and salaries	**317,014**	287,549
Social security costs	**27,417**	24,089
Other pension costs	**43,453**	37,892
	387,884	349,530
Distinction Awards paid to NHS Consultants employed on joint contracts between the NHS and the University not borne by the University and excluded from the above analysis	**3,645**	4,466

	Consolidated 2007 Numbers	2006 Numbers
Staff numbers		
Academic - teaching and research	**1,958**	1,914
Academic - teaching only	**347**	381
Research	**1,768**	1,552
Administrative and management	**1,467**	1,444
Clerical and secretarial	**1,621**	1,598
Academic support	**1,289**	1,212
Craft / Manual	**897**	905
Other	**427**	446
Total number of staff	**9,774**	9,452

The staff numbers disclosed above are the average for the year and relate to full-time equivalents, including senior post-holders

6 Staff costs (continued)

Remuneration of higher paid staff, excluding employer's pension contributions, was within the following ranges. 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. Remuneration excludes Distinction Awards paid to NHS Consultants.

	Consolidated Number of Employees 2007	Consolidated Number of Employees 2006
£70,000 - £80,000	**165**	154
£80,001 - £90,000	**77**	79
£90,001 - £100,000	**51**	30
£100,001 - £110,000	**27**	12
£110,001 - £120,000	**4**	2
£120,001 - £130,000	**1**	6
£130,001 - £140,000	**6**	2
£140,001 - £150,000	**3**	2
£150,001 - £160,000	**1**	1
£160,001 - £170,000	**1**	-
£170,001 - £180,000	**1**	-
£180,001 - £190,000	**-**	2
£200,001 - £210,000	**1**	-
£230,001 - £240,000	**1**	1
£250,001 - £260,000	**1**	-
£260,001 - £270,000	**-**	1
£300,001 - £310,000	**1**	-

Emoluments of the President and Vice-Chancellor

	Consolidated 2007 £000	Consolidated 2006 £000
Salary	**246**	223
Salary relating to prior year	**14**	-
Benefits in kind	**14**	14
	274	237
Pension contributions	**34**	31

In 2006/7 the salary of the President and Vice Chancellor was increased only by the standard cost of living awards in line with other University employees. The £14,000 salary relating to the prior year was paid in October 2006 and increases the 2005/6 base salary figure to £237,000.

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

7 Other operating expenses

		Consolidated 2007 £000	Consolidated 2006 £000
Academic expenditure		**71,893**	72,868
Central libraries and information services		**7,407**	5,355
Central computers and computer networks		**6,291**	4,646
Other academic services		**1,140**	1,564
Administration and central services		**3,563**	7,925
Auditors' remuneration: external audit fees	- PricewaterhouseCoopers LLP (University audit)	**147**	80
	- PricewaterhouseCoopers LLP (Group)	**24**	9
	- KPMG LLP	**1**	2
	- Grant Thornton UK LLP	**1**	5
	- Deloitte & Touche LLP	**30**	-
	- Other	**45**	44
Auditors' remuneration: non-audit services	- PricewaterhouseCoopers LLP	**14**	42
	- Ellis Hayward Group Ltd	**7**	-
	- KPMG LLP	**459**	106
	- Grant Thornton UK LLP	**-**	10
	- Deloitte & Touche LLP	**61**	-
	- Other	**16**	-
Internal auditors' remuneration		**212**	411
General educational expenditure		**10,112**	7,638
Staff and student facilities		**4,252**	4,275
Rents and rates		**8,922**	7,504
Heat, light, water and power		**13,874**	14,888
Repairs and general maintenance		**11,158**	18,700
Other premises expenditure		**10,623**	6,784
Residences and catering operations		**17,213**	17,444
Research grants and contracts		**60,844**	51,315
Other services rendered		**4,654**	3,621
Costs of early repayment of high fixed interest loan		**-**	2,600
Costs of buyout of interest on high fixed interest loan		**2,023**	-
Other operating expenditure		**1,730**	1,669
Subsidiary undertakings - other operating expenditure		**6,688**	5,101
		243,404	234,606

Amounts paid under operating leases (included within the relevant categories above)	**5,798**	1,731

8 Interest payable

	Consolidated 2007 £000	2006 £000
Bank and other loans wholly repayable within five years	**115**	133
Bank and other loans not wholly repayable within five years	**11,314**	7,111
Pension finance cost (note 34e)	**48**	-
	11,477	7,244

9 Taxation

	Consolidated 2007 £000	2006 £000
Deferred tax	**(38)**	537
Corporation tax on current year profits of subsidiary companies	**138**	(1)
Corporation tax on previous year profits of subsidiary companies	**-**	2
	100	538

10 Exceptional items

	Consolidated 2007 £000	2006 £000
Income		
Profit on disposal of tangible fixed assets	**30,597**	-
Profit on disposal of fixed asset investments	**-**	6,772
	30,597	6,772
Expenditure		
Merger costs	**-**	(765)
Early retirement/voluntary severance	**(14,009)**	(1,278)
	(14,009)	(2,043)
	16,588	4,729

The exceptional income for the current year relates to the disposal of the Weston Hotel and Conference Centre buildings and of the Weston and Chandos Halls of Residence.

The exceptional expenditure for the current year relates to the early retirement/voluntary severance scheme underway now that two years have passed since the merger. The prior year exceptional expenditure in the consolidated income and expenditure account relates to expenditure incurred as a result of the merger between The Victoria University of Manchester and UMIST.

11 Tangible fixed assets

a) Consolidated

	Land and buildings £000	Lease premium £000	Assets under construction £000	Equipment £000	Total £000
Cost/valuation					
At beginning of year	437,285	-	94,609	157,356	689,250
Additions at cost	5,485	-	122,172	11,751	139,408
Transfers between categories	121,186	-	(121,186)	-	-
Disposals	(21,778)	-	-	(651)	(22,429)
At year end	542,178	-	95,595	168,456	806,229
Depreciation					
At beginning of year	82,718	-	-	110,901	193,619
Charge for the year	8,355	-	-	13,704	22,059
Disposals	(4,126)	-	-	(645)	(4,771)
At year end	86,947	-	-	123,960	210,907
Net Book Value					
At year end	**455,231**	**-**	**95,595**	**44,496**	**595,322**
At beginning of year	354,567	-	94,609	46,455	495,631

b) University

	Land and buildings £000	Lease premium £000	Assets under construction £000	Equipment £000	Total £000
Cost/valuation					
At beginning of year	393,767	5,400	95,331	155,225	649,723
Additions at cost	4,548	-	122,175	10,407	137,130
Transfers between categories	121,186	-	(121,186)	-	-
Disposals	(21,578)	-	-	(104)	(21,682)
At year end	497,923	5,400	96,320	165,528	765,171
Depreciation					
At beginning of year	80,670	592	-	109,257	190,519
Charge for the year	7,373	74	-	13,398	20,845
Disposals	(4,145)	-	-	(104)	(4,249)
At year end	83,898	666	-	122,551	207,115
Net Book Value					
At year end	**414,025**	**4,734**	**96,320**	**42,977**	**558,056**
At beginning of year	313,097	4,808	95,331	45,968	459,204

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.

Buildings with a cost of some £349 million (2006 - £217 million) and net book value of £333 million (2006 - £187 million) have been partly funded by Her Majesty's Treasury. Should these particular buildings be sold before certain dates, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with HEFCE. The balance at 31 July 2006 relating to Treasury interests will be extinguished over 10 years from the base year of 31 July 2006. Amounts in relation to grants received after 31 July 2006 will be extinguished over 15 years from the base year of 31 July 2006, in line with recent Treasury guidance.

Land and buildings with a net book value of £18.5 million (2006: £22.3 million) are the subject of security granted in respect of certain bank loans as disclosed in note 20 to the financial statements.

12 Intangible assets

Consolidated	Goodwill Consolidated £000	University £000
Cost		
At beginning of year	233	-
Additions	170	-
At year end	403	-
Amortisation		
At beginning of year	68	-
Charge in year	75	-
At year end	143	-
Net book value		
At year end	**260**	**-**
At beginning of year	165	-

13 Investments within fixed assets

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Movement in the year				
Balance at beginning of year	**72,470**	71,361	**83,520**	80,339
Additions	**60**	20,080	**-**	24,363
Disposals	**(54,278)**	(23,165)	**(54,256)**	(23,161)
Amounts provided on unquoted shares during the year	**(351)**	(392)	**(10)**	(2,058)
Net appreciation including reinvested profits on sales	**8,146**	4,586	**3,762**	4,037
Balance at year end	**26,047**	72,470	**33,016**	83,520
Analysis of closing balance				
Other fixed interest securities	**1,989**	6,802	**1,989**	6,802
UK industrial and commercial securities	**6,317**	33,000	**6,317**	32,999
Overseas industrial and commercial securities	**4,025**	14,247	**4,025**	14,247
Property	**5,000**	15,264	**5,000**	15,264
Cash instruments	**68**	-	**68**	-
Uninvested bank balances	**98**	328	**98**	328
Asset disposal proceeds receivable	**1,670**	-	**1,670**	-
Interests in subsidiary undertakings (note 13a)	**-**	-	**9,849**	9,859
Interests in associated undertakings (note 13b)	**6,585**	2,357	**-**	146
Loan to Sugden Sports Trust	**-**	-	**3,705**	3,719
Other investments	**171**	348	**171**	32
Unquoted shares	**124**	124	**124**	124
Total investments within fixed assets	**26,047**	72,470	**33,016**	83,520
Investments at cost	**14,311**	47,130	**27,534**	60,391

13 Investments within fixed assets (continued)

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

Directly owned / **Indirectly owned**	**Group Holding %**	University **2007 £**	2006 £	**Description**
Manchester Innovation Holdings Limited	100	**4,143,092**	4,143,092	Holding company
Manchester Innovation Limited	100	**-**	-	Construction of a biotech incubator building
Vuman Technology Services Limited	100	**-**	-	Dissolved 9 May 2006
Manchester Technology Developments Limited	100	**-**	-	Not trading
Control Technology Centre Limited	100	**-**	-	Not trading
The Manchester Incubator Company Limited	100	**-**	-	Owns and operates a biotech incubator building
UMIST Ventures Limited	100	**5,538,100**	5,538,100	Holding company
UVL Investments Limited	100	**-**	-	Assisting academics to secure research grants
Fusion (LP One) Limited	100	**-**	-	Not trading
Fusion (LP Two) Limited	100	**-**	-	Not trading
Fusion (LP Three) Limited	100	**-**	-	Not trading
Fusion (LP Four) Limited	100	**-**	-	Not trading
UVL Management Services Limited	100	**-**	-	Provision of management services
Advanced Hall Sensors Limited	52	**-**	-	Manufacture of hall effect sensors
The University of Manchester Venture Fund Management Limited (formerly UMIST Ventures Fund Management Limited)	100	**5,135**	5,135	Fund Management
UMIST Ventures Fund (General Partner) Limited	100	**-**	-	Dormant company
UMIST Ventures Fund (Carried Interest Partner) Limited	100	**-**	-	Dormant company
Internet Facilitators Limited	100	**70**	1	Provision of facilities for internet services
Manchester Informatics Limited	100	**100**	100	Provision of consultancy services
Manpharm Limited	100	**1**	1	Not trading
Visual Automation Limited	100	**2**	2	Provision of consultancy services
Flow Science Limited	100	**-**	10,000	Not trading
Manchester Technology Fund Limited	100	**50,000**	50,000	Fund Management
The University of Manchester Foundation (CLG)	100	**-**	-	Dissolved 20 December 2005
The University of Manchester Intellectual Property Limited	100	**50,000**	50,000	Management of intellectual property
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 Incubator Company Limited	100	**1**	1	Management of University Incubator Buildings
MBS Incubator Limited	59	**-**	-	Provision of business support services
MBSI Portfolio Limited	100	**-**	-	Owns and sells shares in incubator companies
Dryden Street Nursery Limited (CLG)	50	**-**	-	Management of Dryden Street Nursery
Sugden Sports Trust	50	**-**	-	Ownership of sports centre
UMIST Educational Trust	100	**-**	-	Rental of buildings
The Incubation Partnership Limited (CLG)	50	**-**	-	Dormant
Vumpine Limited	50	**50**	50	Dormant
UMSS Limited	100	**2**	2	To undertake the duty of trustee of UMSS
BME Limited	50	**62,144**	62,144	Provision of distance learning
The University of Manchester Ophthalmic Services Limited	100	**100**	100	Provision of NHS eye tests
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
Campus Ventures Limited (CLG)	50	**-**	-	Dissolved 7 September 2006
		9,849,080	9,859,011	

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.

13 Investments within fixed assets (continued)

b) Investment in associated undertakings

The University and Group had the following associated undertakings as at 31 July 2007:

Name of associate	Class of share capital held	Proportion held by the University	Proportion held by the Group	Share of net assets/ (liabilities) 2007 £000	Nature of business
Manchester Science Park Limited Financial year end 31 December	£1 ordinary	28%	28%	**3,328**	Ownership and management of buildings housing technology based businesses
One Central Park Limited Financial year end 31 July	£1 ordinary	20%	20%	**3,281**	Ownership and management of buildings to operate education and incubation services
MNW Limited Financial year end 31 July	£1 ordinary	33%	33%	**4**	Promotion of Manchester, Nottingham and Warwick Universities in Korea
HPC-UK Ltd Financial year end 31 July	'B' £1 ordinary	33%	33%	**(28)**	Support for the next super computer
EDEC Multimedia Limited Financial year end 30 September	£1 ordinary	25%	25%	**-**	Property management
				6,585	

14 Endowment assets

	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
Movement in the year				
Balance at beginning of year	**132,952**	122,711	**132,952**	122,711
Additions including unreleased income earned on capital	**1,391**	2,241	**1,391**	2,241
Disposals	**(16,313)**	(1,207)	**(16,313)**	(1,207)
Net appreciation including reinvested profits on sales	**27,495**	9,207	**27,495**	9,207
Balance at year end	**145,525**	132,952	**145,525**	132,952
Analysis of closing balance				
British government securities	**338**	-	**338**	-
Other fixed interest securities	**15,871**	13,867	**15,871**	13,867
UK industrial and commercial securities	**51,003**	66,050	**51,003**	66,050
Overseas industrial and commercial securities	**32,404**	28,496	**32,404**	28,496
Property	**16,510**	10,029	**16,510**	10,029
Cash instruments	**535**	-	**535**	-
Bank and building society deposits and uninvested bank balances	**15,351**	14,510	**15,351**	14,510
Endowment asset disposal proceeds receivable	**13,513**	-	**13,513**	-
Total endowment assets	**145,525**	132,952	**145,525**	132,952
Endowment assets at cost	**97,999**	80,133	**97,999**	80,133

The endowment asset proceeds relate to the sale of the majority of the Tabley Estate and these proceeds were received on 8 August 2007.

15 Debtors: amounts falling due within one year

	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
Trade debtors	**28,997**	34,571	**28,732**	33,694
Accrued income on research grants and contracts	**49,593**	41,124	**49,593**	41,124
Prepayments and accrued income	**47,268**	44,492	**45,807**	41,715
Amounts owed by group undertakings	-	273	**1,384**	7,617
Balance at year end	**125,858**	120,460	**125,516**	124,150

16 Debtors: amounts falling due after more than one year

	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
Loan to University of Manchester Students' Union	**122**	189	**122**	189
Loans to other group companies	**-**	-	**7,851**	9,103
Amounts owed by associated undertakings	**230**	25	**230**	25
Balance at year end	**352**	214	**8,203**	9,317

17 Investments

	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
Bank deposits repayable after due notice	**103,443**	66,138	**103,443**	66,138
Bank deposits repayable on demand	**18,550**	18,000	**18,550**	18,000
Balance at year end	**121,993**	84,138	**121,993**	84,138

18 Creditors: amounts falling due within one year

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Bank overdraft	**4,475**	6,181	**4,475**	6,181
Bank loans (note 20)	**3,489**	2,109	**3,391**	2,109
Trade creditors	**15,679**	10,872	**15,173**	10,022
Obligations under hire purchase contracts	**17**	4	**-**	-
Social security and other taxation payable	**10,326**	8,883	**9,946**	8,517
Amounts owed to group undertakings	**-**	17	**1,376**	1,548
Other creditors	**13,475**	15,761	**12,420**	14,973
Deferred income on research grants and contracts	**58,409**	39,114	**58,409**	39,114
Accruals and deferred income	**73,639**	105,537	**71,183**	102,875
Balance at year end	**179,509**	188,478	**176,373**	185,339

19 Creditors: amounts due after more than one year

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Bank loans (note 20)	**95,528**	78,528	**95,122**	78,528
Loans other than bank loans (note 20)	**101,706**	101,705	**100,000**	100,000
Obligation under hire purchase contracts	**65**	11	**-**	-
Deferred grant income	**1**	-	**-**	-
Balance at year end	**197,300**	180,244	**195,122**	178,528

20 Borrowings

	Consolidated		University	
	2007	2006	**2007**	2006
a) Bank and other loans	**£000**	£000	**£000**	£000
Bank and other loans are repayable as follows:				
In one year or less	**3,489**	2,109	**3,391**	2,109
Between one and two years	**6,488**	3,395	**4,718**	3,395
Between two and five years	**18,449**	14,685	**18,228**	14,685
In five years or more	**172,297**	162,153	**172,176**	160,448
	200,723	182,342	**198,513**	180,637
Included within creditors: amounts falling due within one year	**(3,489)**	(2,109)	**(3,391)**	(2,109)
	197,234	180,233	**195,122**	178,528

Secured bank loans

Bank loans with an interest rate of LIBOR plus 0.9%, repayable by instalments falling due between 2007 and 2010 totalling £1.1 million, are secured on the Manchester School of Management Building.

Euro bank loans with an interest rate of Euro LIBOR plus 0.9% margin, repayable by instalments falling due between 2007 and 2010 totalling £1.0 million, are secured on the Manchester School of Management Building.

Bank loans with an interest rate of 9.6%, repayable by instalments falling due between 2007 and 2021 totalling £24.7 million, are secured on various student residences.

Bank loans with an interest rate of 8.4%, repayable by instalments falling due between 2007 and 2017 totalling £1.8 million, are secured on Ronson Hall.

Bank loans with an interest rate of base rate plus 1.5%, repayable by instalments falling due between 2007 and 2013 totalling £0.5 million, are secured on the assets of Internet Facilitators Limited (a subsidiary).

Unsecured bank and other loans

Bank loans with an interest rate of 6.1% are repayable by instalments falling due between 2007 and 2026 totalling £18.4 million.

Bank loans with an interest rate of 5.2% are repayable by instalments falling due between 2008 and 2019 totalling £25.0 million.

Bank loans with an interest rate of 5.2% are repayable by instalments falling due between 2010 and 2022 totalling £20.0 million.

Bank loans with an interest rate of LIBOR plus spread are repayable by instalments falling due between 2007 and 2014 totalling £6.5 million.

Other loans with an interest rate of 5.04% are repayable by one repayment in 2046 totalling £100.0 million.

Other loans with an interest rate of 6.50% are repayable by one instalment in 2007 totalling £1.7 million.

20 Borrowings (continued)

b) Hire purchase loans	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
Hire purchase loans are repayable as follows:				
In one year or less	17	4	-	-
Between one and two years	65	11	-	-
	82	15	-	-

The hire purchase borrowings are secured on the assets to which they relate.

21 Provisions for liabilities and charges

a) Consolidated	Early retirement/ voluntary severance £000	Other taxes £000	Enhanced pension scheme £000	Deferred tax £000	Total £000
Balance at beginning of year	5,237	280	2,496	560	8,573
Utilised during the year	(5,983)	-	(182)	-	(6,165)
Transfer from/(to) income and expenditure account	14,009	353	(6)	(38)	14,318
Balance at year end	**13,263**	**633**	**2,308**	**522**	**16,726**

Deferred tax

	2007 £000	2006 £000
The elements of deferred tax are as follows:		
Difference between accumulated depreciation and capital allowances	692	730
Other timing differences	(170)	(170)
Balance at year end	522	560

b) University	Early retirement/ voluntary severance £000	Other taxes £000	Enhanced pension scheme £000	Total £000
Balance at beginning of year	5,237	280	2,496	8,013
Utilised during the year	(5,983)	-	(182)	(6,165)
Transfer from/(to) income and expenditure account	14,009	353	(6)	14,356
Balance at year end	**13,263**	**633**	**2,308**	**16,204**

Early retirement and voluntary severance scheme

The early retirement / voluntary severance scheme provision is in respect of future committed payments due to employees at the balance sheet date.

Other taxes

This provision is in respect of both VAT due in relation to the Weston Building and Stamp Duty Land Tax liabilities.

Enhanced pension scheme

The enhanced pension scheme provision is in respect of future enhanced retirement benefits in relation to the Greater Manchester Pension Fund.

22 Deferred capital grants

a) Consolidated

	Funding Council £000	Other grants £000	Total £000
Balance at beginning of year			
Buildings	130,901	121,448	252,349
Equipment	3,879	3,891	7,770
Total	134,780	125,339	260,119
Grants received/receivable			
Buildings	60,249	17,245	77,494
Equipment	-	3,758	3,758
Total	60,249	21,003	81,252
Released to income and expenditure			
Buildings	1,135	5,970	7,105
Equipment	1,146	5,436	6,582
Total	2,281	11,406	13,687
Balance at year end			
Buildings	190,015	132,723	322,738
Equipment	2,733	2,213	4,946
Total	**192,748**	**134,936**	**327,684**

b) University

	Funding Council £000	Other grants £000	Total £000
Balance at beginning of year			
Buildings	130,901	99,753	230,654
Equipment	3,879	3,891	7,770
Total	134,780	103,644	238,424
Grants received/receivable			
Buildings	60,249	17,605	77,854
Equipment	-	3,758	3,758
Total	60,249	21,363	81,612
Released to income and expenditure			
Buildings	1,135	5,881	7,016
Equipment	1,146	5,436	6,582
Total	2,281	11,317	13,598
Balance at year end			
Buildings	190,015	111,477	301,492
Equipment	2,733	2,213	4,946
Total	**192,748**	**113,690**	**306,438**

23 Endowments

Consolidated and University	Specific endowments £000	General endowments £000	Total £000
At beginning of year	125,002	7,950	132,952
New endowments less realisations	604	43	647
Net appreciation of endowment assets including reinvested profit on sales	10,437	745	11,182
Income for the year	3,570	255	3,825
Income released to income and expenditure account	(2,826)	(255)	(3,081)
At year end	**136,787**	**8,738**	**145,525**
Representing:			
Fellowships and scholarship funds	33,853	-	33,853
Prize funds	1,879	-	1,879
Chairs and lectureship funds	69,602	-	69,602
Other funds	31,453	8,738	40,191
Total	**136,787**	**8,738**	**145,525**

24 Revaluation reserve

a) Consolidated	Donated assets £000	Land and buildings £000	Investments within fixed assets £000	Total £000
Revaluations				
At beginning of year	3,158	678	23,129	26,965
Revaluation in year	150	-	8,146	8,296
Transfer to general reserve on disposal	-	-	(21,399)	(21,399)
At year end	3,308	678	9,876	13,862
Contribution to depreciation				
At beginning of year	2,764	172	-	2,936
Released to general reserve in year	231	13	-	244
At year end	2,995	185	-	3,180
Revaluation reserve				
At year end	**313**	**493**	**9,876**	**10,682**
At beginning of year	394	506	23,129	24,029

b) University	Donated assets £000	Land and buildings £000	Investments within fixed assets £000	Total £000
Revaluations				
At beginning of year	3,158	678	23,129	26,965
Revaluation in year	150	-	3,762	3,912
Transfer to general reserve on disposal	-	-	(21,399)	(21,399)
At year end	3,308	678	5,492	9,478
Contribution to depreciation				
At beginning of year	2,764	172	-	2,936
Released to general reserve in year	231	13	-	244
At year end	2,995	185	-	3,180
Revaluation reserve				
At year end	**313**	**493**	**5,492**	**6,298**
At beginning of year	394	506	23,129	24,029

25 Movement on general reserves - Income and expenditure account

	Consolidated 2007 £000	Consolidated 2006 £000	University 2007 £000	University 2006 £000
At beginning of year	**114,685**	126,872	**119,746**	131,970
Surplus/(deficit) retained for the year	**3,342**	(20,658)	**855**	(20,500)
Release from revaluation reserve	**21,643**	380	**21,643**	380
Actuarial (loss)/gain on pension scheme	**(1,279)**	8,091	**(1,834)**	7,896
At year end	**138,391**	114,685	**140,410**	119,746

The analysis of the 2006 movement in general reserves should have included within the line "Release from revaluation reserve" £6.7 million in relation to the difference between the carrying value and historical cost of investments sold during the year. This amount was incorrectly added to the consolidated income and expenditure account, (and included within the line above "Surplus/(deficit) retained for the year"), and deducted from the Statement of Total Recognised Gains and Losses. This presentational error has not affected the net assets or total funds of the University at 31 July 2006 as reported in these or prior financial statements.

26 Minority interests

	Consolidated 2007 £000	Consolidated 2006 £000
At beginning of year	**132**	(32)
Minority interest in subsidiary undertakings' losses for the year	-	(27)
Minority interests not previously consolidated	**298**	191
Minority interests' share of subsidiaries part disposed of	**(31)**	-
At year end	**399**	132

27 Reconciliation of operating deficit to net cash outflow from operating activities

	Consolidated 2007 £000	Consolidated 2006 £000
Deficit on continuing operations after depreciation of fixed assets at cost/valuation and disposal of fixed asset investments and before exceptional items and taxation	(12,402)	(22,765)
Exceptional items (note 10)	16,588	(2,043)
Surplus/(deficit) on continuing operations after depreciation of fixed assets at cost/valuation, disposal of fixed asset investments and exceptional items and before taxation	4,186	(24,808)
Depreciation	22,059	19,904
Amortisation of goodwill	75	59
Release of negative goodwill	-	(3,209)
Deferred capital grants released to income	(13,687)	(9,558)
Investment income	(13,980)	(10,820)
Transfers to endowments	(744)	(2,111)
Surplus on disposal of tangible fixed assets	(31,145)	-
Surplus on disposal of fixed asset investments	(15,100)	-
Interest payable	11,477	7,244
Interest receivable	(336)	(382)
Difference between pension charge and cash contributions	2,224	(1,304)
Minority interests	308	191
(Increase)/decrease in stocks	(165)	8
(Increase)/decrease in long term debtors	(138)	196
Decrease/(increase) in debtors due within one year	6,539	(17,176)
Increase in creditors	18,214	33,577
Increase/(decrease) in provisions	8,532	(2,167)
Net cash outflow from operating activities	(1,681)	(10,356)

28 Returns on investments and servicing of finance

	Consolidated 2007 £000	Consolidated 2006 £000
Income from endowments	3,825	5,650
Income from short term investments	3,305	1,906
Dividend income from general fund investments	3,014	1,708
Other interest received	336	382
Interest paid	(11,477)	(7,244)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(997)	2,402

29 Capital expenditure and financial investment

	Consolidated 2007 £000	Consolidated 2006 £000
Purchase of tangible fixed assets	(139,258)	(149,147)
Intangible assets	(170)	(141)
Net acquisition of fixed asset investments	(60)	(20,080)
Net acquisition of endowment assets	(265)	(66,665)
Receipts from sale of tangible fixed assets	48,803	-
Receipts from sale of fixed asset investments	50,221	29,937
Receipts from sale of endowment assets	-	59,433
Deferred capital grants received	61,252	106,449
Endowments received	1,106	130
Net cash inflow/(outflow) from capital expenditure and financial investment	21,629	(40,084)

30 Management of liquid resources

	Consolidated 2007 £000	Consolidated 2006 £000
Placements on deposit	(37,855)	(44,853)
Net cash outflow from management of liquid resources	(37,855)	(44,853)

31 Financing

	Consolidated 2007 £000	2006 £000
Increase in borrowings	**20,471**	101,720
Capital repayments	**(2,123)**	(8,751)
Capital element of hire purchase repayments	**100**	(20)
Net cash inflow from financing	**18,448**	92,949

32 Analysis of changes in net debt

Consolidated

	1 August 2006 £000	Cash flows £000	Non-cash changes £000	31 July 2007 £000
Bank overdraft	(6,181)	1,706	-	**(4,475)**
Cash at bank	14,284	(2,773)	-	**11,511**
Uninvested bank balances - fixed asset investments (note 13)	328	(230)	-	**98**
Endowment asset investments (note 14)	14,510	841	-	**15,351**
	22,941	(456)	-	**22,485**
Debt due within one year	(2,109)	2,109	(3,489)	**(3,489)**
Debt due after one year	(180,233)	(20,490)	3,489	**(197,234)**
Hire purchase amounts due within one year	(4)	4	(17)	**(17)**
Hire purchase amounts due after one year	(11)	(71)	17	**(65)**
Current asset investments	84,138	37,855	-	**121,993**
Net debt	**(75,278)**	**18,951**	**-**	**(56,327)**

33 Cash flow relating to exceptional items

Operating cash flows include an outflow of £6.0 million in respect of expenditure incurred as a result of the early retirement / voluntary severance scheme as referred to within note 10.

Included within capital expenditure and financial investment cash flows are cash receipts of £46.3 million in relation to disposal proceeds of certain fixed assets as referred to within note 10.

34 Pension schemes

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

a) Universities' Superannuation Scheme ('USS')

The University of Manchester participates in the USS, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. 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 actuarial valuation of the scheme was at 31 March 2005. The assumptions which had 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) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the last full actuarial valuation of the scheme as at 31 March 2005, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of assets of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The employer contribution rate required for future service benefits alone at the date of the valuation was 14.3% of salaries but it was agreed that the University contribution rate would be maintained at 14% of salaries.

Surpluses or deficits which arise at future valuations may impact on the University's future contribution commitment. An additional factor which could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a “last man standing” scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for The University of Manchester was £27.8 million (2006: £25.4 million). This includes £3.7 million (2006: £3.2 million) outstanding contributions at the balance sheet date. The contribution rate payable by the University was 14% of pensionable salaries.

The latest actuarial valuation of the scheme, calculated on an FRS 17 basis as at 31 March 2007, shows a surplus of £2,482 million. The value of the assets of the scheme was £30,064 million and the value of the past service liabilities was £27,582 million leaving a surplus of assets of £2,482 million. The assets therefore were sufficient to cover 109% of the benefits which had accrued to members.

The key assumptions in the valuation as at 31 March 2007 were as follows: valuation rate of interest 5.4%, rate of salary increases 4.1% and pension increases 3.1%.

34 Pension schemes (continued)

b) NHS Pension Scheme ('NHSPS')

The University of Manchester also participates in the NHSPS which is externally funded and 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 deficit for the year in the income and expenditure account is therefore equal to the contributions payable to the scheme for the year.

The latest publised actuarial valuation of the scheme was at 31 March 1999. It was assumed that salary increases would be 6.0% per annum (plus an additional allowance for increases in salary due to age and promotion in line with recent experience) and the valuation rate of return would be 8.0% per annum. It was assumed that the cost of pension increases in the scheme would continue to be met directly from the Exchequer and therefore there was no need to make any assumptions about pension increases for the purposes of this valuation.

The contribution rate payable by the University during the year ended 31 July 2007 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 £2.6 million (2006: £2.2 million). This includes £0.3million (2006: £0.3million) outstanding contributions at the balance sheet date.

34 Pension schemes (continued)

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

UMSS is a defined benefit scheme in the UK which is externally funded and contracted out of the State Second Pension (S2P). A full actuarial valuation was carried out at 31 July 2004 and updated to 31 July 2007 on an FRS17 basis by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2007 %	2006 %	2005 %
Rate of increase in salaries	**4.30%**	3.70%	3.50%
Rate of increase of pensions in payment and deferred pensions	**3.30%**	2.70%	2.50%
Discount rate applied to scheme liabilities	**5.50%**	5.10%	5.00%
Inflation assumption	**3.30%**	2.70%	2.50%

The assets of the scheme and the expected rate of return were:	**2007**	**2007 £000**	2006	2006 £000	2005	2005 £000
Equities	**7.40%**	**139,360**	7.30%	125,815	7.30%	170,482
Bonds	**5.50%**	**119,183**	5.10%	110,822	5.00%	41,069
Property	**7.40%**	**24,840**	7.30%	21,833	7.30%	15,152
Total market value of assets		**283,383**		258,470		226,703
Actuarial value of liability		**(296,602)**		(262,885)		(237,403)
Total deficit in the scheme		**(13,219)**		(4,415)		(10,700)
Related deferred tax asset		-		-		-
Net pension liability		**(13,219)**		(4,415)		(10,700)

Analysis of the amount charged to operating deficit	**2007 £000**	2006 £000
Current service cost	**11,499**	10,062
Past service cost	**-**	281
Total operating charge	**11,499**	10,343

Analysis of net return on pension scheme	**2007 £000**	2006 £000
Expected return on pension scheme assets	**16,540**	15,713
Interest on pension liabilities	**(13,539)**	(12,007)
Net return	**3,001**	3,706

34 Pension schemes (continued)

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

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**2007 £000**	2006 £000
Actual return less expected return on scheme assets	**2,024**	12,898
Experience gains and losses on liabilities	**-**	(2,622)
Changes in assumptions	**(12,095)**	(5,361)
Actuarial (loss)/gain recognised in STRGL	**(10,071)**	4,915

Movement in deficit during the year	**2007 £000**	2006 £000
Deficit in scheme at beginning of year	**(4,415)**	(10,700)
Current service cost	**(11,499)**	(10,062)
Contributions	**9,765**	8,007
Past service cost	**-**	(281)
Other finance income	**3,001**	3,706
Actuarial (loss)/gain	**(10,071)**	4,915
Deficit in scheme at year end	**(13,219)**	(4,415)

The updated actuarial valuation at 31 July 2007 showed an increase in the deficit from £4.4 million to £13.2 million. The University has paid contributions at the rate of 17.5% of members' pensionable pay over the year to 31 July 2007. It has been agreed with the Trustees that contributions for the next year will be increased to 18.75% of members' pensionable pay.

A bank guarantee facility of £40 million has been given by one of the University's bankers in favour of UMSS Limited as trustee of the University of Manchester Superannuation Scheme. The guarantee expires on 31 July 2008. The facility is supported by a negative pledge over certain University properties.

History of experience gains and losses	Year ended 31 July				
	2007	2006	2005	2004	2003
Difference between expected and actual return on scheme assets:					
Amount (£000)	**2,024**	12,898	21,279	673	(2,213)
Percentage of scheme assets	**1%**	5%	9%	0%	(1%)
Experience gains and losses on scheme liabilities:					
Amount (£000)	**-**	(2,622)	8,764	-	-
Percentage of scheme liabilities	**0%**	(1%)	4%	0%	0%
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£000)	**(10,071)**	4,915	(7,349)	4,430	(24,526)
Percentage of scheme liabilities	**(3%)**	2%	(3%)	2%	(13%)

34 Pension schemes (continued)

d) Greater Manchester Pension Fund ('GMPF')

The GMPF is a separate fund within the local government pension scheme (LGPS) which is externally funded and 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 District Council.

A full actuarial valuation was carried out at 31 March 2004 and updated to 31 July 2007 on an FRS17 basis by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2007	2006	2005
Rate of increase in salaries	**4.80%**	4.60%	4.30%
Rate of increase in pensions in payment and deferred pensions	**3.30%**	3.10%	2.80%
Discount rate applied to scheme liabilities	**5.80%**	5.10%	5.00%
Inflation assumption	**3.30%**	3.10%	2.80%

The assets of the GMPF scheme as a whole and the expected rates of return were:	**2007**	**2007 £000**	2006	2006 £000	2005	2005 £000
Equities	**8.00%**	**5,951,900**	7.70%	5,515,700	7.30%	5,043,000
Bonds	**5.20%**	**1,500,800**	4.70%	1,408,100	4.70%	1,188,000
Property	**6.00%**	**923,600**	5.70%	794,000	5.40%	684,000
Cash	**5.10%**	**897,900**	4.80%	617,300	4.50%	595,000
Total market value of assets		**9,274,200**		8,335,100		7,510,000

The following data about the GMPF refers in each case to the University's estimated proportionate interest of 0.9% in that scheme

	2007 £000	2006 £000	2005 £000
Market value of assets	**79,436**	72,891	66,002
Actuarial value of scheme liability	**(78,301)**	(80,230)	(74,009)
Actuarial value of unfunded liability	**-**	-	(2,449)
Total surplus/(deficit) in the scheme	**1,135**	(7,339)	(10,456)
Related deferred tax asset	**-**	-	-
Net pension asset/(liability)	**1,135**	(7,339)	(10,456)

Analysis of the amount charged to operating deficit	**2007 £000**	2006 £000
Current service cost	**2,140**	2,001
Past service cost	**146**	137
Curtailments and settlements	**24**	-
Total operating charge	**2,310**	2,138

34 Pension schemes (continued)

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

Analysis of net return on pension scheme	**2007 £000**	2006 £000
Expected return on pension scheme assets	**4,926**	4,263
Interest on pension liabilities	**(4,091)**	(3,813)
Net return	**835**	450

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**2007 £000**	2006 £000
Actual return less expected return on scheme assets	**2,265**	3,342
Experience gains and losses on liabilities	**1**	207
Changes in assumptions	**5,971**	(2,778)
Correction of prior year error in calculating net pension liabilities	**-**	2,210
Actuarial gain recognised in STRGL	**8,237**	2,981

Movement in deficit during the year	**2007 £000**	2006 £000
Deficit in scheme at beginning of year	**(7,339)**	(10,456)
Current service cost	**(2,140)**	(2,001)
Contributions	**1,712**	1,632
Contributions in respect of unfunded benefits	**-**	192
Past service cost	**(146)**	(137)
Other finance income	**835**	450
Impact of settlements and curtailments	**(24)**	-
Actuarial gain	**8,237**	2,981
Surplus/(deficit) in scheme at year end	**1,135**	(7,339)

The updated actuarial valuation at 31 July 2007 showed a change from a deficit of £7.3 million to £1.1 million surplus. The University has paid contributions at the rate of 15.5% of members' pensionable pay. It was agreed with the Trustees that contributions for the following year would remain at that level.

History of experience gains and losses			Year ended 31 July		
	2007	2006	2005	2004	2003
Difference between expected and actual return on scheme assets:					
Amount (£000)	**2,265**	3,342	7,852	1,961	23
Percentage of scheme assets	**2.9%**	4.6%	11.9%	3.4%	0.0%
Experience gains and losses on scheme liabilities					
Amount (£000)	**1**	(79)	(283)	25	105
Percentage of scheme liabilities	**(0.1%)**	(0.1%)	(0.4%)	0.0%	0.0%
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£000)	**8,237**	2,981	(578)	1,909	(6,706)
Percentage of scheme liabilities	**10.5%**	4.0%	(0.8%)	2.9%	(10.8%)

34 Pension schemes (continued)

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

All existing employees of Manchester Innovation Limited are members of the University of Manchester Superannuation Scheme ('UMSS'). From 1 June 2003, the employees participating in the MILGPS transferred to UMSS. The MILGPS is deferred for the purposes of ex-employees.

With effect from 1 August 2007 The University of Manchester became the principal employer of the scheme and Manchester Innovation Limited ceased to be a participating employer.

An interim valuation of the scheme was carried out as at 1 September 2004, which has been updated to 31 July 2007 on an FRS17 basis by a qualified actuary.

The market assumptions used in this valuation were:	**2007**	2006	2005
Rate of increase in pensions in payment and deferred pensions	**5.00%**	5.00%	5.00%
Discount rate applied to scheme liabilities	**5.80%**	5.10%	5.10%
Inflation assumptions	**3.40%**	3.10%	2.70%

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

	2007	**2007 £000**	2006	2006 £000	2005	2005 £000
Investment in unitised pension policy	**5.50%**	**1,265**	5.75%	1,308	5.75%	1,274
Other	**4.50%**	**446**	4.50%	354	5.75%	22
Total market value of assets		**1,711**		1,662		1,296
Actuarial value of liability		**(2,181)**		(2,747)		(2,836)
Total deficit in the scheme		**(470)**		(1,085)		(1,540)
Related deferred tax asset		**-**		-		462
Net pension liability		**(470)**		(1,085)		(1,078)

Analysis of the amount charged to operating deficit	**2007 £000**	2006 £000
Current service cost	**3**	3
Total operating charge	**3**	3

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

Analysis of net charge to other pension finance interest	**2007 £000**	2006 £000
Expected return on pension scheme assets	**88**	81
Interest on pension liabilities	**(136)**	(148)
Net charge	**(48)**	(67)

34 Pension schemes (continued)

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

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**2007 £000**	2006 £000
Actual return less expected return on pension scheme assets	**82**	78
Experience gains and losses on liabilities	**(32)**	47
Changes in assumptions	**505**	70
Actuarial gain recognised in STRGL	**555**	195

Movement in deficit during the year	**2007 £000**	2006 £000
Deficit in scheme at beginning of year	**(1,085)**	(1,540)
Current service cost	**(3)**	(3)
Contributions	**111**	330
Past service cost	**-**	-
Other finance cost	**(48)**	(67)
Actuarial gain	**555**	195
Deficit in scheme at year end	**(470)**	(1,085)

History of experience gains and losses		Year ended 31 July			
	2007	2006	2005	2004	2003
Difference between expected and actual return on scheme assets:					
Amount (£000)	**82**	78	70	(38)	202
Percentage of scheme assets	**5%**	5%	5%	(3%)	13%
Experience gains and losses on scheme liabilities:					
Amount (£000)	**(32)**	47	(122)	124	2
Percentage of scheme liabilities	**(1%)**	2%	(4%)	5%	0%
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£000)	**555**	195	(489)	287	(411)
Percentage of scheme liabilities	**25%**	7%	(17%)	12%	(15%)

f) Pension schemes - summary

FRS 17 'Retirement Benefits' resulted in the pension scheme deficits and actuarial (losses)/gains being included in the financial statements as follows:	Consolidated		University	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Balance sheet - Pension scheme (deficits)/assets				
University of Manchester Superannuation Scheme	**(13,219)**	(4,415)	**(13,219)**	(4,415)
Greater Manchester Pension Fund	**1,135**	(7,339)	**1,135**	(7,339)
Manchester Innovation Limited Group Pension Scheme	**(470)**	(1,085)	-	-
Net pension scheme deficits	**(12,554)**	(12,839)	**(12,084)**	(11,754)
Statement of total recognised gains and losses - Actuarial (losses)/gains				
University of Manchester Superannuation Scheme	**(10,071)**	4,915	**(10,071)**	4,915
Greater Manchester Pension Fund	**8,237**	2,981	**8,237**	2,981
Manchester Innovation Limited Group Pension Scheme	**555**	195	**-**	-
Net actuarial (losses)/gains	**(1,279)**	8,091	**(1,834)**	7,896

35 Capital commitments

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Commitments for future capital expenditure:				
Contracted not provided	**90,034**	162,220	**89,284**	162,220

36 Operating lease commitments

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Expires within one year	**4,762**	241	**4,762**	241
Expires between two and five years	**1,305**	951	**1,305**	951
Expires after more than five years	**1,756**	539	**1,756**	539
	7,823	1,731	**7,823**	1,731

37 Contingent liabilities

	Consolidated		University	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Bank guarantees	**41,191**	40,667	**41,191**	40,667
	41,191	40,667	**41,191**	40,667

Bank guarantees of £1.191 million (2006: £0.667 million) relate to specific research and non research projects.

A bank guarantee facility of £40 million has been given by one of the University's bankers in favour of UMSS Limited as trustee of the University of Manchester Superannuation Scheme. The guarantee expires on 31 July 2008. The facility is supported by a negative pledge over certain University properties.

38 Related party transactions

The operating statements of the University include transactions with related parties. In accordance with FRS 8 'Related Party Transactions' these are disclosed where members of The University of Manchester's Board of Governors disclosed 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. The University has taken advantage of the exemption within FRS 8 and has not disclosed transactions with other group entities. Included within the financial statements are the following transactions with related parties:

	Income within the University £000	**Expenditure within the University £000**	**Balance due to/(from) the University £000**
UK EPSRC	31,835	-	(1,377)
Students' Union	-	1,345	132
Central Manchester and Manchester Children's Hospital NHS Trust	11,281	2,380	2,426
UMIP Limited	198	3,023	5
Uniac	-	801	-
European Commission	6,027	-	(85)
Manchester Science Park Limited	356	221	317
Internet Facilitators Ltd	499	-	469
Manchester Business School Incubator Ltd	4	390	(55)
One Central Park Ltd	-	222	(38)

39 Funds held by the University which are excluded from the Income and Expenditure account

a) Access Fund

	2007 £000	2006 £000
Balance unspent at beginning of year	62	90
Funding council grants	952	1,213
Interest earned	15	12
	1,029	1,315
Disbursed to students	(882)	(1,253)
Balance unspent at year end	147	62

b) Training and Development Agency for Schools (TDA)

Student Training Bursaries

	2007 £000	2006 £000
Balance unspent at beginning of year	69	61
Funding council grants	2,721	2,117
Disbursed to students	(2,673)	(2,109)
Balance unspent at year end	117	69

Student Associates Scheme

	2007 £000	2006 £000
Balance unspent at beginning of year	114	119
Funding council grants	316	315
Paid out during the year	(434)	(320)
Balance unspent at year end	(4)	114

Minority Ethnic Recruitment

	2007 £000	2006 £000
Balance unspent at beginning of year	5	3
Funding council grants	9	15
Paid out during the year	(10)	(13)
Balance unspent at year end	4	5

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.

40 Acquisitions

On 1 January 2006 The University of Manchester acquired the Paterson Institute for Cancer Research, from the Christie Hospital NHS Trust for a consideration of £1.

The fair values of the assets and liabilities acquired were as follows:

	2006 £000
Debtors	30
Cash	5,404
Creditors	(1,155)
Deferred income	(1,070)
Cash consideration	3,209
Negative goodwill	3,209

41 Post Balance Sheet Events

On 3 August 2007 The University of Manchester sold its 70% investment in Internet Facilitators for a consideration of £30,000.

On 1 August 2007 The University of Manchester became the principal employer of the Manchester Innovation Limited Group Pension Scheme.

On 29 November 2007 The University of Manchester received a £10 million interest-free repayable grant from HEFCE, to be repaid in one instalment on 1 October 2014.

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