

Financial Statements and Statistics
2010 - 2011

Financial Statements for the year ended 31 July 2011

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Operating and Financial Review

As Treasurer and a lay member of the University of Southampton's Council, it is my pleasure to present the Operating and Financial Review of the University's Financial Statements. The financial statements represent our strong financial position, with our income growing faster than expenditure, and a surplus for the year of £15.1 million.

Over the past year, the Coalition Government has responded to the Independent Review of Higher Education Funding and Student Finance (the 'Browne Review') with its White Paper 'Students at the Heart of the System' in June 2011. The proposals in the White Paper will fundamentally alter the financial landscape of Higher Education in England. There will be a change from a predominantly state funded system of university teaching to an overwhelmingly privately funded system (albeit with the University receiving payments at the time of study from the Government, and the students making payments from their earnings as graduates). On latest information we estimate that the University of Southampton will lose around 70% of our state support for teaching in the period up to 2015/16. The Government has also signalled its desire to increase student choice and create a more free flowing market in student recruitment, whereby institutions can increase their student numbers either by charging a low tuition fee or by attracting a greater number of students with the highest A level grades.

The University's strategic plan for the period 2010 – 2015 anticipated some of these changes and its core aim to improve the quality of our education and research so that we are considered one of the most successful universities in the world is entirely consistent with the thrust of Government policy. The extent of funding changes and the likely dynamism of the student recruitment market will present new challenges to Southampton and all other English universities.

Public Benefit

The University enables more than 20,000 full time students and more than 3,000 part time students to enjoy the benefits of higher education, and pursues research across a wide range of disciplines to enhance society, improve healthcare and increase economic wellbeing. The University is mindful of its responsibilities as a charity under the 2006 Charities Act and we work to contribute to the charitable objectives of the advancement of education, the advancement of arts, culture, heritage and science and the advancement of health. The University's principal regulator is the Higher Education Funding Council for England (HEFCE), and the University

receives a block grant from HEFCE to fund teaching and research activities, which represents about a quarter of our income. As a result of changes to Higher Education funding, our block grant for teaching activities will decrease markedly in the coming years. We will be required to agree policies to encourage access to the University on an annual basis with the Office for Fair Access (OFFA). These policies will include details of specific financial support schemes for our students dependent on their needs and initiatives to encourage applications from students from disadvantaged backgrounds.

Our strategy highlights the role of the University in unlocking creative potential and providing opportunities that transform the lives of our students, our community, society and the economy. We are committed to achieve a significant social impact locally and globally through public debate, community outreach and cultural engagement. We have set ourselves 17 strategic initiatives to complete by 2015 across our four strategic aims and identified the key indicators that will measure our achievement. We are targeting improved student satisfaction and employability as reflected in national student surveys to be in the upper quartile of our Russell Group comparators.

The University has made significant progress in improving access from all sections of society. Currently 21% of our Home undergraduate students come from households with an income of £25,000 or less, and a further 15% from households with an income of £42,600 or less. The University charges for the provision of many of its services. Home and EU full time undergraduate students are able to defer the payment of tuition fees until after they start employment, when the fee and any living cost loans are repaid gradually through the tax system. Students from less well-off backgrounds are eligible to receive grants from government sources, and the University supplements the grants with non-repayable bursaries, which in 2010/11 totalled £4.2 million (2009/10: £3.7 million) paid to 3,950 students. These bursaries are administered centrally and bursary decisions are entirely separate from decisions over admissions – the University operates a 'needs blind' admissions policy. Students in health care disciplines may be supported by non-repayable bursaries from the NHS. In addition the University supported 1,551 post graduate students through paying their tuition fees and other financial support. In 2010/11 we established a new fund to increase the number of postgraduate research students supported by the University and this initiative has also been supported by financial donations from our alumni. We have committed in our 2012/13

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OFFA agreement to partial fee waivers of up to £3,000 per annum for new students in these categories entering from 2012/13 onwards. Over one third of our students will benefit from these arrangements.

The University's medical, nursing and midwifery and allied health professions students will undertake part of their training through their placements at hospitals and other health providers. University clinical academic staff will also contribute to clinical services provided by University Hospital Southampton NHS Foundation Trust within the NHS.

The University seeks to publish the results of its research work promptly and publicly to maximise the beneficial impact of the work. Our researchers are tackling the most pressing challenges facing society today, including efforts to improve international health, global telecommunications and renewable energy.

Our medical research has delivered benefits including:

- proof that taking a regular dose of aspirin reduces the long-term risk of cancer in people with a family history of the disease;
- culturing adult stem cells which could lead to the creation of revolutionary stem cell therapies for conditions such as arthritis, Alzheimer's disease and Parkinson's disease;
- patient trials of a new leukaemia cancer vaccine;
- evidence of the effectiveness of antimicrobial copper in preventing MRSA infections;
- a patient received the UK's first totally implantable hearing aid thanks to the work of the University's South of England Cochlear Implant Centre (SOECIC);
- the development of novel hip replacement implants;
- electrical brain stimulation combined with robotic training, could significantly speed up and improve recovery for victims of stroke.

Our research in engineering and electronics this year included:

- pioneering new technologies capable of making broadband internet 100 times faster through the "Photonics HyperHighway";
- designing and flying the world's first 'printed' aircraft, which could revolutionise the economics of aircraft design.

In the field of renewable energy and sustainability, our research included:

- evidence that short rotation energy crops could help meet the UK's renewable energy targets;
- investigation of the impact of UK energy activity on ecosystem services around the world;

- investigating how coppiced trees and grass crops can be used to generate renewable energy and to trap carbon in the soil over the longer term.

More widely:

- we are researching, cataloguing and creating sound recordings of a genre of medieval music which hasn't been performed since the middle of the 13th century making it accessible to a 21st century audience;
- our research showed poorly organised language provision can have a major effect on the success of military intervention. The study was the first study to examine the way war is 'spoken', and focus on the people who give a voice to the 'friendly faces';
- the Third Sector Research Centre (TSRC) highlighted the need to make prisoners more aware of voluntary organisations that could help them towards resettlement, showing despite the relatively high number of third sector organisations working within prisons, many are not known by prisoners.

Recognising the links between the University and the wider community in our area, members of the public are welcome to use the University library for reference, without charge. As well as giving borrowing rights to a number of community groups, individual borrowing rights can also be arranged. Shortly after our year-end, in August 2011, we completed the purchase of the Broadlands Archive, a very large collection of original documents relating to the lives and work of among others the Seventh Earl of Shaftesbury, Viscount Palmerston and Earl Mountbatten of Burma, to ensure permanent public access. The national importance of this collection is evidenced by the substantial financial support of the National Heritage Memorial Fund. The balance of the acquisition costs has been provided from donations to the University from individuals and corporate and charitable bodies and University funds.

The University has excellent sports facilities and three outstanding venues for the arts on our campuses. For example the John Hansard Gallery co-staged a major free exhibition of nearly two hundred works by Andy Warhol (1928-87), one of the giants of 20th century art. Public access to our sports facilities is encouraged in a number of ways, from school trips to a partnership with Eastleigh Borough Council to allow mass public use of our sports fields, particularly at weekends. There are a number of open public events in our arts venues. We also encourage public interaction with the academic side of the University, again with a variety of events from public lectures to our extensive support of science week activities

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for school age children. We are a key partner in supporting the development of the Southampton New Arts Centre in city centre Southampton, with the City Council and arts and community groups.

Our students are members of the Southampton community, and undertake diverse activities like charitable fund raising and volunteering schemes.

Income and Expenditure

The University produced a surplus of £15.1 million (£8.5 million in 2009/10). The surplus represents 3.5% of income (2% in 2009/10).

University income increased by 4% to £437 million. There was strong growth in both home/EU and international student fee income, with home/EU student fee income increasing by 6% to £85 million and international fee income increasing by 28% to £46 million, with 3,700 full time equivalent international students registered on 2010/11 programmes (2,900 ftes in 2009/10). Research grants and contract income contracted slightly in a very competitive market, decreasing by 3% to £93.6 million. The University continued to see the long term beneficial effects of full economic cost funding (FEC) from UK research councils and also from the new funding arrangements on EU research grants. The contribution to indirect costs from externally sponsored research increased by 11% to £30 million. Endowment income and interest receivable increased by £0.8 million on 2009/10, a good result given record low market rates of interest.

University expenditure increased by 3% to £422 million. Salaries and wages expenditure increased by 2.6% to £234.3 million, but the year included £8m of voluntary and other severance costs. Excluding voluntary severance costs, salaries and wages costs decreased by 0.4% on 2009/10. The national salary award in August 2010 was 0.4%, the second consecutive year of low annual settlements. The changes in salary costs reflects very tight control on appointments and the savings on the departure of around 240 staff under a voluntary severance scheme throughout the year. Over the year, our average number of academic staff employed increased by 1.6% and the average number of non-academic staff employed fell by 3.7%.

The depreciation charge has increased by £2 million to £27 million, largely due to the depreciation associated with replacing equipment in our clean room which was destroyed in the fire of 2005. This abnormal level of depreciation is in its last

full year, with a smaller effect forecast for 2011/12. Thereafter, the depreciation charge will revert to a figure of around £20 million per annum.

Other operating expenditure increased by 3% to £151.5 million. The University increased expenditure on consumable and laboratory supplies by £2.3 million and scholarships by £4 million.

Balance Sheet

The University spent £23.5 million acquiring or constructing capital assets. The demolition of the Boldrewood Building was completed in September 2011, and the construction of the new buildings on the site started on time. The University's tangible fixed assets decreased from £408 million to £400 million over the year.

Despite a sustained period of significant capital investment, the University's liquidity position remains very strong. Our current assets exceeded current liabilities by £80 million at the balance sheet date, and our cash and near cash increased by £25 million, we ended the year with £145.6 million of liquid assets. The sum of our cash and near cash assets exceeded our outstanding loans, and the University was holding 'net cash' of £28.5 million at the balance sheet date (net debt of £0.6 million at 31 July 2010). At a time of considerable uncertainty and large reductions in public funding the University has sought to ensure it is supported with strong cash reserves.

The pension liability attributed to the University from the PASNAS fund and the Hampshire County Council fund has decreased by £9 million to £48 million. The reduction in calculated liability was largely caused by the recognition that future pension increases in PASNAS would be tied to the CPI rather than RPI measure of inflation. As a result of the July 2009 valuation of the PASNAS fund, the University will be increasing contributions in the coming years, and (following a consultation with members and their representatives) agreed changes to benefits accrued under the scheme have applied from October 2010.

The total net assets of the University increased by £31 million in the year to £330 million.

Performance of Investments

The University reviewed its Treasury Management policy early in 2010, and it was agreed that a portion of our cash investments could be held as longer term deposits (up to five years) with

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approved institutions. In line with the Treasury Management policy, security of cash deposited continued to take precedence. The longer term investments and careful management of the cash portfolio produced a rate of return of 2.56% on cash investments. Given that the Bank of England base rate was 0.5% throughout the year, this was a satisfactory performance. The increasing volatility of the banking system is likely to impact on investment returns in the future and Treasury Management will continue to be subject to close review.

The University holds a fund of general asset investments which had a market value of £11 million at the balance sheet date. The investments moved in line with the general market indices over the year and achieved a total return of 13.2% in the year. The investments had lost 2% between the balance

sheet date and the end of October 2011 but the market values were still above cost. The University has suffered no counter party losses in its cash investments over the period of turmoil in the financial markets since autumn 2007, and all deposits have been returned to the University on the due date. Our cash investment position and treasury management policy has been monitored closely by University Council during the year, and Council and University Audit Committee are content that the University has managed its cash resources in a suitably careful manner.

The University of Southampton Science Park Limited continues to trade successfully in a difficult market for lettings. The net asset value shown on the balance sheet of the company is now £17 million.

University Financial Results and Key Performance Indicators

In 2007, the University Council adopted a plan for significant growth in earned income while salary expenditure and other costs should be constrained. This was an explicit effort to make the University more productive. The effects of this plan are tracked against four key financial performance indicators – University surplus, external research funds and international students' tuition fees, salary costs and net debt.

The University Strategy has set some high level expectations for financial performance in our Strategic Plan. The University will be establishing budgets and making financial decisions in the future in the context of these financial measures.

Financial Measure	Strategic Plan Target	2010/11 Achievement
Surplus on Ordinary Activity	2% of turnover	3.5% of turnover
Cash Generation from Ordinary Activities (ex capital grants)	5% of turnover	8.3% (£36.2million)
Maximum (Net Debt) as % of Turnover	(15% Maximum)	Net Cash 6.5%
Salary Costs as % of Turnover	56% Maximum	53.6%
Budgeted Investment in Strategic Projects	3% of turnover	1.4% (£6million)

Table 1 – University Surpluses on Ordinary Activity 2004/05 – 2010/11

The surplus in 2010/11 represented 3.5% of turnover, a small improvement on the strategic plan minimum target. The surplus exceeded our original budget target, reflecting the University's response to potential future impacts of the rapid changes in the financial environment during 2010/11 following the emergency budget and changes to public sector spending plans. The increased depreciation charge relating to the replacement of clean room equipment has suppressed surpluses in 2008/09, 2009/10 and 2010/11.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
University Surplus/ (Deficit) - £ million	0.8	1.5	(5.1)	7.2	4.0	8.5	15.1
Surplus/(Deficit) as % of Income	0.3%	0.5%	(1.6%)	1.9%	1.0%	2.0%	3.5%

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Table 2 – Research Grants and Contracts and International Students’ Tuition Fees 2004/05 – 2010/11

We identified research grant and contract earnings and international students’ tuition fees as the two key sources of income where significant growth could be achieved quickly through the University’s efforts. The rapid growth in international student fees continued, with a 28% increase in income compared with 2009/10. Research grants and contracts decreased by 3% compared with 2009/10.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Research Grants and Contracts - £ million	79.5	80.9	73.6	84.3	88.3	96.3	93.6
International Students’ Tuition Fees - £ million	16.6	19.7	22.1	25.0	31.4	36.2	46.4

Table 3 – Salary Costs as Proportion of Income 2004/05 – 2010/11

The national pay award at 0.4% was the second successive low settlement, helping to keep salary cost inflation low at 2.6% despite significant restructuring costs. The University has accepted 240 voluntary severance requests and continued to exercise very tight control on staff appointments, particularly in non-academic staff groups. Salary costs as a percentage of turnover was below 56% (the University target) and on a positive trend. The benefits of the voluntary severance scheme on costs will clearly be seen from the start of 2011/12.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Salary Costs - £ million	166.9	178.7	194.3	210.3	227.1	228.4	234.3
Salary Cost Annual Growth Rate %	9.6%	7.1%	8.7%	8.2%	8.0%	0.6%	2.6%
Salary Costs as % of Income	58.1%	57.5%	59.8%	56.4%	57.6%	54.5%	53.6%

Table 4 – Movement of (Net Debt)/Net Cash 2004/05 – 2010/11

Following a marked improvement in 2008/09, the University’s position has improved substantially again in 2010/11 to show net cash of £28.5 million.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Net (Debt)/Cash £ million	(37.9)	(38.6)	(41.9)	(37.5)	(0.6)	(0.6)	28.5
Net (Debt)/Cash as % of Income	(13.2%)	(12.8%)	(12.9%)	(10.1%)	(0.2%)	(0.1%)	6.5%

“Changing the World” – University Strategy 2010 - 2015

The University has set itself a challenging and demanding set of targets that if achieved would transform the University and our standing in the UK and within world higher education. University Council deliberated over a number of meetings about the strategy and the targets for change, and concluded that given the inherent strengths of the institution and the obvious ambition and expertise of University staff, these were realistic goals for the next five years. The strategy was approved by Council in July 2010.

Progress towards the achievement of our strategic aims is monitored closely by Council with appropriate reports from the responsible member of the senior management team, and are set in the context of the changed funding for higher education.

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University Strategy and Ambitions

As a University Community we will change the world for the better through our research, education, innovation and enterprise.

Delivering research excellence – We aspire to be a world-leading research university, clearly ranked in the top 10 in the UK.

Transforming education – We will attract the most talented students, irrespective of background, and prepare them to be confident citizens and potential leaders in an increasingly globalised work environment.

Leadership in enterprise and innovation – We will deliver distinctive economic impact and achieve international leadership in enterprise and innovation.

Making an impact on society and the economy – Recognising our social responsibility, and the capacity of our education and research to improve the lives of individuals and society, we will strengthen the positive impact we have on our local community, region and country.

Major Financial Risks

University Council and Audit Committee review the University risk register at regular intervals and consider that it is consistent with their knowledge of the University's activities and addresses the key aspects of the University's Strategic Plan. At present, it would be easy to look solely at potential changes to the public funding of higher education, but the risks described below seek to present a more balanced all round picture.

Restrictions in Public Expenditure and Changes to Undergraduate Tuition Fees

The Coalition Government is intent on reducing the deficit in public finances at a faster rate than proposed by the previous government. The combination of the decisions in the 2011 White Paper arising from the Browne Review and the limitations on departmental spending in the Comprehensive Spending Review will fundamentally change Higher Education funding in England. Our current understanding is that teaching funding allocated through the Higher Education Funding Council for England (HEFCE) will reduce by 80% in the period to 2014/15, with large per capita reductions in state funding for all students, but with some state top-up funding remaining for clinical, science and engineering subjects. Since Southampton has a relatively high proportion of students in science, engineering and clinical subjects, the decline in our level of state support for teaching is likely to be lower than the average figure, and our current analysis suggests a reduction of around 70%. We have set our new tuition fee rates at £9,000 for 2012/13 within the framework of an agreement with OFFA that offers significant fee waivers and bursaries to undergraduate home/EU full time students.

We would expect in the coming years that there will be new entrants to the English higher education market. These may be private institutions offering a limited range of courses or major international universities.

Southampton is in a strong market position, and we would welcome the opportunity to grow our population of home/EU students in a sustainable financial environment. This could have significant implications for the University academic and residential estate and the overall quality of the student experience, so the growth would be carefully controlled and planned. However, the prospects for the sector as a whole are uncertain, and Southampton could be adversely affected by falls in overall student demand as potential students are deterred by the prospect of greater levels of post-graduation debt, or changes in the attitudes of commercial partners (for example banks), as institutions have to adapt to market conditions rather than relying on state funding. General economic conditions may reduce our research income and income from other interactions with government and business. The University also has significant teaching and research links with the Department of Health and these may be threatened as the details of government departmental spending plans are clarified.

Salary and Pensions Costs

The risk that salary costs would increase faster than the rate of income growth has reduced, with a national pay award of 0.5% in 2009 and 0.4% in 2010. Relevant government ministers signalled to the universities that, while higher education is not formally part of the two year public pay freeze, it is expected that there will be very little growth in pay levels in the next two years.

Operating and Financial Review (Continued)

A consultation has concluded on changes to the Universities Superannuation Scheme (USS) with changes in retirement age, future benefit conditions for existing members of the scheme (together with an increase in the employee contribution rate to the scheme) and the creation of a career average benefit scheme for new members of USS. These changes will be implemented from October 2011. The results of the triennial USS valuation for 31 March 2011 will be known before the end of 2011.

During 2009/10, the University agreed phased changes to the future benefit accrual in the Pension and Assurance Scheme for Non-Academic Staff (PASNAS) and agreed increases in employer and employee contribution rates. The changes started to take effect from October 2010. The scheme remains open to new members on the same basis as existing members.

Both the PASNAS and USS schemes will use CPI rather than RPI to link pension increases with inflation in the future.

While the continuation of large estimated deficits in both the USS and PASNAS schemes remains a concern, overall the risks posed by salary and pension costs to the University's strategic aims have reduced over the past year.

Research Funding

The announcement in the Comprehensive Spending Review of a 'flat cash' settlement for research was better than might have been feared. However, this still implies a 10% real terms cut over the next four years and it is clear there are differential settlements across the UK Research Councils. The University is already experiencing reductions in the rate and volume of funding it receives for future grants and those already awarded. In reality the 80% FEC policy rule in the UK has been broken in all but name, which is a disappointing development.

The University is seeking to increase our research funding both in absolute terms and relative to our comparator institutions. This will require the recruitment of additional staff capable of generating substantial research funds, and an improvement in the average research earnings of current academic staff.

In common with all other research active institutions, the University is preparing for our submission to the Research Excellence Framework (REF), the replacement for the Research Assessment Exercise (RAE), on the basis of a census and submission date of autumn 2013. The results of the REF will have important financial consequences and will also be a major factor in the external perception of the University's reputation.

Cost Control and Income Generation

In late 2007 the University embarked on a major programme to increase productivity. This has seen very substantial increases in earned income, through more home/EU and international students and greater income from research grants and contracts. At the same time, the University has imposed restrictions on the growth of staff numbers, made savings through a salary sacrifice scheme and more active management of procurement and standardised some administrative functions to achieve economies of scale.

At the beginning of 2010, University Council agreed an extension of this activity, with the ambition of reducing administrative staff costs by £7 million in real terms by the beginning of 2011/12. Specific targets for cost reduction were set for individual professional service departments. A voluntary severance scheme was offered to staff in summer 2010, and a further targeted scheme ran throughout the year. A total of 240 University staff left the University as a result of the scheme, the majority (210) from support roles. We estimate the annual savings that should result from the reduction in staff to be £6 million, with more planned in 2011/12.

The administrative savings will allow a permanent switch of resources from administrative to academic activity. While it will clearly be in the long term interest of the University and our strategic ambitions to increase the capacity and quality of our academic activity, there are significant short term risks to the University's ability to transact its usual business.

Capital Developments post 2011/12

The 2005-2011 capital plan is now complete; the overall cost of the plan will be within the limit of £252 million set by Council in 2005/06.

Our capital funding from HEFCE will be much reduced in the future. Over the period 2008 – 2011, we received an average of £19 million in capital funds per annum. From 2011, we are likely to receive between £4 million and £5 million per annum. This change will inevitably constrain our investments over the coming five year plan period, and Council has considered proposals for the next period of estates and infrastructure investment for the period 2011-2016.

The next plan has three key themes – the development of the Boldrewood site in collaboration with Lloyd's Register, the development of a new off campus data centre and necessary replacement of the campus IT network, and works that are

Operating and Financial Review (Continued)

linked to capacity increase consistent with our strategic plan (both in the academic and residential estate). We will also be seeking to make cost effective investments to reduce our energy usage and meet our commitments to carbon reduction. The plan currently stands at a working total of £170 million with the bulk invested at Boldrewood.

The University currently has large cash balances, and even with much reduced HEFCE capital funding, we believe that significant investment funds can be generated through our normal activities, a modest increase in our borrowings in this time period and a gradual run-down of our cash balances.

Future Plans

The University Council has approved a budget for 2011/12 showing an estimated accounting deficit of £0.6 million, but after adjusting for various abnormal costs (additional depreciation related to replacement clean room equipment) there is an underlying surplus on normal operations of £4 million. The University management led by the Vice-Chancellor are intent on improving the financial position from this budget figure during 2011/12, and as Treasurer I would expect an improvement from this original position, based on the experience of recent years. The year 2011/12 will be a difficult one for the sector as public funding reductions are already in progress but tuition fee levels remain unchanged.

After many years of very close business and research collaboration, the University and Lloyd's Register have made a formal agreement for Lloyd's Register to move a substantial part of their engineering business to the University's Boldrewood site in 2014. Lloyd's Register will occupy a building next to an academic building housing part of the University's Faculty of Engineering and the Environment. Both developments will be built in the period from 2011 to 2014. Lloyd's Register will take a long lease on the building they will occupy. This is an exciting and transformative project for the University. The overall cost of the project (including the demolition and clearing of the existing Boldrewood building) is over £100 million, and the University is receiving support from HEFCE through the Strategic Development Fund, with funding of £10 million in the form of a £5 million grant and £5 million loan. The remainder of the costs have been factored into the University long term financial plans.

The University's tuition fee proposals for home/EU undergraduate students have been endorsed by OFFA, along with our system of financial support and our targets for the

recruitment of students from a variety of disadvantaged backgrounds. We would plan to improve our staff:student ratio in the future with new academic staff appointments along with a gradual increase in our student numbers. We will be identifying areas of potential academic expansion on the basis of demand from suitably qualified students and our academic ambitions.

Within the University Strategic Plan we have established targets for our financial performance, and these are set out above in the section describing key performance indicators. These will be challenging, but unless the University generates surpluses and cash through our operations at these levels, it will not be possible to make the academic and infrastructure investments necessary to achieve our ambitions for students and the University. The next few years will see fundamental changes to higher education, and University Council is intent on Southampton becoming a more important and prominent national and international institution.

Conclusion

The University has improved its financial position and the productivity of its work very considerably in the past four years. We now face a period of change unprecedented in higher education since the Robbins reforms of the early 1960s. The University enters this period with a clear plan, strong academic and managerial leadership and in a position of considerable financial strength. This is a real tribute to the University and our staff.

However, the future of higher education in England will look very different from the past. There may be new privately funded or international competitors in the sector, and existing institutions will be competing more fiercely with each other on the price and quality of educational provision.

I look forward to working with University staff and colleagues on University Council to meet the inevitable financial challenges that will confront us, and at the same time enhancing the academic position of the University.

Mike Killingley
University Treasurer

Corporate Governance

Summary of Corporate Governance

The University of Southampton is an exempt charity under the terms of the Charities Act 2006.

The University was established in 1952 by Royal Charter which, together with the Statutes that came into force at the same time, provides the framework for the corporate governance of the institution. The Council is the governing body of the University, and is charged by the Charter with responsibility for “...the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University...”. In carrying out its functions, the Council is bound by the terms of the Financial Memorandum with the Higher Education Funding Council for England (HEFCE), which is updated annually, and the acceptance of which is a precondition for the receipt of HEFCE grants. The Senate is the other principal decision making body.

The University is fully compliant with the key recommendations of the Code of Governance, as set out in the Committee of University Chairs’ ‘Guide for Members of Higher Education Governing Bodies’ (2009).

Council has a membership of 25 people, consisting of *ex officio* members, lay members, representatives of the academic and other staff and the President of the Students’ Union (see below for Council membership). The Chair and Vice-Chair of Council are appointed from among the lay membership which forms a majority on the Council.

Whilst the Chancellor is the titular head of the University, the Vice-Chancellor is the University’s principal academic and administrative officer, and Accountable Officer. The Treasurer is a lay and non-executive member of the Council whose remit is to advise generally on matters relating to the University economy, and to satisfy him/herself as to the soundness of the University’s financial position and the integrity of its financial transactions. The Registrar is Secretary to the University Council.

The Council meets at least six times a year, and receives reports on the functioning of the University and of its subsidiary companies. These include the critical assessment of agreed Key Performance Indicators. Matters specifically reserved for Council decision include the Mission and strategic direction of the University, and the approval of budgetary allocations and of major new developments. Much of the business of the Council is transacted through the committee structure.

The Audit Committee meets four times a year. Meetings are attended by the External Auditors, to discuss audit findings, and also by the Internal Auditors, to discuss detailed internal audit reports and recommendations for the improvement of the University’s systems of financial control, together with management’s response and implementation plans. The Committee also considers reports from HEFCE relating to the conduct of business and monitors adherence to the regulatory requirements. The Committee reviews the University’s annual financial statements together with the accounting policies. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet with the External and Internal Auditors for independent consultations.

The Nominations Committee is responsible for making recommendations for the filling of vacancies in the lay membership of Council, following internal and external advertisement and reference to the alumni of the University. The Committee also appoints the lay members of the Audit Committee and Senior Salaries Committee.

The Senior Salaries Committee determines the salaries of University Executive Group members and maintains an overview of the salary costs of senior professorial and administrative staff. Lay members of the Committee determine the Vice-Chancellor’s salary.

All these committees are formally constituted with terms of reference and comprise lay and academic members, one of whom is in the chair. All members of the Council and of the committees, together with the executive officers, are subject to Standing Orders, which *inter alia* require the maintenance of a Register of Interests. Members may not be present at any discussion in which they have a direct or indirect financial interest.

Statement of Internal Control

The Council is responsible for maintaining a sound system of internal control which supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible.

The key elements of the system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

Corporate Governance (Continued)

- clear definition of the responsibilities and delegated authority of heads of academic and administrative groups;
- a medium and short-term planning process, supplemented by detailed annual income and expenditure and capital budgets;
- regular reviews of performance and at least termly reviews of financial performance and updates of forecasts of out-turns;
- clearly defined and formalised requirements for control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations, amended most recently in July 2011, approved by the Audit Committee and Council;
- a professional internal audit service, whose responsibilities cover the entire internal control systems of the institution.

The system of internal control is supplemented by an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. Council has approved a process of identifying major risks and encouraging risk management awareness throughout the University with formal risk management strategies, policies and reporting systems, which are regularly monitored by Audit Committee and Council. This includes a focus on primary strategic aims and Key Performance Indicators. Risk management and internal control are considered on a regular basis during the year and there is an adequate risk and control assessment system. Risk management has also been incorporated fully into the corporate planning and decision-making processes of the University. Council last reviewed the University risk register in July 2011 alongside the University Key Performance Indicators.

Council's review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the External Auditors in their management letter and other reports.

Role of Council in the Preparation of the Financial Statements

The Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the 'Statement of Recommended Practice:

Accounting for Further and Higher Education' and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between HEFCE and the Council of the University, Council, through the Vice-Chancellor, is required to ensure the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

Council has, through its committees and officers, ensured that in the preparation of the financial statements:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis has been used in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may have prescribed;
- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

Members of Council have had regard to the Charity Commission's guidance on public benefit.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the systems of internal control. Any such system can, however, only provide reasonable, but not absolute, assurance against financial misstatement or loss.

Corporate Governance (Continued)
Members of the Council

There are five classes of Council membership.

Class 1: Officers

Class 2: Lay members appointed by the Council

Class 3: Members of University staff appointed by the Senate

Class 4: Members of University non-teaching staff

Class 5: Representatives of the Union of Students

Membership for the period 1 August 2010 – 24 November 2011

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 24 Nov 2011	Attendance Aug 2010 – Jul 2011	Membership of other Committees of Council (including joint committees)
Dame Valerie Strachan DCB	Class 1 Chair	March 2006	March 2012	5/5	Standing Committee of Council Nominations Committee Senior Salaries Committee
Dr M P Read CBE	Class 1 Vice-Chair	August 2008	July 2014	4/5	Standing Committee of Council Nominations Committee Senior Salaries Committee
Mr M S Killingley	Class 1 Treasurer	August 2009	July 2012	4/5	Standing Committee of Council Nominations Committee Senior Salaries Committee
Professor D Nutbeam	Class 1 Vice-Chancellor	October 2009		5/5	Standing Committee of Council Nominations Committee Senior Salaries Committee
Professor A A Wheeler	Class 1 Provost and Deputy Vice-Chancellor	August 2007	July 2015	4/5	Standing Committee of Council Senior Salaries Committee
Mr J B Boyer	Class 2	August 2011	July 2014	n/a	
Mr M C Burrow	Class 2	May 2010	May 2013	5/5	Audit Committee
Rear Admiral P D Greenish CBE	Class 2	March 2011	April 2014	2/2	
Mr R A Henderson QC	Class 2	May 2009	May 2012	4/5	
Professor R Holdaway	Class 2	August 2003	July 2012	2/5	
Dr V V Lawrence CB	Class 2	August 2002	July 2011	0/5	
Mr T P O'Brien CBE	Class 2	April 2009	March 2012	5/5	
Dr D J Price CBE	Class 2	October 2010	September 2013	3/4	
Ms R C Rivaz	Class 2	August 2006	July 2012	4/5	Health and Safety Audit and Assurance Committee
Mr M J Snell CBE	Class 2	July 2002	July 2011	5/5	

Corporate Governance (Continued)

Dr G N Spittle CBE	Class 2	August 2008	July 2014	2/5	Nominations Committee
Mr J A Trewby CB	Class 2	October 2009	July 2012	2/5	
Professor I T Cameron	Class 3	July 2009	July 2012	5/5	
Professor J Falkingham	Class 3	May 2011	May 2014	2/2	
Professor B Makhoul	Class 3	February 2010	July 2012	2/5	
Professor P G Smith	Class 3	May 2011	May 2014	2/2	
Mrs H E Smith	Class 4	April 2010	March 2013	5/5	
Mr W C Fitzjohn	Class 5	July 2010	June 2011	4/4	
Mr S O Ling	Class 5	July 2011	June 2012	1/1	

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF SOUTHAMPTON

We have audited the group and parent institution financial statements (the "financial statements") of the University of Southampton for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Parent Institution Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the Council as a body in accordance with the Accounts Direction of the Charters and Statutes of the institution and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2011 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group.

Mazars LLP
Chartered Accountants and Statutory Auditors
8 New Fields
2 Stinsford Road
Nuffield
Poole
BH17 0NF

24 November 2011

Consolidated Income and Expenditure Account for the year ended 31 July 2011

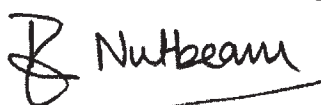
	Notes	2011 £000	2010 £000
INCOME			
Funding Council grants	2	122,204	120,892
Academic fees and support grants	3	131,351	116,122
Research grants and contracts	4	93,624	96,323
Other operating income	5	85,354	81,809
Endowment income and interest receivable	6	4,407	3,638
Total income		<u>436,940</u>	<u>418,784</u>
EXPENDITURE			
Staff costs	7	234,278	228,398
Depreciation	10	27,048	25,275
Other operating expenses	8	151,506	147,411
Interest payable	9	8,806	9,202
Total expenditure	10	<u>421,638</u>	<u>410,286</u>
Surplus after depreciation of assets		15,302	8,498
Endowment income retained in year	20	(181)	(22)
Surplus for the year		<u>15,121</u>	<u>8,476</u>

All income and expenditure is in respect of continuing operations.

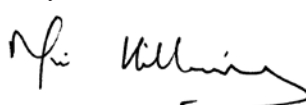
Balance Sheets as at 31 July 2011

	Notes	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
FIXED ASSETS					
Tangible assets	11	399,898	407,700	372,543	379,145
Investments	12	1,732	1,732	1,508	1,457
		<u>401,630</u>	<u>409,432</u>	<u>374,051</u>	<u>380,602</u>
ENDOWMENT ASSET INVESTMENTS	13	9,833	8,665	9,833	8,665
DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR	14	457	1,205	14,751	14,540
CURRENT ASSETS	15	192,628	164,645	191,439	163,661
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(112,652)	(109,494)	(110,500)	(108,355)
NET CURRENT ASSETS		<u>79,976</u>	<u>55,151</u>	<u>80,939</u>	<u>55,306</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>491,896</u>	<u>474,453</u>	<u>479,574</u>	<u>459,113</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(112,677)	(117,227)	(101,945)	(106,916)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(615)	(581)	(10)	(52)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>378,604</u>	<u>356,645</u>	<u>377,619</u>	<u>352,145</u>
PENSION LIABILITY	27	(48,223)	(57,151)	(48,223)	(57,151)
TOTAL NET ASSETS		<u>330,381</u>	<u>299,494</u>	<u>329,396</u>	<u>294,994</u>
Represented by:					
DEFERRED CAPITAL GRANTS	19	159,913	154,609	159,913	154,609
ENDOWMENTS					
Permanent	20	8,355	7,749	8,355	7,749
Expendable	20	1,478	916	1,478	916
		<u>9,833</u>	<u>8,665</u>	<u>9,833</u>	<u>8,665</u>
RESERVES					
Revaluation reserve	21	6,035	8,486	-	-
Pension reserve	27	(48,223)	(57,151)	(48,223)	(57,151)
Income and Expenditure account	22	202,823	184,885	207,873	188,871
		<u>160,635</u>	<u>136,220</u>	<u>159,650</u>	<u>131,720</u>
TOTAL FUNDS		<u>330,381</u>	<u>299,494</u>	<u>329,396</u>	<u>294,994</u>

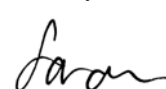
The financial statements on pages 16 to 46 were approved by the Council on 24 November 2011, and signed on its behalf by:



Professor Don Nutbeam
Vice-Chancellor



Mike Killingley, Treasurer



Sarah Pook
Director of Finance

The notes on pages 20 to 46 form part of these financial statements

Consolidated Cash Flow Statement for the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Net cash inflow from operating activities	28	46,008	35,711
Returns on investments and servicing of finance	29	(2,352)	(2,947)
Capital investment and financial investment	30	(13,903)	(33,220)
Cash inflow/(outflow) before use of liquid resources and financing		29,753	(456)
Management of liquid resources	32	(11,849)	9,751
Net financing	31	(4,753)	(6,383)
Increase in cash	32	13,151	2,912

Reconciliation of Net Cash Flow to Movement in Net Debt

		2011 £000	2010 £000
Increase in cash in period	32	13,151	2,912
Increase/(decrease) in liquid resources	32	11,858	(9,491)
New loans and debt movement	31	(1,630)	-
Exchange rate (loss)/gain	31	(627)	208
Repayment of debt	31	6,383	6,383
Change in net debt		29,135	12
Net debt at 1 August 2010	32	(590)	(602)
Net cash/(debt) at 31 July 2011	32	28,545	(590)

The notes on pages 20 to 46 form part of these financial statements

Statement of Total Recognised Gains and Losses (STRGL) for the year ended 31 July 2011

	Notes	2011 £000	2010 £000
Surplus after depreciation of assets and taxation		15,302	8,498
Net movement on deferred capital grants	19	5,304	15,043
Unrealised appreciation on endowment asset investments	20	541	672
Realised gains on endowment asset investments	20	(109)	-
Endowments received in year	20	468	1,667
Unrealised loss on revaluation of University of Southampton Science Park	21	(2,451)	(598)
Actuarial gain/(loss) on defined benefit pension schemes		11,832	(12,802)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		30,887	12,480
Total funds as per balance sheet:			
At 1 August 2010		299,494	287,014
Total recognised gains		30,887	12,480
At 31 July 2011		330,381	299,494

Notes to the Financial Statements for the year ended 31 July 2011

1. Statement of principal accounting policies

a. Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and investment properties in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP) and applicable accounting standards.

b. Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings.

The consolidated financial statements do not include those of the University of Southampton Students' Union as it is a separate entity over which the University does not exercise control or significant influence over policy decisions.

A 20% minority interest exists in Southampton Asset Management Ltd, a subsidiary company. The value of this minority interest is insignificant and it has therefore not been disclosed within the financial statements.

c. Recognition of income

Government basic and other recurrent grants are included in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from specific donations, research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs.

Income from restricted endowments is credited to the income and expenditure account on a receivable basis. Any excess or shortfall of income compared to expenditure is then transferred to or from the balance sheet before the surplus or deficit for the year is struck.

Income from short-term investments, deposits and general endowment asset investments is accrued up to the balance sheet date.

Major external contracts and rental income are accounted for under the accruals basis. Income from other external contracts, consultancies and services rendered is credited to the income and expenditure account to the extent of amounts invoiced during the year.

The University acts as agent on behalf of the Higher Education Funding Council for England with regard to the disbursement of Access funds. Receipts and payments are therefore not included in the income and expenditure account.

Training and Development Agency for Schools bursaries are administered on behalf of the Funding Council and are therefore not included in the income and expenditure account.

d. Pension schemes

Pensions are provided by means of funded defined benefit schemes and annual contributions are based on actuarial advice. The operating costs of providing retirement benefits to employees are recognised in accounting periods in which the benefits are earned by employees, and the related finance costs and other changes in value of the assets and liabilities are recognised in the period in which they arise.

e. Foreign currencies

Transactions denominated in foreign currencies are recorded in the income and expenditure account at the actual rate of exchange on conversion to sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

f. Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

g. Land and buildings

Capitalised expenditure on land and buildings is included in the balance sheet at historical cost.

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

Depreciation is charged on the following bases:

- (i) Buildings acquired after 1 August 1989 - on a straight line basis over 50 years, with the exception of certain special purpose buildings with shorter useful lives.
- (ii) Buildings acquired before 1 August 1989 - on a straight line basis over 30 years commencing in August 1989.

Land is not depreciated.

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

University of Southampton Science Park, an investment property, is accounted for at market value. It is revalued

Notes to the Financial Statements for the year ended 31 July 2011

annually and any surplus or deficit arising is taken to a revaluation reserve in general funds. No provision is made for depreciation of this property in accordance with SSAP19.

In accordance with SSAP4 and the SORP, grants received from governmental sources and restricted capital funds are held as deferred capital grants and released to the income and expenditure account over the estimated life of the asset.

h. Equipment

Equipment purchased by the University and costing less than £25,000 per individual item or group of related items is written off in the year of acquisition. Equipment costing over £25,000 and all equipment held by the subsidiary undertakings is capitalised.

Equipment capitalised by the University is generally stated at cost and depreciated over three years. Large scale items of equipment and computer infrastructure are depreciated over a period equal to their expected useful economic life. Capitalised furniture and equipment held by subsidiary undertakings is depreciated over periods of between 3 and 10 years.

Depreciation is charged to the income and expenditure account on a straight line basis.

i. Heritage assets

Artefacts held and conserved principally for their contribution to knowledge and culture, obtained since 1 August 2010, with a cost or valuation at the time of acquisition of over £25,000, will be capitalised and held at the lower of cost or net realisable value. Heritage assets will not be depreciated as their long economic lives mean that any depreciation would be immaterial but they will be regularly reviewed for impairment.

Income received to support the purchase of heritage assets will be recognised in the year the assets are acquired.

The University holds a number of heritage assets obtained before 1 August 2010 that are not capitalised as the historical cost or valuation at the time of acquisition cannot be determined in a cost beneficial manner.

j. Gifts in kind

Gifts in kind are included as fixed assets and in other income or deferred capital grants as appropriate using a reasonable estimate of their gross value or the amount actually realised.

k. Investments

Endowment asset investments are included in the balance sheet at market value. Other investments are included at the lower of cost and net realisable value.

l. Stocks

The stocks are centrally held items for cleaning, maintenance and resale, and cochlear implants awaiting issue to patients. They are stated at the lower of cost and net realisable value.

m. Cash flows and liquid resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

n. Maintenance

In line with FRS 12 the University charges long term maintenance costs to the income and expenditure account as they are incurred.

o. 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.

p. Comparatives

Where accounting practice has changed, the prior year comparatives have been revised accordingly.

Where new Financial Reporting Standards have been implemented or notes have been enhanced to provide additional information, comparative figures have been amended accordingly.

q. Taxation

The Institution 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 Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 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 Institution receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

Notes to the Financial Statements for the year ended 31 July 2011

2. Funding Council grants

	2011 £000	2010 £000
Recurrent grants:		
Higher Education Funding Council for England (HEFCE)	103,434	102,324
Training and Development Agency for Schools	2,830	2,569
Specific grants:		
HEFCE	10,017	10,668
Deferred capital grants released in year (note 19)	5,923	5,331
	<u>122,204</u>	<u>120,892</u>

3. Academic fees and support grants

	2011 £000	2010 £000
Full-time home/EU students	66,181	63,019
Full-time international students	46,025	35,608
Part-time home/EU students	2,779	2,746
Part-time international students	353	552
Research training support grants	12,245	10,719
Special and short course fees	3,768	3,478
	<u>131,351</u>	<u>116,122</u>

Included in the above is £20,249,000 (2010: £20,712,000) of NHS Teaching Contract Income in respect of full and part time fees. Other income from health authorities is disclosed under note 5.

4. Research grants and contracts

	2011 £000	2010 £000
Income		
Research councils	43,221	47,441
UK based charities	13,839	13,591
UK Central Government/local authorities/health authorities and hospitals	10,544	11,143
UK public corporations/industry and commerce	7,568	6,883
EU Government	11,364	10,329
EU other sources	2,722	2,778
Other overseas sources	3,295	3,237
Other sources	1,071	921
	<u>93,624</u>	<u>96,323</u>

Notes to the Financial Statements for the year ended 31 July 2011

4. Research grants and contracts (continued)

	2011 £000	2010 £000
Expenditure - direct costs		
Salaries and wages	38,151	41,538
Equipment	2,094	3,949
Depreciation	2,300	2,373
Other costs	20,957	21,399
	<u>63,502</u>	<u>69,259</u>
Contribution to indirect costs	<u>30,122</u>	<u>27,064</u>

5. Other operating income

	2011 £000	2010 £000
Residences, catering and conferences	26,584	26,112
Consultancies, trading and services rendered	34,279	31,886
Health authorities	8,539	7,792
Donations and subventions	1,389	2,152
Deferred capital grants released in year	336	248
Other income	14,227	13,619
	<u>85,354</u>	<u>81,809</u>

6. Endowment income and interest receivable

	2011 £000	2010 £000
Income from permanent endowment asset investments (note 20)	304	197
Income from expendable endowment asset investments (note 20)	55	12
Income from short term deposits and investments	4,048	3,429
	<u>4,407</u>	<u>3,638</u>

Notes to the Financial Statements for the year ended 31 July 2011
7. Staff

	2011 £000	Restated 2010 £000
Staff costs:		
Salaries and wages	177,106	177,904
Social Security costs	14,744	14,711
Other pension costs	34,661	34,805
Severance and early retirement	7,767	978
	<u>234,278</u>	<u>228,398</u>

	2011 Number	2010 Number
Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:		
Education, research and enterprise	2,344	2,306
Management, specialist and administrative	1,677	1,733
Technical and experimental	388	420
Community and operational	459	469
	<u>4,868</u>	<u>4,928</u>

	2011 £000	2010 £000
Emoluments of the current Vice-Chancellor (from Oct 2009)	251	196
Emoluments of the previous Vice-Chancellor (Aug-Sep 2009)	-	48

The emoluments of the Vice-Chancellor are shown excluding employer's pension contributions. The University's pension contributions to Universities Superannuation Scheme Limited (USS) amounted to £52,522 (2010: £42,525) for the current Vice-Chancellor and Nil (2010: £7,092) for the previous Vice-Chancellor.

The Vice-Chancellor donated £500 to the University during the year as a member of the Hartley Circle.

Higher Paid Staff:

Remuneration of higher paid staff, excluding employer's pension contributions, but including NHS distinction awards where appropriate:

	2011 Number	2010 Number
£100,000 - £109,999	20	25
£110,000 - £119,999	9	6
£120,000 - £129,999	5	6
£130,000 - £139,999	13	9
£140,000 - £149,999	3	4
£150,000 - £159,999	5	5
£160,000 - £169,999	2	5
£170,000 - £179,999	3	3

Notes to the Financial Statements for the year ended 31 July 2011

7. Staff (continued)

	2011 Number	2010 Number
£180,000 - £189,999	-	-
£190,000 - £199,999	2	-
£200,000 - £209,999	1	1
£210,000 - £219,999	-	1
£220,000 - £229,999	-	-
£230,000 - £239,999	-	1
£240,000 - £249,999	-	-
£250,000 - £259,999	1	-

Higher paid staff numbers are stated after salary sacrifice deductions.

Compensation for Loss of Office:

Compensation for loss of office in respect of two higher paid employees totalled £169,965 (2010: none).

8. Other operating expenses

	2011 £000	2010 £000
Non capitalised equipment	17,252	18,944
Loss on disposal of equipment	251	-
Gain on disposal of land and buildings	(20)	(468)
Impairment of property value	5	1,777
Consumables and laboratory expenditure	15,382	13,040
Office expenses and professional fees	20,131	20,717
Travel costs	10,816	10,037
Repairs, refurbishment and scheduled maintenance	18,661	21,044
Heat, light, water and power	7,073	8,306
Books and periodicals	4,032	4,258
Bursaries, fellowships, scholarships and prizes	29,929	25,707
External agencies and staff secondments	7,889	6,609
Rents, rates and hire of facilities	5,768	4,437
Catering supplies	2,013	1,906
Conference fees	1,925	1,892
Grant to Students' Union	2,496	2,374
Loss on disposal of current asset investments	37	-
Appreciation of current asset investments valuation below historic cost	(9)	(260)
External auditors' remuneration	62	62
Auditors' remuneration in respect of other services	86	78
Other expenses	7,727	6,951
	<u>151,506</u>	<u>147,411</u>

Payments to members of the Council

Lay members and non University staff officers of the Council were reimbursed for expenses totalling £1,720 (2010: £1,598) during the year. No payments were made to members of the Council for serving as Council members.

Notes to the Financial Statements for the year ended 31 July 2011

9. Interest payable

	2011 £000	2010 £000
Loans not wholly repayable within five years	5,186	5,902
Loans wholly repayable within five years	943	707
Net finance cost of defined benefit pension schemes	2,677	2,593
	<u>8,806</u>	<u>9,202</u>

10. Analysis of 2011 expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	2011 Total £000	2010 Total £000
Academic departments	121,965	10,082	24,275	-	156,322	154,034
Academic services	15,199	2,041	13,982	-	31,222	30,663
Research grants and contracts (note 4)	38,151	2,300	23,051	-	63,502	69,259
Residences, catering and conferences	4,543	1,494	11,691	2,805	20,533	20,703
Premises	9,667	10,836	22,665	-	43,168	44,433
Administration and central services	21,784	128	36,983	-	58,895	52,516
Consultancies, trading and services rendered	14,428	158	17,277	376	32,239	28,933
Other activities	8,541	9	1,582	5,625	15,757	9,745
	<u>234,278</u>	<u>27,048</u>	<u>151,506</u>	<u>8,806</u>	<u>421,638</u>	<u>410,286</u>

The depreciation charge has been funded by:

Deferred capital grants released	6,925
General income	<u>20,123</u>
	<u>27,048</u>

Notes to the Financial Statements for the year ended 31 July 2011
11. Tangible assets
Consolidated

	Land and buildings Completed freehold £000	Land and buildings Completed leasehold £000	Assets in course of construction £000	Investment properties £000	Furniture fittings and equipment £000	Total £000
Cost or valuation						
At 1 August 2010	309,519	68,752	69,078	26,541	87,343	561,233
Additions at cost	2,858	41	14,147	619	5,820	23,485
Transfers at cost	47,350	-	(56,037)	2,146	6,541	-
Revaluation	-	-	-	(2,451)	-	(2,451)
Disposals at cost	-	(3)	-	-	(7,738)	(7,741)
Assets written down at cost	(102)	(35)	(651)	-	-	(788)
At 31 July 2011	359,625	68,755	26,537	26,855	91,966	573,738
Depreciation						
At 1 August 2010	(66,913)	(19,378)	-	(104)	(67,138)	(153,533)
Charge for year	(9,367)	(3,492)	-	(2)	(14,187)	(27,048)
Eliminated on disposal	-	3	-	-	6,637	6,640
Eliminated on assets written down at cost	67	34	-	-	-	101
At 31 July 2011	(76,213)	(22,833)	-	(106)	(74,688)	(173,840)
Net book value						
At 31 July 2011	283,412	45,922	26,537	26,749	17,278	399,898
At 1 August 2010	242,606	49,374	69,078	26,437	20,205	407,700

Notes to the Financial Statements for the year ended 31 July 2011

11. Tangible assets (continued)

University	Land and buildings		Assets in	Equipment	Total
	Completed freehold	Completed leasehold	course of construction		
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2010	309,519	68,749	67,056	86,857	532,181
Additions at cost	2,858	41	13,473	5,786	22,158
Transfers at cost	47,350	-	(53,891)	6,541	-
Revaluation	-	-	-	-	-
Disposals at cost	-	-	-	(7,699)	(7,699)
Assets written down at cost	(102)	(35)	(651)	-	(788)
At 31 July 2011	359,625	68,755	25,987	91,485	545,852
Depreciation					
At 1 August 2010	(66,913)	(19,375)	-	(66,748)	(153,036)
Charge for year	(9,367)	(3,492)	-	(14,140)	(26,999)
Eliminated on disposal	-	-	-	6,625	6,625
Eliminated on assets written down at cost	67	34	-	-	101
At 31 July 2011	(76,213)	(22,833)	-	(74,263)	(173,309)
Net book value					
At 31 July 2011	283,412	45,922	25,987	17,222	372,543
At 1 August 2010	242,606	49,374	67,056	20,109	379,145

At 31 July 2011, completed freehold land and buildings included £5,472,000 (2010: £5,467,000) in respect of land, which is not depreciated.

Included in the balances for leasehold land and buildings is expenditure of £28,000,262 funded by HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership, and £12,700,000 for the National Oceanography Centre, Southampton, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.

The investment property, University of Southampton Science Park, has been valued as at 31 July 2011 by Vail Williams LLP. In accordance with SSAP 19, revaluations are conducted annually by an external valuer in accordance with the Practice Statements in the RICS Appraisal and Valuation manual. The property has been valued on the basis of net present value of guaranteed future rental income from existing leases. The market value of the science park decreased by £2,451,000 during the year. The historical cost of these assets at 31 July 2011, net of assistance grants, amounted to £19,259,000 (2010: £16,295,000).

In addition to the above expenditure on tangible assets a further £219,897,000 has been committed by the University and its subsidiary undertakings (note 25).

Heritage assets

The University holds and conserves a significant number of rare books and manuscripts within the Special Collections Division of the Hartley Library. This includes over 6 million items in approximately 2,500 collections that have been obtained by the University and its predecessors since the 1860s. The collections have not been capitalised as the cost or valuation at the time of acquisition cannot be economically determined. Further information including access details can be found on the Special Collections website via <http://www.southampton.ac.uk/archives>.

Notes to the Financial Statements for the year ended 31 July 2011
12. Fixed asset investments

	Consolidated £000	University £000
Cost		
At 1 August 2010	2,038	1,457
Additions	1	51
At 31 July 2011	<u>2,039</u>	<u>1,508</u>
Impairment		
At 1 August 2010	(306)	-
Charge in year	(1)	-
At 31 July 2011	<u>(307)</u>	<u>-</u>
Net Book Value		
At 31 July 2011	<u>1,732</u>	<u>1,508</u>
At 1 August 2010	<u>1,732</u>	<u>1,457</u>
Investments comprise:		
Investment in subsidiary undertakings at valuation/cost	-	214
Other investments	1,732	1,294
	<u>1,732</u>	<u>1,508</u>

As at the balance sheet date, the University had invested £1,000,000 in the Wyvern Seed Fund Limited Partnership (Wyvern). The University is a limited liability partner in Wyvern, which offers venture capital to spin-out companies originating at the Universities of Bristol and Southampton.

Additional information on shareholdings where the University or its subsidiaries exercise control or significant influence or where shares are listed and the University maintains a holding above 10% :

	Percentage holding	Nature of activity
Held by the University		
Chilworth Conservation Limited	33.33	Conservation area management
IT Innovation Limited	100.00	Dormant
IT Innovation Centre Limited	100.00	Dormant
Marinetech South Limited	21.43	Research innovation
Photonic Innovations Limited	50.00	Investment company
USMC Sdn Bhd (Malaysia)	100.00	Education
Southampton University Services Limited	50.00*	Dormant
University of Southampton Holdings Limited (USH Limited)	100.00	Holding company

Notes to the Financial Statements for the year ended 31 July 2011
12. Fixed asset investments (continued)

	Percentage holding	Nature of activity
Investments held by USH Limited		
ECS Partners Limited	100.00	Consultancy
Nosin Limited	100.00	Dormant
Manor Centre Limited	100.00	Dormant
Solent Synergy Limited	50.00*	Consultancy
Southampton Asset Management Limited	80.00	Investment company
Southampton Innovations Limited (SI Limited)	100.00	Investment company
Southampton University Services Limited	50.00*	Dormant
The University of Southampton Consulting Limited	100.00	Consultancy
The University of Southampton Science Park Limited (UoSSPL Limited)	100.00	Science park management
Investments held by SI Limited		
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Investments held by UoSSPL Limited		
Chilworth Conservation Limited	33.33	Conservation area management

* Company limited by guarantee, maximum liability £1.

13. Endowment asset investments

	Consolidated and University	
	2011	2010
	£000	£000
Balance at 1 August	8,665	6,249
Additions to stocks, equities and managed funds	703	1,389
Disposal of stocks, equities and managed funds	(89)	-
Increase in market value of investments	541	672
Increase in endowment fund cash balances	13	355
Balance at 31 July	9,833	8,665
Represented by:		
Equities	104	78
Unit trusts and managed funds	8,194	7,066
Total stocks, equities and managed funds at market value*	8,298	7,144
Short term deposits	1,535	1,521
Total	9,833	8,665
*Total stocks, equities and managed funds at cost	7,321	6,708

Notes to the Financial Statements for the year ended 31 July 2011
14. Long term debtors and prepayments

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Grants from HEFCE	-	727	-	727
Prepayments	457	478	457	478
Amounts owed by subsidiary undertakings	-	-	14,294	13,335
	<u>457</u>	<u>1,205</u>	<u>14,751</u>	<u>14,540</u>

15. Current assets

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Stock	820	621	820	621
Debtors and prepayments:				
Grants from HEFCE	2,064	948	2,064	948
Student debtors	544	674	544	674
Research grants and contracts	27,220	26,110	27,220	26,110
Amounts due from group undertakings	-	-	2,163	1,808
Prepayments to group undertakings	-	-	77	91
Other prepayments	4,101	3,624	3,828	3,488
Trade and other debtors	12,271	12,069	10,879	11,115
	<u>46,200</u>	<u>43,425</u>	<u>46,775</u>	<u>44,234</u>
Investments	109,959	98,101	109,959	98,101
Cash at bank and on deposit (redeemable within 24 hours)	35,649	22,498	33,885	20,705
	<u>192,628</u>	<u>164,645</u>	<u>191,439</u>	<u>163,661</u>

Investments are represented by:

	2011	2010
	£000	£000
Quoted shares and securities *	9,400	8,782
Cash at bank and on deposit (not redeemable within 24 hours)	100,559	89,319
	<u>109,959</u>	<u>98,101</u>
* Market value of quoted shares and securities (held at lower of cost and net realisable value above)	<u>10,889</u>	<u>9,564</u>

Notes to the Financial Statements for the year ended 31 July 2011

16. Creditors : amounts falling due within one year

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank loans	7,667	7,093	7,121	6,616
Advance income on research	34,100	33,252	34,100	33,252
Social Security and other taxation	8,983	8,466	8,983	8,459
Amounts owed to group undertakings	-	-	81	721
Trade and other creditors	18,678	15,571	17,909	14,994
Accruals and deferred income	43,224	45,112	42,306	44,313
	112,652	109,494	110,500	108,355

17. Creditors : amounts falling due after more than one year

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank loans	107,766	114,096	98,738	105,487
Other loans	1,630	-	1,630	-
Accruals and deferred income	3,281	3,131	1,577	1,429
	112,677	117,227	101,945	106,916

Loans are repayable as follows:

	Consolidated		University	
	2011	2010	2011	2010
	£000	£000	£000	£000
Bank loans:				
Between one and two years	7,809	7,421	7,218	6,907
Between two and five years	19,994	21,004	17,967	19,300
Over five years	79,963	85,671	73,553	79,280
	107,766	114,096	98,738	105,487
Other loans:				
Between two and five years	1,630	-	1,630	-
	1,630	-	1,630	-

Notes to the Financial Statements for the year ended 31 July 2011
17. Creditors : amounts falling due after more than one year (continued)

Additional information on bank loans repayable after more than one year:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance	Balance
				outstanding 2011 £000	outstanding 2010 £000
University:					
HSBC	1993	2018	fixed	3,941	4,460
HSBC	1995	2015	fixed	346	544
National Westminster Bank	1996	2016	fixed	3,873	4,558
National Australia Bank	1997	2020	fixed	6,626	7,591
National Westminster Bank	1999	2019	fixed	3,247	3,577
Barclays Bank	1999	2020	fixed	2,269	2,544
Barclays Bank	2004	2015	fixed	2,430	3,393
Barclays Bank	2005	2015	fixed	3,257	4,343
Barclays Bank	2006	2026	fixed	9,887	10,241
Barclays Bank	2006	2036	fixed	11,721	12,205
Barclays Bank	2007	2047	fixed	50,000	50,000
Barclays Bank	2008	2013	fixed	1,141	2,031
				98,738	105,487
Subsidiaries:					
Santander	2007	2023	fixed	9,028	8,609
				107,766	114,096

Loans are secured against specific assets and/or the general covenant of the University.
The University does not guarantee the borrowings of any subsidiary undertaking.

18. Provisions for liabilities and charges

	Consolidated			University	
	Maintenance				
	Fund	Pensions	Total	Pensions	Total
	£000	£000	£000	£000	£000
At 1 August 2010	529	52	581	52	52
Utilised during year	(332)	(42)	(374)	(42)	(42)
Transfer from Income and Expenditure account	408	-	408	-	-
At 31 July 2011	605	10	615	10	10

Notes to the Financial Statements for the year ended 31 July 2011

18. Provisions for liabilities and charges (continued)

The maintenance fund (into which payments are made from landlord and tenants) provides funding for future maintenance of buildings, roadways and other common areas at Southampton Science Park, and includes payments from tenants who have since left the Science Park. The fund is held by University of Southampton Science Park Limited.

The pension provision relates to payments due to be made to former employees of La Sainte Union following the takeover of the College in 1997. This provision will have been utilised within the next year.

19. Deferred capital grants

	Consolidated and University		
	Funding Council £000	Other grants £000	Total £000
At 1 August 2010			
Buildings	134,081	20,500	154,581
Equipment	28	-	28
Total	<u>134,109</u>	<u>20,500</u>	<u>154,609</u>
Additions			
Buildings	12,042	187	12,229
Equipment	-	-	-
Total	<u>12,042</u>	<u>187</u>	<u>12,229</u>
Transfer to Income and Expenditure account			
Buildings	(5,895)	(1,002)	(6,897)
Equipment	(28)	-	(28)
Total	<u>(5,923)</u>	<u>(1,002)</u>	<u>(6,925)</u>
At 31 July 2011			
Buildings	140,228	19,685	159,913
Equipment	-	-	-
Total	<u>140,228</u>	<u>19,685</u>	<u>159,913</u>

Notes to the Financial Statements for the year ended 31 July 2011
20. Endowments

	Consolidated and University				2011 Total £000	2010 Total £000
	Restricted Permanent £000	Unrestricted Permanent £000	Total Permanent £000	Restricted Expendable £000		
At 1 August						
Capital	4,770	2,176	6,946	907	7,853	5,289
Accumulated income	804	(1)	803	9	812	960
	<u>5,574</u>	<u>2,175</u>	<u>7,749</u>	<u>916</u>	<u>8,665</u>	<u>6,249</u>
Additions	3	2	5	463	468	1,667
Disposals	(100)	-	(100)	(9)	(109)	-
Appropriations from Income and Expenditure reserves	-	87	87	-	87	55
Investment income	217	87	304	55	359	209
Expenditure	(76)	(88)	(164)	(14)	(178)	(187)
	141	(1)	140	41	181	22
Increase/(decrease) in market value of investments	584	(110)	474	67	541	672
At 31 July	<u>6,202</u>	<u>2,153</u>	<u>8,355</u>	<u>1,478</u>	<u>9,833</u>	<u>8,665</u>
At 31 July						
Capital	5,295	2,069	7,364	1,427	8,791	7,853
Accumulated income	907	84	991	51	1,042	812
	<u>6,202</u>	<u>2,153</u>	<u>8,355</u>	<u>1,478</u>	<u>9,833</u>	<u>8,665</u>

Notes to the Financial Statements for the year ended 31 July 2011

21. Revaluation reserve

	Consolidated	
	2011 £000	2010 £000
At 1 August	8,486	9,084
Decrease in year of University of Southampton Science Park valuation	(2,451)	(598)
At 31 July	<u>6,035</u>	<u>8,486</u>

22. Reconciliation of Income and Expenditure reserves

	Consolidated £000	University £000
Balance at 1 August 2010	184,885	188,871
Surplus for the year	15,121	16,185
Add back pension deficit	2,904	2,904
Transfer to endowments (note 20)	(87)	(87)
Balance at 31 July 2011	<u>202,823</u>	<u>207,873</u>
Attributable to:		
University departments	44,063	44,063
Central reserves	158,760	163,810
	<u>202,823</u>	<u>207,873</u>

The above reserves have arisen from accumulated annual surpluses. A total of £133,744,000 (2010: £139,184,000) from within these sums has been applied to finance capital developments within the University.

23. Liability insurance

The University of Southampton has effected insurance cover in respect of liability for all members and officers who participate in the management of the University and its subsidiary undertakings.

24. Related party transactions

Due to the nature of the University's operations and the composition of the University Council, being drawn from commerce, industry and the public sector, it is inevitable that transactions will take place with organisations in which a member of Council has an interest. All such transactions are conducted at arms length and in accordance with the University's Financial Regulations and Standing Orders on contracts.

A Register of Interests is maintained for members of the University Council and associated committees. Members may not be present at any discussion in which they have a direct or indirect financial interest.

Notes to the Financial Statements for the year ended 31 July 2011

Written declarations have been obtained from all members of Council, senior officers of the University and directors of fully owned subsidiary companies, either listing transactions during the year ended 31 July 2011 between the University and third parties in which they or close family members held a position of influence, or stating that there were no relevant transactions during the period.

The declarations have been reviewed by the Director of Finance. There was one related party transaction during the year ended 31 July 2011 significant enough to warrant disclosure in the Financial Statements.

Mr John Trewby, a lay member of Council, is also chair of the University Hospital Southampton NHS Foundation Trust Board. The University has a strong partnership with the Trust; most of the Faculty of Medicine's accommodation is on the Trust's Southampton General Hospital site, and the link with clinical services in the NHS is critical for the delivery of the Faculty's education, research and enterprise strategies.

In accordance with the exemptions contained within Financial Reporting Standard 8, no disclosure has been made for transactions between the University and fully owned group undertakings. Transactions between the University and spin-out companies in which minority shareholdings are held have not been disclosed as the University does not control or exercise any significant influence over the financial and operating policies of the companies.

25. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2011:

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Commitments contracted for	16,473	14,986	16,328	14,530
Authorised but not contracted for	203,424	43,520	203,417	43,520
	219,897	58,506	219,745	58,050

In March 2011, University Council approved a capital programme for the period 2011-2015 with projects totalling an estimated cost of £170 million. The 2011 totals also include authorised and committed spend on conclusion of the previous capital programme.

26. Lease obligations

At 31 July 2011 the University was committed to making the following payments under non-cancellable operating leases in the next financial year:

	2011			2010		
	2-5 years £000	over 5 years £000	Total £000	2-5 years £000	over 5 years £000	Total £000
Land and Buildings	417	364	781	92	1,148	1,240
Equipment	1,878	-	1,878	719	-	719
	2,295	364	2,659	811	1,148	1,959

Notes to the Financial Statements for the year ended 31 July 2011

27. University pension schemes

The University has fully adopted the disclosure rules of FRS 17 'Retirement Benefits'. The notes that follow show the detailed valuations required by the standard. However, pension fund liabilities can be valued in a number of other ways, and the University will continue to support the schemes based on the principles of on-going operations, as advised by the scheme trustees and actuaries.

The University is a member of four defined benefit schemes, Universities Superannuation Scheme (USS); Teachers Pension Scheme (TPS); National Health Pension Scheme (NHPS) and Hampshire County Council (HCC). These schemes are externally funded and contracted out of the State Earnings-Related Pension Scheme. The number of members of each scheme employed by the University as at 31 July 2011 was USS 3,068; TPS 17; NHPS 101 and HCC 10.

The assets of USS are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. It is not possible to identify each institutions' share of the underlying assets and liabilities of the USS, NHPS and TPS schemes and contributions to these schemes are accounted for as if they were defined contribution schemes. As a result the costs charged to the income and expenditure account represent the contributions payable to the schemes for the year.

HCC has been able to apportion a percentage of its funds assets and liabilities relating to the University and therefore the scheme has been treated as a defined benefit scheme in the accounts. The requirements of FRS 17 for the year ending 31 July 2011 are shown below.

In addition the University contributes to a self-administered pension and assurance scheme for non-academic staff (PASNAS). The scheme is a defined benefit scheme, funded by contributions made in accordance with the recommendations of the scheme's actuaries. As at 31 July 2011 a total of 1,394 University employees were members of PASNAS.

Employer pension contributions for USS and PASNAS within this note are shown on the basis of the scheme contribution rate before any additional contributions under a salary sacrifice scheme.

Employer contributions in 2011/12 are expected to be:

	Rate %	£'000
USS	16.0	20,282
PASNAS	16.5	4,486
TPS	14.1	111
NHPS	14.0	799
HCC	15.5	70

HCC contributions include a fixed fee of £18,000 which is payable over and above the salary based rate of 15.5%.

The actuaries' recommendations for contributions to USS and PASNAS are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. Pension costs, which have been calculated using the projected unit method, are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average working lifetime of members of the schemes, after making suitable allowances for future withdrawals. The latest valuations of the schemes assets and liabilities for which results are available are:

Notes to the Financial Statements for the year ended 31 July 2011

	USS	PASNAS	HCC
Date of valuation	31 March 2008	1 August 2009	31 March 2010
Market valuation of assets	£28,842 million	£92 million	£3,238 million
Past service liabilities	£40,619 million	£130 million	£4,494 million
Deficit of assets	(£11,777) million	(£38) million	(£1,256) million

The USS and HCC valuations reflect the total assets and liabilities of the schemes, not just the element attributable to the University.

USS

At the March 2008 valuation date the assets were sufficient to cover 71% of the benefits which had accrued to members after allowing for expected future increases in earnings. The employers' contribution rate increased from 14% to 16% of members' pensionable salaries from 1 October 2009.

Under the scheme funding regulations, the assets of the scheme at the valuation date were 103% of the scheme's technical provisions. In accordance with the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 107% funded.

The total pension cost due for the University was £20,141,000 (2010: £19,826,000) which includes £1,676,000 (2010: £1,654,000) of contributions outstanding at the Balance Sheet date, payable in August 2011.

NHPS/TPS

The total pension costs due for the University and contributions outstanding at the Balance Sheet date were:

	Pension cost		Outstanding at 31 July	
	2011	2010	2011	2010
	£000	£000	£000	£000
NHPS	790	760	67	65
TPS	113	122	9	10

Federated Superannuation Scheme for Universities (FSSU)

The University maintains records for former members of FSSU, which is a closed scheme, based on fixed pensions. These pensions are supplemented by the University on an ex gratia basis from general income approximately in line with increases of other pensions which have an annual inflation element built in. During the year a total of £8,000 (2010: £27,000) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

Notes to the Financial Statements for the year ended 31 July 2011

PASNAS

The last full valuation on 1 August 2009 indicated that the scheme's assets represented 71% of the technical provisions.

The principal actuarial assumptions used at the Balance Sheet dates are:

	31 July 2011	31 July 2010
Increase in salaries	3.75% pa until 2014 then 5.00% pa	3.20% pa until 2014 then 4.45% pa
Increase in pensions	3.00% pa	3.20% pa
Discount rate	5.65% pa	5.40% pa
Inflation (RPI)	3.75% pa	3.20% pa
Inflation (CPI)	3.00% pa	n/a
Mortality	SAPS with medium cohort projection and 1% minimum improvement pa	SAPS with medium cohort projection and 1% minimum improvement pa

With effect from 2011, increases in payment and deferred pensions are linked to annual increases in the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The change to CPI indexation has led to a gain of £16,100,000 which has been recognised together with experience gains and other changes in assumptions in the Statement of Total Recognised Gains and Losses in 2011.

The fair value and expected rate of return of assets held on behalf of PASNAS comprise:

	Long term rate of return expected at July 2011	Value 31 July 2011 £000	Long term rate of return expected at July 2010	Value 31 July 2010 £000	Long term rate of return expected at July 2009	Value 31 July 2009 £000
Gilts	4.5%	16,311	4.0%	29,874	4.3%	25,671
Bonds	5.6%	10,486	5.4%	11,853	6.0%	10,195
Equities	7.2%	57,090	6.7%	57,995	7.0%	49,076
Target return funds	4.8%	25,632	n/a	-	n/a	-
Property	7.2%	5,825	6.7%	5,335	7.0%	4,701
Cash deposits	4.0%	1,165	4.2%	997	4.4%	2,064
Total		116,509		106,054		91,707

Analysis of the amount shown in the balance sheet

Fair value of scheme assets	116,509	106,054
Present value of liabilities	(162,912)	(160,825)
Net liability on balance sheet	(46,403)	(54,771)

Notes to the Financial Statements for the year ended 31 July 2011

	2011 £000	2010 £000
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(4,987)	(4,602)
Past service cost	-	(9)
Total operating charge	<u>(4,987)</u>	<u>(4,611)</u>
Analysis of the amount charged to interest payable within operating surplus		
Expected return on scheme assets	6,086	5,525
Interest on scheme liabilities	(8,683)	(7,978)
Net finance cost	<u>(2,597)</u>	<u>(2,453)</u>
Analysis of amount recognised in the STRGL		
Experience gain on assets	5,000	10,182
Experience gain/(loss) on liabilities	1,365	(352)
Changes in assumptions underlying the present value of the scheme liabilities	5,187	(23,042)
Actuarial gain/(loss) recognised in the STRGL	<u>11,552</u>	<u>(13,212)</u>
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(54,771)	(38,579)
Movement in the year:		
Current service cost	(4,987)	(4,602)
Past service cost	-	(9)
Contributions	4,400	4,084
Net finance cost	(2,597)	(2,453)
Actuarial gain/(loss) in the STRGL	11,552	(13,212)
Deficit in scheme at end of year	<u>(46,403)</u>	<u>(54,771)</u>
Analysis of movement in fair value of fund assets		
Assets at beginning of year	106,054	91,707
Employer contributions	4,400	4,084
Employee contributions	1,752	1,747
Benefits paid	(6,783)	(7,191)
Expected return on scheme assets	6,086	5,525
Actuarial experience gain on assets	5,000	10,182
Assets at end of year	<u>116,509</u>	<u>106,054</u>
Analysis of movement in present value of liabilities		
Liabilities at beginning of year	(160,825)	(130,286)
Current service cost	(4,987)	(4,602)
Past service cost	-	(9)
Interest on scheme liabilities	(8,683)	(7,978)
Employee contributions	(1,752)	(1,747)
Benefits paid	6,783	7,191
Actuarial experience gain/(loss) on liabilities	1,365	(352)
Changes in assumptions underlying the present value of the scheme liabilities	5,187	(23,042)
Liabilities at end of year	<u>(162,912)</u>	<u>(160,825)</u>

Notes to the Financial Statements for the year ended 31 July 2011

	2011	2011	2010	2010	2009	2009	2008	2008	2007	2007
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
History of experience gains and losses										
Experience gains/(losses) on assets		5,000	10,182		(12,089)		(8,434)		3,522	
Percentage of scheme assets	4.3%		9.6%		13.2%		8.7%		3.6%	
Experience gains/(losses) on liabilities		1,365	(352)		(215)		335		1,669	
Percentage of scheme liabilities	0.8%		0.2%		0.2%		0.3%		1.3%	
Total amount recognised in STRGL		11,552	(13,212)		(13,132)		4,974		8,502	
Percentage of scheme liabilities	7.1%		8.2%		10.1%		4.2%		6.9%	

HCC

The main financial assumptions used at the Balance Sheet dates are:

	31 July 2011	31 July 2010
Increase in salaries	5.2% pa	4.9% pa
Increase in pensions	2.8% pa	2.7% pa
Discount rate	5.3% pa	5.3% pa
RPI inflation	3.7% pa	3.4% pa
CPI inflation	2.8% pa	2.7% pa

With effect from 1 April 2011, increases in payment and deferred pensions are linked to annual increases in CPI rather than RPI. The change to CPI indexation led to a gain of £540,000 which was recognised in the Statement of Total Recognised Gains and Losses in 2010.

The current mortality assumptions include sufficient allowance for future improvements in mortality rates and are further adjusted to reflect the actual mortality experience of the Fund. The assumed life expectations in years on retirement at age 65 are:

	Retiring today	Retiring in 20 years
Male	23.8	25.6
Female	24.8	26.7

The fair value and expected rate of return of assets, calculated in proportion to the entire fund comprise:

	Long term rate of return expected at July 2011	Value 31 July 2011 £000	Long term rate of return expected at July 2010	Value 31 July 2010 £000	Long term rate of return expected at July 2009	Value 31 July 2009 £000
Equities	7.9%	2,275	8.2%	2,117	8.0%	1,911
Government bonds	3.9%	288	4.2%	858	4.5%	822
Property	7.4%	868	7.7%	231	7.0%	176
Corporate bonds	4.7%	65	4.9%	84	5.9%	77
Other	1.5%	104	1.4%	210	0.9%	214
Total		3,600		3,500		3,200

Notes to the Financial Statements for the year ended 31 July 2011

	2011 £000	2010 £000
Analysis of the amount shown in the balance sheet		
Fair value of scheme assets	3,600	3,500
Present value of liabilities	(5,420)	(5,880)
Net liability on balance sheet	<u>(1,820)</u>	<u>(2,380)</u>
Analysis of the amount charged to staff costs within operating surplus		
Current service cost	(70)	(100)
Past service adjustment	360	-
Total operating gain/(loss)	<u>290</u>	<u>(100)</u>
Analysis of the amount charged to interest payable within operating surplus		
Expected return on scheme assets	230	200
Interest on scheme liabilities	(310)	(340)
Net finance cost	<u>(80)</u>	<u>(140)</u>
Analysis of amount recognised in the STRGL		
Experience gains on assets	810	280
Experience (losses)/gains on liabilities	(380)	60
Changes in assumptions underlying the present value of the Scheme liabilities	(150)	70
Actuarial gain recognised in the STRGL	<u>280</u>	<u>410</u>
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(2,380)	(2,630)
Movement in the year:		
Current service cost	(70)	(100)
Past service adjustment	360	-
Employer contributions	70	80
Net finance cost	(80)	(140)
Actuarial gain in STRGL	280	410
Deficit in scheme at end of year	<u>(1,820)</u>	<u>(2,380)</u>
Analysis of movement in fair value of fund assets		
Assets at beginning of year	3,500	3,200
Past service adjustment	(870)	-
Employer contributions	70	80
Employee contributions	30	30
Benefits paid	(170)	(290)
Expected return on scheme assets	230	200
Actuarial experience gains on assets	810	280
Assets at end of year	<u>3,600</u>	<u>3,500</u>
Analysis of movement in present value of liabilities		
Liabilities at beginning of year	(5,880)	(5,830)
Current service cost	(70)	(100)
Past service adjustment	1,230	-
Interest on scheme liabilities	(310)	(340)
Employee contributions	(30)	(30)
Benefits paid	170	290
Actuarial experience (losses)/gains on liabilities	(380)	60
Changes in assumptions underlying the present value of the scheme liabilities	(150)	70
Liabilities at end of year	<u>(5,420)</u>	<u>(5,880)</u>

Notes to the Financial Statements for the year ended 31 July 2011

	2011	2011	2010	2010	2009	2009	2008	2008	2007	2007
	£000		£000		£000		£000		£000	
History of experience gains and losses										
Experience gains/(losses) on assets		810		280		(580)		(270)		70
Percentage of scheme assets	22.5%		8.0%		18.1%		6.8%		1.7%	
Experience (losses)/gains on liabilities		(380)		60		(20)		(60)		(10)
Percentage of scheme liabilities	7.0%		1.0%		0.3%		1.1%		0.2%	
Total amount recognised in STRGL		280		410		(1,010)		(140)		290
Percentage of scheme liabilities	5.2%		7.0%		17.3%		2.5%		5.4%	

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

	2011	2010
	£000	£000
Surplus after depreciation of assets and exceptional items	15,302	8,498
Depreciation	27,048	25,275
Loss on disposal of tangible fixed assets	942	4,206
Write down of fixed asset investments	1	-
Deferred capital grants released to income	(6,925)	(6,245)
Current service cost of defined benefit pension schemes	227	547
Exchange rate loss/(gain) on loans	627	(208)
Investment income	(4,407)	(3,638)
Interest payable	8,806	9,202
Appreciation of current asset investments valuation below historic cost	(9)	(260)
Increase in stock	(199)	(97)
Increase in debtors	(31)	(2,233)
Increase in creditors and accruals	4,592	956
Increase/(decrease) in provisions	34	(292)
Net cash inflow from operating activities	<u>46,008</u>	<u>35,711</u>

29. Returns on investments and servicing of finance

	2011	2010
	£000	£000
Income from endowments	359	209
Income from short term deposits and investments	3,479	3,483
Other interest received	3	3
Interest paid	(6,193)	(6,642)
	<u>(2,352)</u>	<u>(2,947)</u>

Notes to the Financial Statements for the year ended 31 July 2011
30. Capital investment and financial investment

	2011 £000	2010 £000
Tangible assets acquired	(25,279)	(54,962)
Fixed asset investments acquired	(1)	-
Endowment asset investments acquired (note 13)	(627)	(1,744)
	<hr/>	<hr/>
Total fixed and endowment asset investments acquired	(25,907)	(56,706)
Receipts from sales of tangible assets	846	531
Deferred capital grants received	10,799	21,663
Deferred capital grant disposals	-	(375)
Endowments received (note 20)	359	1,667
	<hr/>	<hr/>
	(13,903)	(33,220)

31. Analysis of changes in consolidated financing during the year

	2011 £000	2011 £000	2010 £000	2010 £000
Balance at 1 August		121,189		127,780
New loans and increased debt	1,630		-	
Exchange rate loss/(gain) on loans	627		(208)	
Capital repayments	(6,383)		(6,383)	
		<hr/>		<hr/>
		(4,126)		(6,591)
		<hr/>		<hr/>
Balance at 31 July		117,063		121,189

32. Analysis of changes in net (debt)/cash

	At 1 August 2010 £000	Cash flows £000	Other non cash changes £000	At 31 July 2011 £000
Cash at bank and in hand	22,498	13,151	-	35,649
Short term deposits	98,101	11,849	9	109,959
Debt due within one year	(7,093)	6,383	(6,957)	(7,667)
Debt due after one year	(114,096)	(1,630)	6,330	(109,396)
	<hr/>	<hr/>	<hr/>	<hr/>
	(590)	29,753	(618)	28,545

Notes to the Financial Statements for the year ended 31 July 2011
33. Access funds

	Consolidated and University	
	2011 £000	2010 £000
Balance at 1 August	67	(33)
Net HEFCE grant	299	405
	366	372
Disbursed to students	(301)	(305)
Balance at 31 July	65	67

The receipts and disbursements above are excluded from the income and expenditure account as the funds are administered by the University on an agency basis on behalf of HEFCE.

34. Training and Development Agency for Schools (TDA) bursaries

	Consolidated and University				At 31 July 2011 £000
	At 1 August 2010 £000	Income received £000	Disbursements £000	Returned to TDA £000	
Initial Teacher Training bursaries	108	2,633	(2,338)	(108)	295
	108	2,633	(2,338)	(108)	295

The receipts and disbursements above are excluded from the income and expenditure account as the funds are administered by the University on an agency basis on behalf of the TDA.

35. Linked charities

	Consolidated and University				At 31 July 2011 £000
	At 1 August 2010 £000	Income £000	Expenditure £000	Change in market value £000	
Miss Betty Evelyn Veal Will Trust	58	2	-	-	60
The Southampton University Development Trust	1,947	75	(115)	74	1,981
The Spitfire Mitchell Memorial Fund	216	2	(3)	-	215
	2,221	79	(118)	74	2,256

The Miss Betty Evelyn Veal Will Trust provides financial support for postgraduate students with physical disabilities studying at the University.

The Spitfire Mitchell Memorial Fund provides scholarships at the University with an emphasis on aeronautics and engineering. The Southampton University Development Trust was formed in 1986 to raise funds for various University projects. Since November 2009 all donations have been received directly by the University but the Trust continues to process existing standing order arrangements and legacy gifts that are specifically directed to the Trust. The funds shown above are not included within the University balance sheet or income and expenditure account.

University of Southampton and Subsidiary Undertakings

Financial Statistics

Financial Indicators	2011	2010	2009	2008	2007
Key financial metrics					
Historical cost surplus as % of total income	3.5%	2.0%	10.3%	7.9%	1.4%
Net liquidity/ (total expenditure - depreciation) (days)	135	114	126	95	47
External borrowing as % of total income	26.8%	28.9%	32.4%	34.5%	25.4%
Discretionary reserves (excl. pension liability) as % of total income	46.8%	44.4%	44.0%	34.9%	30.4%
Net cash inflow from operating activities as % of total income	10.5%	8.5%	19.7%	16.8%	5.1%
Staff costs as % of total income	53.6%	54.5%	57.6%	56.4%	59.8%
Long term liabilities as % of income and expenditure reserves	55.6%	63.4%	71.3%	97.6%	82.4%
Net (cash)/debt as % of total income	(6.5)%	0.1%	0.2%	10.1%	12.9%
Current assets / Current liabilities	1.71:1	1.50:1	1.50:1	1.41:1	0.99:1
Source of income					
Funding Council grants	28.1%	28.9%	29.9%	33.4%	34.3%
Home/EU fees and support grants	19.4%	19.1%	18.2%	17.1%	16.5%
International fees	10.6%	8.6%	8.0%	6.7%	6.8%
Research grants and contracts	21.4%	23.0%	22.4%	22.6%	22.7%
Other operating income	19.5%	19.5%	20.2%	18.6%	18.5%
Endowment income and interest receivable	1.0%	0.9%	1.3%	1.6%	1.2%
	100.0%	100.0%	100.0%	100.0%	100.0%

Financial Statistics

Income from sponsored research for the year ended 31 July 2011

From Research Councils	£000
Arts and Humanities Research Council	1,258
Biotechnology and Biological Sciences Research Council	2,004
British Academy	238
Economic and Social Research Council	4,032
Engineering and Physical Sciences Research Council	25,422
Medical Research Council	3,332
Natural Environment Research Council	4,316
Royal Society	1,046
Science and Technology Facilities Council	1,573
Total Research Councils	43,221

From UK-based Charitable Bodies	£000
AAIR Charity	23
Action Medical Research	32
Action on Hearing Loss	22
Alzheimer's Research Trust	190
Alzheimer's Society	93
Arthritis Research UK	346
Association for International Cancer Research	65
Asthma UK	111
Breast Cancer Campaign	124
British Council for Prevention of Blindness	44
British Geriatrics Society	28
British Heart Foundation	507
British Occupational Health Research Foundation	24
British Retinitis Pigmentosa Society	49
British Skin Foundation	30
Bupa Foundation	83
Cancer Research UK	4,097
Colt Foundation	34
Cystic Fibrosis Trust	39
Daiwa Anglo-Japanese Foundation	21
Diabetes UK	164
Dimbleby Cancer Care	99
Faculty of Public Health	95
Fight for Sight	25
Fischer Family Trust	32
Gerald Kerkut Charitable Trust	227
Infertility Research Trust	42
James Tudor Foundation	24
Kay Kendall Leukaemia Fund	212
Leukaemia and Lymphoma Research	1,371
Leverhulme Trust	481
Lloyd's Register Educational Trust	288
Lloyd's Register EMEA	152

Financial Statistics

Income from sponsored research for the year ended 31 July 2011 (Continued)

Macmillan Cancer Support	344
Macular Disease Society	31
Meningitis UK	41
Moulton Charitable Foundation	36
Multiple Sclerosis Society	103
National Asthma Campaign	26
National Council for Voluntary Organisations	41
National Eye Research Centre	23
Newlife Foundation for Disabled Children	49
Northern Rock Foundation	49
Parkinson's UK	92
Parthenon Trust	124
Prostate Cancer Charity	56
Royal Academy of Engineering	476
Royal College of Pathologists	81
Royal National Lifeboat Institution	65
Rufford Foundation	53
Samantha Dickson Brain Tumour Trust	22
Southampton Hospital Charity	24
Swire Educational Trust	28
Tenovus	384
TFC Frost Charitable Trust	42
Wellcome Trust	1,916
Wessex Medical Research	292
Wolfson Foundation	22
Others less than £20,000	245

Total UK-based Charitable Bodies

13,839

From Other Sources

£000

3-V Biosciences Inc. (USA)	144
ABB Switzerland Ltd	38
Abbott Laboratories S.A.	39
African, Caribbean and Pacific Group of States	20
Airbus Operations Ltd	127
Airbus Operations S.A.S.	214
AMEC Earth & Environmental (UK) Ltd	74
Apatech Ltd	30
Applied Research Associates, Inc (USA)	101
ARM Ltd	98
Arterius Ltd	83
AstraZeneca	94
ATD Bio Ltd	23
BAE Systems (Marine) Ltd	226
BAE Systems (Operations) Ltd	215
Balfour Beatty Rail Ltd	22
Bayer Animal Health GmbH (Germany)	40
Beghin-Meiji S.A. (France)	98

Financial Statistics

Income from sponsored research for the year ended 31 July 2011 (Continued)

Bill & Melinda Gates Foundation	97
Biomedical Sciences Institute (Singapore)	540
BP Exploration Operating Ltd	29
Bradford and Airedale Primary Care Trust	22
British Council	136
British School at Rome	34
Canterbury Christ Church University	21
Carbon Trust	242
Carl Zeiss SMT Ltd	123
Casmir Group Ltd	111
Centre for Environment, Fisheries and Aquaculture Science	43
Chalmers University of Technology (Sweden)	148
Compin Group	20
Copper Development Association Inc.	126
Council of Reserves Forces' and Cadets' Associations	25
Danone Research B.V. (Netherlands)	37
Department for Business, Innovation and Skills	586
Department for Environment, Food and Rural Affairs	382
Department of Health	1,739
DePuy International Ltd	82
EADS UK Ltd	37
Electronics and Telecommunications Research Institute (South Korea)	25
English Heritage	87
Environment Agency	133
European Gravitational Observatory	34
European Organisation for Research and Treatment of Cancer	48
European Organisation for the Safety of Air Navigation	30
European Science Foundation	49
European Space Agency	194
European Union	10,847
Faroese Research Council	30
Five Partners Boat Building Pty Ltd	62
Fluid Gravity Engineering Ltd	74
Food and Agriculture Organization of the United Nations	21
Ford Motor Company	56
Fritz Thyssen Stiftung (Germany)	47
Fugro Seacore Ltd	24
General Motors	51
GeoAcoustics Ltd	25
GlaxoSmithKline Biologicals S.A.	143
GlaxoSmithKline Plc	312
Gwynt y Mor Offshore Wind Farm Ltd	27
Higher Education Funding Council for England	124
Home Office	83
Honda Racing F1	31
Honeywell International Inc.	40
IBM UK Ltd	359
Imperial College London	90
Informa UK Ltd	109

Financial Statistics

Income from sponsored research for the year ended 31 July 2011 (Continued)

Janssen Pharmaceutica N.V.	56
Juvenile Diabetes Research Foundation (USA)	74
Kajima Corporation (Japan)	38
Leids Universitair Medisch Centrum (Netherlands)	34
Lonza Biologics Plc	90
Lundbeck Ltd	34
Luxfer Gas Cylinders	20
Merck Chemicals Ltd	26
Microsoft Corporation	54
Microsoft Ltd	127
Miyuki Giken Co Ltd	31
Momenta	309
NASA Shared Services Center (NSSC)	22
National Cancer Research Institute	420
National Grid Electricity Transmission Plc	397
National Physical Laboratory	21
National Science Learning Centre	28
National Centre for the Replacement, Refinement and Reduction of Animals in Research (NC3Rs)	115
New Opportunities for Research Funding Agency Co-operation in Europe (NORFACE)	378
Newcastle upon Tyne Hospitals NHS Foundation Trust	28
NHS Centre for Smoking Cessation and Training (NGSCT)	21
NHS Institute for Innovation and Improvement	95
NHS National Institute for Health Research	2,629
NHS Purchasing and Supply Agency	27
NHS South Central Strategic Health Authority	234
Nordic Pharma UK Ltd	29
Novartis Institutes for BioMedical Research	83
Novartis Pharma AG	94
Novel Advance Ltd	30
Office for National Statistics	141
OHM Ltd	21
Optegra UK Ltd	141
Owen Clark Design LLP	51
Oxford Instruments Plc	73
Oxford Nanopore Technologies Ltd	118
Pfizer Ltd	342
Philips Oral Healthcare Inc	34
Prosidion Ltd	24
QinetiQ Ltd	50
Region Haute-Normandie	384
Rock Solid Images Plc	39
Rolls-Royce Plc	483
Rothschild Trust Corporation Ltd	77
Samsung Electronics Co Ltd	79
SCA Hygiene Products AB	24
Scottish Natural Heritage	32
Seagate S.R.L.	28
Secure Meters (UK) Ltd	306
SELEX Galileo Ltd	124

Financial Statistics

Income from sponsored research for the year ended 31 July 2011 (Continued)

Sharp Laboratories of Europe	35
Shell Global Solutions UK	27
Shire Development Inc.	35
Shire Pharmaceuticals Ltd	49
SiGNa Chemistry Inc. (USA)	29
Sloan Foundation (USA)	277
SNCF (France)	110
Southampton City Primary Care Trust	149
Space ConneXions Ltd	119
Spire Healthcare Limited	22
SPI Lasers UK Ltd	129
Statistics Netherlands	53
Statoil (Norway)	36
Swamp Yankee LLC (USA)	66
Swedish International Development Co-op Agency	20
T.Mariotti S.p.A. (Italy)	44
Technology Strategy Board	1,560
Tesco Plc	199
Total Foundation	104
Transport for London	32
UK Power Networks (Operations) Ltd	67
UK Sport	68
UNICEF	33
Unilever	231
University Hospital Southampton NHS Foundation Trust	881
University of Illinois	52
University of Massachusetts	153
University of Minnesota	49
University of Portsmouth	21
University of Trento (Italy)	164
Vantia Ltd	51
Vestas Wind Systems A/S (Denmark)	39
Victor Marine Ltd	60
Vifor AG (Switzerland)	26
West Sussex County Council	55
William Benter	22
William Cook Cast Products	53
Winchester and Eastleigh Healthcare NHS Trust	33
Wintermute Ltd	72
World Anti-Doping Agency (Canada)	110
Waste and Resources Action Programme (WRAP)	20
Others less than £20,000	3,673
Total Other Sources	36,564
Total Income from Sponsored Research	93,624

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