

Financial Statements and Statistics  
2015–2016



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## Implementation of FRS 102

The University was required to implement the new Financial Reporting Standard (FRS 102) and also to comply with the new Statement of Recommended Practice (SORP) 'Accounting for Further and Higher Education' which was published in 2015. These are the University's first financial statements prepared in accordance with FRS 102 and the new SORP and the comparative 2015 results have been restated accordingly. Full details of the impact of the changes arising on the implementation of the new standard are set out in Note 30 in the Financial Statements.

The most significant changes arise from the requirement of the new accounting standard to recognise the financial commitment relating to the Universities Superannuation Scheme (USS) deficit recovery scheme and the decision made by the University to take the one-off option to revalue its land at deemed cost.

The implementation of FRS 102 resulted in the surplus for the prior year to 31 July 2015 being reduced from £24.0 million to a deficit of £1.1 million. The requirement to accrue for our commitment to the USS deficit recovery plan resulted in the recognition of a liability of £29.2 million as at July 2015. Staff costs rose by £28.5 million and interest costs rose by £0.7 million reflecting the effect of the increased liability and reducing the surplus as previously reported under UK GAAP. This liability is also shown as an increased pension provision on the Balance Sheet.

The University took advantage of a one-off option to revalue its land at deemed cost as at the FRS 102 transition date of 1 August 2014. This added £84.9 million to the value of the University's fixed assets and provides a consistent and realistic valuation of land on an existing use basis.

## Summary

The income generated by the University for the year to 31 July 2016 increased by £23.7 million to a record level of £556 million, an improvement of 4.5% compared with 2014/15. This growth was mainly due to higher undergraduate student numbers from the UK and European markets. The University achieved a surplus of £28.0 million (5.0% of income) in the year to 31 July 2016 before actuarial losses from pension schemes leaving total comprehensive income of £4.1 million.

We have seen the continued growth of the University through research strength and income as well as the continued growth in our student body. In the QS World Ranking we were placed 81st in

2015/16 and 15 of our disciplines were ranked in the Top 10 in UK league tables.

The University of Southampton consolidated its position amongst the UK's top 20 universities overall in both the Complete University Guide and Guardian University Guide for 2017. Southampton placed joint 14th in the Guardian Guide, which is focused on undergraduate study. Amongst Russell Group institutions listed, Southampton ranked in joint 10th with 14 subject areas featuring in their respective top tens. This was the 11th consecutive year in which Southampton featured in the top 10 for Computer Science & Information Systems, Mechanical Engineering and Modern Languages & Linguistics.

Results of this year's National Student Survey (NSS) published in August 2016 show a consolidation in overall satisfaction levels by students at the University of Southampton. Some 86% of those who completed their undergraduate study in 2016 expressed overall satisfaction in the quality of their course. Within the Russell Group of universities, Southampton is placed in the top 10 based on the results of seven questions across assessment and feedback, organisation and management, and personal development where the University ranks sixth overall in the Group.

In October 2015, our student Enactus team became World Champions. Enactus is a global movement of student social entrepreneurs, working to change the lives of people in the poorest countries of the world for the better, as well as the lives of people in their own communities. The University's team has had huge success in developing social enterprises in Africa. Having beaten 34 teams to become UK champions, they went on to win the world cup in South Africa, the first UK team ever to accomplish this feat.

In November 2015, our business incubator SETSquared was rated the top university business incubator in the world; and in June 2016 it won the Times Higher Education award for the Knowledge Exchange and Transfer Initiative of the Year. The award was for our 'Innovation and Commercialisation of University Research Programme' which is run from the University of Southampton.

In June, Southampton was named one of Europe's Most Innovative Universities by Thomson Reuters, the world's largest international multimedia news agency. We were ranked 77th – one of 17 UK universities – in Reuters' first-ever ranking of Europe's top 100 innovative universities. The list identifies the higher educational institutions that are doing the most to advance science, invent new technologies, and help drive the global economy.

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## Strategic Report (continued)

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This year we opened our new City Gateway hall of residence providing an additional 360 beds and continued to invest in the University estate, rebuilding our Chamberlain hall which is ready to welcome students in September 2016. Work has started on a new teaching and learning building on the Highfield Campus and also on the first dedicated cancer immunology centre in the UK based on the University Hospital Southampton NHS Foundation Trust site.

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### Financial Review 2015/16

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#### Income

The University produced a surplus of £28.0 million (£24.0 million in 2014/15 restated to a £1.1 million deficit), which represents 5.0% of income (4.6% in 2014/15 prior to restatement). University income increased by £23.7 million (4.5%) to £556 million, mainly due to an increase in tuition fees and education contracts of £30.5 million.

Total income from tuition fees and education contracts has increased by £30.5 million (14.2%) from £214.3 million in 2014/15 to £244.7 million in 2015/16. The increase is mainly due to higher undergraduate student numbers.

Research grant and contracts income has decreased by 10.5% to £112.5 million. Excluding the income from the research and development expenditure tax credits (RDEC) where eligibility for universities to claim was removed in July 2015, the underlying decrease is reduced to £2.6 million (2.3%). Grants from the UK Research Councils saw a modest decrease of £3.5 million to £50.7 million. The contribution to indirect costs arising from research grants (excluding the RDEC claim) remained stable at £30.6 million, despite the small fall in income.

Other operating income increased by 14.4% to £119.3 million (2014/15 £104.3 million). This can be attributed to the opening of our new City Gateway hall of residence and improved occupancy across the halls of residence generally; income from consultancy, trading and other enterprise activities which increased by £2.9 million; and a grant of £4.5 million which was received in the year from the Local Enterprise Partnership towards the cancer immunology centre development.

Investment income reduced from £1.8 million to £1.1 million, with income from short-term deposits and investments reducing from £1.6 million to £1.0 million, and income from endowments remaining at £0.2 million. The average interest rate achieved on cash balances and short-term deposits in 2015/16 of 0.68% is less than the 1.23% achieved in 2014/15. This reflects both the

continued reduction of rates available in the market and the redemption at maturity of our remaining longer term deposits which were benefitting from more favourable interest rates.

During the year, we appointed Kames Capital to manage the endowment investment following a selection process. Kames Capital were appointed as it was felt that they provided a comprehensive screening process that complemented the University's ethical considerations whilst still maintaining growth and returns comparable with other funds in the sector.

#### Expenditure

University expenditure decreased by £4.6 million (0.9%) from £530 million to £526 million.

Staff expenditure decreased by 4.9% from £311 million to £295 million. Excluding the costs associated with the USS provision, there was an underlying increase in costs of £9.5 million. The increase arises from:

- The 2015 national pay award was 1% and around 40% of staff are entitled to annual pay scale increments of 3% in addition to this.
- The number of average full-time equivalent staff employed by the University during the year increased by 3.4%. The increase in staff numbers was across all types of staff and was in part, due to a significant increase in student numbers.
- The costs of employment also rose with the impact of the abolition of the State Earnings Related Pension Scheme (SERPS) from April 2016 increasing employer National Insurance contributions.
- Increased employer contributions to the USS pension scheme from 16% to 18% of salary also from April 2016.

The USS provision of £3.0 million (£25.7 million in 2014/15) included within staff costs is shown within other activities in the analysis of expenditure by activity within note 12.

Other operating expenditure increased by £5.8 million (3.2%) to £187.4 million (2014/15 £181.6 million). The University took the opportunity to purchase a building adjacent to the Winchester School of Art Campus to provide the opportunity for expanding and enhancing the Winchester Campus. The value of the building was impaired in year by £2.5 million as the building will need to be redeveloped. One building on Highfield Campus was impaired by £0.5 million on demolition making way for a new Teaching and Learning building on the South Gower site. Rents increased by £1.1 million as the University took occupation of the new City Gateway hall of residence under a 30-year operating lease.

The depreciation charge has increased by £1.3 million (4.7%) to £30.2 million. This reflects the University's continued investment in equipment for enhancing our network infrastructure, refreshing our lecture theatres and improving our common teaching space and research equipment.

Interest payable and other finance costs have increased by £3.4 million (36.1%) to £12.8 million. This includes the exchange rate loss on the capital amount outstanding on the Euro loan of £1.2 million. This loan assists in the protection of our position on the Euro where our currency holdings generated a £1.8 million exchange gain during the year.

Our Campus in Johor, Malaysia (USMC) continues to expand, and this year we held the first graduation of USMC students who successfully continued to degree programmes in Southampton, a major milestone in the development of the Campus. We are now offering a foundation programme in Engineering and are developing new degree courses for the continued expansion of our activity in Malaysia. From a financial perspective USMC delivered an improved performance in 2015/16, but the impact of the weakening of the pound saw the deficit remain steady at £2.0 million.

### Balance Sheet

The University continues to invest heavily in its estate committing £67.3 million acquiring or constructing capital assets within the year. Investment in our halls of residence continued, rebuilding our Chamberlain hall which is ready to welcome students in September 2016. Work has started on a new Teaching and Learning building on the Highfield Campus and also on the first dedicated cancer immunology centre in the UK based on the University Hospital Southampton NHS Foundation Trust site.

We have invested £8.0 million in equipment including a major refurbishment of student lecture theatres and teaching rooms over the Easter and Summer breaks. We have also invested in our IT network architecture and experimental research equipment.

The University has maintained a strong liquidity position. Our cash and cash equivalents rose by £24.0 million whilst our cash investments fell by £22.3 million as longer term investments have given little benefit in the current interest rate environment. The total of cash in hand and cash investments (excluding share holdings) is £113.4 million which is more than sufficient to meet our treasury policy requirements of holding more than two months payroll costs (approximately £49 million) in funds that are available within a month. Our cash inflow from operating activities increased to £62.0 million (£43.4 million in 2014/15).

Our investment in tangible assets has been funded without the need for additional long-term loans. Our long-term financing arrangements have decreased as capital repayments have been made. The long-term finance lease commitment relating to Mayflower halls has decreased from £48.4 million to £48.1 million and the long-term element of our bank loans have decreased from £77.7 million to £74.6 million. The financing arrangements are held with a number of commercial banks with final repayments due from 2018 to 2047. Further information on this, the rates payable and security arrangements are outlined in note 20 to the financial statements.

The pension liability of the University of Southampton Pension and Assurance Scheme (PASNAS) fund has increased by £28.8 million to a deficit of £94.9 million. The scheme triennial valuation as at 31 July 2015 has been completed and a deficit recovery plan for the valuation outcomes has been agreed. A significant factor in the increased scheme deficit is the reduction in the discount rate. In the immediate aftermath of the EU referendum result, yields on UK bonds of all varieties fell significantly, and this has impacted the rate used in the valuation for this year end. At the end of July 2016, the yields on bonds of all types were around 1% lower than those as at 31 July 2015.

The triennial valuation of the Universities Superannuation Scheme (USS), undertaken in 2014, resulted in a significant increase in the deficit on the scheme from £2.9 billion (92% funded) at 31 March 2011 to over £12 billion at 31 March 2014 prior to benefit restructure. To ensure employer and employee contributions remained affordable, there was a major consultation on changes to the benefits structure. In July 2015, the scheme actuaries were able to submit a deficit recovery plan to the Pensions Regulator for a deficit of £5.3 billion (89% funded). Employer contributions rose from 16% to 18% from April 2016 and the final salary scheme closed on 31 March 2016, with benefits increased in line with CPI and members moved to a career average scheme with a threshold salary of £55,000 per annum above which contributions are made into the defined contribution section of the scheme. In line with the move to FRS 102, the University's share of this deficit recovery plan added £28.5 million to staff costs in 2014/15 and this liability is also shown as an increased pension provision within provisions on the balance sheet and is credited to the income statement over the recovery period ending in 2031.

Despite substantial increases in pension liabilities, our total net assets remain strong at £466.9 million.

## Strategic Report (continued)

Historically low interest rates continue to impact on the performance of our investments. All longer term deposits placed prior to 2012, have now reached maturity and have been replaced by deposits with lower rates. The rates available on longer term deposits are similar to those on short-term funds, as such there has been little benefit in placing funds long-term and we have continued to invest for shorter durations. Deposit counterparties have been closely monitored throughout the year. Given the market conditions, the University considers that an average return rate of 0.68% is an acceptable outcome for the year.

Following the closure of the Lazards Charity Unit Trust Fund in 2015, a selection process was undertaken to appoint a new fund manager to replace Lazards. This process was completed and Kames Capital appointed in early 2016. Funds have now been invested in the Kames Ethical Cautious Managed fund which applies comprehensive ethical screening parameters appropriate to the University's ethical investment principles.

The University of Southampton Science Park continues to trade strongly, contributing a surplus to the consolidated accounts of £1.7 million. The net asset value on the balance sheet of the company is £23 million (2014/15 £21 million). As well as making a valuable contribution to our operating surplus, the Science Park supports the long-term strategy of the University by providing opportunities for our research to spin out into enterprise activities, for student work experience during studies and for student employment when they graduate. The Science Park also makes a significant contribution to the economic growth and social development in our city and region. During the year, the University agreed a £6.5 million, 15-year loan to fund a new building on Benham Campus which will open in September 2016, continuing the investment and expansion of the Science Park.

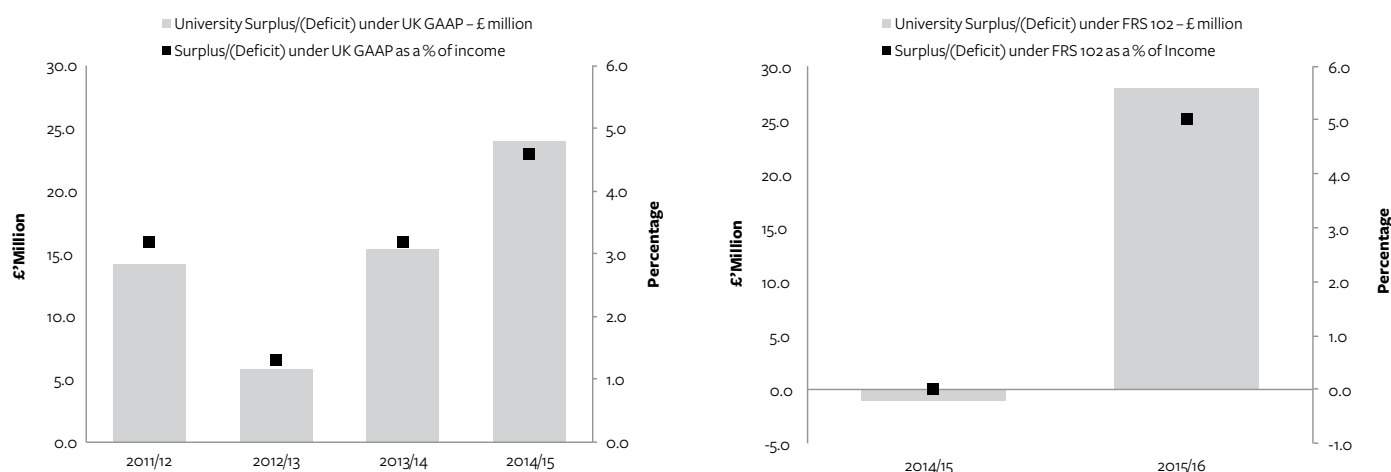
## Financial Data

The University monitors its financial performance throughout the year to ensure that it is in line with agreed budgets and the overall strategy.

Financial Measure on a consolidated basis	2015/16 Target	2015/16 Achievement	
Surplus on Ordinary Activity after Tax as a % of income	2.2%	5.0%	Outperformed
Staff Costs as a % of Income	Less than 55.1%	53.2%	Outperformed
Liquid assets expressed as number of months of payroll costs	More than 2.0	5.1	Outperformed

### University Surpluses on Ordinary Activity after Tax 2011/12 – 2015/16

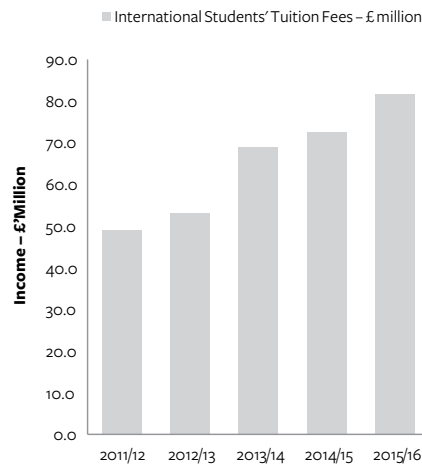
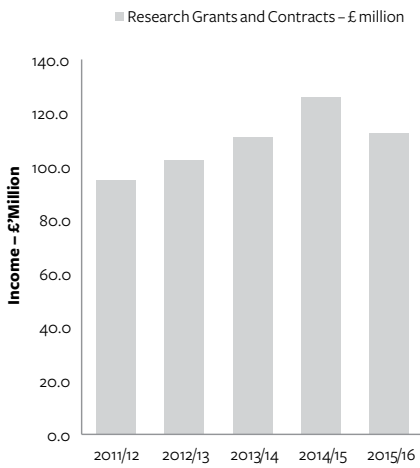
The surplus on ordinary activity after tax in 2015/16 represented 5.0% (2014/15 0%) of income and exceeded the University's target of 2.2%. This substantial increase reflects the University's focus on sound financial performance in support of its strategy and is certainly the best performance in recent years. Surpluses for the period 2011/12 to 2013/14 are stated under UK GAAP, not FRS 102 and are therefore not directly comparable. The underlying performance in 2014/15 previously reported under UK GAAP was £24.0 million surplus.





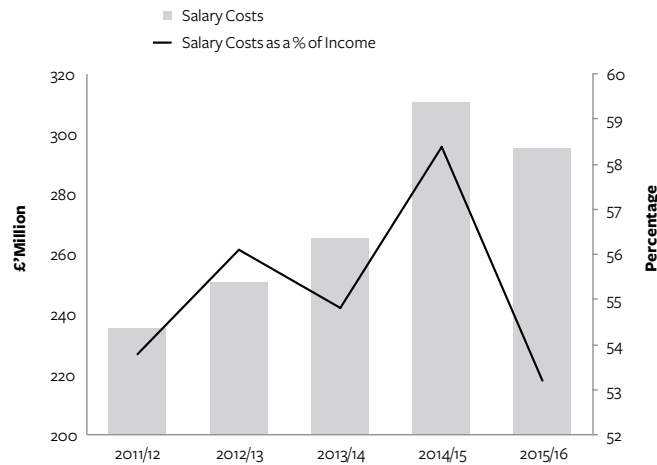
**Research Grants and Contracts and International Students' Tuition Fees 2011/12 – 2015/16**

Research grant and contract earnings and international students' tuition fees are two key sources of income to the University. Research grant and contracts income was £112.5 million in 2015/16 compared with £125.8 million in 2014/15. However, in the previous year the University benefitted from income of £11.3 million from the research and development expenditure tax credits; excluding this income, the underlying decrease is reduced to £2.6 million (2.3%). International students' tuition fee income saw a significant increase of £9.3 million to £81.6 million (12.8% growth on 2014/15) mainly due to an increase of 359 (7.7%) full-time equivalent international students.



**Salary Costs as Proportion of Income 2011/12 – 2015/16**

Salary costs as a proportion of income was 53.2% in 2015/16 against a target of 55.1% due to the increase in income to a record level of £556 million. A substantial increase in salary costs were observed in 2014/15 due to the inclusion of the USS provision (£28.5 million) under FRS 102. Underlying salary costs have increased, however, to meet the requirements of increased student numbers in 2015/16 (£228.0 million in 2014/15 to £233.9 million in 2015/16). Focus on controlling staff costs will be a major part of the University strategy for the future.



## Strategic Report (continued)

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### “Simply Better” – The University Strategy

In October 2015, we welcomed Professor Sir Christopher Snowden as President and Vice-Chancellor of the University. Sir Christopher published his strategy, entitled ‘Simply Better’, in May 2016.

### Our mission: to change the world for the better

The University of Southampton is an exceptional place whose people achieve remarkable things. We are a world-leading, research-intensive university, with a strong educational offering, renowned for our innovation and enterprise. This is a great platform from which to sharpen our focus with our new strategy.

It’s a very simple strategy. It’s about our aspirations. It’s about building our reputation. It’s about being simply better than our competitors at what we do.

### Our strategy

We will strengthen our reputation, increasing our national and international rankings to secure a position in the top 10 in the UK and top 100 internationally.

Our ranking increases our reputation and our reputation increases our ranking.

A reputation for delivering excellence and an exemplary student experience will lead to greater demand from the best student applicants, sustained support from research funders and strong support from our alumni.

### Our core principles

Central to the success of our strategy and underpinning all of our activities are four principles:

**Collegiality:** one team working, planning and delivering together, toward our shared vision.

**Quality:** always striving to achieve the highest quality in everything we do.

**Internationalisation:** delivering across global markets and building strong partnerships with other leading organisations.

**Sustainability:** ensuring our actions lead to financial, social and environmental sustainability.

We will develop graduates who are confident global citizens, equipped to make a positive contribution to the world. Our knowledge and technologies, developed through our research and applied through our enterprise, will have real economic and social benefit for the world. People will choose Southampton because of its reputation for quality and to play a part in changing the world. Our staff will say it is a great place to work, where they are encouraged to be creative and are part of a team that achieves more together.

We will be a university consistently ranked in the top 10 nationally and top 100 internationally. Our student satisfaction will be among the highest in the country, reflected in the National Student Survey. Our graduate prospects will be among the best. Our entry tariff will reflect our reputation as a leading university, with completion rates and good degrees reflecting our commitment to fully developing the potential of our students. Our world-leading research will underpin an excellent Research Excellence Framework position. We will achieve all of this while improving our sustainability and generating a surplus that allows us to invest in our University.

## Major Financial Risks

University Council and Audit Committee review the University risk register at regular intervals. Both consider that it is consistent with their knowledge of the University's activities and addresses the key aspects of the University's Strategic Plan.

A comprehensive financial risk assessment was considered by Council in setting the 2016/17 University budget. The major risk areas are summarised below:

Area	Risk	Mitigating action
Student income	Actual student income for 2016/17 may fall below the business plan target, therefore reducing forecast income streams.	The University has considered the financial implications of increasing quality as part of the planning process.
	Planned student numbers may not be achievable alongside increasing student quality.	Revised budgets are set once student numbers are known. The University will take action to reduce costs to meet the impact of reduced income levels.
	There is a risk that student recruitment from the EU will reduce.	
Research grants and contracts income	The University may fail to achieve the expected levels of external research funding.	Ensure appropriate costings on grant proposals to capture maximum recovery, including appropriate levels of overheads.
	The impact of the UK leaving the EU will impact on sources of grant funding in the future.	Engagement in public communication and government lobbying activities in support of maintaining total funding levels.
Staff costs	Staff costs are continuing to grow; there is a risk that the University is unable to reduce its staff cost base in a timely manner in order to mitigate the impact on the surplus through potential falls in student income or reductions in funding.	Addressing this risk will form part of the deliverables from the 10 year action plan taking place over the next year.
	University pension schemes may become unaffordable or unsustainable.	USS scheme increases have been factored into the forward plan. As employer, the University will engage with pension providers to keep employers contributions at sustainable levels.
Surplus	The business plan surplus is significantly below the level required to fund an ambitious 10 year plan.	Addressing this risk will form part of the deliverables from the 10 year action plan taking place over the next year.
Surplus	The surplus may be negatively impacted by government inflation constraints on funding streams.	Addressing this risk will form part of the deliverables from the 10 year action plan taking place over the next year.
		Making sure that we are in the best place we can be for Teaching Excellence Framework to allow us to charge inflation on Home/EU undergraduate fees.

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## Strategic Report (continued)

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### Capital Developments

We continue to invest significantly in our estate and halls of residence. In 2015/16, we rebuilt our Chamberlain hall housing 356 students from September 2016. This continues our significant investment in our halls of residence with City Gateway hall that opened in August 2015 adding around 360 beds and Mayflower halls that added 1,100 beds in August 2014.

In 2014, we launched our Cancer Science Immunology campaign to fund the first dedicated cancer immunology centre in the UK. Connected to leading institutions worldwide, this cutting-edge research hub will enable our interdisciplinary teams to expand clinical trials, explore new areas and develop lifesaving drugs. This is the biggest fundraising campaign the University has ever undertaken. We have already received donations totalling almost £19 million from our supporters. The building works have started with a planned completion date of September 2017.

### Future Plans

The Vice-Chancellor, Sir Christopher Snowden, has set out his vision for the University and is developing an ambitious 10-year plan. The development of the Teaching Excellence Framework will put additional focus on the student experience alongside our continued focus on our Research Excellence. In developing the 10-year plan, we will be looking at further improving our sustainability ensuring we can generate the funds we need to continue to invest in our ambition to change the world for the better through our teaching, research and enterprise.

To support this plan, substantial investment will be required and detailed planning of a number of new projects is now underway. These plans include the progression and completion of existing construction projects including a new Teaching and Learning building on the Highfield Campus, the completion of the Boldrewood Campus with the National Infrastructure Laboratory, a world-class structures laboratory, as part of the UK Collaboratorium for Research in Infrastructure and Cities (UKCRIC), a multi university collaboratorium providing leadership and support for a step change in the nation's approach to infrastructure investment and the Cancer Immunology Centre being built on the University Hospital Southampton NHS Foundation Trust site.

### Conclusion

The University has had another successful year. The income generated by the University increased by 4.5% and reached a new record level of £556 million. Student income grew by 14.2%, driven by strong growth in our intakes of UK, EU and International students. Our income from residences, catering and conferences also grew substantially reflecting improved occupancy across our student accommodation and the opening of a new hall of residence at City Gateway. With tight control on its expenditure, the University outperformed on its three key financial measures and achieved a surplus of £28 million, representing 5% of total income.

During the year, the University invested over £67 million in new buildings and equipment. Further investment to maintain and upgrade our existing properties to complete the new centre for cancer immunology, to create the new teaching and learning facilities on South Gower and the continued investment in student accommodation, will be required for the coming years. A new Vice-Chancellor, a new and exciting strategy that provides a strong focus on improving quality, a growing financial surplus and a strong cash position provide an excellent foundation for the future and a University that is "simply better".

David Price  
University Treasurer

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## Introduction

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The University of Southampton is a Chartered Corporation, established by Royal Charter on 29 April 1952 to be a teaching and examining body and to further the prosecution of research. Details of our Charter are available online at [www.calendar.soton.ac.uk/sectionIII/charter.html](http://www.calendar.soton.ac.uk/sectionIII/charter.html)

A founding member of the Russell Group of research intensive universities, Southampton has a reputation for excellence in research and education, which is reflected in our consistently high UK and international league table rankings.

In the QS World Ranking we were placed 81st in 2015/16 and 15 of our disciplines were ranked in the top 10 in UK league tables.

We invest significantly in the development of our students, working with global partners to provide a relevant, flexible education. In 2015/16, over 24,800 full-time and part-time students benefited from our world-class educational programmes.

Southampton's leading-edge research continues to change the world for the better, having a positive impact on individuals, communities and the economy.

In November 2015, our business incubator SETsquared was rated the top university business incubator in the world; and in June 2016 it won the Times Higher Education award for the Knowledge Exchange and Transfer Initiative of the Year. The award was for the Innovation and Commercialisation of University Research Programme run from the University of Southampton.

In June, Southampton was named one of Europe's Most Innovative Universities by Thomson Reuters, the world's largest international multimedia news agency. We were ranked 77th – one of 17 UK universities – in Reuters' first-ever ranking of Europe's top 100 innovative universities. The list identifies the higher educational institutions that are doing the most to advance science, invent new technologies, and help drive the global economy.

Southampton is a truly global university and we are proud of the vibrant international community of staff and students. Our overseas Campus in Malaysia is thriving, and we have opened joint research laboratories in Singapore and China, in marine and offshore engineering research, in photonics, and in web science. This year we held the first graduation of students who joined us from our University of Southampton Malaysia Campus.

In June we learned that the University has been awarded a prestigious Regius Professorship in Ocean Sciences by Her Majesty The Queen, as part of her 90th birthday celebrations, one of only 12 such Chairs awarded. The title Regius Professor is a rare and prestigious award that recognises exceptionally high-quality research and teaching at an institution. This is Southampton's second Regius Professorship.

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## Charitable status

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The University has charitable status as one of the exempt charities listed in Schedule 3 to the Charities Act 2011. We are responsible to the Higher Education Funding Council for England (HEFCE), our principal regulator, and we report annually on the ways in which the University has delivered charitable purposes for the public benefit.

Our governing body, the University Council, has due regard to the Charity Commission's guidance on public benefit requirements in setting and reviewing our objectives and activities. Members of the University Council are also the charitable trustees of the University.

Beneficiaries of the University's charitable objectives include our undergraduate and postgraduate students, our research collaborators, employers, policymakers, industry and the wider public. They derive considerable benefit from the contributions of the University's teaching, research and enterprise, as well as our significant economic and social impact locally, regionally and nationally.

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## Student education, admissions and widening participation

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The University offers a distinctive education in a modern learning environment underpinned by world-class research. More than most universities of our type, we offer choice and flexibility in study options and support our students as they prepare for employment and life after university. Our programmes are designed to challenge our students to develop the critical thinking and independent learning they will need in their future careers.

We offer a suite of MOOCs (massive open online courses). These free programmes of study, accessible by mobile, tablet and desktop, allow large numbers of learners to engage with higher education. First introduced in November 2013, we have developed twelve MOOCs and in June we welcomed our 200,000th learner.

## Public Benefit (continued)

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We have a strong track record in supporting access and achievement by students from under-represented groups. We were one of the first universities to introduce a Widening Access to Medicine programme (BM6); one of the first to receive the Buttle Trust Quality Mark in recognition of our support for care leavers; and a founding institution in the Pathways to Law programme.

We are committed to widening participation and ensuring that all students with the potential to succeed, regardless of their background, are encouraged to apply to study with us. Through using additional information gained through contextual data, our admissions teams are able to recognise a student's achievements and identify their potential to succeed in the context of their background and experience.

We work closely with schools, colleges, community groups and other third sector organisations to encourage prospective students to consider higher education. Young people and mature learners are able to make more informed choices about higher education through programmes developed by our Student Recruitment and Outreach team. Working with over 13,700 young people and adults in primary schools, secondary schools, sixth form colleges and community settings across the region, we deliver a wide range of workshops and activities to support learners.

Through our Learn with US outreach programme we take a long-term and targeted approach to raising the aspirations of the young people we engage with. This programme is linked to our Access to Southampton scheme, providing special consideration and financial support to students from designated under-represented groups. This includes students from areas where there is low participation in higher education, or who are the first generation of immediate family to apply to higher education, or who live, or have grown up in public care.

Our groundbreaking Learn with US transition programme provides unique support for sixth-form students to develop their research skills, including support for the Extended Project Qualification (EPQ). Its research-active members of staff also provide schools and colleges with taster lectures, seminars and project days to tap into students' curiosity and scholarship. We were the first Russell Group university to make an alternative offer based on students attaining an A or A\* in the EPQ and now make the offer for the majority of our courses.

The impact of our commitment to widening access and student success has been evidenced in our performance indicators for UK students. We have performed consistently well in recruiting

state school students, with 84.8% in 2014/15. In the last six years, we have significantly increased our proportion of first-year undergraduate black and minority ethnic students from 10.2% in 2008/09 to 19.1% in 2014/15. In 2014/15, 23.1% of our students came from low socio-economic groups and 7.2% from low participation neighbourhoods.

To support students from low income households we provide bursaries and fee waivers of up to £3,000 per annum. The overall total for student financial support has risen in 2015/16 to £9.7 million.

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## Outreach and public engagement

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The University continued to expand its outreach and public engagement activities in 2015/16.

- In September 2015, INTO University, in partnership with the University of Southampton, opened its first centre in Southampton. Based in the Redbridge area of the city, the INTO University team provides support in a community setting for local families and young people, including mentoring and after school study support.
- Working in partnership with the University, the Brilliant Club recruits and places doctoral and postdoctoral researchers in non-selective state schools as tutors to share their expertise. Through the Scholars Programme, researchers have delivered university-style tutorials to small groups of pupils, from Year 6 through to Year 12. The university-style learning experience provides the participants with the knowledge and skills that will help secure them places at highly selective universities.
- Our annual Bringing Research to Life roadshow continues to tour regionally and nationally between March and September, showcasing an expanded selection of Southampton research. It reaches over 20,000 visitors annually, with invaluable support from an enthusiastic team of volunteer research-communicators and undergraduate student ambassadors.
- The annual Science & Engineering Festival took place in March 2016 with an expanded programme and an increased audience of around 6,000.
- Our LifeLab project, overseen by academics in Medicine and Education, helped 2,071 school children from Southampton and the surrounding areas learn about science and health, through visits to our hospital-based classroom and laboratory facility in 2015/16.

**Public Benefit (continued)**

- Over the past three and a half years the RCUK funded Talk to US! project has hosted 36 university visits from 22 schools, working with 36 teachers and over 540 pupils. Through the six 'subprojects' Talk to US! has connected schools with researchers from Biological Sciences, Chemistry, Engineering, Oceanography, Medicine and Education.
- A new collaboration between Education and Electronics and Computing Science has enabled our Mathematics and Science Learning Centre to become a Computing at School regional centre.

**Social impact**

The University contributes significantly to health and wellbeing through its research and education. We train doctors, nurses and midwives, together with other allied health professionals, health visitors and school nurses – many of whom work in this region. Our student volunteers and our schools' outreach programmes benefit the wider community and bring University groups into contact with people who might not otherwise have a connection with us.

We have a close working relationship with hospitals in the region. Our medical staff work with colleagues at University Hospital Southampton NHS Foundation Trust in translational research, offering patients novel and effective treatment options in many specialist areas.

In the past year we have raised a significant amount of funding to build the first dedicated cancer immunology centre in the UK. With a target of £25 million, we have now raised almost £19 million and the new centre is already under construction at the Southampton General Hospital site. The facilities it provides will enable our researchers to build on the world-leading cancer immunology research conducted here over the past 40 years ([www.southampton.ac.uk/youreit/get-involved](http://www.southampton.ac.uk/youreit/get-involved)).

Our students continue to make significant contributions to public benefit. A team of Southampton students were in Delhi in September 2015 to take part in the first International Social Innovation Challenge looking at the theme of empowering women through safer communities. Working with fellow students from OP Jindal Global University in Delhi and Lahore University of Management Sciences in Pakistan, their aim was to develop collaborative social ventures designed to improve the lives and livelihoods of women in urban India.

In October 2015, our student Enactus team became World Champions. Enactus is a global movement of student social entrepreneurs, working to change the lives of people in the poorest countries of the world for the better, as well as the lives of people in their own communities. The University's team has had huge success in developing social enterprises in Africa. Having beaten 34 teams to become UK champions, they went on to win the world cup in South Africa, the first UK team ever to accomplish this feat.

**Research impact**

We have a global reputation for the quality, depth and breadth of our research at Southampton.

In terms of research, the Government's six-yearly assessment of research quality, published in December 2014, saw us placed eighth in the UK for research intensity. The University is ranked first on the basis of the volume and quality of its research in general engineering and electrical and electronic engineering, metallurgy and materials; and in the top five nationally for research in ocean and earth science, nursing and allied health professions, history, modern languages and social policy. Music is ranked the best in the country on the basis of the quality of its research.

Our academics are tackling some of the most pressing challenges facing society today and deliver a range of direct public benefits from their work. We have an open access policy for research which aims to maximise the visibility, usage and impact of our research through global access.

Over 40% of our annual research is conducted in collaboration with commercial partners. As one of the top three UK universities in terms of working with SMEs, industrial partnerships are strategically very important to us and are a proven route for wider benefit and impact of our research activities.

Our Public Policy@Southampton initiative increases the reach and impact of University of Southampton research by bringing together the expertise of world-leading researchers with the expertise and experience of key policymakers and practitioners to address issues of social, cultural, economic and political importance. <http://publicpolicy.southampton.ac.uk>

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## Public Benefit (continued)

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### Research highlights from 2015/16

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Academics in Southampton Business School worked with the Financial Conduct Authority (FCA) to produce a literature review on the models that assess the creditworthiness of consumers and the affordability of the loans they take, in particular for credit cards. This was used to inform the FCA review into the credit card market, published in July 2016. The FCA review set out a package of measures, which include a series of industry led proposals, to help consumers take better control of their spending.

The University is part of a new €6.2 million project to produce the first comprehensive map of river barriers across Europe and help to reconnect its rivers. The project is a major European collaboration with 20 partners from 11 countries and is funded by Horizon 2020.

Southampton researchers are part of an international team that has found a potentially viable way of removing excess carbon dioxide from the atmosphere by injecting it into volcanic bedrock.

Scientists at the University of Southampton are to develop and test a new wearable technology to help people who have had a stroke recover use of their arm and hand. Led by Professor Jane Burridge, the team will create a wireless sleeve, which will provide automatic, intelligent information about muscle movement and strength while patients practise everyday tasks at home. The two-year project has been funded with a grant of just under £1 million from the National Institute for Health Research (NIHR) and is in collaboration with Imperial College London, two medical technology consultancies, and NHS Trusts in Bristol and Portsmouth.

Southampton archaeologists have been exploring the landscape around a group of giant military badges that were cut into a chalk hillside in Wiltshire by soldiers waiting to be drafted to the trenches in the First World War. The team has surveyed a large area around The Fovant Badges – army regimental emblems carved into Fovant Down near Salisbury. Their research is part of a wider Heritage Lottery Fund project to create a new design on the hillside commemorating the centenary of the badges and the war.

Health professionals should treat people who show signs of sepsis with the same urgency given to those who complain of chest pain that might be a heart attack, a Southampton doctor has warned. Professor Saul Faust, of the University of Southampton and University Hospital Southampton NHS Foundation Trust, chaired the group that developed the new

guideline for the National Institute for Health and Care Excellence (NICE). The national evidence-based guideline is the first of its kind and says health professionals need to think about the possibility of sepsis in all patients who may have an infection.

A University of Southampton-led study has found that blocking a receptor in the brain responsible for regulating immune cells could protect against the memory and behaviour changes seen in the progression of Alzheimer's disease.

New research from the University of Southampton shows that copper can destroy MRSA spread by touching and fingertip contamination of surfaces. This builds on previous Southampton research on copper's antimicrobial efficacy.

Doctors and scientists at the University of Southampton have used advanced 3D X-ray imaging technology to give new insight into the way an aggressive form of lung disease develops in the body. Originally designed for the analysis of substantial engineering parts, such as jet turbine blades, the powerful scanning equipment has been used to image idiopathic pulmonary fibrosis (IPF) lung tissue samples for the first time.

Ethnicity, socioeconomic status and place of residence in the UK, all influence the risk of breaking a bone, a new Southampton study has shown. Researchers found there were marked differences in fracture rates according to where individuals lived.

Through multidisciplinary research projects, Southampton academics from a range of disciplines are tackling issues related to food security, including availability, access, utilisation and stability. A partnership, facilitated by the University's Institute for Life Sciences (IfLS), has had a successful bid approved for nearly £600,000 of government funding to help improve global food security.

In Biological Sciences, scientists have been working to find new wild watercress varieties. One of these, registered as 'Boldrewood', is currently being trialled. This dwarf type has a sweeter taste, but still maintains the concentration of a plant 'stress' chemical that when chewed, releases phenylethyl isothiocyanate, which is known to halt the progress of cancer tumour growth.

Dr Jim Wright's work on access to safe drinking water, a fundamental requirement for good health, was recognised by UNICEF as being one of 12 of their best research projects in 2015.

University of Southampton computer scientists have designed a new pricing system based on online auction platforms, to



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## Public Benefit (continued)

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make charging electric vehicles more effective. In the UK the anticipated pressure that charging these vehicles will cause to the National Grid's energy supply is a vital challenge. The Southampton researchers have devised a system where electric vehicle owners use computerised agents to bid for the energy to charge their vehicles, and to organise time slots when a vehicle is available for charging.

Scientists from the University of Southampton in partnership with the Japan Advanced Institute of Science and Technology (JAIST) have developed a graphene-based sensor and switch that can detect harmful air pollution in the home with very low power consumption.

University academics played a leading role in the development of a pioneering project to debate Britain's constitutional future. In collaboration with civil society organisations they brought together citizens and politicians for two pilot Citizens' Assemblies. The aim was to discuss topics including local devolution, decentralisation and new 'City Regions'.

Southampton mathematicians were part of an international team of scientists to announce two instances of the detection of gravitational waves – ripples in the fabric of space-time. Gravitational waves carry unique information about the origins of our Universe and studying them is expected to provide important insights into the evolution of stars, supernovae, gamma-ray bursts and neutron stars, as well as black holes.

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### Principles

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Southampton is a world-class university built on the quality and diversity of our community and our mission is to change the world for the better. We value excellence and creativity, supporting independence of thought and the freedom to challenge existing knowledge and beliefs through critical research and scholarship.

Our four aspirations are collegiality, quality, national and international reputation, and sustainability.

The University's continued drive to improve fairness and equality for women has gained us a silver institution award and two silver and seven bronze departmental awards, as part of the UK-wide Athena SWAN initiative.

Southampton is committed to developing early-career researchers who will continue to innovate and challenge

established thinking in the future. To this end, we are a signatory to the Concordat to Support the Career Development of Researchers via UUK and are committed to implementing the seven principles. The quality of our plans for supporting the personal, professional and career development of our researchers was recognised by the European Commission with the HR Excellence in Research award in 2012.

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. In light of the obligation to report on measures to ensure that all parts of our business and supply chain are slavery free we are reviewing our workplace policies and procedures to assess their effectiveness in identifying and tackling modern slavery issues.

Our workplace policies and procedures will demonstrate our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

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### Public and community engagement and culture

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With over 6,700 members of staff, the University is one of the largest employers in Southampton and offers a wide variety of employment opportunities. Many of our students contribute to the city through their volunteering activities, and many remain in the region after graduation, providing a skilled workforce and contributing professionally.

Our excellent sports facilities and arts venues are open to members of the local community and schools, and uniquely within UK higher education, we support three world-class arts venues that are "national portfolio organisations" funded by Arts Council England. These are the John Hansard Gallery, Turner Sims Southampton concert hall and the Nuffield Theatre.

We work closely with our Students' Union, local agencies and our neighbours to promote the positive benefits of the University's presence in the community and to ensure that we mitigate any potentially negative impacts that might arise.

Members of the public are invited to use the University library for reference, without charge; and we offer borrowing rights to a number of community groups. Our Hartley Library houses a large and valuable collection of archives, including the Wellington Papers and the Broadlands Archives – a large collection of original

## Public Benefit (continued)

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documents relating to the lives and work of, among others, the Seventh Earl of Shaftesbury, Viscount Palmerston and Earl Mountbatten of Burma.

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### Creating a sustainable organisation

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Sustainability is one of the four principles that are central to the University's new strategy.

We proactively lead activities on our campuses to reduce the environmental impact of our work, and we encourage our students and staff to work together to deliver improvements that lower our energy usage, minimise waste, and manage travel between our sites.

Over the last year we have brought teams together to deliver a range of events, including the 10th annual Waste Wars competition and the nationally delivered Blackout event. The integration of sustainability into our taught curriculum ensures that we provide our students with an opportunity to engage in important issues, equipping them with the skills to contribute to a low carbon, sustainable society.

Our environmental management system is certified to the ISO 14001 standard. ISO 14001 is an internationally recognised standard for environmental management. External auditors reviewed our systems and processes in July 2016, to verify that we are continuing to meet the requirements of the standard. They remarked on the considerable effort that we continue to put in to maintaining our system.

We recognise that as a world-leading, research-intensive university there is a tension between carrying out our activities and the desire to minimise our environmental impacts. Our carbon emissions over the last year remained stable compared to the previous year, and our emissions per staff and student full-time equivalent (FTE) on our campuses is 18% below our 2005/06 baseline.

We continue to look for, and invest in, opportunities for improvements. An extensive review by the Energy Management team and mechanical engineers in 2015 identified 41 buildings where heating and/or mechanical equipment could be run on 'holiday mode' during the University's Christmas shutdown. This action – together with the milder winter – resulted in a carbon emissions saving of approximately 234 tonnes.

The University's Travel Plan covers the period 2015–2020 and sets out a series of measures to encourage staff, students and university visitors to adopt more sustainable travel habits.

The University's bus service – unilink – was created in 2001 to transport University staff and students between teaching sites and halls of residence, while also providing a service that is open for visitors and members of the local community. Over the last year, unilink carried approximately 5.5 million passengers. We continue to work closely with local authority partners to develop and improve the local cycle network.

Southampton is part of a consortium of seven universities that worked together to tender for a new recycling contract in 2015. Professionals from each institution collaborated on a new five-year contract with SUEZ which will continue to divert our waste from landfill. Our recycling rate for the year stands at 56%. Materials that cannot be recycled are sent to an 'energy from waste' facility so that electricity and heat can be recovered.

In April 2016, more than 100 participants gathered in Southampton for the UK's first international student sustainability research symposium, which showcased how undergraduate and postgraduate research at the University is changing the world for the better.

In June, the University collaborated with the city council to run the now annual Southampton BioBlitz. This event sees local people join wildlife groups and university scientists in a race against the clock to find as many species of plants and animals as possible in 24 hours. The data collected will be added to a vast database at the Hampshire Biological Information Centre, to compare Southampton's biodiversity with other places in the county.

Over the next year, staff will be working to replace the University's existing metering and reporting service with an internally developed system, and to introduce a new dashboard that provides a user-friendly, graphical display of energy consumption and alerts for abnormal consumption. We will also be transitioning the University's environmental management system to the new ISO 14001:2015 standard, while continuing to engage students and staff in helping to meet our ambitious targets.

The following corporate governance statement provides information about the University's governance, management and legal structure during the year ended 31 July 2016 and up to the date of signing of these Financial Statements.

## Legal status of the University

The University of Southampton is a chartered corporation established by Royal Charter in 1952. Its aims, powers and framework of governance are set out in the Charter and supporting Statutes and Ordinances.

The University is an exempt charity under the terms of the Charities Act 2011, with the Higher Education Funding Council for England (HEFCE) acting as the Principal Regulator.

## Governance

The University's constitution is set out in the Charter, Statutes and Ordinances. These are the overarching governance documents that outline the University's aims, structure, responsibilities and powers. These require the University to have two separate governing bodies, Council and Senate, each with clearly defined functions and responsibilities to oversee and manage the University's activities, as follows:

**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...” (Article 10 of the Charter). In carrying out its functions, the Council is bound by the terms of the Memorandum of assurance and accountability between HEFCE and the University.

Council has a membership consisting of *ex officio* members, lay members, representatives of both academic staff 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.

Council normally meets six times a year (seven times in 2015/16), 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 major new developments.

**Senate** – is the University's main academic authority, and its responsibilities include (subject to Council approval where necessary) the direction and regulation of education and examinations, the award of degrees, and the promotion of research.

Whilst Council is the ultimate authority within the University, it cannot be directly involved in decision making on all matters for which it is formally responsible: the range of business undertaken inevitably means that some delegation of powers to individuals and to committees is necessary.

**Audit Committee** is responsible for reviewing the University's arrangements for matters of governance, internal control, risk management, data assurance, and for reviewing and commenting on the annual financial statements and accounting policies. It meets four times a year with the University's senior officers and the external and internal auditors. The Committee will discuss detailed audit reports and recommendations for the improvement of the University's systems of 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. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet separately with external and internal auditors for independent consultations.

**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.

**Senior Salaries Committee** determines the salaries of University Executive Board members and maintains an overview of the salary costs of senior professorial and administrative staff. Lay members of the Committee determine the President and Vice-Chancellor's salary.

**Finance Committee** considers and makes recommendations to Council regarding the University's financial plans and interests and takes into consideration both local constraints and aspirations together with the context of the wider environment of Higher Education funding, public policy and the demand for Higher Education services.

## Corporate Governance (continued)

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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 Council and of its 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.

Council has a number of other committees including committees in the areas of health and safety, and ethics.

The University has complied with the key recommendations of the Committee of University Chairs' 'The Higher Education Code of Governance'. The Statement of Primary Responsibilities adopted by the University's governing body can be viewed at: [www.southampton.ac.uk/aboutus/councilmembers/](http://www.southampton.ac.uk/aboutus/councilmembers/)

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### President and Vice-Chancellor

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The President and Vice-Chancellor is the principal academic and administrative officer of the University and has overall responsibility to Council for the executive management of the University. Under the terms of the formal Memorandum of assurance and accountability between the University and HEFCE the President and Vice-Chancellor is the designated 'accountable officer', and in that capacity is required to advise Council on the discharge of all its responsibilities under the Memorandum and the Audit Code of Practice.

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### Statement of Internal Control

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Council is responsible for maintaining a sound system of internal control that supports the achievement of the University's policies, aims and objectives, whilst safeguarding public and other funds and assets for which it is responsible. The system of internal control is designed to understand and manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore provide only a reasonable, but not absolute, assurance against financial misstatement or loss.

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

- clear definitions 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, expenditure and capital budgets and cash flow forecasts;

- regular reviews of performance and at least termly reviews of financial performance and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations 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 reviews the University's strategic risk register at every other meeting, and reviews the University Key Performance Indicators annually in July.

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.

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.

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### Role of Council in the Preparation of the Financial Statements

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Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any

**Corporate Governance (continued)**

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 (SORP): Accounting for Further and Higher Education' and other relevant accounting and financial reporting standards. In addition, within the terms and conditions of the Memorandum of assurance and accountability agreed between HEFCE and the Council of the University, Council, through the President and Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the 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 and financial reporting 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 Memorandum of assurance and accountability 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 due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

**Members of the Council**

There are five classes of Council membership.

Class 1: Officers

Class 2: Lay members appointed by the Council

Class 3: Academic members of staff

Class 4: Non-academic member of staff

Class 5: Representatives of the Students' Union

Membership for the period 1 August 2015 – 30 November 2016

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 30 Nov 2016	Attendance Aug 2015 – Jul 2016	Membership of other Committees of Council (including joint committees)
Dr G Rider	Class 1 Chair	August 2012	July 2018	7/7	Standing Committee of Council Nominations Committee Senior Salaries Committee Finance Committee
Dr R C Rivaz Hon DSc	Class 1 Vice-Chair	August 2014	July 2017	7/7	Standing Committee of Council Nominations Committee Senior Salaries Committee

**Corporate Governance (continued)**

Name	Type of Membership	Original appointment in this class commenced	Appointment end or actual leaving date if before 30 Nov 2016	Attendance Aug 2015 – Jul 2016	Membership of other Committees of Council (including joint committees)
Dr D J Price CBE	Class 1 Treasurer	August 2015	July 2018	7/7	Standing Committee of Council Nominations Committee Senior Salaries Committee Finance Committee
Professor Sir Christopher Snowden	Class 1 President and Vice-Chancellor	October 2015		7/7	Standing Committee of Council Nominations Committee Senior Salaries Committee Finance Committee
Professor A A Wheeler	Class 1 Deputy Vice-Chancellor	August 2007	December 2015	3/3	Standing Committee of Council Nominations Committee Senior Salaries Committee
Ms F Barnes	Class 2	November 2016	July 2019	0/0	
Mr G Berruyer	Class 2	October 2015	July 2018	6/7	
Mr M C Burrow	Class 2	May 2010	July 2016	6/7	Audit Committee
Rear Admiral P D Greenish CBE	Class 2	March 2011	July 2017	7/7	Health and Safety Audit and Assurance Committee
Mr G Hobbs	Class 2	August 2016	July 2019	0/0	
Mr P Hollins	Class 2	April 2016	March 2019	2/2	
Ms S Kumar	Class 2	March 2012	July 2017	3/7	
Mr T P O'Brien CBE	Class 2	April 2009	July 2017	7/7	Senior Salaries Committee
Mr W Shannon	Class 2	July 2015	July 2018	4/7	Finance Committee
Mr J A Trewby CB	Class 2	October 2009	March 2016	4/5	
Professor Dame J Corner	Class 3	August 2014	December 2015	2/2	
Dr B Lwaleed	Class 3	August 2015	July 2018	7/7	
Professor M Niranjani	Class 3	March 2016	July 2017	3/3	
Professor P Reed	Class 3	March 2016	July 2018	3/3	
Professor J A Vickers	Class 3	March 2012	July 2018	7/7	Nominations Committee
Mr A Reyes-Hughes	Class 4	August 2014	July 2017	6/7	
Mr B Franklin	Class 5	July 2015	June 2016	4/6	
Mr A Hovden	Class 5	July 2016	June 2017	1/1	

## Independent Auditor's 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 2016 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Statement of Other Comprehensive Income and Expenditure, the Consolidated and Parent Institution Statement of Changes in Reserves, the Consolidated and Parent Institution Balance Sheets, the Consolidated Statement of Cash Flows, 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) including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

### Respective responsibilities of Council 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course

of performing the audit. 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 2016 and of the group's income and expenditure, 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

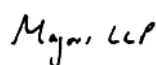
In our opinion, in all material respects:

- 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;
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them; and
- the requirements of HEFCE's accounts direction have been met.

### 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

90 Victoria Street, Bristol BS1 6DP  
30 November 2016

**Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2016**

	Notes	Consolidated		University	
		2016	2015	2016	2015
		£000	£000	£000	£000
<b>Income</b>					
Tuition fees and education contracts	3	<b>244,746</b>	214,290	<b>243,892</b>	213,741
Funding body grants	4	<b>74,649</b>	80,734	<b>74,649</b>	80,734
Research grants and contracts	5	<b>112,504</b>	125,766	<b>111,202</b>	124,375
Other income	6	<b>119,258</b>	104,278	<b>117,475</b>	103,410
Investment income	7	<b>1,134</b>	1,777	<b>1,255</b>	1,777
Donations and endowments	8	<b>3,259</b>	5,045	<b>3,259</b>	5,035
<b>Total income</b>		<b>555,550</b>	531,890	<b>551,732</b>	529,072
<b>Expenditure</b>					
Staff costs	9	<b>295,403</b>	310,592	<b>293,793</b>	309,083
Other operating expenses	10	<b>187,401</b>	181,551	<b>185,897</b>	180,588
Depreciation	12	<b>30,161</b>	28,816	<b>29,829</b>	28,494
Interest and other finance costs	11	<b>12,804</b>	9,407	<b>12,603</b>	9,237
<b>Total expenditure</b>		<b>525,769</b>	530,366	<b>522,122</b>	527,402
<b>Surplus before other gains/losses</b>		<b>29,781</b>	1,524	<b>29,610</b>	1,670
(Loss)/gain on investments		<b>(148)</b>	(505)	<b>187</b>	292
(Loss)/gain on disposal of fixed assets		<b>(1,506)</b>	103	<b>(1,506)</b>	103
<b>Surplus before tax</b>		<b>28,127</b>	1,122	<b>28,291</b>	2,065
Taxation	13	<b>(79)</b>	(2,176)	<b>(146)</b>	(2,470)
<b>Surplus/(deficit) for the year after tax</b>		<b>28,048</b>	(1,054)	<b>28,145</b>	(405)

All income and expenditure is in respect of continuing operations.



**Consolidated Statement of Other Comprehensive Income and Expenditure for the year ended 31 July 2016**

	Notes	Consolidated		University	
		2016	2015	2016	2015
		£000	£000	£000	£000
<b>Surplus/(deficit) for the year after tax</b>		<b>28,048</b>	(1,054)	<b>28,145</b>	(405)
Actuarial (loss)/gain in respect of pension schemes	27	<b>(23,949)</b>	1,877	<b>(23,949)</b>	1,877
<b>Total comprehensive income for the year</b>		<b>4,099</b>	823	<b>4,196</b>	1,472
<b>Represented by :</b>					
Endowment comprehensive income for the year		<b>27</b>	369	<b>27</b>	369
Restricted comprehensive income for the year		<b>(2,829)</b>	1,784	<b>(2,829)</b>	1,784
Unrestricted comprehensive income for the year		<b>6,901</b>	(1,330)	<b>6,998</b>	(681)
		<b>4,099</b>	823	<b>4,196</b>	1,472

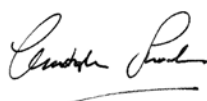
**Consolidated and University Statement of Changes in Reserves for the year ended 31 July 2016**

<b>Consolidated</b>	<b>Income and Expenditure account</b>			<b>Total</b>
	Endowment £000	Restricted £000	Unrestricted £000	<b>£000</b>
<b>Balance at 1 August 2014</b>	<b>12,101</b>	<b>13,198</b>	<b>436,654</b>	<b>461,953</b>
Surplus/(deficit) from the income and expenditure statement	80	7,093	(5,649)	1,524
Other comprehensive income	289	-	(990)	(701)
Release of restricted capital funds spent in the year	-	(5,309)	5,309	-
	369	1,784	(1,330)	823
<b>Balance at 1 August 2015</b>	<b>12,470</b>	<b>14,982</b>	<b>435,324</b>	<b>462,776</b>
Surplus/(deficit) from the income and expenditure statement	(158)	11,009	18,930	29,781
Other comprehensive income	185	-	(25,867)	(25,682)
Release of restricted capital funds spent in the year	-	(13,838)	13,838	-
<b>Total comprehensive income for the year</b>	<b>27</b>	<b>(2,829)</b>	<b>6,901</b>	<b>4,099</b>
<b>Balance at 31 July 2016</b>	<b>12,497</b>	<b>12,153</b>	<b>442,225</b>	<b>466,875</b>
<b>University</b>	<b>Income and Expenditure account</b>			<b>Total</b>
	Endowment £000	Restricted £000	Unrestricted £000	<b>£000</b>
<b>Balance at 1 August 2014</b>	<b>12,101</b>	<b>13,198</b>	<b>428,007</b>	<b>453,306</b>
Surplus/(deficit) from the income and expenditure statement	80	7,093	(5,503)	1,670
Other comprehensive income	289	-	(487)	(198)
Release of restricted capital funds spent in the year	-	(5,309)	5,309	-
	369	1,784	(681)	1,472
<b>Balance at 1 August 2015</b>	<b>12,470</b>	<b>14,982</b>	<b>427,326</b>	<b>454,778</b>
Surplus/(deficit) from the income and expenditure statement	(158)	11,009	18,759	29,610
Other comprehensive income	185	-	(25,599)	(25,414)
Release of restricted capital funds spent in the year	-	(13,838)	13,838	-
<b>Total comprehensive income for the year</b>	<b>27</b>	<b>(2,829)</b>	<b>6,998</b>	<b>4,196</b>
<b>Balance at 31 July 2016</b>	<b>12,497</b>	<b>12,153</b>	<b>434,324</b>	<b>458,974</b>

## Consolidated and University Balance Sheet as at 31 July 2016

	Notes	Consolidated		University	
		2016	2015	2016	2015
		£000	£000	£000	£000
<b>Non-current assets</b>					
Tangible assets	14	671,706	636,751	635,133	605,979
Heritage assets	14	6,000	6,000	6,000	6,000
Intangible assets	15	3,743	5,339	3,743	5,339
Investments	16	3,708	4,123	16,811	15,938
		<b>685,157</b>	652,213	<b>661,687</b>	633,256
<b>Current assets</b>					
Stock		774	726	774	726
Trade and other receivables	17	78,294	74,909	84,751	76,490
Investments	18	32,044	54,329	32,044	54,329
Cash and cash equivalents		92,937	68,952	90,017	65,572
		<b>204,049</b>	198,916	<b>207,586</b>	197,117
<b>Less: Creditors: amounts falling due within one year</b>	19	<b>(136,383)</b>	(131,350)	<b>(133,558)</b>	(128,568)
<b>Net current assets</b>		<b>67,666</b>	67,566	<b>74,028</b>	68,549
<b>Total assets less current liabilities</b>		<b>752,823</b>	719,779	<b>735,715</b>	701,805
<b>Creditors: amounts falling due after more than one year</b>	20	<b>(127,148)</b>	(131,465)	<b>(119,278)</b>	(122,996)
<b>Provisions</b>	21	<b>(158,800)</b>	(125,538)	<b>(157,463)</b>	(124,031)
<b>Total net assets</b>		<b>466,875</b>	462,776	<b>458,974</b>	454,778
Represented by:					
<b>Restricted Reserves</b>					
Income and expenditure reserve - endowment reserve	22	12,497	12,470	12,497	12,470
Income and expenditure reserve - restricted reserve	23	12,153	14,982	12,153	14,982
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		442,225	435,324	434,324	427,326
<b>Total reserves</b>		<b>466,875</b>	462,776	<b>458,974</b>	454,778

The financial statements on pages 22 to 77 were approved by the Council on 30 November 2016, and signed on its behalf by:



Professor Sir Christopher Snowden  
President and Vice-Chancellor



David Price  
Treasurer



Sarah Pook  
Director of Finance

**Consolidated Statement of Cash Flows for the year ended 31 July 2016**

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
<b>Cash flow from operating activities</b>		
Surplus/(deficit) for the year	28,048	(1,054)
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation	30,161	28,816
Loss on investments	148	505
Impairment of investments	179	-
Increase in stock	(48)	(19)
Increase in debtors	(7,236)	(18,607)
Increase in creditors	2,141	7,908
Increase in pension provision	9,483	34,514
Decrease in other provisions	(170)	(167)
Receipt of donated equipment	-	(492)
Exchange rate loss/(gain) on loans	1,193	(897)
Gain on revaluation of investment property	(554)	(389)
Loss/(gain) on financial instruments	153	(142)
<b>Adjustment for investing or financing activities</b>		
Investment income	(1,134)	(1,777)
Endowment income	(66)	(20)
Capital grant income	(12,621)	(12,043)
Interest payable	7,556	7,258
Loss/(gain) on the disposal/write down of fixed assets	4,736	(40)
<b>Net cash inflow from operating activities</b>	<b>61,969</b>	<b>43,354</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of fixed assets	32	50
Proceeds from disposal of fixed asset investments	-	1,140
Capital grant receipts	16,337	6,365
Disposal of current asset investments	15	10,613
Withdrawal of deposits	33,800	570
Investment income	1,269	2,338
Payments made to acquire fixed assets	(64,582)	(86,828)
Payments made to acquire fixed asset investments	(100)	-
New current asset investments	(11,277)	5
New deposits	(66)	(20)
	<b>(24,572)</b>	<b>(65,767)</b>

**Consolidated Statement of Cash Flows for the year ended 31 July 2016 (continued)**

	<b>Year ended 31 July 2016 £000</b>	Year ended 31 July 2015 £000
<b>Cash flows from financing activities</b>		
Interest paid	<b>(7,576)</b>	(7,312)
Endowment cash received	<b>66</b>	20
New unsecured loans	<b>20</b>	49,000
Repayments of amounts borrowed	<b>(5,669)</b>	(9,917)
Capital element of finance lease payments	<b>(253)</b>	(341)
	<b>(13,412)</b>	31,450
<b>Increase in cash and cash equivalents in the year</b>	<b>23,985</b>	9,037
Cash and cash equivalents at beginning of the year	<b>68,952</b>	59,915
Cash and cash equivalents at end of the year	<b>92,937</b>	68,952

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## Notes to the Financial Statements for the year ended 31 July 2016

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### 1. Statement of principal accounting policies

#### a. General

The University of Southampton is a chartered corporation established by Royal Charter in 1952, and an exempt charity under the terms of the Charities Act 2011. Its principal place of business is University Road, Southampton, Hampshire, United Kingdom.

#### b. Basis of accounting

The financial statements have been prepared in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and the applicable accounting standard Financial Reporting Standard 102 (FRS 102). The financial statements comply with the requirements of FRS 102.

The financial statements are prepared under the historical cost convention, modified to include certain items at fair value.

The University is a public benefit entity and has applied the relevant public benefit entity requirements of FRS 102.

#### c. Basis of consolidation

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

Where the financial statements of subsidiary companies are denominated in foreign currency, income and expenditure are converted to sterling for consolidation on the basis of the average exchange rate for the accounting period and the balance sheet is converted using the rate at the balance sheet date. Any resulting exchange rate differences are recognised in the Statement of Comprehensive Income.

The consolidated financial statements do not include the income and expenditure of the University of Southampton Students' Union as it is a separate entity over which the University does not exert 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.

#### d. Income recognition

##### *Government grants*

Both revenue and capital government grants are accounted for under the Performance Model. Income is recognised within the Statement of Comprehensive Income when the University is entitled to the income and performance related conditions specified in the agreement have been met. In the absence of any performance conditions income is recognised in full as soon as it becomes receivable.

Income received in advance of performance related conditions being met is recognised on the balance sheet as deferred income and released to the Statement of Comprehensive Income in line with such conditions being met. Where grants are received in arrears income is recognised in line with the performance conditions which have been met.

##### *Tuition fees*

Fee income is credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is waived or reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

##### *Provision of goods or services*

Income from the sale of goods or services is recognised in the Statement of Comprehensive Income when the goods or services are supplied or the terms of the contract have been satisfied. Where services are being rendered, but are not complete at the end of the period, income is recognised with reference to the stage of completion/degree of provision of the service, as determined on an appropriate basis for each contract.

##### *Research income*

Income is recognised within the Statement of Comprehensive Income when the performance related conditions agreed with the funder have been met. In the absence of performance conditions income is recognised in full as soon as the University is entitled to the income.

##### *Non-government grants, donations and endowments*

Non-government grants and donation income is accounted for under the Performance Model. This income can be split into 3 classes:

- Non-government grants and donated income with performance conditions

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**Notes to the Financial Statements for the year ended 31 July 2016**


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- Donations with restrictions

A donation is considered to have a restriction when the gift agreement contains “a requirement that limits or directs the purposes for which a resource may be used that does not meet the definition of a performance-related condition.”

Income with restrictions, but no performance conditions, is recognised within the Statement of Comprehensive Income when the grant is receivable (legal/contractual commitment) and recorded within restricted reserves. As the funding is expended against the restriction it is transferred to unrestricted reserves by way of a reserves transfer.

- Donations without restrictions

Income with neither restrictions nor performance conditions is recognised within the Statement of Comprehensive Income when the University is entitled to the income.

Endowments are a class of donation where the donor requires the original gift to be invested, with the return to be spent against the donor’s charitable aims. The donor can specify that the capital can be spent (expendable endowment) or maintained in perpetuity (permanent endowment). In addition, the donor can specify how the gift and any associated income should be spent (a restricted endowment) or give the funds for any purpose of the University (unrestricted endowment).

An endowment gift is recognised in the Statement of Comprehensive Income when the University is entitled to the income. Investment income is recognised in the period in which it arises and as either restricted or unrestricted income according to the terms of each endowment. The gain or loss on endowment funds is recorded within the Statement of Comprehensive Income, with the value retained in the capital element of the fund to which it relates.

### **Capital grants**

Grants, both government and non-government, received for the purpose of purchasing or constructing specific assets are recognised as income upon the asset being brought into use, or in line with the phased completion of large construction projects. Grants where the University has discretion over the assets being purchased or built are recognised in full as income when the University is entitled to the income.

Grant income is only recognised across the useful life of the asset to the extent that the grant specifically funds the operation/maintenance of the asset.

### **Interest**

Interest is credited to the Statement of Comprehensive Income for the period in which the income is earned.

### **Agency income**

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk.

### **e. 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.

A liability is recorded for any contractual commitment to fund past deficits within multi-employer schemes. The associated expense is recognised in the Statement of Comprehensive Income.

In addition, to comply with the Pensions Act 2008, the University offers all University staff access to a qualifying pension scheme through NEST.

### **f. Employment benefits**

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the period employees render service to the University. Any unused benefits which have accrued at each balance sheet date are recognised as a liability, with the expense being recognised as staff costs in the Statement of Comprehensive Income.

### **g. Leases**

#### **Finance leases**

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

Leased assets acquired by way of a finance lease and the associated lease liability are stated at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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## Notes to the Financial Statements for the year ended 31 July 2016

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Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### *Operating leases*

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Any lease premiums or incentives are spread evenly over the minimum lease term.

### **h. Foreign currency**

Transactions denominated in foreign currencies are recorded in the Statement of Comprehensive Income at the actual rate of exchange on conversion to sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date.

Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

### **i. Fixed assets**

Fixed assets are stated at cost and depreciated on a straight-line basis over a term based on the expected useful economic life of the asset.

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.

Land is not depreciated.

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. All other equipment is capitalised. The capitalisation thresholds for subsidiary undertakings are set at appropriate levels that do not exceed £25,000.

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 three and ten years.

For all buildings completed from 1 August 2015 onwards, where the major components of that building have significantly different useful lives, the initial cost of the asset shall be allocated to its major components and each component depreciated separately over its useful life.

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.

### **j. Heritage assets**

Artefacts held and conserved principally for their contribution to knowledge and culture, obtained since 1 August 2010, costing over £25,000, are capitalised and held at the lower of cost or net realisable value. Where assets are fully or substantially donated, they are capitalised and held at the lower of valuation at the time of acquisition or net realisable value.

Heritage assets are not depreciated as their long economic lives mean that any depreciation would be immaterial but they are regularly reviewed for impairment.

Income received to support the purchase of heritage assets is recognised when the University is entitled to the income.

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.

### **k. Intangible assets**

Intangible assets capitalised by the University are generally stated at cost and amortised over three years on a straight-line basis. Assets with a value of £25,000 or more are amortised over a period equal to their expected useful economic life (up to a maximum period of 8 years).

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

### **l. Gifts in kind**

Gifts in kind are included as fixed assets and depreciated in accordance with the policy set out above. The value of the donation is included in the Statement of Comprehensive Income in the period in which it is received, using a reasonable estimate of the gross value or the amount actually realised.



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**Notes to the Financial Statements for the year ended 31 July 2016**


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**m. Investment Properties**

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income. Investment properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

**n. Investments**

All investments will initially be recognised at cost and subsequently measured at fair value at each reporting date, with movements recognised in the Statement of Comprehensive Income. For non-trading investments where fair value cannot be reliably measured, they will be measured at cost less impairment.

Investments in subsidiary undertakings are accounted for at cost less accumulated impairment losses.

All gains and losses on investment assets are recognised in the Statement of Comprehensive Income for that period.

**o. Stock**

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

**p. Cash and cash equivalents**

Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents contains sums relating to endowment reserves which the University is restricted as to how they disburse.

**q. Financial instruments***Loans*

Loans are measured at amortised cost using the effective interest rate method.

*Derivatives*

Derivatives are held on the balance sheet at fair value with any gains or losses being reported in the Statement of Comprehensive Income. The fair values are calculated by the bank from proprietary models based upon well recognised financial

principles, data sources believed to be reliable and reasonable estimates about relevant future market conditions.

*Short-term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

**r. Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

**s. 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.

**t. Taxation**

The University is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is listed as a charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 472-488 of the Corporation Tax Act 2010 (CTA 2010) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a

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## Notes to the Financial Statements for the year ended 31 July 2016

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right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered.

### u. Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund to perpetuity. Other restricted reserves include balances for which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

### v. Transition to FEHE SORP/FRS 102

The University has prepared its Financial Statements in accordance with FRS 102 and the new SORP for the first time for the year ended 31 July 2016. The University has consequently applied the first time adoption requirements.

An explanation of how the transition to the SORP has affected the reported financial position and financial performance of the consolidated results of the University is provided in note 30.

Application of first time adoption grants certain exemption from the full requirements of the SORP in the transition period. The following exemptions have been used in these financial statements:

- Fair value as deemed cost – investments have been measured at their fair value at the date of transition, with this value being used as the deemed cost going forward.
- Revaluation as deemed cost – land previously held at cost has been revalued at the date of transition, with this value being used as the deemed cost going forward.

## 2. Significant judgements and estimates

In the preparation of the 2016 consolidated financial statements, it is the responsibility of management to make informed judgements and estimates that affect the reported values for assets, liabilities, income and expenditure.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following key assumptions concerning the future, and other key sources of estimation and uncertainty at the reporting date of 31 July 2016, are as follows:

### *Defined benefit scheme pension provision*

The University contributes to two pension schemes – University of Southampton Pension and Assurance Scheme (PASNAS) and Hampshire County Council (HCC) – which are defined benefit schemes, and for which a provision is recorded within the Balance Sheet. The recognised liability is based on the valuation provided by professionally qualified independent actuaries which is based on a number of assumptions. These include the future cash flows of the Scheme, the discount rate used (which is based on average AA rated UK Corporate Bond rates that reflect the duration of our liability), the pensionable salary growth going forward and proposed price inflation (which is based on the Retail Price Index). Further details can be found in note 27.

The net interest expense is based on the interest rates of AA rated corporate bonds and the deficit position.

Management review the assumptions made to derive the provisions recorded within the Balance Sheet to ensure that they are reasonable.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**USS pension provision**

The University has a contractual commitment to the Universities Superannuation Scheme Ltd (USS) deficit recovery plan, and under FRS 102 the University's share of the past service deficit is recorded as a provision within the Balance Sheet. The University's obligation under the scheme has been calculated on a discounted present value basis.

The calculation of the provision has required management to make a judgement regarding the discount rate. This has been determined by reference to average market yields at the reporting date on high quality corporate bonds (bond rating AA) whose term covers the remaining duration of the recovery plan.

Further judgements about the rate of staff inflation and the future growth in staff numbers have been based on the assumptions used in the University's business plans which have been reviewed and approved by the University's governing body.

**Revaluation model for investment property**

The University of Southampton Science Park is an investment property which is valued each year by an independent valuation specialist. The property is stated at fair value with changes in the fair value being recognised in the Statement of Comprehensive Income.

The valuer uses a valuation technique based on the net present value of contracted future rental streams. This valuation method requires assumptions to be made regarding the estimated yield from the property and the level of long-term occupancy rates. Management acknowledges that changes to these assumptions can derive a different valuation, but accept that the assumptions used are reasonable based on past performance and existing lease commitments.

**Fair value of investments**

Where possible, investments are measured at fair value. This is by reference to the published market price of the investments held which are judged to provide a reasonable estimate of their value. Where there is no market rate available, investments are measured at cost.

**3. Tuition fees and education contracts**

	Consolidated		University	
	2016	2015	2016	2015
	£000	£000	£000	£000
Full-time Home/EU students	<b>137,971</b>	117,788	<b>137,971</b>	117,788
Full-time international students	<b>80,959</b>	71,526	<b>80,105</b>	70,977
Part-time Home/EU students	<b>2,642</b>	2,192	<b>2,642</b>	2,192
Part-time international students	<b>668</b>	826	<b>668</b>	826
Research training support grants	<b>16,841</b>	16,101	<b>16,841</b>	16,101
Special and short course fees	<b>5,665</b>	5,857	<b>5,665</b>	5,857
	<b>244,746</b>	214,290	<b>243,892</b>	213,741

Included in the above is £17,159,000 (2015: £17,359,000) of NHS Teaching Contract income in respect of full and part-time fees. Other income from health authorities is disclosed under note 6.

Fee income is stated net of waivers and discounts.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**4. Funding body grants**

	<b>Consolidated and University</b>	
	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Recurrent grants:</b>		
Higher Education Funding Council for England (HEFCE)	<b>61,448</b>	62,856
National College for Teaching and Leadership	<b>83</b>	(42)
<b>Specific grants:</b>		
Higher Education Funding Council for England (HEFCE)	<b>4,997</b>	5,877
<b>Capital grants</b>	<b>8,121</b>	12,043
	<b>74,649</b>	80,734

**5. Research grants and contracts**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Income</b>				
UK Research councils	<b>50,686</b>	54,138	<b>50,682</b>	54,107
UK based charities	<b>12,905</b>	11,886	<b>12,890</b>	11,876
UK Central Government/local authorities/health authorities and hospitals	<b>16,000</b>	16,135	<b>15,864</b>	15,936
UK public corporations/industry and commerce	<b>7,917</b>	8,077	<b>7,583</b>	7,768
EU Government	<b>14,424</b>	15,885	<b>14,418</b>	15,876
EU other sources	<b>1,968</b>	2,206	<b>1,885</b>	2,173
Other overseas sources	<b>7,216</b>	5,328	<b>6,916</b>	4,976
Other sources	<b>703</b>	783	<b>279</b>	335
Research and development expenditure credit (RDEC) claims from HMRC	<b>685</b>	11,328	<b>685</b>	11,328
	<b>112,504</b>	125,766	<b>111,202</b>	124,375

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**6. Other income**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Residences, catering and conferences	<b>40,186</b>	33,826	<b>40,186</b>	33,826
Consultancies, trading and services rendered	<b>42,264</b>	39,396	<b>40,999</b>	38,090
Health authorities	<b>10,667</b>	9,951	<b>10,667</b>	9,951
Other capital grants	<b>4,500</b>	-	<b>4,500</b>	-
Other income	<b>21,641</b>	21,105	<b>21,123</b>	21,543
	<b>119,258</b>	104,278	<b>117,475</b>	103,410

**7. Investment income**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Investment income on endowments	<b>169</b>	165	<b>169</b>	165
Other investment income	<b>965</b>	1,612	<b>1,086</b>	1,612
	<b>1,134</b>	1,777	<b>1,255</b>	1,777

**8. Donations and endowments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
New endowments	<b>66</b>	20	<b>66</b>	20
Disposed endowments	<b>(15)</b>	-	<b>(15)</b>	-
Donations with restrictions	<b>2,851</b>	3,794	<b>2,851</b>	3,794
Unrestricted donations	<b>357</b>	1,231	<b>357</b>	1,221
	<b>3,259</b>	5,045	<b>3,259</b>	5,035

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**9. Staff costs**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Staff costs:</b>				
Salaries and wages	<b>233,923</b>	227,948	<b>232,453</b>	226,563
Social Security costs	<b>19,748</b>	18,001	<b>19,704</b>	17,956
Pension costs	<b>37,598</b>	35,918	<b>37,502</b>	35,839
Movement on USS provision	<b>3,639</b>	28,367	<b>3,639</b>	28,367
Severance and early retirement	<b>495</b>	358	<b>495</b>	358
	<b>295,403</b>	310,592	<b>293,793</b>	309,083

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>Number</b>	Number	<b>Number</b>	Number
<b>Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:</b>				
Education, research and enterprise	<b>2,832</b>	2,773	<b>2,817</b>	2,761
Management, specialist and administrative	<b>2,078</b>	1,973	<b>2,054</b>	1,952
Technical and experimental	<b>374</b>	371	<b>373</b>	370
Community and operational	<b>493</b>	472	<b>493</b>	472
	<b>5,777</b>	5,589	<b>5,737</b>	5,555

**Emoluments of the Vice-Chancellor**

Professor Don Nutbeam (end date 30th September 2015)

	<b>2016</b>	2015
	<b>£000</b>	£000
Emoluments	<b>295</b>	252
Performance-related bonus	<b>43</b>	39
Taxable benefits	<b>-</b>	1
	<b>338</b>	292
Employers pension contributions	<b>7</b>	40
Total remuneration	<b>345</b>	332

The emoluments in 2015/16 include compensation for loss of office of £252,000 which was paid to Professor Nutbeam. Professor Nutbeam donated £0 (2015: £1,000) to the University during the year as a member of the Hartley Circle.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**9. Staff costs (continued)**

Professor Sir Christopher Snowden (start date 1st October 2015)

	<b>2016</b>	2015
	<b>£000</b>	£000
Emoluments	<b>348</b>	-
Performance-related bonus	-	-
Taxable benefits	<b>1</b>	-
	<b>349</b>	-
Pension contributions (at 2.1% for the period April 2016 to July 2016)	<b>3</b>	-
Total remuneration	<b>352</b>	-

**Higher Paid Staff**

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

	<b>2016</b>		2015	
	<b>Number</b>		Number	
	<b>Total - All Staff</b>	<b>Clinical</b>	Total - All Staff	Clinical
£100,000 - £109,999	<b>48</b>	<b>10</b>	35	11
£110,000 - £119,999	<b>25</b>	<b>11</b>	26	11
£120,000 - £129,999	<b>13</b>	<b>8</b>	20	9
£130,000 - £139,999	<b>9</b>	<b>4</b>	9	5
£140,000 - £149,999	<b>9</b>	<b>6</b>	10	5
£150,000 - £159,999	<b>13</b>	<b>8</b>	11	6
£160,000 - £169,999	<b>7</b>	<b>7</b>	13	9
£170,000 - £179,999	<b>6</b>	<b>5</b>	3	2
£180,000 - £189,999	<b>2</b>	<b>1</b>	3	1
£190,000 - £199,999	<b>1</b>	<b>1</b>	-	-
£200,000 - £209,999	<b>1</b>	<b>1</b>	2	2
£210,000 - £219,999	<b>3</b>	3	2	2
£220,000 - £229,999	-	-	1	1

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**Notes to the Financial Statements for the year ended 31 July 2016**

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**9. Staff costs (continued)**

**Compensation for loss of office**

Aggregate payments for compensation for loss of office for one (2015: three) senior member of staff earning more than £100,000 was £252,000 (2015: £137,534). In 2015/16, the payment related to the outgoing Vice-Chancellor, Professor Nutbeam.

Salaries and wages, emoluments of the Vice-Chancellor and higher paid staff numbers are stated before salary sacrifice deductions.

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs includes compensation paid to key management personnel.

The 2014/15 costs comprise the salary and benefits for the 15.3 full-time equivalent members of the University Academic Executive. During 2015/16 the executive structure of the University was revised; therefore the costs for the key management personnel in 2015/16 comprise the salary and benefits for the 14.7 full-time equivalent members of the University Academic Executive for the first 6 months, and the salary and benefits of the 14.4 full-time equivalent members of the University Executive Board for the second 6 months to 31st July.

	<b>2016</b>	2015
	<b>£000</b>	£000
Key management personnel compensation	<b>3,273</b>	2,939



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**Notes to the Financial Statements for the year ended 31 July 2016**


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**10. Other operating expenses**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Non-capitalised equipment	<b>20,190</b>	20,482	<b>20,101</b>	20,335
Impairment of property value	<b>3,233</b>	10	<b>3,233</b>	10
Consumables and laboratory expenditure	<b>18,445</b>	17,315	<b>18,393</b>	17,079
Office expenses and professional fees	<b>29,126</b>	26,450	<b>28,207</b>	25,536
Travel costs	<b>14,081</b>	15,099	<b>13,912</b>	14,932
Repairs, refurbishment and scheduled maintenance	<b>15,611</b>	18,117	<b>14,501</b>	17,159
Heat, light, water and power	<b>7,905</b>	9,816	<b>7,867</b>	9,788
Books and periodicals	<b>5,506</b>	4,941	<b>5,506</b>	4,941
Bursaries, fellowships, scholarships and prizes	<b>34,092</b>	32,924	<b>34,082</b>	32,903
External agencies and staff secondments	<b>12,600</b>	10,544	<b>12,516</b>	10,494
Rents, rates and hire of facilities	<b>7,909</b>	6,853	<b>8,143</b>	6,952
Catering supplies	<b>2,461</b>	2,251	<b>2,353</b>	2,155
Conference fees	<b>3,014</b>	2,894	<b>3,018</b>	2,901
Grant to Students' Union	<b>2,752</b>	2,514	<b>2,752</b>	2,514
External auditors' remuneration	<b>80</b>	71	<b>45</b>	37
Auditors' remuneration in respect of other services	<b>107</b>	87	<b>96</b>	78
Other expenses	<b>10,289</b>	11,183	<b>11,172</b>	12,774
	<b>187,401</b>	181,551	<b>185,897</b>	180,588

Lay members and non University staff officers of the Council did not receive payment, apart from the reimbursement of expenses, for fulfilling their role as members of the governing body.

Total expenses paid to twelve (2015: eleven) members of Council was £12,000 (2015: £7,000), representing reimbursement of travel and other expenses incurred in attending Council and related meetings, and representing the University in the UK and overseas.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**11. Interest and other finance costs**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Loan interest	<b>3,870</b>	4,147	<b>3,581</b>	3,835
Finance lease interest	<b>3,686</b>	3,111	<b>3,686</b>	3,111
Exchange rate gain/(loss) on currency loans	<b>952</b>	(897)	<b>1,193</b>	(897)
Increase/(decrease) in fair value of financial instrument	<b>153</b>	(142)	-	-
Net charge on pension schemes	<b>4,143</b>	3,188	<b>4,143</b>	3,188
	<b>12,804</b>	9,407	<b>12,603</b>	9,237

## Notes to the Financial Statements for the year ended 31 July 2016

## 12. Analysis of 2016 expenditure by activity

## Consolidated

	Staff costs	Depreciation	Other operating expenses	Interest payable	2016 Total	2015 Total
	£000	£000	£000	£000	£000	£000
Academic departments	155,051	2,075	29,819	-	<b>186,945</b>	182,223
Academic services	18,436	4,359	15,620	-	<b>38,415</b>	38,514
Research grants and contracts	49,829	5,154	26,695	-	<b>81,678</b>	82,294
Residences, catering and conferences	8,142	3,479	15,498	2,805	<b>29,924</b>	26,112
Premises	10,108	13,862	27,105	-	<b>51,075</b>	50,033
Administration and central services	20,698	352	11,270	-	<b>32,320</b>	31,785
General educational expenditure	7,290	-	40,438	-	<b>47,728</b>	42,533
Consultancies, trading and services rendered	19,983	880	19,411	201	<b>40,475</b>	34,766
Other activities	5,866	-	1,545	9,798	<b>17,209</b>	42,106
	<b>295,403</b>	<b>30,161</b>	<b>187,401</b>	<b>12,804</b>	<b>525,769</b>	530,366

## University

	Staff costs	Depreciation	Other operating expenses	Interest payable	2016 Total	2015 Total
	£000	£000	£000	£000	£000	£000
Academic departments	154,534	2,017	29,696	-	<b>186,247</b>	181,557
Academic services	18,376	4,203	15,433	-	<b>38,012</b>	38,087
Research grants and contracts	49,829	5,143	25,400	-	<b>80,372</b>	81,117
Residences, catering and conferences	8,142	3,479	15,498	2,805	<b>29,924</b>	26,112
Premises	10,105	13,826	27,329	-	<b>51,260</b>	50,065
Administration and central services	20,120	352	10,790	-	<b>31,262</b>	30,719
General educational expenditure	7,290	-	40,427	-	<b>47,717</b>	42,513
Consultancies, trading and services rendered	19,531	809	18,715	-	<b>39,055</b>	35,137
Other activities	5,866	-	2,609	9,798	<b>18,273</b>	42,095
	<b>293,793</b>	<b>29,829</b>	<b>185,897</b>	<b>12,603</b>	<b>522,122</b>	527,402

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**13. Taxation**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Analysis of tax charge:</b>				
UK Corporation Tax	<b>146</b>	2,470	<b>146</b>	2,470
Deferred tax	<b>(67)</b>	(294)	-	-
	<b>79</b>	2,176	<b>146</b>	2,470

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Recognised in the Statement of Comprehensive Income:</b>				
<b>Current tax</b>				
Current tax expense	<b>146</b>	2,470	<b>146</b>	2,470
<b>Current tax expense</b>	<b>146</b>	2,470	<b>146</b>	2,470
<b>Deferred tax</b>				
Origination and reversal of timing differences	<b>(67)</b>	(294)	-	-
<b>Deferred tax expense</b>	<b>(67)</b>	(294)	-	-
<b>Total tax expense</b>	<b>79</b>	2,176	<b>146</b>	2,470

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**14. Tangible assets****Consolidated**

	Freehold land and buildings £000	Leasehold land and buildings £000	Assets in course of construction £000	Investment properties £000	Fixtures, fittings and equipment £000	Heritage assets £000	Total £000
<b>Cost or valuation</b>							
At 1 August 2015	551,009	137,063	53,959	28,149	107,180	6,000	883,360
Additions at cost	10,399	1,408	47,142	341	8,037	-	67,327
Transfers at cost	18,526	3,724	(36,364)	322	13,792	-	-
Surplus on revaluation	-	-	-	554	-	-	554
Disposals at cost	(1,377)	-	-	-	(987)	-	(2,364)
Write downs	(3,551)	-	-	-	-	-	(3,551)
<b>At 31 July 2016</b>	<b>575,006</b>	<b>142,195</b>	<b>64,737</b>	<b>29,366</b>	<b>128,022</b>	<b>6,000</b>	<b>945,326</b>
<b>Depreciation</b>							
At 1 August 2015	(113,631)	(40,019)	-	(155)	(86,804)	-	(240,609)
Charge for year	(9,794)	(5,617)	-	(12)	(13,477)	-	(28,900)
Eliminated on disposal	584	-	-	-	987	-	1,571
Eliminated on write down	318	-	-	-	-	-	318
<b>At 31 July 2016</b>	<b>(122,523)</b>	<b>(45,636)</b>	<b>-</b>	<b>(167)</b>	<b>(99,294)</b>	<b>-</b>	<b>(267,620)</b>
<b>Net book value</b>							
<b>At 31 July 2016</b>	<b>452,483</b>	<b>96,559</b>	<b>64,737</b>	<b>29,199</b>	<b>28,728</b>	<b>6,000</b>	<b>677,706</b>
At 1 August 2015	437,378	97,044	53,959	27,994	20,376	6,000	642,751

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**14. Tangible assets (continued)****University**

	Freehold land and buildings £000	Leasehold land and buildings £000	Assets in course of construction £000	Fixtures, fittings and equipment £000	Heritage assets £000	Total £000
<b>Cost or valuation</b>						
At 1 August 2015	551,009	135,304	53,547	105,333	6,000	851,193
Additions at cost	10,397	1,391	42,071	7,889	-	61,748
Transfers at cost	18,526	3,724	(36,042)	13,792	-	-
Disposals at cost	(1,377)	-	-	(987)	-	(2,364)
Write downs	(3,551)	-	-	-	-	(3,551)
<b>At 31 July 2016</b>	<b>575,004</b>	<b>140,419</b>	<b>59,576</b>	<b>126,027</b>	<b>6,000</b>	<b>907,026</b>

**Depreciation**

At 1 August 2015	(113,631)	(39,984)	-	(85,599)	-	(239,214)
Charge for year	(9,794)	(5,582)	-	(13,192)	-	(28,568)
Eliminated on disposal	584	-	-	987	-	1,571
Eliminated on write down	318	-	-	-	-	318
<b>At 31 July 2016</b>	<b>(122,523)</b>	<b>(45,566)</b>	<b>-</b>	<b>(97,804)</b>	<b>-</b>	<b>(265,893)</b>

**Net book value**

<b>At 31 July 2016</b>	<b>452,481</b>	<b>94,853</b>	<b>59,576</b>	<b>28,223</b>	<b>6,000</b>	<b>641,133</b>
At 1 August 2015	437,378	95,320	53,547	19,734	6,000	611,979

At 31 July 2016, freehold land and buildings included £94,900,000 (2015: £94,900,000) in respect of land, which is not depreciated.

The figures for completed leasehold land include an asset held under a finance lease which has been capitalised. This is held at a cost of £49,000,000 with accumulated depreciation of £1,800,000 (2015: £800,000) and a net book value of £47,200,000 (2015: £48,200,000).

Included in the balances for leasehold land and buildings is expenditure of £27,800,000 funded by HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership, and £14,600,000 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 2016 by Vail Williams LLP. In accordance with FRS 102, 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 increased by £554,000 during the year. The historical cost of these assets at 31 July 2016, net of assistance grants, amounted to £22,793,000 (2015: £22,112,000).

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**Notes to the Financial Statements for the year ended 31 July 2016**

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**14. Tangible assets (continued)**

The disposals relate to assets which are no longer held by the University. The write downs relate to two buildings which are held pending redevelopment.

In addition to the above expenditure on tangible assets a further £78,900,000 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 University also maintains a significant number of paintings, drawings, sculptures, silverware and life science specimens. Items and collections obtained before 1 August 2010 have not been capitalised as the cost or valuation at the time of acquisition cannot be economically determined.

In August 2011, the University completed the acquisition of the Broadlands Archives, a significant collection of manuscripts dating from the sixteenth century to the present. Comprising more than 4,500 boxes of documents, the Broadlands Archives include correspondence of the Victorian Foreign Secretary and Prime Minister Lord Palmerston and approximately 250,000 papers and 50,000 photographs of Earl Mountbatten of Burma, including the foundation archives for the states of India and Pakistan. The collection also includes the diaries of the 19th-century social reformer and philanthropist, the 7th Earl of Shaftesbury and material regarding the Temple and Ashley estates in Hampshire.

An open market valuation of the Broadlands Archives was obtained in September 2012 from Bernard Quaritch Ltd, specialists in the valuation and sale of archives and manuscript collections. The valuer considered the separate collections that comprise the Broadlands Archives and took account of restrictions under the terms of associated grants and contracts in reaching an overall valuation of £6 million. The Archives have been capitalised at this value.

Further information regarding the Broadlands Archives and the other collections held within the Hartley Library, including access details, can be found on the Special Collections website at [www.southampton.ac.uk/archives](http://www.southampton.ac.uk/archives).

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**15. Intangible assets****Consolidated and University**

	Software £000	Software in progress £000	Total £000
<b>Cost or valuation</b>			
At 1 August 2015	17,857	387	18,244
Additions at cost	-	407	407
Transfers at cost	197	(197)	-
Disposals at cost	(2,627)	-	(2,627)
<b>At 31 July 2016</b>	<b>15,427</b>	<b>597</b>	<b>16,024</b>
<b>Amortisation</b>			
At 1 August 2015	(12,905)	-	(12,905)
Charge for year	(1,261)	-	(1,261)
Eliminated on disposal	1,885	-	1,885
<b>At 31 July 2016</b>	<b>(12,281)</b>	<b>-</b>	<b>(12,281)</b>
<b>Net book value</b>			
<b>At 31 July 2016</b>	<b>3,146</b>	<b>597</b>	<b>3,743</b>
At 1 August 2015	4,952	387	5,339

The disposal relates to an item of obsolete software which is no longer in use.



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**Notes to the Financial Statements for the year ended 31 July 2016**


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**16. Non-current investments****Consolidated**

	Subsidiary companies £000	Subsidiary investment in spinouts £000	Other fixed asset investments £000	Total £000
<b>At 1 August 2015</b>	-	2,738	1,385	4,123
Additions	-	-	100	100
Market value loss	-	(335)	-	(335)
Impairment	-	(180)	-	(180)
<b>At 31 July 2016</b>	<b>-</b>	<b>2,223</b>	<b>1,485</b>	<b>3,708</b>

**University**

	Subsidiary companies £000	Subsidiary investment in spinouts £000	Other fixed asset investments £000	Total £000
<b>At 1 August 2015</b>	14,886	-	1,052	15,938
Additions	810	-	100	910
Impairment	(37)	-	-	(37)
<b>At 31 July 2016</b>	<b>15,659</b>	<b>-</b>	<b>1,152</b>	<b>16,811</b>

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. This investment is held at cost.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**16. Non-current investments (continued)**

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
<b>Held by the University</b>		
ECS Partners Limited (ECSP Limited)	100.00	Consultancy
IT Innovation Limited	100.00	Dormant
IT Innovation Centre Limited	100.00	Dormant
Photonic Innovations Limited	50.00	Investment company
Southampton Asset Management Limited (SAM Limited)	80.00	Investment company
Southampton Innovations Limited (SI Limited)	100.00	Investment company
Southampton International Singapore Limited	100.00	* Research
USMC Sdn Bhd (Malaysia)	100.00	Education
University of Southampton Holdings Limited (USH Limited)	100.00	Dormant
The University of Southampton Science Park Limited (SSP Limited)	100.00	Science park management
<b>Investments held by USH Limited</b>		
The University of Southampton Consulting Limited	100.00	Dormant
<b>Investments held by SI Limited</b>		
Photonic Innovations Limited (PI Limited)	50.00	Investment company

\* Company limited by guarantee, maximum liability Singapore Dollars S\$1,000.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**17. Trade and other receivables**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Amounts falling due within one year:				
Grants from HEFCE	<b>5,812</b>	10,049	<b>5,812</b>	10,049
Student debtors	<b>1,492</b>	857	<b>1,492</b>	857
Research grants and contracts	<b>36,170</b>	36,366	<b>36,170</b>	36,367
Trade and other receivables	<b>22,353</b>	15,711	<b>20,981</b>	13,965
Amounts due from group undertakings	-	-	<b>2,398</b>	3,590
Prepayments to group undertakings	-	-	<b>104</b>	105
Other prepayments	<b>12,030</b>	11,483	<b>11,464</b>	10,996
	<b>77,857</b>	74,466	<b>78,421</b>	75,929
Amounts falling due after more than one year:				
Prepayments	<b>437</b>	443	<b>349</b>	370
Amounts owed by subsidiary undertakings	-	-	<b>5,981</b>	191
	<b>78,294</b>	74,909	<b>84,751</b>	76,490

**18. Current investments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Cash on deposit	<b>20,500</b>	54,000	<b>20,500</b>	54,000
Investment in shares (at fair value)	<b>11,544</b>	329	<b>11,544</b>	329
	<b>32,044</b>	54,329	<b>32,044</b>	54,329

During 2015/16 the University appointed a new fund manager to manage its endowment portfolio and endowment asset investments which had been held as cash on short-term deposits were invested in unit trusts.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**19. Creditors: amounts falling due within one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans	<b>4,241</b>	4,476	<b>3,487</b>	3,766
Other loans - HEFCE	<b>1,063</b>	1,125	<b>1,063</b>	1,125
Obligations under finance leases	<b>278</b>	253	<b>272</b>	253
Advance income on research	<b>42,319</b>	42,074	<b>42,319</b>	42,073
Social Security and other taxation	<b>13,324</b>	10,931	<b>13,324</b>	10,931
Amounts owed to group undertakings	-	-	<b>361</b>	109
Trade and other creditors	<b>20,392</b>	26,174	<b>19,053</b>	19,920
Accruals and deferred income	<b>54,766</b>	46,317	<b>53,679</b>	50,391
	<b>136,383</b>	131,350	<b>133,558</b>	128,568

**20. Creditors: amounts falling due after more than one year**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans	<b>74,590</b>	77,705	<b>68,906</b>	71,267
Other loans - HEFCE	<b>2,000</b>	3,063	<b>2,000</b>	3,063
Obligations under finance leases	<b>48,145</b>	48,405	<b>48,133</b>	48,405
Accruals and deferred income	<b>1,829</b>	1,861	<b>239</b>	261
Derivatives	<b>584</b>	431	-	-
	<b>127,148</b>	131,465	<b>119,278</b>	122,996

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**20. Creditors: amounts falling due after more than one year (continued)****Loans are repayable as follows:**

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Bank loans:				
Between one and two years	<b>3,761</b>	4,123	<b>2,961</b>	3,369
Between two and five years	<b>8,105</b>	9,296	<b>5,399</b>	6,746
Over five years	<b>62,724</b>	64,286	<b>60,546</b>	61,152
	<b>74,590</b>	77,705	<b>68,906</b>	71,267
Other loans - HEFCE:				
Between one and two years	<b>1,000</b>	1,063	<b>1,000</b>	1,063
Between two and five years	<b>1,000</b>	2,000	<b>1,000</b>	2,000
	<b>2,000</b>	3,063	<b>2,000</b>	3,063
Obligations under finance leases:				
Between one and two years	<b>300</b>	272	<b>294</b>	272
Between two and five years	<b>1,030</b>	951	<b>1,024</b>	951
Over five years	<b>46,815</b>	47,182	<b>46,815</b>	47,182
	<b>48,145</b>	48,405	<b>48,133</b>	48,405

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**20. 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	<b>Balance outstanding 2016 £000</b>	Balance outstanding 2015 £000
University:					
National Westminster Bank	1996	2016	fixed	-	508
National Australia Bank	1997	2018	fixed	<b>185</b>	332
National Australia Bank	1997	2018	fixed	<b>203</b>	458
National Australia Bank	1997	2019	fixed	<b>1,256</b>	1,884
National Westminster Bank	1999	2019	fixed	<b>1,066</b>	1,550
Barclays Bank	1999	2020	fixed	<b>894</b>	1,169
Barclays Bank	2006	2026	variable	<b>5,998</b>	5,579
Barclays Bank	2006	2036	fixed	<b>9,304</b>	9,787
Barclays Bank	2007	2047	fixed	<b>50,000</b>	50,000
				<b>68,906</b>	71,267
Subsidiaries:					
Santander	2007	2023	fixed	<b>5,684</b>	6,437
				<b>74,590</b>	77,704

The interest rates on the bank loan facilities are at fixed and variable rates. The fixed interest rates range from 1.59% to 8.43%, and the variable rate margin is 0.19% over Euribor.

The bank and other loans are secured against specific assets and/or the general covenant of the University.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**21. Provisions****Consolidated**

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 27) £000	Maintenance Fund £000	Deferred tax £000	Total Provisions £000
<b>At 1 August 2015</b>	57,934	66,097	373	1,134	125,538
Utilised in year	(2,131)	-	(882)	-	(3,013)
Additions in year	6,809	28,754	780	(68)	36,275
<b>At 31 July 2016</b>	<b>62,612</b>	<b>94,851</b>	<b>271</b>	<b>1,066</b>	<b>158,800</b>

**University**

	Obligation to fund deficit on USS Pension £000	Defined benefit obligations (note 27) £000	Total Provisions £000
<b>At 1 August 2015</b>	57,934	66,097	124,031
Utilised in year	(2,131)	-	(2,131)
Additions in year	6,809	28,754	35,563
<b>At 31 July 2016</b>	<b>62,612</b>	<b>94,851</b>	<b>157,463</b>

**USS Pension Deficit**

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme. The University has a commitment to make contributions towards funding the deficit in the Scheme. This is reflected by a balance sheet provision equal to the present value of the deficit contributions being made under the obligation.

Management have assessed the number of future employees within the USS scheme and salary payments over the period of the contracted obligation in assessing the value of this provision.

**Defined Benefit Obligations**

This relates to two defined benefit pension schemes, PASNAS and HCC, to which the University pays contributions on behalf of some of its staff. This provision records the deficit that exists on these two schemes as at 31 July 2016.

**Maintenance Fund**

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.

**Deferred Tax**

The provision for deferred tax relates to tax liabilities arising from the revaluation of the University of Southampton Science Park, the revaluation of a financial instrument, and the revaluation of investments held by subsidiary companies at fair value.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**22. Endowment reserves****Consolidated**

	Restricted Permanent £000	Unrestricted Permanent £000	Restricted Expendable £000	<b>2016 Total £000</b>	2015 Total £000
<b>At 1 August</b>					
Capital	7,059	2,340	1,815	<b>11,214</b>	10,913
Accumulated income	826	323	107	<b>1,256</b>	1,188
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	7,885	2,663	1,922	<b>12,470</b>	12,101
New endowments	2	-	64	<b>66</b>	117
Disposals of endowments	(15)	-	-	<b>(15)</b>	(112)
Adjustments to endowment classification	50	-	(50)	-	-
Appropriations from Income and Expenditure reserves	-	-	-	-	38
Investment income	111	40	18	<b>169</b>	165
Expenditure	(8)	(363)	(7)	<b>(378)</b>	(128)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	103	(323)	11	<b>(209)</b>	37
Increase in market value of investments	115	38	32	<b>185</b>	289
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 July</b>	<b>8,140</b>	<b>2,378</b>	<b>1,979</b>	<b>12,497</b>	12,470
Represented by:					
Capital	7,256	2,378	1,886	<b>11,520</b>	11,214
Accumulated income	884	-	93	<b>977</b>	1,256
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>8,140</b>	<b>2,378</b>	<b>1,979</b>	<b>12,497</b>	12,470
Analysis by type of purpose:					
Chair/Lectureships	3,306	-	-	<b>3,306</b>	3,189
Scholarships and bursaries	1,745	-	661	<b>2,406</b>	2,208
Research support	-	-	1,066	<b>1,066</b>	1,044
Prize funds	538	-	31	<b>569</b>	563
Welfare/Hardship	615	-	38	<b>653</b>	603
General	1,936	2,378	183	<b>4,497</b>	4,863
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>8,140</b>	<b>2,378</b>	<b>1,979</b>	<b>12,497</b>	12,470
Analysis by asset:					
Current and non-current asset investments				<b>11,517</b>	86
Cash and cash equivalents				<b>980</b>	12,384
				<hr/>	<hr/>
				<b>12,497</b>	12,470



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**Notes to the Financial Statements for the year ended 31 July 2016**


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**23. Restricted Reserves**

Reserves with restrictions are as follows:

	Unspent Capital Grants £000	Donations /Other Restricted Funds £000	<b>2016 Total £000</b>	2015 Total £000
<b>Balances at 1 August</b>	2,888	12,094	<b>14,982</b>	13,198
New grants	10,950	-	<b>10,950</b>	8,197
New donations/other restricted funds	-	5,454	<b>5,454</b>	6,935
Capital grants utilised	(13,838)	-	<b>(13,838)</b>	(5,309)
Expenditure	-	(5,395)	<b>(5,395)</b>	(8,039)
Total restricted comprehensive income for the year	(2,888)	59	<b>(2,829)</b>	1,784
<b>Balances at 31 July</b>	<b>-</b>	<b>12,153</b>	<b>12,153</b>	14,982

The University's ongoing investment in its estate was supported by a number of capital grants which were utilised fully in the year.

	<b>2016 Total £000</b>	2015 Total £000
Analysis of donations/other restricted funds by type of purpose:		
Research activities	<b>10,877</b>	10,864
Student support	<b>473</b>	428
Scholarships and bursaries	<b>139</b>	192
Outreach	<b>64</b>	122
Enterprise support	<b>132</b>	132
Other	<b>468</b>	356
<b>Balances at 31 July</b>	<b>12,153</b>	12,094

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## Notes to the Financial Statements for the year ended 31 July 2016

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### 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 arm's 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.

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 2016 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 were a number of related party transactions during the year ended 31 July 2016 significant enough to warrant disclosure in the Financial Statements.

Mr Peter Hollins, a lay member of Council, is also chair of the University Hospital Southampton NHS Foundation Trust Board; Dr David Price, the Treasurer, and Professor Iain Cameron, Dean of the Faculty of Medicine, are also non-executive members 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.

Rear Admiral Philip Greenish, a lay member of Council, is also Chief Executive of the Royal Academy of Engineering. The University is in receipt of a number of research grants from the Royal Academy of Engineering. Income to the University was a total of £443,000 in 2015/16 (2014/15: £510,000).

Professor Dame Jessica Corner, former Dean of the Faculty of Health Sciences and a member of Council until December 2015, is also Chief Clinician at Macmillan Cancer Support. The University is in receipt of a number of research grants from Macmillan Cancer Support, funding research into people affected by cancer. Income to the University was a total of £369,000 in 2015/16 (2014/15: £385,000).

Mr Benjamin Franklin and Mr Alex Hovden were members of Council (Class 5 membership) as representatives of the Students' Union. Mr Hovden (Mr Franklin for the period July 2015 to June 2016) is President of the University of Southampton Students' Union, which is a separate entity over which the University does not exercise control or significant influence over policy decisions. The Union receives a grant from the University, an amount of £2,752,000 in 2015/16 (2014/15: £2,514,000), which is calculated annually according to a methodology agreed between the University and the Union. All other transactions between the two parties are conducted on a commercial basis.

In accordance with the exemptions contained within FRS 102 Financial Reporting Standard Section 33 (Related Party Disclosures) 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 are not generally disclosed as the University does not control or exercise any significant influence over the financial and operating policies of the companies. However, in 2014/15 Southampton Asset Management Ltd (a subsidiary in which the University has a 80% holding) made a gift aid payment of £896,000 to the University of Southampton following the sale of one its investments. There was no gift aid payment in 2015/16.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**25. Capital and other commitments**

Provision has not been made for the following capital commitments at 31 July 2016:

	<b>Consolidated</b>		<b>University</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Commitments contracted for	<b>35,632</b>	38,520	<b>33,757</b>	38,314
Authorised but not contracted for	<b>43,223</b>	48,817	<b>43,223</b>	48,817
	<b>78,855</b>	87,337	<b>76,980</b>	87,131

**26. Lease obligations**

At 31 July 2016 the University was committed to making the following payments under non-cancellable operating leases:

**Consolidated**

	Land and buildings	Plant and machinery	<b>2016</b> <b>Total</b>	2015 Total
	£000	£000	<b>£000</b>	£000
Future minimum lease payments due:				
Not later than one year	3,138	1,300	<b>4,438</b>	4,410
Between one and five years	12,578	59	<b>12,637</b>	12,424
Over five years	43,408	-	<b>43,408</b>	45,965
	<b>59,124</b>	<b>1,359</b>	<b>60,483</b>	62,799

**University**

	Land and buildings	Plant and machinery	<b>2016</b> <b>Total</b>	2015 Total
	£000	£000	<b>£000</b>	£000
Future minimum lease payments due:				
Not later than one year	3,012	1,300	<b>4,313</b>	4,529
Between one and five years	11,167	59	<b>11,226</b>	11,485
Over five years	41,992	-	<b>41,992</b>	44,421
	<b>56,171</b>	<b>1,359</b>	<b>57,531</b>	60,435

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes**

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Southampton Pension and Assurance Scheme (PASNAS). These are both defined-benefit schemes.

The University also contributes to the National Health Service Pension Scheme (NHPS), the Teachers' Pension Scheme (TPS), the Medical Research Council Pension Scheme (MRCPS), Hampshire County Council (HCC), National Employment Savings Trust (NEST) and schemes relating to subsidiary companies.

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.

The pension scheme costs incurred in 2015/16 and 2014/15 for the consolidated group are summarised as follows:

	2015/16			2014/15		
	Employer contributions	Pension accounting adjustment	Total Cost	Employer contributions	Pension accounting adjustment	Total Cost
	£000	£000	£000	£000	£000	£000
USS	27,222	-	27,222	25,342	-	25,342
PASNAS*	6,433	2,387	8,820	6,268	2,793	9,061
NHPS	1,116	-	1,116	1,094	-	1,094
Other pension schemes	450	(10)	440	431	(10)	421
Total pension cost (note 9)	<b>35,221</b>	<b>2,377</b>	<b>37,598</b>	33,135	2,783	35,918

\* The figure for PASNAS employer contributions excludes an amount of £154,000 (2015: £124,000) which is made on behalf of a third party at no cost to the University.

Employer contributions in 2016/17 are expected to be:

	Rate %	£000
USS	18.00	30,436
PASNAS	17.25	6,732
TPS	14.10	77
NHPS	14.30	1,168
MRCPS	14.90	123
HCC	15.60	64
NEST	3.00	141

HCC contributions include a fixed fee of £32,000 which is payable over and above the salary based rate of 15.6%.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)**

The University has fully adopted the disclosure rules of FRS 102 Section 28 'Employee 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 actuaries' recommendations for contributions to USS, PASNAS and HCC are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. The latest valuations of the schemes' assets and liabilities for which results are available are:

	USS	PASNAS	HCC
Date of valuation	31 March 2014	31 July 2015	31 March 2013
Market valuation of assets	£41,600 million	£170 million	£4,341 million
Past service liabilities	£46,900 million	£210 million	£5,428 million
Deficit of assets	<u>(£5,300) million</u>	<u>(£40) million</u>	<u>(£1,087) million</u>

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

**USS**

The assets of USS are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. USS is a multi-employer defined benefit pension scheme. It is not possible to identify each institutional members' share of the assets and liabilities of the scheme on a consistent and reasonable basis, and therefore this scheme has been accounted for as a defined contribution scheme. As a result the costs charged to the Statement of Comprehensive Income represent the contributions payable to the scheme for the accounting period.

The institution has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit) and therefore recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

The latest available full actuarial valuation of the scheme was at 31 March 2014, which was carried out using the projected unit method. At the valuation date, the scheme's assets were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As at 31 March 2016, USS had over 180,000 active members and the University had 4,073 active members participating in the scheme.

The total employer contributions for the year were £27,222,000 (2015: £25,342,000) which includes £2,495,000 (2015: £2,148,000) of contributions outstanding at the Balance Sheet date, payable in August 2016.

**NHPS/TPS/MRCPS**

The NHPS, TPS and MRCPS schemes are externally funded. Each institutions' share of the underlying assets and liabilities of these schemes cannot be identified and therefore 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.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)**

The number of members of these schemes employed by the University as at 31 July 2016 was TPS 9; NHPS 127 and MRCPS 15.

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

	Pension cost		Outstanding at 31 July	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
NHPS	<b>1,116</b>	1,094	<b>96</b>	90
TPS	<b>76</b>	75	<b>6</b>	7
MRCPS	<b>129</b>	158	<b>10</b>	12

**NEST**

From April 2013, the University introduced the NEST scheme to comply with the Pensions Act 2008. This gives all University workers access to a qualifying pension scheme.

The total pension cost for the year was £79,000 (2015: £49,000) which includes £12,000 (2015: £5,000) of contributions outstanding at the Balance Sheet date, payable in August 2016.

The number of members of this scheme as at 31 July 2016 was 617.

**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 £5,114 (2015: £6,088) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

**PASNAS**

The University operates a final salary defined benefit scheme for non-academic staff (PASNAS). The scheme is funded by contributions made in accordance with the recommendations of the scheme's actuaries.

As at 31 July 2016 there was a total of 1,978 active members of PASNAS.

The last formal triennial actuarial valuation of the scheme was performed as at 31 July 2015 and indicated that the scheme's assets represented 81% of the technical provisions.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)**

The principal actuarial assumptions used to calculate scheme liabilities under FRS 102 are:

	31 July 2016	31 July 2015
Increase in salaries	3.10% pa	3.55% pa
Increase in pensions – pre 1 Oct 2010 (CPI)	2.10% pa	2.60% pa
Increase in pensions – post 1 Oct 2010 (CPI max 2.5%)	1.80% pa	2.10% pa
Discount rate	2.60% pa	3.90% pa
Inflation (RPI)	3.10% pa	3.60% pa
Inflation (CPI)	2.10% pa	2.60% pa

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	Retiring today	Retiring in 20 years
Male	21.8	23.5
Female	24.0	25.8

The asset allocation of the scheme's assets calculated at fair value is:

	<b>Value 31 July 2016 £000</b>	Value 31 July 2015 £000	Value 31 July 2014 £000
Gilts	<b>24,511</b>	23,726	19,262
Bonds	<b>18,855</b>	15,253	14,817
Equities	<b>99,930</b>	86,430	72,605
Target return funds	<b>35,824</b>	33,895	31,116
Property	<b>9,427</b>	8,474	7,409
Cash	-	1,695	2,963
<b>Total</b>	<b>188,547</b>	169,473	148,172

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Analysis of the amount shown in the balance sheet</b>		
Scheme assets	<b>188,547</b>	169,473
Scheme liabilities	<b>(280,738)</b>	(233,560)
Deficit in the scheme – net pension liability recorded within pension provisions (note 21)	<b>(92,191)</b>	(64,087)
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	<b>(8,974)</b>	(9,185)
Total operating charge	<b>(8,974)</b>	(9,185)
<b>Analysis of the amount charged to interest payable within operating surplus</b>		
Expected return on scheme assets	<b>6,640</b>	6,430
Interest cost	<b>(8,988)</b>	(8,863)
Net finance cost	<b>(2,348)</b>	(2,433)
<b>Analysis of other comprehensive income</b>		
Gain on assets	<b>10,881</b>	12,163
Experience gains on liabilities	<b>9,652</b>	1,992
Losses from changes to financial assumptions	<b>(43,902)</b>	(12,228)
Charge to other comprehensive income	<b>(23,369)</b>	1,927
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	<b>(64,087)</b>	(60,788)
Movement in the year:		
Current service cost	<b>(8,974)</b>	(9,185)
Contributions	<b>6,587</b>	6,392
Net finance cost	<b>(2,348)</b>	(2,433)
(Loss)/gain recognised in other comprehensive income	<b>(23,369)</b>	1,927
Deficit in scheme at end of year	<b>(92,191)</b>	(64,087)



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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Analysis of movement in fair value of fund assets</b>		
Assets at beginning of year	<b>169,473</b>	148,172
Employer contributions	<b>6,587</b>	6,392
Employee contributions	<b>2,496</b>	2,420
Benefits paid (net of expenses)	<b>(6,598)</b>	(5,413)
Administration costs	<b>(932)</b>	(691)
Interest on assets	<b>6,640</b>	6,430
Return on scheme assets	<b>10,881</b>	12,163
Assets at end of year	<b>188,547</b>	169,473
<b>Analysis of movement in present value of liabilities</b>		
Liabilities at beginning of year	<b>(233,560)</b>	(208,960)
Current service cost	<b>(8,974)</b>	(9,185)
Interest on scheme liabilities	<b>(8,988)</b>	(8,863)
Employee contributions	<b>(2,496)</b>	(2,420)
Benefits paid	<b>7,530</b>	6,104
Actuarial experience gain on liabilities	<b>9,652</b>	1,992
Changes in assumptions underlying the present value of the scheme liabilities	<b>(43,902)</b>	(12,228)
Liabilities at end of year	<b>(280,738)</b>	(233,560)
<b>History of experience gains and losses</b>		
Experience gains on assets in excess of interest (£000)	<b>10,881</b>	12,163
Percentage of scheme assets	<b>5.8%</b>	7.2%
Experience gains on liabilities (£000)	<b>9,652</b>	1,992
Percentage of scheme liabilities	<b>3.4%</b>	0.9%

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)****HCC**

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 principal actuarial assumptions used to calculate scheme liabilities under FRS 102 are:

	31 July 2016	31 July 2015
Increase in salaries	3.3% pa	3.6% pa
Increase in pensions	1.8% pa	2.1% pa
Discount rate	2.3% pa	3.6% pa
RPI inflation	2.9% pa	3.2% pa
CPI inflation	1.8% pa	2.1% pa

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	24.6	26.7
Female	26.4	28.7

The number of active members of this scheme employed by the University as at 31 July 2016 was 6.

The asset allocation of the scheme's assets calculated at fair value is:

	<b>Value 31 July 2016 £000</b>	Value 31 July 2015 £000	Value 31 July 2014 £000
Equities	<b>2,692</b>	2,519	2,408
Government bonds	<b>1,249</b>	1,130	956
Property	<b>352</b>	359	308
Corporate bonds	<b>86</b>	74	52
Cash	<b>247</b>	145	152
Other	<b>124</b>	153	124
Total	<b>4,750</b>	4,380	4,000

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Analysis of the amount shown in the balance sheet</b>		
Scheme assets	<b>4,750</b>	4,380
Scheme liabilities	<b>(7,410)</b>	(6,390)
Deficit in the scheme – net pension liability recorded within pension provisions (note 21)	<b>(2,660)</b>	(2,010)
<b>Analysis of the amount charged to staff costs within operating surplus</b>		
Current service cost	<b>(60)</b>	(60)
Total operating charge	<b>(60)</b>	(60)
<b>Analysis of the amount charged to interest payable within operating surplus</b>		
Expected return on scheme assets	<b>150</b>	160
Interest on scheme liabilities	<b>(230)</b>	(240)
Net finance cost	<b>(80)</b>	(80)
<b>Analysis of other comprehensive income</b>		
Gain on assets	<b>390</b>	280
Loss on liabilities	<b>(970)</b>	(330)
Charge to other comprehensive income	<b>(580)</b>	(50)
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	<b>(2,010)</b>	(1,890)
Movement in the year:		
Current service cost	<b>(60)</b>	(60)
Employer contributions	<b>70</b>	70
Net finance cost	<b>(80)</b>	(80)
Loss recognised in other comprehensive income	<b>(580)</b>	(50)
Deficit in scheme at end of year	<b>(2,660)</b>	(2,010)

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**27. Pension Schemes (continued)**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Analysis of movement in fair value of fund assets</b>		
Assets at beginning of year	<b>4,380</b>	4,000
Employer contributions	<b>70</b>	70
Employee contributions	<b>20</b>	20
Benefits paid	<b>(260)</b>	(150)
Interest on assets	<b>150</b>	160
Return on scheme assets	<b>390</b>	280
Assets at end of year	<b>4,750</b>	4,380
<b>Analysis of movement in present value of liabilities</b>		
Liabilities at beginning of year	<b>(6,390)</b>	(5,890)
Current service cost	<b>(60)</b>	(60)
Interest on scheme liabilities	<b>(230)</b>	(240)
Employee contributions	<b>(20)</b>	(20)
Benefits paid	<b>260</b>	150
Actuarial experience loss on liabilities	<b>(970)</b>	(330)
Liabilities at end of year	<b>(7,410)</b>	(6,390)

**28. National College for Teaching and Leadership (NCTL) bursaries****Consolidated and University**

	<b>At</b>			<b>At</b>
	<b>1 August</b>	Income	Disbursements	<b>31 July</b>
	<b>2015</b>	received	to NCTL	<b>2016</b>
	<b>£000</b>	£000	£000	<b>£000</b>
Initial Teacher Training bursaries	<b>299</b>	2,117	(2,085)	(2)
	<b>299</b>	2,117	(2,085)	(2)

The receipts and disbursements above are excluded from the Statement of Comprehensive Income as the funds are administered by the University on an agency basis on behalf of the NCTL.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**29. Linked charities****Consolidated and University**

	<b>At 1 August 2015 £000</b>	Transfers £000	Income £000	Expenditure £000	Change in market value £000	<b>At 31 July 2016 £000</b>
Miss Betty Evelyn Veal Will Trust	<b>56</b>	-	1	-	1	<b>58</b>
The Southampton University Development Trust	<b>1,653</b>	38	5	(43)	-	<b>1,653</b>
The Spitfire Mitchell Memorial Fund	<b>215</b>	-	1	-	-	<b>216</b>
	<b>1,924</b>	38	7	(43)	1	<b>1,927</b>

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

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 Trust is an independent entity which is not included within the consolidated University balance sheet or income and expenditure account.

The Spitfire Mitchell Memorial Fund provides scholarships at the University with an emphasis on aeronautics and engineering.

**30. Transition to FRS 102 and the 2015 SORP**

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Balance Sheet at 1 August 2015. In preparing its FRS 102, SORP based Balance Sheet, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the 2015 SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**30. Transition to FRS 102 and the 2015 SORP (continued)****Consolidated: transition of Balance Sheet to FRS 102 and the 2015 SORP**

	Notes	1 August 2014			31 July 2015		
		2007	Effect of	2015	2007	Effect of	2015
		SORP	to 2015	SORP	SORP	to 2015	SORP
		£000	£000	£000	£000	£000	£000
<b>Non-current assets</b>							
Intangible assets and goodwill	1	-	7,227	7,227	-	5,339	5,339
Fixed Assets	2	499,921	76,169	576,090	558,366	78,385	636,751
Heritage assets		6,000	-	6,000	6,000	-	6,000
Investments	3	1,385	4,674	6,059	1,385	2,738	4,123
		<u>507,306</u>	<u>88,070</u>	<u>595,376</u>	<u>565,751</u>	<u>86,462</u>	<u>652,213</u>
<b>Endowment assets</b>	4	12,101	(12,101)	-	12,470	(12,470)	-
<b>Debtors: amounts falling due after more than one year</b>		473	-	473	443	-	443
<b>Current assets</b>							
Stock		707	-	707	726	-	726
Trade and other receivables	5	46,208	4,536	50,744	65,912	8,554	74,466
Investments	4,6	54,618	10,603	65,221	54,052	277	54,329
Cash and cash equivalents	4	58,224	1,691	59,915	56,568	12,384	68,952
		<u>159,757</u>	<u>16,830</u>	<u>176,587</u>	<u>177,258</u>	<u>21,215</u>	<u>198,473</u>
<b>Less: Creditors: amounts falling due within one year</b>	7, 8, 9	(144,263)	18,589	(125,674)	(152,942)	21,592	(131,350)
<b>Net current assets</b>		<u>15,494</u>	<u>35,419</u>	<u>50,913</u>	<u>24,316</u>	<u>42,807</u>	<u>67,123</u>
<b>Total assets less current liabilities recorded within other Comprehensive Income</b>		535,374	111,388	646,762	602,980	116,799	719,779
<b>Creditors: amounts falling due after more than one year</b>	9, 10	(91,168)	(573)	(91,741)	(127,382)	(4,083)	(131,465)
<b>Provisions</b>							
Pension provisions	11	(62,678)	(28,716)	(91,394)	(66,097)	(57,934)	(124,031)
Other provisions	12	(246)	(1,428)	(1,674)	(373)	(1,134)	(1,507)
<b>Total net assets</b>		<u>381,282</u>	<u>80,671</u>	<u>461,953</u>	<u>409,128</u>	<u>53,648</u>	<u>462,776</u>

## Notes to the Financial Statements for the year ended 31 July 2016

## 30. Transition to FRS 102 and the 2015 SORP (continued)

	Notes	1 August 2014			31 July 2015		
		2007 SORP £000	Effect of transition	2015 SORP £000	2007 SORP £000	Effect of transition	2015 SORP £000
			to 2015 SORP £000			to 2015 SORP £000	
<b>Deferred capital grants</b>	13	177,366	(177,366)	-	180,060	(180,060)	-
<b>Restricted Reserves</b>							
Income and expenditure reserve - endowment reserve		12,101	-	12,101	12,470	-	12,470
Income and expenditure reserve - restricted reserve	14	-	13,198	13,198	-	14,982	14,982
<b>Unrestricted Reserves</b>							
Income and expenditure reserve - unrestricted		191,815	244,839	436,654	216,598	218,726	435,324
		<u>381,282</u>	<u>80,671</u>	<u>461,953</u>	<u>409,128</u>	<u>53,648</u>	<u>462,776</u>

*Notes to the reconciliation:*

- Intangible assets with a net book value of £7,114,000 at 1 August 2014 and £4,951,000 at 31 July 2015 have been reclassified from fixed assets (equipment) to intangible assets and disclosed separately as required under FRS 102. In addition, new items were capitalised with a value of £113,000 at 1 August 2014 and £388,000 at 31 July 2015.
- The value of the University's land was previously held on the Balance Sheet at cost, this has been revalued at a deemed cost of £84,937,000 as at the transition date of 1 August 2014. The effect of minor transactions in 2014/15 has increased this figure further to £85,016,000 at 31 July 2015. These values are reduced by transfers from equipment to intangibles (see 1 above). In addition, the mixed use element of buildings owned by the University of Southampton Science Park Limited has been reflected with buildings held as investment properties but occupied by the University reclassified as buildings valued at deemed historic cost (a reduction in value of £1,654,000 at 1 August 2014, £1,680,000 at 31 July 2015).
- Prior to the adoption of FRS 102, the subsidiaries acting as investment companies measured the value of their investments at cost. Under FRS 102, fair value has been applied to those investments which can be reliably measured. This has resulted in an uplift in value of £4,674,000 at 1 August 2014, £2,738,000 at 31 July 2015.
- In accordance with FRS 102, the assets relating to endowments are recorded in the Balance Sheet according to their nature. Endowment funds are held as either investments or cash and cash equivalents, and have therefore been transferred to these headings within current assets accordingly.
- Trade and other receivables have been adjusted to reflect the impact of changes to income recognition under FRS 102. This reflects the accelerated recognition of income to which the University is entitled, predominantly arising from HEFCE capital grants.
- In addition to reflecting the value of investments previously held within endowment assets, the University has applied fair value to its portfolio of shares (previously measured at the lower of cost or net realisable value, this has resulted in an uplift in value of £193,000 at 1 August 2014, £191,000 at 31 July 2015).
- FRS 102 requires any liability for short-term employee benefits to be recognised, and therefore accrued annual leave owed to University staff is now recognised as a liability in the Balance Sheet. This had a value of £2,379,000 on transition to FRS 102, rising to £2,430,000 at 31 July 2015.

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**Notes to the Financial Statements for the year ended 31 July 2016**

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**30. Transition to FRS 102 and the 2015 SORP (continued)**

8. Under the 2007 SORP, donations, funding council grants, capital grants and some service contracts for specifically indicated purposes were recognised in line with expenditure with unspent income being deferred as a current liability. Under the 2015 SORP performance model income is recognised upon receipt or entitlement and therefore the University has now recognised income which was previously deferred as a current liability.
9. The split between short-term creditors and creditors falling due after more than one year has been updated in the 2014/15 restated Balance Sheet; £3,653,000 has been moved from short-term creditors to long-term creditors.
10. The University of Southampton Science Park Limited was not previously required to recognise its derivative financial instrument on the Balance Sheet. Under FRS 102, this financial instrument is measured at fair value as a financial liability. On adoption of FRS 102, financial liabilities of £573,000 were recognised on the Balance Sheet, reducing to £431,000 at 31 July 2015.
11. Where an institution participates in a defined benefit multi-employer pension plan and has an obligation to fund past deficits within the scheme, FRS 102 requires that a liability must be recognised within the Balance Sheet for this obligation. The University participates in the USS pension scheme and has recognised a liability of £28,716,000 at 1 August 2014. Under the terms of the new deficit recovery plan agreed during 2014/15, this amount has increased to £57,934,000 at 31 July 2015.
12. A provision has been recognised for deferred tax arising in the University's subsidiary companies. This has arisen from the fair value movements on the investments, the financial instrument and the investment property portfolio. Deferred tax of £1,428,000 was recognised at the transition date of 1 August 2014, reducing to £1,134,000 at 31 July 2015.
13. Under the 2015 SORP performance model all capital grants are recognised as income when the performance conditions have been met rather than over the asset lifetime as with the 2007 SORP. Existing capital grants where performance conditions have been met have been transferred to unrestricted reserves.
14. The 2015 SORP introduces the concept of restricted reserves for income which has been recognised but which has a restriction on its use or purpose. The University has reviewed sources of income with restrictions and has reflected the unspent element of these funds as a restricted reserve.



## Notes to the Financial Statements for the year ended 31 July 2016

## 30. Transition to FRS 102 and the 2015 SORP (continued)

## University: transition of Balance Sheet to FRS 102 and the 2015 SORP

	Notes	1 August 2014			31 July 2015		
		2007	Effect of	2015	2007	Effect of	2015
		SORP	transition	SORP	SORP	transition	SORP
		£000	to 2015	£000	£000	to 2015	£000
			SORP	£000		£000	£000
<b>Non-current assets</b>							
Intangible assets and goodwill	1	-	7,227	7,227	-	5,339	5,339
Fixed Assets	2	468,203	77,823	546,026	525,914	80,065	605,979
Heritage assets		6,000	-	6,000	6,000	-	6,000
Investments		14,238	-	14,238	15,938	-	15,938
		<u>488,441</u>	<u>85,050</u>	<u>573,491</u>	<u>547,852</u>	<u>85,404</u>	<u>633,256</u>
<b>Endowment assets</b>	3	12,101	(12,101)	-	12,470	(12,470)	-
<b>Debtors: amounts falling due after more than one year</b>		583	-	583	561	-	561
<b>Current assets</b>							
Stock		707	-	707	726	-	726
Trade and other receivables	4	47,191	4,536	51,727	67,374	8,555	75,929
Investments	3,5	54,618	10,603	65,221	54,052	277	54,329
Cash and cash equivalents	3	56,689	1,691	58,380	53,188	12,384	65,572
		<u>159,205</u>	<u>16,830</u>	<u>176,035</u>	<u>175,340</u>	<u>21,216</u>	<u>196,556</u>
<b>Less: Creditors: amounts falling due within one year</b>	6,7,8	(141,598)	18,589	(123,009)	(150,186)	21,618	(128,568)
<b>Net current assets</b>		<u>17,607</u>	<u>35,419</u>	<u>53,026</u>	<u>25,154</u>	<u>42,834</u>	<u>67,988</u>
<b>Total assets less current liabilities recorded within other Comprehensive Income</b>		518,732	108,368	627,100	586,037	115,768	701,805
<b>Creditors: amounts falling due after more than one year</b>	8	(82,401)	-	(82,401)	(119,343)	(3,653)	(122,996)
<b>Provisions</b>							
Pension provisions	9	(62,678)	(28,716)	(91,394)	(66,097)	(57,934)	(124,031)
<b>Total net assets</b>		<u>373,653</u>	<u>79,652</u>	<u>453,305</u>	<u>400,597</u>	<u>54,181</u>	<u>454,778</u>

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**30. Transition to FRS 102 and the 2015 SORP (continued)**

	Notes	1 August 2014			31 July 2015		
		2007 SORP £000	Effect of transition		2007 SORP £000	Effect of transition	
			to 2015 SORP £000	2015 SORP £000		to 2015 SORP £000	2015 SORP £000
<b>Deferred capital grants</b>	10	177,366	(177,366)	-	180,035	(180,035)	-
<b>Restricted Reserves</b>							
Income and expenditure reserve - endowment reserve		12,101	-	12,101	12,470	-	12,470
Income and expenditure reserve - restricted reserve	11	-	13,198	13,198	-	14,982	14,982
<b>Unrestricted Reserves</b>							
Income and expenditure reserve - unrestricted		184,186	243,820	428,006	208,092	219,234	427,326
		<u>373,653</u>	<u>79,652</u>	<u>453,305</u>	<u>400,597</u>	<u>54,181</u>	<u>454,778</u>

*Notes to the reconciliation:*

- Intangible assets with a net book value of £7,114,000 at 1 August 2014 and £4,951,000 at 31 July 2015 have been reclassified from fixed assets (equipment) to intangible assets and disclosed separately as required under FRS 102. In addition, new items were capitalised with a value of £113,000 at 1 August 2014 and £388,000 at 31 July 2015.
- The value of the University's land was previously held on the Balance Sheet at cost, this has been revalued at a deemed cost of £84,937,000 as at the transition date of 1 August 2014. The effect of minor transactions in 2014/15 has increased this figure further to £85,016,000 at 31 July 2015. These values are reduced by transfers from equipment to intangibles (see 1 above).
- In accordance with FRS 102, the assets relating to endowments are recorded in the Balance Sheet according to their nature. Endowment funds are held as either investments or cash and cash equivalents, and have therefore been transferred to these headings within current assets accordingly.
- Trade and other receivables have been adjusted to reflect the impact of changes to income recognition under FRS 102. This reflects the accelerated recognition of income to which the University is entitled, predominantly arising from HEFCE capital grants.
- In addition to reflecting the value of investments previously held within endowment assets, the University has applied fair value to its portfolio of shares (previously measured at the lower of cost or net realisable value, this has resulted in an uplift in value of £193,000 at 1 August 2014, £191,000 at 31 July 2015).
- FRS 102 requires any liability for short-term employee benefits to be recognised, and therefore accrued annual leave owed to University staff is now recognised as a liability in the Balance Sheet. This had a value of £2,379,000 on transition to FRS 102, rising to £2,430,000 at 31 July 2015.
- Under the 2007 SORP, donations, funding council grants, capital grants and some service contracts for specifically indicated purposes were recognised in line with expenditure with unspent income being deferred as a current liability. Under the 2015 SORP performance model income is recognised upon receipt or entitlement and therefore the University has now recognised income which was previously deferred as a current liability.
- The split between short-term creditors and creditors falling due after more than one year has been updated in the 2014/15 restated Balance Sheet; £3,653,000 has been moved from short-term creditors to long-term creditors.

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**Notes to the Financial Statements for the year ended 31 July 2016**

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**30. Transition to FRS 102 and the 2015 SORP (continued)**

9. Where an institution participates in a defined benefit multi-employer pension plan and has an obligation to fund past deficits within the scheme, FRS 102 requires that a liability is recognised within the Balance Sheet for this obligation. The University participates in the USS pension scheme and has recognised a liability of £28,716,000 at 1 August 2014. Under the terms of the new deficit recovery plan agreed during 2014/15, this amount has increased to £57,934,000 at 31 July 2015.
10. Under the 2015 SORP performance model all capital grants are recognised as income when the performance conditions have been met rather than over the asset lifetime as with the 2007 SORP. Existing capital grants where performance conditions have been met have been transferred to unrestricted reserves.
11. The 2015 SORP introduces the concept of restricted reserves for income which has been recognised but which has a restriction on its use or purpose. The University has reviewed sources of income with restrictions and has reflected the unspent element of these funds as a restricted reserve.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**30. Transition to FRS 102 and the 2015 SORP (continued)****Consolidated: transition of Income and Expenditure Account to FRS 102 and the 2015 SORP**

	Notes	Effect of transition to 2015 SORP			
		2007 SORP £000	STRGL Items* £000	Other Items £000	2015 SORP £000
<b>Income</b>					
Funding body grants	1, 2	78,968	825	941	80,734
Tuition fees and education contracts	1, 2	213,382	(81)	989	214,290
Research grants and contracts	1, 2	124,188	1,273	305	125,766
Other income	1, 2, 3, 4	108,578	(66)	(4,233)	104,279
Investment income		1,785	-	(8)	1,777
Donations and endowments	1, 2, 3	-	748	4,296	5,044
<b>Total income</b>		<b>526,901</b>	<b>2,699</b>	<b>2,290</b>	<b>531,890</b>
<b>Expenditure</b>					
Staff costs	5	281,778	220	28,593	310,591
Other operating expenses	6, 7, 8	181,201	(379)	729	181,551
Depreciation	9	28,859	-	(43)	28,816
Interest and other finance costs	6, 10	8,581	1,190	(363)	9,408
<b>Total expenditure</b>		<b>500,419</b>	<b>1,031</b>	<b>28,916</b>	<b>530,366</b>
Gain on disposal of fixed assets	7	-	-	103	103
Loss on investments	11	-	289	(794)	(505)
<b>Surplus/(deficit) before tax</b>		<b>26,482</b>	<b>1,957</b>	<b>(27,317)</b>	<b>1,122</b>
Taxation	12	(2,470)	-	294	(2,176)
<b>Surplus/(deficit) after tax</b>		<b>24,012</b>	<b>1,957</b>	<b>(27,023)</b>	<b>(1,054)</b>
Actuarial gain in respect of pension schemes		-	1,877	-	1,877
<b>Total comprehensive income for the year</b>		<b>24,012</b>	<b>3,834</b>	<b>(27,023)</b>	<b>823</b>

\* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SoCI). These are as follows:

- i) release of the net movement of deferred capital grants of £2,694,000 to the Income Statement;
- ii) the net increase in endowment assets of £5,000;
- iii) recognition of the fair value movement in endowment investments of £289,000 in the Income Statement;
- iv) the unrealised gain on the annual revaluation of the University of Southampton Science Park Limited of £379,000 is recognised in the income statement under FRS 102;
- v) costs relating to defined benefit pension schemes. A gain of £467,000 was recorded for 2014/15, which is now shown as staff costs of £220,000, interest and other finance costs of £1,190,000, and an actuarial gain of £1,877,000.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**30. Transition to FRS 102 and the 2015 SORP (continued)***Notes to the reconciliation:*

1. Under the FRS 102 performance model, all capital grants are recognised on entitlement to the income rather than over the lifetime of the related asset. Therefore, additional income was recognised in 2014/15. Deferred capital grant releases to match depreciation costs no longer occur and the adjustment also reflects the restatement for this change.
2. Under the FRS 102 performance model, income is recognised on entitlement or receipt, therefore additional income was recognised in 2014/15.
3. Under UK GAAP, donation income was included under Other Income, but is separately classified under FRS 102.
4. Investments held by the University's subsidiary companies are recorded at fair value where possible under FRS 102, with changes in the year on year value being charged to the Income Statement. Other Income has been adjusted by £1,139,000 for realised gains in 2014/15 which were recognised upon transition in both the restated opening Balance Sheet and the gain/loss on investments below.
5. Under FRS 102 the University is required to accrue for its commitment under the USS deficit recovery scheme. The accrual will then be released to the Income Statement over the recovery period which will reduce staff costs. In 2014/15 a new deficit recovery plan was agreed and resulted in a significant increase in staff costs of £28,542,000 (the effect of the increased liability arising from the new plan and the unwinding of the provision). In addition, the change in the liability relating to accrued staff holiday resulted in a charge of £51,000.
6. The pension accrual for the University's commitment under the USS deficit recovery scheme is discounted which results in an interest charge as the discount factor unwinds, this was an amount of £675,000 in 2014/15. In addition, the University holds a loan designated in Euros; under FRS 102, exchange rate gains and losses on loans are recognised as a finance cost. The exchange rate gain of £897,000 has been transferred to interest and other finance costs.
7. Sales of fixed assets in 2014/15 yielded a gain of £103,000, under FRS 102 this amount has been separately identified within the Income Statement.
8. The capitalisation of additional intangible assets in 2014/15 has resulted in reduced expenditure of £274,000. Further small adjustments of £13,000 have also been made.
9. A small reduction to the depreciation charge of £78,000 was made in 2014/15 to reflect the separate identification of land within the Balance Sheet. In addition, the mixed use element of buildings owned by the University of Southampton Science Park Limited has been reflected with buildings held as investment properties but occupied by the University depreciated at historic cost, giving an additional charge of £35,000 in 2014/15.
10. Under FRS 102, the derivative financial instrument which the University of Southampton Science Park Limited holds is subject to fair value with gains or losses being charged to the Income Statement. A gain of £142,000 was recorded in the total for interest and other finance costs for 2014/15.
11. In addition to the gain on endowment investments of £289,000 which was previously recognised through the STRGL under old GAAP and a small additional gain of £3,000 which was recognised on the University's share portfolio, the fair value adjustments on the investments held by University subsidiaries has been recognised, a net loss of £797,000 in 2014/15.
12. Deferred tax has been accounted for on the relevant transactions.

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**Notes to the Financial Statements for the year ended 31 July 2016**


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**30. Transition to FRS 102 and the 2015 SORP (continued)****University: transition of Income and Expenditure Account to FRS 102 and the 2015 SORP**

	Notes	Effect of transition to 2015 SORP			
		2007 SORP £000	STRGL Items* £000	Other Items £000	2015 SORP £000
<b>Income</b>					
Funding body grants	1, 2	78,968	825	941	80,734
Tuition fees and education contracts	1, 2	212,833	(81)	989	213,741
Research grants and contracts	1, 2	122,797	1,273	305	124,375
Other income	1, 2, 3	106,561	(66)	(3,085)	103,410
Investment income		1,785	-	(8)	1,777
Donations and endowments	1, 2, 3	-	748	4,287	5,035
<b>Total income</b>		<b>522,944</b>	<b>2,699</b>	<b>3,429</b>	<b>529,072</b>
<b>Expenditure</b>					
Staff costs	4	280,270	220	28,593	309,083
Other operating expenses	5, 6, 7	179,849	-	739	180,588
Depreciation	8	28,572	-	(78)	28,494
Interest and other finance costs	5	8,269	1,190	(222)	9,237
<b>Total expenditure</b>		<b>496,960</b>	<b>1,410</b>	<b>29,032</b>	<b>527,402</b>
Gain on disposal of fixed assets	6	-	-	103	103
Gain on investments	9	-	289	3	292
<b>Surplus/(deficit) before tax</b>		<b>25,984</b>	<b>1,578</b>	<b>(25,497)</b>	<b>2,065</b>
Taxation		(2,470)	-	-	(2,470)
<b>Surplus/(deficit) after tax</b>		<b>23,514</b>	<b>1,578</b>	<b>(25,497)</b>	<b>(405)</b>
Actuarial gain in respect of pension schemes		-	1,877	-	1,877
<b>Total comprehensive income for the year</b>		<b>23,514</b>	<b>3,455</b>	<b>(25,497)</b>	<b>1,472</b>

\* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the Statement of Comprehensive Income (SoCI).

- i) release of the net movement of deferred capital grants of £2,694,000 to the Income Statement;
- ii) the net increase in endowment assets of £5,000;
- iii) recognition of the fair value movement in endowment investments of £289,000 in the Income Statement;
- iv) costs relating to defined benefit pension schemes. A gain of £467,000 was recorded for 2014/15, which is now shown as staff costs of £220,000, interest and other finance costs of £1,190,000, and an actuarial gain of £1,877,000.

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**Notes to the Financial Statements for the year ended 31 July 2016**

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**30. Transition to FRS 102 and the 2015 SORP (continued)***Notes to the reconciliation:*

1. Under the FRS 102 performance model, all capital grants are recognised on entitlement to the income rather than over the lifetime of the related asset. Therefore, additional income was recognised in 2014/15. Deferred capital grant releases to match depreciation costs no longer occur and the adjustment also reflects the restatement for this change.
2. Under the FRS 102 performance model, income is recognised on entitlement or receipt, therefore additional income was recognised in 2014/15.
3. Under UK GAAP, donation income was included under Other Income, but is separately classified under FRS 102.
4. Under FRS 102 the University is required to accrue for its commitment under the USS deficit recovery scheme. The accrual will then be released to the Income Statement over the recovery period which will reduce staff costs. In 2014/15 a new deficit recovery plan was agreed and resulted in a significant increase in staff costs of £28,542,000 (the effect of the increased liability arising from the new plan and the unwinding of the provision). In addition, the change in the liability relating to accrued staff holiday resulted in a charge of £51,000.
5. The pension accrual for the University's commitment under the USS deficit recovery scheme is discounted which results in an interest charge as the discount factor unwinds, this was an amount of £675,000 in 2014/15. In addition, the University holds a loan designated in Euros; under FRS 102, exchange rate gains and losses on loans are recognised as a finance cost. The exchange rate gain of £897,000 has been transferred to interest and other finance costs.
6. Sales of fixed assets in 2014/15 yielded a gain of £103,000, under FRS 102 this amount has been separately identified within the Income Statement.
7. The capitalisation of additional intangible assets in 2014/15 has resulted in reduced expenditure of £274,000. Further small adjustments of £13,000 have also been made.
8. A small reduction to the depreciation charge of £78,000 was made in 2014/15 to reflect the separate identification of land within the Balance Sheet.
9. In addition to the gain on endowment investments of £289,000 which was previously recognised through the STRGL under old GAAP, a small additional gain of £3,000 was recognised on the University's share portfolio.





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**Financial Statistics**


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**Financial Indicators**

	<b>2016</b>	2015
<b>Key financial metrics</b>		
Surplus after depreciation of assets and tax as % of total income	<b>5.0%</b>	(0.2)%
Net liquidity/ (total expenditure - depreciation) (days)	<b>92</b>	90
External borrowing as % of total income	<b>23.5%</b>	25.4%
Net cash inflow from operating activities as % of total income	<b>11.2%</b>	8.2%
Long term liabilities as % of income and expenditure reserves	<b>30.8%</b>	30.2%
Net (cash)/debt as % of total income	<b>(1.0)%</b>	(2.2)%
Staff costs as % of total income	<b>53.2%</b>	58.4%
Current assets / Current liabilities	<b>1.50:1</b>	1.51:1
<b>Source of income</b>		
Funding Council grants	<b>13.4%</b>	15.2%
Home/EU fees and support grants	<b>29.4%</b>	26.7%
International fees	<b>14.7%</b>	13.6%
Research grants and contracts	<b>20.3%</b>	23.6%
Other operating income	<b>21.5%</b>	19.6%
Endowment income and interest receivable	<b>0.8%</b>	1.3%
	<b>100.0%</b>	100.0%

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**Financial Statistics**


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**Income from sponsored research for the year ended 31 July 2016**

<b>From Research Councils</b>	<b>£000</b>
Arts and Humanities Research Council	730
Biotechnology and Biological Sciences Research Council	3,228
British Academy	368
Economic and Social Research Council	2,567
Engineering and Physical Sciences Research Council	30,490
Medical Research Council	5,731
Natural Environment Research Council	4,701
Royal Society	1,224
Science and Technology Facilities Council	1,647
<b>Total Research Councils</b>	<b>50,686</b>

<b>From UK-based Charitable Bodies (continued)</b>	<b>£000</b>
Academy of Medical Sciences	32
Alzheimer's Research UK	466
Alzheimer's Society	73
Arthritis Research UK	319
Asthma UK	76
Bloodwise	1,417
Brainstrust	21
Breast Cancer Now	293
British Heart Foundation	222
British Liver Trust	102
British Lung Foundation	58
British Skin Foundation	26
Cancer Research UK	4,479
Charlie's Challenge	29
Crohn's in Childhood Research Association	55
Cystic Fibrosis Trust	37
Diabetes UK	76
Fight for Sight	79
Guy's and St. Thomas' Charity	43
Health Foundation	146
International Glaucoma Association	26
Kay Kendall Leukaemia Fund	196
Leverhulme Trust	1,005

**Income from sponsored research for the year ended 31 July 2016 (continued)**

Lloyd's Register Foundation	300
Macmillan Cancer Support	369
Macular Disease Society	24
Marine Biological Association of the UK	195
MQ: Transforming Mental Health	82
Multiple Sclerosis Society	58
National Osteoporosis Society	47
Nuffield Foundation	22
Pathological Society of Great Britain & Ireland	46
Prostate Cancer UK	633
Rosetrees Trust	31
Royal Academy of Engineering	443
Royal College of Anaesthetists	28
Royal College of Surgeons of England	46
Royal Commission for the Exhibition of 1851	26
Southampton Hospital Charity	34
Sparks	57
Wellcome Trust	624
Wessex Medical Research	160
Wessex Neurological Centre Trust	39
World Cancer Research Fund	43
Others less than £20,000	322
<b>Total UK-based Charitable Bodies</b>	<b>12,905</b>

**From Other Sources****£000**

ABB Switzerland Ltd	95
Abbott Laboratories	34
Air Products Plc	32
Airbus Operations Ltd	20
Airbus Operations S.A.S.	176
Andrew W. Mellon Foundation	24
Antabio	83
AppLearn Ltd	27
Aquinox Pharmaceuticals Inc. (Canada)	66
ARM Ltd	99
AstraZeneca (UK) Ltd	50

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**Financial Statistics**

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**Income from sponsored research for the year ended 31 July 2016 (continued)**

AstraZeneca AB	170
Aurora Medical Ltd	21
BAE Systems (Marine) Ltd	635
BAE Systems (Operations) Ltd	449
Beijing T&S Technologies Co., Ltd	58
Bill & Melinda Gates Foundation	925
BioInvent International AB	314
BP Exploration Operating Ltd	61
Bristol-Myers Squibb Company	33
British Council	203
Calouste Gulbenkian Foundation	85
Celldex Therapeutics Inc.	105
Chiesi Farmaceutici S.p.A	43
Copper Development Association	143
Covesion Ltd	42
CRRC Qingdao Sifang Co., Ltd	50
Department for Environment, Food and Rural Affairs	95
Department for International Development	77
Department for Transport	46
Department of Health	731
DePuy International Ltd	20
Domo Tactical Communications (DTC) Ltd	20
Dublin Institute for Advanced Studies	71
E.V. Analytics Ltd	42
EDF Energy Holdings Ltd	65
EEF Expeditions Ltd	265
Eisai Ltd	134
Eli Lilly and Company Ltd	25
Energy Technologies Institute	33
English Heritage	39
English Institute of Sport Ltd	225
European Asylum Support Office	28
European Commission	14,439
European Organisation for Research and Treatment of Cancer	51
European Space Agency	192
F. Hoffmann-La Roche Ltd	60
Food and Agriculture Organization of the United Nations	27

**Income from sponsored research for the year ended 31 July 2016 (continued)**

Food Standards Agency	105
Ford Motor Company Ltd	27
Forestry Commission	72
GE Global Research	52
Gilead Sciences Inc.	97
GlaxoSmithKline Biologicals S.A.	339
GlaxoSmithKline Plc	213
Global Research Foundation	58
Health Education England Wessex	118
Higher Education Academy	83
Higher Education Funding Council for England	32
Hitachi Europe Ltd	28
Home Office	96
Honeywell International Inc.	41
Huawei Technologies Co., Ltd	112
Huawei Technologies Duesseldorf GmbH	52
IBM UK Ltd	78
Informa UK Ltd	49
Innovate UK	2,184
International Continental Scientific Drilling Program (ICDP)	59
International Development Research Centre	304
International Institute for Environment and Development	72
Invibio Ltd	22
Jaguar Land Rover Ltd	50
Janssen Research & Development LLC	22
Janssen-Cilag Ltd	112
John Templeton Foundation	51
Lloyd's Register EMEA	25
LSS Logistic System Service GmbH	39
Luxfer Gas Cylinders Ltd	21
Marin Academy	35
Matoke Holdings Ltd	38
MED-EL UK Ltd	28
MedImmune LLC	74
Merck & Co., Inc.	46
Merck Serono Ltd	49
Mesothelioma Applied Research Foundation, Inc.	22

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**Financial Statistics**

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**Income from sponsored research for the year ended 31 July 2016 (continued)**

Microsoft Corporation	82
Ministry of Higher Education (Malaysia)	38
Mitsubishi Electronic Corporation	62
Moormead Solutions Ltd	24
National Grid Electricity Transmission Plc	228
National Health and Medical Research Council (Australia)	57
National Institutes of Health (USA)	263
National Physical Laboratory	20
Nestec Ltd (Switzerland)	1,525
Network Rail	179
New Opportunities for Research Funding Agency Co-operation in Europe (NORFACE)	29
NHS England	72
NHS National Institute for Health and Care Excellence	22
NHS National Institute for Health Research	9,393
NHS South Central Strategic Health Authority	86
Nissan Motor Co., Ltd	23
Nissan Motor Manufacturing Ltd	23
Nopel Yachting, Inc.	28
Norwegian Agency for Development Cooperation (NORAD)	43
Nottingham Trent University	25
Novartis Institutes for BioMedical Research	41
Novartis Pharma AG	784
NPL	24
Nutricia Ltd	102
Office for National Statistics	125
Orange County Community Foundation	97
Ordnance Survey	63
Oxford Instruments Plc	33
Oxford Nanopore Technologies Ltd	40
Partnership for Clean Competition	51
Peabody Services Ltd	27
Perpetuum Ltd	32
Pfizer Inc.	24
Pfizer Ltd	43
Philips Oral Healthcare Inc.	30
Portsmouth Hospitals NHS Trust	39
Procter & Gamble	32

**Income from sponsored research for the year ended 31 July 2016 (continued)**

Pronova BioPharma ASA (Norway)	139
Qatar National Research Fund	117
Railway Safety and Standards Board Ltd	185
Relitect Ltd	23
Rockley Photonics Ltd	324
Rolls-Royce Plc	899
Rosehill Polymers Ltd	34
Royal Brompton & Harefield NHS Foundation Trust	30
Royal Centre for Defence Medicine	128
Samsung Electronics Co., Ltd	39
Seven Investment Management LLP	46
SGRI Europe GmbH	149
Shire Pharmaceuticals Ltd	152
Silec Cable S.A.S.	41
SmithKline Beechams	38
Solent NHS Trust	90
Southampton City Council	181
Space ConneXions Ltd	132
SPI Lasers UK Ltd	137
Star Financial Systems Ltd	49
Stirling Dynamics Ltd	30
Syngenta Ltd	39
Synpromics Ltd	26
The College of Podiatry	33
The Institute for Aegean Prehistory	22
The Research Council of Norway	42
Total Foundation	41
Touchlight Genetics Ltd	62
Toyota Motor Corporation	39
TSL Technology Ltd	62
TWI Ltd	69
UK Space Agency	126
UK Sport	37
UK-India Education and Research Initiative	25
UM Cancer Research Institute	33
Unilever	227
United Nations Foundation	34

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**Financial Statistics**

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**Income from sponsored research for the year ended 31 July 2016 (continued)**

United Nations Office at Geneva	20
University Hospital Southampton NHS Foundation Trust	471
University of California	34
University of Central Lancashire	27
University of Cumbria	20
University of Reading	21
University of Ulster	25
US Agency for International Development	27
Verastem Inc.	118
Vestas Technology UK Ltd	30
VirtualPiE Ltd	176
Vitacress Ltd	30
Welland Medical Ltd	38
Wolfson Microelectronics Plc	30
World Bank	25
Others less than £20,000	3,814
HMRC - Research and development expenditure credit (RDEC) claim	685
<b>Total Other Sources</b>	<b>48,913</b>
<b>Total income from Sponsored Research</b>	<b>112,504</b>



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