

U n i v e r s i t y o f S o u t h a m p t o n

Financial Statements and Statistics

2002 - 2003

University of Southampton and Subsidiary Undertakings

Financial Statements
for the year ended 31 July 2003

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University of Southampton and Subsidiary Undertakings

Treasurer

*Alan J Walker, MSc, AIA, ACIB, MCT,
CMath, FIMA, FSS*

Director of Finance

Colin R Showell, BCom, CPFA

Deputy Director of Finance

R Allan Spencer, MA, ACA

Investment Advisers

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London EC2P 2HT*

*HSBC Investment Management
HSBC Investment Bank PLC
6 Bevis Marks
London EC3A 7JQ*

Bankers

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23 Camomile Street
London EC3A 7PP*

External Auditors

*Mazars
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2 Stinsford Road
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Internal Auditors

*KPMG LLP
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Treasurer's Report 2002-2003

I am pleased to report that the financial outturn for the University in the year ending 31 July 2003 has been successful. The University's total income has now risen to almost £250 million, up 6.6% on the previous year while expenditure has been contained within an increase of just 6.2%. This has led to a surplus of £5.3 million for the year compared with £4.2 million last year.

Net cash inflow from the University's normal operating activities amounted to nearly £18 million. This sum, together with capital grants received of nearly £12 million has enabled some £28 million to be committed to the capital expenditure programme, thereby helping to provide the buildings and equipment necessary to advance the capabilities of this strong research led organisation.

I am very grateful to all those who manage the budgetary groups for their efforts in making this result possible. Early in the year, it was clear that many were faced with difficult financial circumstances. They rose magnificently to the challenge of managing within tight constraints, at the same time as planning for the current year against the background of the substantial reorganisation of the academic structure that was implemented on 1 August 2003.

We cannot be complacent, however. The overall satisfactory result has not been achieved uniformly across the University and a few, very important, subject areas continue to have structural financial difficulties arising from inadequate funding. This is a problem faced by many Universities and will only be solved when realistic amounts of new money are provided that give full recognition to the costs incurred. Until that time we will need to manage expenditure in these areas prudently but in a way which will ensure that our strategic academic goals can be realised.

Grants from the Higher Education Funding Council for England (HEFCE) and the Teacher Training Agency together account for about one third of our income, down from a half some years ago. Nevertheless, these grants continue to be a vital funding source and, in the year, they increased by 12% in total from £75 million to £84 million. This included an amount of £31 million allocated for research and around £41 million for teaching as well as an increase of £600,000 for specific

purposes, such as widening access and funding links with industry. The amount for specific purposes includes money for rewarding and developing staff, which has been used in part to pay supplements in response to market forces and also in management training and the development of a framework of job families to match the single pay spine being negotiated nationally.

We also receive funds to finance capital projects, the amounts of which are held as deferred capital grants and released into the University's income and expenditure account over the life of the asset being funded. In the current year the amount transferred, and recognised in the total made available by HEFCE, was £3.4 million.

Income from tuition fees, at £50.4 million, accounted for some 20% of the University's income and showed a marked increase of 12.4% on the previous year. Income from home students is limited by HEFCE controls on total student numbers but nevertheless showed an increase of £2 million (7.7%). Our overseas student numbers have historically been lower than many of our peer group but Southampton provides research and taught programmes which we believe will prove attractive to students from across the world. We have therefore taken the strategic decision to invest in the recruitment of overseas students and it is pleasing that this is now bringing about an increase in numbers. Fee income from this group has gone up by some £2.6 million.

Last year we saw a substantial increase of 18% in the income derived from research contracts. This year, we have maintained the income from this source at around the same level of £71million. This is a creditable performance in what was a difficult economic climate and is testimony to the University being one of the most successful in its research activities. Unfortunately the income from these contracts does not make an adequate contribution to the full costs of the research undertaken. We are working with other similar universities and with government encouragement to address this problem.

Other operating income shows almost no change on last year. However, last year's figures included the proceeds from a one-off sale of property. Without this, the overall increase was about 3.5%, slightly above the level of inflation.

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Average staff numbers have gone up from 4,107 to 4,284 and this is reflected in increased staff costs which amounted to £137.7 million in the year, a figure that was also affected by inflation and the impact of incremental pay scales. Staff costs now represent 56% of total expenditure.

Other operating expenses have generally increased in line with inflation. Note 8 gives the full details. Within the total, expenditure on repairs and maintenance increased significantly, by £3.7 million to £9.9 million while expenditure on non-capitalised equipment fell from £15.3 million to £13.3 million. Interest payable was reduced by £600,000, mainly due to a restructuring of debt at Chilworth Science Park Limited. Last year's figures included a £285,000 one-off premium payment to the bank as part of this restructuring.

The consolidated surplus of £5.3 million was enhanced by a profit of £879,000 in the University's main trading subsidiary, Chilworth Science Park Limited (CSPL). Additional land was acquired by CSPL during the year, illustrating the University's commitment to encouraging enterprise and innovation.

Investment Performance

The University's equity and fixed interest investments are managed by Lazard Asset Management and HSBC Investment Management. The portfolio is reviewed regularly and covers a range of equity and fixed interest investments in order to spread the risks across a number of sectors. After the disturbing falls in value in the previous financial year, the improved performance in the markets this year has been welcome. The market value of our investments, including endowment assets, increased to £17.5 million, from £16.4 million previously. Our investment portfolio will be considered within our overall financial strategy to ensure that the asset allocation is consistent with the University's overall corporate objectives.

Commercial Activities

The University's main vehicle for investments in spin-out companies, Southampton Asset Management Limited, has made investments in four new companies and has taken a further allocation by share division in one of its

investments from 2002. The relevant companies are all performing well. During the year, Southampton Innovations Limited, which made previous investments of this type, sold shares which had previously been received by way of consideration for the sale of Kymata Limited. This resulted in a surplus of £202,000 after paying out inventors.

Cash Flow

The University had a cash inflow of £17.9 million from operating activities, before the use of liquid resources and financing. Payments to acquire tangible assets totalled £28.6 million, but capital grants reduced the net outlay on these items to £17.0 million. Once loan charges had been met, the overall position was a net decrease of £2.6 million in our cash holdings. We are not a cash rich university and we need to borrow from time to time to finance our ambitious capital programme. Nevertheless, the cash flow position remains relatively healthy, providing close financial controls are maintained over all our activities.

Capital Projects

This year has seen the completion of two major new academic buildings - the Social Statistics Research Centre (£1.4 million) and the Combinatorial Chemistry Building (£3.6 million). These were funded principally by grants from the Joint Infrastructure Fund. In addition, the major refurbishment of the Students' Union was completed early in the year (£5.6 million funded by our Capital Programme) and this has already made a positive contribution to the student experience.

A major new scheme to develop a centre at Southampton General Hospital specialising in Infection Inflammation and Repair (£10.0 million) has begun, with more than £2.3 million of costs being incurred in these accounts. Significant progress is also being made towards completing the large-scale developments of the Hartley Library (£8.1million), the Indoor Sports Centre (£8.4million) and the Biomedical Sciences Building (£8.0 million).

Future Developments

We now have in place a strategy for making further significant capital investment in the University over the next 5 years. The cost will amount to some £40 million. The programme

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includes plans for a new Engineering, Education and Reception building, at an estimated cost of £13.6 million. This will be sited on the east side of University Road and will be a landmark at the main entrance to the Highfield campus. Work has already begun on this project which is expected to be completed in February 2006. The strategy also includes proposals for a new building for Archaeology (£2.6 million) as well as phase 2 of the University's long term plan to refurbish completely the Biomedical Sciences Building at Boldrewood (£5.5 million).

In devising this mixed plan of refurbishments and new buildings, we have sought to make good use of funding from external sources to complement that generated by the University itself. In this we have been highly successful, having been granted £28.6 million under HEFCE's Science Research Investment Fund Round 2 and £3 million from Capital Allocations Round 3.

Conclusion

The University's financial position remains sound, with a healthy balance sheet and a reasonable level of cash flow. Our sources of income are not, however, guaranteed over the long term and we must continue to exercise strong financial management and seek to widen and increase those sources of income. I wish to thank those throughout the University who work hard to develop the income we derive from research and other sources.

Government policy to increase the number of young people who have the opportunity to experience higher education puts great pressure on resources within the sector and it is becoming increasingly urgent that the issue of how the increased numbers are to be funded should be resolved. At the time of writing, the debate on tuition fees continues and it remains unclear

whether this will be the chosen solution to the problem. Whatever the outcome, we will work hard to maintain high academic standards in our courses but will also ensure, by providing bursaries or other means of support, that the access to those courses is available to academically able students from all backgrounds.

I would like to conclude by paying tribute to two colleagues who have made outstanding contributions to the financial well being of the University. First, I should like to thank my predecessor in the role of Treasurer, Godfrey Whitehead. The University has benefited for many years from the wisdom and experience that Godfrey has been able to bring from his professional life. He has given freely of his time and energy to help the University grow and I have greatly appreciated the thoughtful comments and good humour he brought to my meetings with him. We owe him profound thanks and wish him well in the future.

I should also like to record my very warm thanks to Colin Showell, who is shortly to retire after 17 years service as the University's Director of Finance. He has held his position through a period of strong growth, the many challenges posed by uncertain funding, huge expansion in the University estate and the changes to strategy introduced under a series of vice-chancellors. He has given great support to his executive colleagues while, at the same time, managing a team of over 100 staff spread across 7 campuses. We owe him a great deal but most of all, we are indebted to him for the tight control he has exercised in maintaining the University's finances in such good shape. At a time when many other universities are under severe financial pressure, this is no mean achievement over such a long period. We give him too our hearty thanks and wish him a long and happy retirement.

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Corporate Governance

Summary of Corporate Governance

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

The Council numbers 37 persons, comprising ex-officio and lay members, and representatives of the academic and other staff, together with two students. The Chair and Vice-Chair of Council are appointed from amongst the lay membership, which always forms a majority on the Council. Whilst the Chancellor is the titular head of the University, the Vice-Chancellor is the University’s principal academic and administrative officer, and Accounting Officer. The Treasurer is a lay and non-executive member of the Council whose remit is to advise generally on matters relating to the University economy, and to satisfy him/herself as to the soundness of the University’s financial position and the integrity of its financial transactions. The Secretary and Registrar is responsible to Council, through the Vice-Chancellor, for all professional service functions of the University.

The Council meets at least three times a year, and receives reports on the functioning of the University and of its subsidiary companies. Matters specifically reserved for Council decision include the Mission and ongoing strategic direction of the University, and the approval of budgetary allocations and of major new developments. Much of the business of the Council is transacted through the committee structure. In this structure the Policy and Resources Committee (PRC) - a joint committee with the Senate - performs a pivotal role.

PRC is chaired by the Vice-Chancellor, and is responsible for preparing for consideration by Council the annual revenue and capital budgets; for recommending to Council the adoption of the Strategic Plan; for monitoring performance in relation to approved budgets; and for overseeing the execution of financial policies approved by the Council. With effect from the beginning of the 2003/04 academic year, PRC will receive regular advice from a number of policy committees, including those responsible for human resources policies, estates, and finance. Other committees deal with such matters as safety management and occupational health, information strategy, the remuneration and promotion of staff, and the review of academic and administrative performance.

In December 2000, Council approved a report on its effectiveness, in the light of guidance received from the Committee of University Chairmen. As a result, new guidelines were introduced, covering the role of Council and the responsibilities of members, membership of Council, briefing arrangements, the provision of information and reporting.

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

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

The Professorial and Senior Salaries Committee reviews the salaries of senior academic and professional services staff. The lay officers separately review the salary of the Vice-Chancellor.

Corporate Governance

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

Statement of Internal Control

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

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

- clear definition of the responsibilities and delegated authority of heads of academic and administrative groups;
- a medium and short-term planning process, supplemented by detailed annual income and expenditure and capital budgets;
- regular reviews of academic performance and termly reviews of financial performance and updates of forecasts of outturns;
- clearly defined and formalised requirements for control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations, amended most recently in February 2000, approved by the Audit Committee and Council;
- a professional internal audit service from a major international accountancy firm, 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. A process of identifying major risks and encouraging risk management awareness throughout the University was approved by Council in July 2001, and has

been supplemented since then by formal risk management strategies and policies, under the management of the Director of Corporate and Marketing Services. Risk management and internal control are considered on a regular basis during the year and there was a full risk and control assessment system operating for the year ending 31 July 2003. Risk management has also been incorporated fully into the corporate planning and decision-making processes of the University.

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

Role of Council in the Preparation of the Financial Statements

The Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between HEFCE and the Council of the University, Council, through the Vice-Chancellor, is required to ensure the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has, through its committees and officers, ensured that:

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

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Corporate Governance

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 continued in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may have prescribed;*
- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;*

- safeguard the assets of the University and prevent and detect fraud;*
- secure the economical, efficient and effective management of the University's resources and expenditure.*

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.

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

We have audited the financial statements for the year ended 31 July 2003 which comprise the consolidated income and expenditure account, the consolidated balance sheet, the University's balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This opinion has been prepared for and only for the Council as a body. Our audit work has been undertaken so that we might state to the University's Council those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's Council as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described in the Statement of Corporate Governance, the Council is responsible for the preparation of financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Audit Code of Practice issued by the Higher Education Funding Council for England.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the Financial Memorandum dated June 2000 with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Report of the Treasurer and the Statement of Corporate Governance. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- (i) the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2003, and of the group's surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions;
- (ii) in all material respects, income from the Higher Education Funding Council for England, the Learning & Skills Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- (ii) in all material respects, income has been applied in accordance with the University's statutes and where appropriate in accordance with the Financial Memorandum dated June 2000 with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency covering the period 1 August 2002 to 31 July 2003.

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Consolidated Income and Expenditure Account for the year ended 31 July 2003

	Notes	2003 £000	2002 £000
INCOME			
<i>Funding Council grants</i>	2	84,141	75,114
<i>Academic fees and support grants</i>	3	50,434	44,874
<i>Research grants and contracts</i>	4	71,265	70,397
<i>Other operating income</i>	5	41,801	41,872
<i>Endowment income and interest receivable</i>	6	1,552	1,539
Total income		<u>249,193</u>	<u>233,796</u>
EXPENDITURE			
<i>Staff costs</i>	7	137,708	127,332
<i>Depreciation</i>	10	12,573	10,924
<i>Other operating expenses</i>	8	90,171	87,301
<i>Interest payable</i>	9	3,439	4,041
Total expenditure	10	<u>243,891</u>	<u>229,598</u>
<i>Surplus for the year</i>		<u>5,302</u>	<u>4,198</u>

The notes on pages 14 to 34 form part of these accounts

University of Southampton and Subsidiary Undertakings

Balance Sheets as at 31 July 2003

	Notes	Consolidated		University	
		2003 £000	2002 £000	2003 £000	2002 £000
FIXED ASSETS					
<i>Tangible assets</i>	11	202,440	189,146	184,324	171,024
<i>Investments</i>	12	1,062	1,051	790	790
		<u>203,502</u>	<u>190,197</u>	<u>185,114</u>	<u>171,814</u>
ENDOWMENT ASSET INVESTMENTS	13	6,169	6,212	6,169	6,212
DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR	14	1,634	2,042	15,078	14,457
CURRENT ASSETS	15	72,215	74,433	71,606	73,599
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(66,926)	(64,056)	(66,515)	(64,164)
NET CURRENT ASSETS		<u>5,289</u>	<u>10,377</u>	<u>5,091</u>	<u>9,435</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>216,594</u>	<u>208,828</u>	<u>211,452</u>	<u>201,918</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(57,915)	(60,378)	(61,571)	(64,511)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(6,740)	(6,081)	(6,141)	(5,495)
TOTAL NET ASSETS		<u>151,939</u>	<u>142,369</u>	<u>143,740</u>	<u>131,912</u>
<i>Represented by:</i>					
DEFERRED CAPITAL GRANTS	19	69,363	62,457	69,363	62,457
ENDOWMENTS					
<i>Specific</i>	20	3,536	3,797	3,536	3,797
<i>General</i>	20	2,633	2,415	2,633	2,415
		<u>6,169</u>	<u>6,212</u>	<u>6,169</u>	<u>6,212</u>
RESERVES					
<i>Revaluation reserve</i>	21	7,772	10,208	–	–
<i>Income and Expenditure account</i>	22	68,635	63,492	68,208	63,243
		<u>76,407</u>	<u>73,700</u>	<u>68,208</u>	<u>63,243</u>
TOTAL FUNDS		<u>151,939</u>	<u>142,369</u>	<u>143,740</u>	<u>131,912</u>

The financial statements on pages 10 to 34 were approved by the Council on 11 December 2003, and signed on its behalf by:

Vice-Chancellor
(Chair of Policy and Resources Committee)

Treasurer

Director of Finance

University of Southampton and Subsidiary Undertakings

Consolidated Cash Flow Statement for the year ended 31 July 2003

	Notes	2003 £000	2002 restated £000
<i>Net cash inflow from operating activities</i>	27	17,878	31,705
<i>Returns on investments and servicing of finance</i>	28	(1,919)	(2,466)
<i>Capital expenditure and financial investment</i>	29	(16,952)	(15,864)
<i>Cash (outflow)/inflow before use of liquid resources and financing</i>		<u>(993)</u>	<u>13,375</u>
<i>Management of liquid resources</i>	31	547	(5,003)
<i>Net financing</i>	30	(2,178)	(2,876)
<i>(Decrease)/increase in cash</i>	31	<u>(2,624)</u>	<u>5,496</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

		2003 £000	2002 £000
<i>(Decrease)/increase in cash in period</i>	31	(2,624)	5,496
<i>(Decrease)/increase in liquid resources</i>	31	(216)	4,385
<i>New loans and debt movement</i>	30	(800)	–
<i>Repayment of debt</i>	30	2,978	2,876
<i>Change in net debt</i>		<u>(662)</u>	<u>12,757</u>
<i>Net debt at 1 August</i>	31	(25,941)	(38,698)
<i>Net debt at 31 July</i>	31	<u>(26,603)</u>	<u>(25,941)</u>

The notes on pages 14 to 34 form part of these accounts

University of Southampton and Subsidiary Undertakings

Statement of Total Recognised Gains and Losses (STRGL) for the year ended 31 July 2003

	Notes	2003 £000	2002 £000
<i>Net movement on deferred capital grants</i>	19	6,906	8,134
<i>Surplus after depreciation of assets</i>		5,302	4,198
<i>Unrealised gains/(losses) on endowment asset investments</i>	20	138	(959)
<i>Realised gains on endowment asset investments</i>	20	8	6
<i>Endowment income retained/(utilised) in year</i>	20	15	(13)
<i>Endowments (disposed of)/received in year</i>	20	(363)	33
<i>Unrealised (deficit)/surplus on revaluation of Chilworth Science Park</i>	21	(2,436)	239
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>9,570</u>	<u>11,638</u>
<i>Total funds as per balance sheet:</i>			
<i>At 1 August</i>		142,369	130,731
<i>Total recognised gains</i>		<u>9,570</u>	<u>11,638</u>
<i>At 31 July</i>		<u>151,939</u>	<u>142,369</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

I. Statement of principal accounting policies

(a) **Accounting convention**

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

(b) **Basis of consolidation**

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

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

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

(c) **Recognition of income**

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

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

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

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

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

Teacher Training Agency bursaries are administered on behalf of the funding council and are therefore not included in the income and expenditure account.

(d) **Pension schemes**

Pensions are provided by means of funded defined benefit schemes and annual contributions are based on actuarial advice. The expected cost of providing pensions is recognised on a systematic and rational basis over the expected average remaining service life of members of the schemes.

(e) **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the mid-term. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

(f) **Leases**

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding. Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

(g) **Land and buildings**

Expenditure on land and buildings is capitalised. Depreciation is charged on the following bases:

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

In accordance with SSAP4 and the SORP, grants received from governmental sources and restricted capital funds are held as

Notes to the Financial Statements for the year ended 31 July 2003

I. Statement of principal accounting policies (continued)

deferred capital grants and released to the income and expenditure account over the estimated life of the asset.

Buildings owned by the University are valued at historical cost.

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

Chilworth Science Park, an investment property, is accounted for at market value. It is revalued annually and any surplus or deficit arising is taken to a revaluation reserve in general funds. No provision is made for depreciation of this property in accordance with SSAP19.

(h) **Equipment**

Equipment purchased by the University and costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. Equipment costing over £20,000 and all equipment held by the subsidiary undertakings is capitalised.

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

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

Following a change of accounting policy, additions to deferred capital grants to fund equipment purchases are no longer netted off against the release in year. This results in the HEFCE specific grant amount in note 2 representing non-deferred capital grants only. The treatment of deferred capital grants for equipment is now consistent with that for grants funding buildings. This change of policy has not altered the result for the period or the prior period.

(i) **Investments**

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

(j) **Stocks**

Catering, trading and centrally held stocks are stated at the lower of cost and net realisable value. Stocks held by teaching and research departments are excluded from the balance sheet, this expenditure being charged to the income and expenditure account when incurred.

(k) **Cash flows and liquid resources**

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

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

(l) **Goodwill**

Goodwill arising on consolidation and acquisitions until 1998 was written off directly to reserves. Following the implementation of FRS 10, purchased goodwill is capitalised in the Balance Sheet and amortised on a straight line basis over 20 years.

(m) **Maintenance**

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

(n) **Provisions**

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

(o) **Comparatives**

Where notes have been enhanced to provide additional information comparative figures have been amended accordingly.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

2. Funding Council grants	2003	2002
	£000	restated £000
<i>Recurrent grants:</i>		
Higher Education Funding Council for England (HEFCE)	72,495	65,044
Teacher Training Agency	1,924	1,500
Learning and Skills Council	427	354
<i>Specific grants:</i>		
HEFCE	5,890	5,326
Deferred capital grants released in year (note 19)	3,405	2,890
	<u>84,141</u>	<u>75,114</u>
3. Academic fees and support grants	2003	2002
	£000	£000
<i>Full-time home/EU students</i>	28,415	26,378
<i>Full-time overseas students</i>	12,242	9,646
<i>Part-time students</i>	5,094	5,081
<i>Research training support grants</i>	2,920	1,893
<i>Special and short course fees</i>	1,763	1,876
	<u>50,434</u>	<u>44,874</u>

Included in the above is £10,437,000 (2002: £9,502,000) of NHS Teaching Contract Income in respect of full and part-time fees. Other income from health authorities is disclosed under note 5.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

4. Research grants and contracts	2003	2002
	£000	£000
<i>INCOME</i>		
<i>Research councils</i>	31,172	32,088
<i>UK based charities</i>	11,614	9,792
<i>UK Central Government/local authorities/health authorities and hospitals</i>	9,582	8,977
<i>UK public corporations/industry and commerce</i>	7,836	9,006
<i>EU Government</i>	5,945	5,571
<i>EU other sources</i>	667	1,222
<i>Other overseas sources</i>	3,851	3,361
<i>Other sources</i>	598	380
	<u>71,265</u>	<u>70,397</u>
 <i>EXPENDITURE – DIRECT COSTS</i>		
<i>Salaries and wages</i>	33,588	31,668
<i>Equipment</i>	3,153	6,517
<i>Depreciation</i>	4,499	3,663
<i>Other costs</i>	18,769	17,709
	<u>60,009</u>	<u>59,557</u>
 <i>Contribution to indirect costs</i>	 <u>11,256</u>	 <u>10,840</u>
 5. Other operating income		
	2003	2002
	£000	£000
<i>Residences, catering and conferences</i>	18,206	17,849
<i>Consultancies, trading and services rendered</i>	12,709	13,894
<i>Health authorities</i>	3,161	2,621
<i>Donations and subventions</i>	1,831	1,643
<i>Sale of property</i>	–	1,485
<i>Other income</i>	5,894	4,380
	<u>41,801</u>	<u>41,872</u>
 6. Endowment income and interest receivable		
	2003	2002
	£000	£000
<i>Transferred from specific endowments (note 20)</i>	122	159
<i>Income from general endowment asset investments (note 20)</i>	96	143
<i>Income from short term deposits and investments</i>	1,334	1,237
	<u>1,552</u>	<u>1,539</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

7. Staff	2003	2002
	£000	£000
<i>Staff costs:</i>		
Salaries and wages	115,790	107,320
Social Security costs	8,823	8,006
Other pension costs	13,095	12,006
	<u>137,708</u>	<u>127,332</u>

	2003	2002
	Number	Number
<i>Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:</i>		
Academic/clinical/research	1,987	1,884
Administrative and academic support	704	673
Technical	349	348
Other (including clerical and manual)	1,244	1,202
	<u>4,284</u>	<u>4,107</u>
	2003	2002
	£000	£000

<i>Emoluments of the Vice-Chancellor</i>	140	140
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The emoluments of the Vice-Chancellor are shown excluding employer's pension contributions. The University's pension contributions to Universities Superannuation Scheme Limited (USS) amounted to £19,600 (2002: £19,631). A new appointment was made with effect from 1 October 2001 following the resignation of the previous Vice-Chancellor on 30 September 2001.

Higher Paid Staff:

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

	2003	2002
	Number	Number
£70,000 – £79,999	39	30
£80,000 – £89,999	7	6
£90,000 – £99,999	13	10
£100,000 – £109,999	–	4
£110,000 – £119,999	2	6
£120,000 – £129,999	4	–
£130,000 – £139,999	2	2
£140,000 – £149,999	2	–

Enhanced Pension Benefits

One payment was made by the University on behalf of staff earning in excess of £70,000 per annum (2002:one):

	2003	2002
	£000	£000
Payment to USS for enhanced pension benefits	99	43

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

8. Other operating expenses	2003	2002
	£000	£000
<i>Non capitalised equipment</i>	13,341	15,395
<i>Consumables and laboratory expenditure</i>	9,461	8,399
<i>Office expenses and professional fees</i>	13,405	11,998
<i>Residences, catering and conferences operating expenses</i>	9,003	8,537
<i>Travel costs</i>	7,831	7,319
<i>Repairs, refurbishment and scheduled maintenance</i>	9,864	6,181
<i>Heat, light, water and power</i>	2,805	3,402
<i>Books and periodicals</i>	2,097	2,638
<i>Fellowships, scholarships and prizes</i>	9,934	9,232
<i>Rents, rates and hire of facilities</i>	3,345	3,410
<i>Grant to Students' Union</i>	1,369	1,169
<i>(Appreciation)/Diminution of current asset investments valuation below historic cost</i>	(331)	618
<i>External auditors' remuneration</i>	37	28
<i>Auditors' remuneration in respect of other services</i>	19	11
<i>Other expenses</i>	7,991	8,964
	<u>90,171</u>	<u>87,301</u>

9. Interest payable	2003	2002
	£000	£000
<i>Loans not wholly repayable within five years</i>	3,275	3,740
<i>Loans wholly repayable within five years</i>	164	258
<i>Finance leases</i>	–	43
	<u>3,439</u>	<u>4,041</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

10. Analysis of 2003 expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	2003 Total £000	2002 Total £000
<i>Academic departments</i>	73,444	1,810	12,306	–	87,560	80,848
<i>Academic services</i>	6,550	706	7,098	–	14,354	12,469
<i>Research grants and contracts (note 4)</i>	33,588	4,499	21,922	–	60,009	59,557
<i>Residences, catering and conferences</i>	3,715	24	8,692	1,090	13,521	13,331
<i>Premises</i>	4,901	5,044	17,514	–	27,459	22,410
<i>Administration and central services</i>	8,118	53	7,419	–	15,590	13,010
<i>Other activities</i>	7,392	437	15,220	2,349	25,398	27,973
	<u>137,708</u>	<u>12,573</u>	<u>90,171</u>	<u>3,439</u>	<u>243,891</u>	<u>229,598</u>

The depreciation charge has been funded by:

<i>Deferred capital grants released</i>	3,553
<i>General income</i>	9,020
	<u>12,573</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

II. Tangible assets

	Consolidated						University				
	Land and buildings		Assets in course of construction £000	Investment Properties £000	Furniture fittings and equipment £000	Total £000	Land and buildings		Assets in course of construction £000	Equipment £000	Total £000
Completed Freehold £000	Completed Leasehold £000	Completed Freehold £000					Completed Leasehold £000				
Cost or valuation											
<i>At 1 August 2002</i>	160,602	19,231	19,233	17,501	35,178	251,745	160,294	19,232	19,022	34,970	233,518
<i>Additions at cost</i>	3,706	86	15,975	9	9,331	29,107	3,698	86	13,555	9,289	26,628
<i>Transfers at cost</i>	12,098	–	(13,455)	1,297	60	–	10,853	–	(10,853)	–	–
<i>Revaluation</i>	–	–	–	(2,437)	–	(2,437)	–	–	–	–	–
<i>Disposals at cost</i>	(76)	–	–	–	(222)	(298)	(76)	–	–	(222)	(298)
<i>Assets written down at cost</i>	(129)	–	(621)	–	–	(750)	(129)	–	(621)	–	(750)
<i>At 31 July 2003</i>	176,201	19,317	21,132	16,370	44,347	277,367	174,640	19,318	21,103	44,037	259,098
Depreciation											
<i>At 1 August 2002</i>	(32,718)	(2,155)	–	–	(27,726)	(62,599)	(32,716)	(2,156)	–	(27,622)	(62,494)
<i>Charge for year</i>	(4,477)	(499)	–	–	(7,524)	(12,500)	(4,472)	(499)	–	(7,481)	(12,452)
<i>Eliminated on disposal</i>	11	–	–	–	105	116	11	–	–	105	116
<i>Assets written down</i>	56	–	–	–	–	56	56	–	–	–	56
<i>At 31 July 2003</i>	(37,128)	(2,654)	–	–	(35,145)	(74,927)	(37,121)	(2,655)	–	(34,998)	(74,774)
Net book value											
<i>At 31 July 2003</i>	139,073	16,663	21,132	16,370	9,202	202,440	137,519	16,663	21,103	9,039	184,324
<i>At 1 August 2002</i>	127,884	17,076	19,233	17,501	7,452	189,146	127,578	17,076	19,022	7,348	171,024

Included in the balances for freehold land and buildings is expenditure of £11,394,000 funded by the HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership, and £12,700,000 for the Southampton Oceanography Centre, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.

Chilworth Science Park has been included on the basis of freehold open market value for existing use as at 31 July 2003 as determined by Vail Williams, in accordance with the Statements of Asset Valuation Practice and Guidance Notes by the RICS. The market value of the science park fell by £2,436,000 during the year. The historical and net book value of these assets at 31 July 2003 amounted to £10,428,000 (2002: £7,292,000) which included interest capitalised amounting to £291,000 (2002: £285,000).

In addition to the above expenditure on tangible assets a further £21,571,000 has been committed by the University and its subsidiary undertakings (note 25).

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

12. Fixed asset investments	Consolidated		University	
	2003 £000	2002 £000	2003 £000	2002 £000
Investment in subsidiary undertakings at cost	–	–	150	150
Other investments	1,062	1,051	640	640
	1,062	1,051	790	790

The University has invested £500,000 in the SULIS Seedcorn Fund ('SULIS'). The University is a limited liability partner in SULIS, which offers venture capital to spin-out companies originating at the Universities of Bristol, Bath and Southampton. The University has an obligation to invest a further £500,000 at an undetermined future date.

All companies within the University group are registered in England and Wales with the exception of AquaGene Inc and Southampton Photonics Inc which are registered in the USA and Alcatel sa which is registered in France. The University group structure is as follows:

	Percentage holding	Nature of activity
<i>Held by the University</i>		
Henry Robinson Hartley Limited	100.00	Estate management
Marinetech South Limited	21.43	Research innovation
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Southampton Student Halls I Limited	100.00	Property management
Southampton Student Halls II Limited	100.00	Property management
Southampton Student Halls III Limited	100.00	Property management
Southampton Student Halls IV Limited	100.00	Property management
Southampton University Services Limited	50.00 *	Educational services
Southampton World Learning Limited	100.00	Remote learning
University of Southampton Holdings Limited (USH Limited)	100.00	Holding company
<i>Investments held by USH Limited</i>		
Chilworth Science Park Limited	100.00	Science park management
Concurrent Computation Company Limited	13.00	Management services
ECS Partners Limited	100.00	Consultancy
LSU Enterprises Limited	100.00	Microfabrication services
Manor Centre Limited	100.00	Post Office franchise
SOceanic Limited	100.00	Commercial contract management
Southampton Asset Management Limited (SAM Limited)	80.00	Innovation and patents
Southampton Innovations Limited (SI Limited)	100.00	Innovation and patents
Southampton Residences Limited	100.00	Property management services
Southampton University Research into Sustainability and the Environment (SUNRISE) Limited	100.00	Waste management research
Southampton University Services Limited	50.00 *	Educational services
US(CA) Limited	100.00	Historical archives
<i>Investments held by SI Limited</i>		
Active Navigation Limited	4.16	Software development
Alcatel sa (Kymata Limited to August 2001)	less than 1.00	Telecommunications
AquaGene Incorporated	3.25	Biotechnology
Exosect Limited	19.99	Insect destruction
Hunter-Fleming Limited	0.77	Pharmaceuticals
LME Design Automation Limited	2.33	Microchip software
Mesophotonics Limited	9.79	Photonics
Nurin Limited	5.00	Neurological protection
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Radiation Sensors Limited	19.23	Radiation
Radiation Systems Limited	19.23	Radiation
Thermotic Developments Limited	8.35	Beverage packaging
<i>Investments held by SAM Limited</i>		
Active EM Limited	19.95	Offshore oil surveying
Capsant Neurotechnologies Limited	22.20	Neurological protection
HepCgen Limited	23.35	Hepatitis C testing
Nanotectures Limited	38.82	Nanotechnology
Southampton Polypeptides Limited	26.30	Synthetic peptides
<i>Investments held by PI Limited</i>		
Southampton Photonics Incorporated	5.91	Optical fibre technology

* Company limited by guarantee, maximum liability £1

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

13. Endowment asset investments	Consolidated and University	
	2003	2002
	£000	£000
<i>Balance at 1 August</i>	6,212	7,005
<i>Additions</i>	204	734
<i>Disposals</i>	(385)	(568)
<i>Appreciation/(Depreciation) on valuation for year</i>	138	(959)
<i>Balance at 31 July</i>	<u>6,169</u>	<u>6,212</u>
 <i>Represented by:</i>		
<i>Fixed interest stocks</i>	686	683
<i>Equities</i>	128	138
<i>Unit trusts and managed funds</i>	3,798	3,648
<i>Total stocks, equities and managed funds at market value *</i>	<u>4,612</u>	<u>4,469</u>
<i>Short term deposits</i>	1,334	1,573
<i>Cash balances</i>	223	170
<i>Total</i>	<u>6,169</u>	<u>6,212</u>
 <i>* Total stocks, equities and managed funds at cost</i>	 <u>4,958</u>	 <u>4,954</u>

14. Long term debtors and prepayments	Consolidated		University	
	2003	2002	2003	2002
	£000	£000	£000	£000
<i>Amounts owed by subsidiary undertakings</i>	–	–	3,337	2,011
<i>Prepayments to subsidiary undertakings</i>	–	–	10,107	10,405
<i>Other prepayments</i>	1,634	2,042	1,634	2,041
	<u>1,634</u>	<u>2,042</u>	<u>15,078</u>	<u>14,457</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

15. Current assets	Consolidated		University	
	2003 £000	2002 £000	2003 £000	2002 £000
Stock	383	365	265	356
Debtors and Prepayments:				
Grants from HEFCE	2,237	2,906	2,237	2,906
Trade debtors	10,234	10,363	9,536	10,711
Tuition fees	1,666	1,079	1,666	1,079
Research grants and contracts	22,623	21,645	22,623	21,645
Prepayments to group undertakings	–	–	450	575
Other prepayments	2,013	1,401	1,914	1,270
Other debtors	4,118	4,893	5,770	6,948
	42,891	42,287	44,196	45,134
Investments	19,379	19,595	19,379	19,595
Cash at bank and on deposit (redeemable within 24 hours)	9,562	12,186	7,766	8,514
	72,215	74,433	71,606	73,599
Investments are represented by:				
			2003	2002
			£000	£000
Quoted shares and securities *			12,681	11,746
Cash at bank and on deposit (not redeemable within 24 hours)			6,698	7,849
			19,379	19,595
			12,897	11,913

* Market value of quoted shares and securities (held at lower of cost and net realisable value above)

16. Creditors: amounts falling due within one year	Consolidated		University	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans	2,893	2,646	2,260	2,084
Other loans	187	187	187	187
HEFCE specific grant	1,148	585	1,148	585
Advance income on research	19,636	20,996	19,636	20,996
Social Security and other taxation	4,772	3,999	4,683	3,941
Amounts owed to group undertakings	–	–	1,556	1,656
Trade and other creditors	13,105	16,841	12,620	16,691
Accruals and deferred income	25,185	18,802	24,425	18,024
	66,926	64,056	66,515	64,164

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

17. Creditors: amounts falling due after more than one year	Consolidated		University	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans	50,924	53,161	46,253	48,787
Other loans	1,540	1,727	1,540	1,727
Amounts owed to group undertakings	–	–	10,107	10,405
Accruals and deferred income	5,451	5,490	3,671	3,592
	<u>57,915</u>	<u>60,378</u>	<u>61,571</u>	<u>64,511</u>

Amounts repayable after more than one year in respect of bank loans outstanding as at 31 July 2003, may be analysed as follows:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2003 £000	Balance outstanding 2002 £000
<i>University:</i>					
HSBC *	1993	2018	variable	7,358	7,802
HSBC *	1995	2015	fixed	1,641	1,779
National Westminster Bank	1996	2016	fixed	8,002	8,341
Yorkshire Bank	1997	2020	fixed/variable	19,364	20,500
National Westminster Bank *	1999	2019	fixed/variable	5,419	5,621
Barclays Bank *	1999	2019	fixed	4,469	4,744
				<u>46,253</u>	<u>48,787</u>
<i>Subsidiaries:</i>					
HSBC *	1999	2011	variable	3,920	4,374
HSBC *	2003	2018	variable	751	–
				<u>50,924</u>	<u>53,161</u>

* Loans secured on specific assets

The University does not guarantee the borrowings of any subsidiary undertaking.

18. Provisions for liabilities and charges

	Consolidated			University	
	Maintenance Fund £000	Pensions £000	Total £000	Pensions £000	Total £000
At 1 August 2002	586	5,495	6,081	5,495	5,495
Utilised during year	(102)	(1,384)	(1,486)	(1,384)	(1,384)
Transfer from Income and Expenditure account	115	2,030	2,145	2,030	2,030
At 31 July 2003	<u>599</u>	<u>6,141</u>	<u>6,740</u>	<u>6,141</u>	<u>6,141</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

19. Deferred capital grants

	Consolidated and University		
	Funding Council £000	Other grants £000	Total £000
<i>At 1 August 2002</i>			
Buildings	51,728	9,258	60,986
Equipment	1,471	–	1,471
Total	53,199	9,258	62,457
<i>Additions</i>			
Buildings	7,643	837	8,480
Equipment	1,979	–	1,979
Total	9,622	837	10,459
<i>Transfer to Income and Expenditure account</i>			
Buildings	(1,878)	(148)	(2,026)
Equipment	(1,527)	–	(1,527)
Total	(3,405)	(148)	(3,553)
<i>At 31 July 2003</i>			
Buildings	57,493	9,947	67,440
Equipment	1,923	–	1,923
Total	59,416	9,947	69,363

20. Endowments

	Consolidated and University		
	Specific £000	General £000	Total £000
<i>At 1 August 2002</i>			
Disposals	(363)	–	(363)
Unrealised appreciation of endowment asset investments	82	56	138
Realised gains from sales in year	5	3	8
Income for year	137	96	233
Transferred to Income and Expenditure account	(122)	(96)	(218)
Appropriated from Income and Expenditure account	–	159	159
At 31 July 2003	3,536	2,633	6,169
<i>Representing:</i>			
Fellowship and scholarship funds	870	–	870
Prize funds	401	–	401
Chair and lectureship funds	1,214	–	1,214
Other funds	1,051	2,633	3,684
Total	3,536	2,633	6,169

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

21. Revaluation Reserve

	Consolidated	
	2003	2002
	£000	£000
At 1 August	10,208	9,969
Revaluation (decrease)/increase in year of Chilworth Science Park	(2,436)	239
At 31 July	<u>7,772</u>	<u>10,208</u>

22. Reconciliation of Income and Expenditure Reserves

	Consolidated	University
	£000	£000
Balance at 1 August 2002	63,492	63,243
Surplus in year after depreciation of assets	5,302	5,124
Transfer to general endowments (note 20)	(159)	(159)
Balance at 31 July 2003	<u>68,635</u>	<u>68,208</u>
Attributable to:		
University departments	26,862	26,862
Central reserves	41,773	41,346
	<u>68,635</u>	<u>68,208</u>

The above reserves have arisen from accumulated annual surpluses. A total of £61,282,000 (2002: £53,367,000) from within these sums has been applied to finance capital developments within the University.

23. Liability insurance

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

24. Related party transactions

The University has complied with the Financial Reporting Standard on related party transactions and there are no transactions to report.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

25. Capital commitments	Consolidated	
	2003	2002
	£000	£000
Contracted commitments at 31 July		
Infection Inflammation & Repair	7,456	–
Boldrewood Refurbishment	6,078	–
Hartley Library Refurbishment *	2,770	7,274
Indoor Sports Facility	2,447	7,496
Learning & Resource Centre	1,274	–
Oncology Building *	786	869
Students' Union Redevelopment	728	2,595
Cryogenic Laboratory	32	262
Units for new businesses at Chilworth	–	1,272
Social Statistics Building *	–	756
Medicine Laboratories *	–	502
Combinatorial Chemistry *	–	426
E-Science	–	337
	21,571	21,789

* Commitments wholly or partly funded by external grants

Summary of University pensions schemes

Note 26 discloses the full statutory requirements relating to FRS 17: Retirement Benefits. The main points contained in the note are summarised below for users of the accounts.

The university participates in six pension schemes, four external, one internal and one that was closed to new employees in 1975 (Federated Superannuation Scheme for Universities). The five active schemes are administered as 'final salary' pension schemes. The proportion of the 4,199 university employees who were members of these schemes as at 31 July 2003 was Universities Superannuation Scheme (USS) 58.8%, PASNAS 36.3%, National Health Pension Scheme (NHPS) 3.1%, Teachers Superannuation Scheme (TSS) 1.1% and Hampshire County Council (HCC) 0.7%.

The managers for three of the external schemes USS, TSS and NHPS are not in a position to divide their accounts between the institutions that pay into their funds on an individual basis. Therefore the only figures shown in the University's accounts for these schemes are the combined employee and employer contributions for the year.

USS does publish some of its gross fund figures and in March 2003 it had a surplus of £79.5 million. This had decreased from £162 million in 2002. The University does not receive any figures from TSS or NHPS which are administered by HM Government on a national basis.

The University has 31 employees, who transferred from La Sainte Union College and the Winchester School of Art, in the HCC scheme. HCC has been able to apportion its accounts between members. The overall deficit of the scheme in 2001 was £271.3 million. In 2003, a deficit of £2.4 million was attributable to the University.

The University's own scheme PASNAS is administered internally, but has a board of trustees consisting of an independent chairman, three University nominated representatives and three employee members elected by the membership. The trustees employ Merrill Lynch and Liontrust to manage its assets that were valued at £75.3 million in 2001. The fund surplus in July 2001 was £13.6 million. Since then a downturn in the financial markets and changes in legislation have caused a drop in value of assets by £14.5 million and an increase of assured payments of £16.8 million. The changes have moved the surplus from £13.6 million to a current deficit of £17.7 million. This position is a snapshot of the fund as at July 2003 and results from the actuarial valuation carried out immediately after the year-end.

As a result of the actuarial valuation the University is committed to recommencing contributions to the fund at a level appropriate to ensure the continuing viability of the fund.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

26. University pension schemes

The University participates in four defined benefit schemes, Universities Superannuation Scheme (USS); Teachers Superannuation Scheme (TSS); National Health Pension Scheme (NHPS) and Hampshire County Council (HCC). These schemes are externally funded and contracted out of the State Earnings-Related Pension Scheme. The number of members of each scheme employed by the University as at 31 July 2003 was USS 2,468; TSS 45; NHPS 131 and HCC 31. The assets of USS are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the USS, NHPS and TSS schemes and hence contributions for these schemes are accounted for as if they were defined contribution schemes. The costs recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the schemes for the year.

HCC has been able to apportion a percentage of its funds assets and liabilities relating to the University and therefore the scheme has been treated as a defined benefit scheme in the accounts. The requirements of FRS 17 for the year ending July 2003 are shown below.

In addition the University contributes to a self-administered pension and assurance scheme for non-academic staff (PASNAS). The scheme is a defined benefit scheme, funded by contributions made in accordance with the recommendations of the scheme's actuaries. As at 31 July 2003, a total of 1,524 University employees were members of PASNAS.

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

	USS	PASNAS	HCC
Date of valuation	31 March 2002	1 August 2001	31 March 2001
Market valuation of assets	£19,938 million	£75.3 million	£1,935.4 million
Past service liabilities	£19,776 million	£56.7 million	£2,272.7 million
Surplus of assets	£162 million	£18.6 million	–
Past service deficit	–	–	(£337.3) million
Smoothing adjustment	–	–	£66.0 million
Deficit of assets	–	–	(£271.3) million

Please note that the USS and HCC valuations reflect the total assets and liabilities of the schemes, not just the element that is attributable to the University.

USS

At the valuation date the assets were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings. Universities contribution rate required for future service benefits alone at the date of valuation was 14.25% of salaries but USS agreed that contributions would be maintained at 14.0% of salaries. This reduction of 0.25% of 12 years from the date of valuation has been funded by £82.5 million of its reserves. This has left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

The total pension cost due for the University was £10,830,000 (2002: £9,910,000) which includes £916,000 (2002: £846,000) of contributions outstanding at the Balance Sheet date.

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 £75,000 (2002: £74,000) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

PASNAS

The last full valuation on 1 August 2001 indicated that the scheme's assets represented 133% of the benefits that had accrued to members after allowing for expected increases in earnings. A surplus of £18.6 million remained and it was recommended to the University that the contribution holiday be extended until the next full valuation on 1 August 2004. The University has since taken the independent decision to cease the pension holiday and reinstate full contributions from 1 August 2003. A sum of £1,034,450 has been released into the Income and Expenditure account in accordance with current SSAP 24 regulations.

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

Valuation date	31 July 2003	31 July 2002	31 July 2001
Increase in salaries	4.35% pa	4.15% pa	4.60% pa
Increase in pensions	2.60% pa	2.40% pa	2.60% pa
Discount rate of scheme liabilities	5.30% pa	5.70% pa	6.25% pa
Inflation assumption	2.60% pa	2.40% pa	2.60% pa

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

	Long term rate of return expected at July 2003	Value 31 July 2003 £000	Long term rate of return expected at July 2002	Value 31 July 2002 £000	Long term rate of return expected at July 2001	Value 31 July 2001 £000
Gilts	4.60%	10,773	5.00%	5,769	6.25%	-
Bonds	5.30%	11,413	5.70%	4,999	6.25%	11,646
Equities	6.30%	21,843	6.70%	28,070	7.25%	36,578
Managed funds	6.30%	15,937	6.70%	19,648	7.25%	23,847
Cash deposits	4.60%	787	5.00%	2,054	6.00%	3,242
Total market value of assets		60,753		60,540		75,313
Present value of scheme liabilities		(78,453)		(63,299)		(61,641)
(Deficit)/surplus in the scheme		(17,700)		(2,759)		13,672

In accordance with FRS17 transitional regulations the fair value of the scheme's assets and present value of the scheme's liabilities have not been included in the Balance Sheet. If they were included the figures would not show a difference from those disclosed above.

	2003 £000	2002 £000
Analysis of the amount charged to operating surplus		
Current service cost	3,160	2,587
Total operating charge	3,160	2,587
Analysis of the amount credited to other operating income		
Expected return on pension scheme assets	3,860	5,281
Interest on pension scheme liabilities	(3,590)	(3,544)
Net return	270	1,737
Analysis of amount recognised in the STRGL		
Actual return less expected return on pension scheme assets	(3,090)	(18,169)
Experience losses arising on the scheme liabilities	(140)	(1,769)
Changes in assumptions underlying the present value of the Scheme liabilities	(9,160)	4,049
Actuarial loss recognised in the STRGL	(12,390)	(15,889)
Movement in deficit during the year (Deficit)/surplus in scheme at beginning of the year	(2,759)	13,672
Movement in the year:		
Current service cost	(3,161)	(2,587)
Contributions	340	308
Other finance income	270	1,737
Actuarial loss in STRGL	(12,390)	(15,889)
Deficit in scheme at end of year	(17,700)	(2,759)

	2003 £000	2002 £000
History of experience gains and losses		
Difference between actual and expected returns on assets	(3,100)	(18,169)
Percentage of scheme assets	5.1%	30.0%
Experience losses on liabilities	(100)	(1,769)
Percentage of scheme liabilities	0.2%	2.8%
Total amount recognised in STRGL	(12,390)	(15,889)
Percentage of scheme liabilities	15.8%	25.1%

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

HCC

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

Valuation date	31 July 2003	31 July 2002	31 July 2001
Increase in salaries	4.20% pa	3.90% pa	4.00% pa
Increase in pensions	2.70% pa	2.40% pa	2.50% pa
Discount rate of scheme liabilities	5.50% pa	6.00% pa	5.90% pa
Inflation assumption	2.70% pa	2.40% pa	2.50% pa

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

	Long term rate of return expected at July 2003	Value 31 July 2003	Long term rate of return expected at July 2002	Value 31 July 2002	Long term rate of return expected at July 2001	Value 31 July 2001
	July 2003	£000	July 2002	£000	July 2001	£000
Equities	7.80%	1,840	7.90%	1,840	7.90%	2,370
Bonds	4.80%	550	4.90%	600	4.90%	480
Property	6.80%	140	6.90%	160	6.90%	170
Other	3.30%	130	3.40%	140	3.40%	220
Total market value of assets		2,660		2,740		3,240
Present value of scheme liabilities		(5,140)		(4,350)		(4,000)
Deficit in the scheme		(2,480)		(1,610)		(760)

In accordance with FRS17 transitional regulations the fair value of the scheme's assets and present value of the scheme's liabilities have not been included in the Balance Sheet. If they were included the figures would not show a difference from those disclosed above.

	2003 £000	2002 £000
Analysis of the amount charged to operating surplus		
Current service cost	90	120
Total operating charge	90	120
Analysis of the amount credited to other operating income		
Expected return on pension scheme assets	190	230
Interest on pension scheme liabilities	(260)	(240)
Net loss or Return	(70)	(10)

Analysis of amount recognised in the STRGL

Actual return less expected return on pension scheme assets	(50)	(710)
Experience gains and (losses) arising in the scheme liabilities	10	(260)
Changes in assumptions underlying the present value of the Scheme liabilities	(750)	150
Actuarial loss recognised in the STRGL	(790)	(820)
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(1,610)	(760)
Movement in the year:		
Current service cost	(90)	(120)
Contributions	80	100
Other finance income	190	230
Interest cost	(260)	(240)
Actuarial loss in STRGL	(790)	(820)
Deficit in scheme at end of year	(2,480)	(1,610)

	2003 £000	2002 £000
History of experience gains and losses		
Difference between actual and expected returns on assets	(50)	(710)
Percentage of scheme assets	1.9%	25.9%
Experience gains and (losses) on liabilities	10	(260)
Percentage of scheme liabilities	0.2%	6.0%
Total amount recognised in STRGL	(790)	(820)
Percentage of scheme liabilities	15.4%	18.9%

If FRS17 had been fully applied for both PASNAS and HCC in the financial statements, the combined effect on net assets and Income and Expenditure reserves as at 31 July 2003 would be as follows:

	Net Assets £000	Income and Expenditure Reserves £000
As currently stated	151,939	68,635
Net pension liability	(20,180)	(20,180)
As restated	131,759	48,455

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

27. Reconciliation of consolidated operating surplus to net cash from operating activities

	2003	2002
	£000	restated £000
<i>Surplus before minority interest</i>	5,302	4,198
<i>Depreciation</i>	12,573	10,924
<i>Goodwill</i>	–	89
<i>Loss on disposal of tangible fixed assets</i>	738	494
<i>Deferred capital grants released to income</i>	(3,553)	(2,966)
<i>Investment income</i>	(1,552)	(1,539)
<i>Interest payable</i>	3,439	4,041
<i>(Appreciation)/Diminution of current asset investments valuation below historic cost</i>	(331)	618
<i>Increase in stock</i>	(18)	(72)
<i>Increase in debtors</i>	(1,262)	(5,009)
<i>Increase in creditors and accruals</i>	1,883	20,624
<i>Increase in provisions</i>	659	303
<i>Net cash inflow from operating activities</i>	<u>17,878</u>	<u>31,705</u>

28. Returns on investments and servicing of finance

	2003	2002
	£000	£000
<i>Income from endowments</i>	233	289
<i>Income from short term deposits and investments</i>	1,226	1,254
<i>Other interest received</i>	64	90
<i>Interest paid</i>	(3,442)	(4,099)
	<u>(1,919)</u>	<u>(2,466)</u>

29. Capital investment and financial investment

	2003	2002
	£000	restated £000
<i>Tangible assets acquired</i>	(28,569)	(22,748)
<i>Fixed asset investments acquired</i>	(11)	(471)
<i>Endowment asset investments acquired (note 13)</i>	(204)	(734)
<i>Total fixed and endowment asset investments acquired</i>	<u>(28,784)</u>	<u>(23,953)</u>
<i>Receipts from sales of endowment assets</i>	393	574
<i>Receipts from sales of tangible asset</i>	65	1,782
<i>Deferred capital grants received</i>	11,737	5,700
<i>Endowments (disposed of)/received (note 20)</i>	(363)	33
	<u>(16,952)</u>	<u>(15,864)</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

30. Analysis of changes in consolidated financing during the year	2003	2003	2002	2002
	£000	£000	£000	£000
<i>Balance at 1 August</i>		57,722		60,598
<i>New loans and increased debt</i>	800		–	
<i>Capital repayments</i>	(2,978)		(2,876)	
		<u>(2,178)</u>		<u>(2,876)</u>
<i>Balance at 31 July</i>		<u>55,544</u>		<u>57,722</u>

31. Analysis of changes in net debt	At		Other	At
	1 August	Cash	non cash	31 July
	2002	flows	changes	2003
	£000	£000	£000	£000
<i>Cash at bank and in hand</i>	12,186	(2,624)	–	9,562
<i>Short term deposits</i>	19,595	(547)	331	19,379
<i>Debt due within one year</i>	(2,834)	2,978	(3,224)	(3,080)
<i>Debt due after one year</i>	(54,888)	(800)	3,224	(52,464)
	<u>(25,941)</u>	<u>(993)</u>	<u>331</u>	<u>(26,603)</u>

32. Access funds	Consolidated and University	
	2003	2002
	£000	£000
<i>Balance at 1 August</i>	39	–
<i>Net HEFCE grant</i>	816	795
	<u>855</u>	<u>795</u>
<i>Disbursed to students</i>	(871)	(756)
<i>Balance at 31 July</i>	<u>(16)</u>	<u>39</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2003

33. Teacher Training Agency (TTA) bursaries

	At 1 August 2002 £000	Consolidated and University			At 31 July 2003 £000
		Income received £000	Disbursements £000	Returned to TTA £000	
<i>Initial Teacher Training bursaries</i>	79	2,382	(2,295)	(79)	87
<i>Secondary Shortage Subject Scheme</i>	56	20	(19)	(7)	50
	<u>135</u>	<u>2,402</u>	<u>(2,314)</u>	<u>(86)</u>	<u>137</u>

University of Southampton

Financial Statistics

Financial Indicators

	2003	2002	2001	2000	1999
Source of income					
<i>HEFCE grants plus home fees and support grants/Total income</i>	48.8%	47.0%	47.4%	49.6%	49.0%
<i>Overseas fees/Total income</i>	4.9%	4.1%	4.1%	4.0%	3.5%
<i>Research grants and contracts/Total income</i>	28.8%	30.3%	28.1%	26.0%	25.7%
<i>Other operating income/Total income</i>	16.9%	18.0%	19.4%	19.5%	20.8%
<i>Surplus or deficit before transfers/Total income</i>	2.1%	1.8%	1.2%	0.4%	2.2%
Long term solvency					
<i>Days of total general funds and provisions to total expenditure</i>	119	116	119	120	125
<i>Ratio of long term liabilities to general funds</i>	84.4%	95.1%	103.4%	120.9%	116.2%
Short term solvency					
<i>Net liquid assets to current liabilities</i>	0.5:1	0.5:1	0.5:1	0.6:1	0.7:1
<i>Days ratio of net liquid assets to total expenditure</i>	49	58	45	53	59
<i>Current assets/Current liabilities</i>	1.08:1	1.16:1	1.18:1	1.27:1	1.33:1
<i>Ratio of movement in net liquid assets in year to same assets at start</i>	-10.1%	39.6%	-8.1%	-4.6%	-40.1%
<i>Days of total income represented by debtors</i>	35	39	38	30	26

Financial Statistics

Income from sponsored research for the year ended 31 July 2003

From Research Councils	£000		£000
<i>Arts and Humanities Research Board</i>	954	<i>Kingston Trust</i>	43
<i>Biotechnology and Biological Sciences Research Council</i>	2,366	<i>Leukaemia Busters</i>	188
<i>British Academy</i>	165	<i>Leukaemia Research Fund</i>	1,167
<i>Economic and Social Research Council</i>	702	<i>Leverhulme Trust</i>	222
<i>Engineering and Physical Sciences Research Council</i>	14,596	<i>MacMillan Cancer Relief</i>	98
<i>Medical Research Council</i>	2,506	<i>Marie Stopes International</i>	21
<i>Natural Environment Research Council</i>	8,798	<i>Maurice Laing Foundation</i>	42
<i>Particle Physics and Astronomy Research Council</i>	928	<i>Multiple Sclerosis Society</i>	54
<i>Tyndall Centre for Climate Change Research</i>	157	<i>National Asthma Campaign</i>	82
Total Research Councils	<u>31,172</u>	<i>National Kidney Research Fund</i>	250
		<i>National Meningitis Trust</i>	28
		<i>National Society for Colitis & Crohns</i>	38
		<i>Nuffield Foundation</i>	35
		<i>Onyx Environmental Trust</i>	28
		<i>Parkinson's Disease Society</i>	21
		<i>Parthenon Trust</i>	107
		<i>Peter Sager Wallenberg Charitable Trust</i>	31
		<i>PPP Healthcare Medical Trust</i>	134
		<i>Royal College of Surgeons</i>	84
		<i>Royal National Lifeboat Institute</i>	140
		<i>Sir Jules Thorn Charitable Trust</i>	110
		<i>Smith and Nephew Foundation</i>	38
		<i>Solent Subfertility Trust</i>	90
		<i>Sports Aided Medical Research for Kids - SPARKS</i>	39
		<i>Stroke Association</i>	75
		<i>Tenovus</i>	812
		<i>Wellcome Trust</i>	2,574
		<i>Wessex Cancer Trust</i>	148
		<i>Wessex Medical Trust</i>	528
		<i>Others less than £20,000</i>	745
		Total UK-based Charitable Bodies	<u>11,614</u>
		From Other Sources	£000
		<i>3M Healthcare Ltd</i>	40
		<i>Agennix Inc (USA)</i>	74
		<i>Aquagene Inc (USA)</i>	30
		<i>Arakis Ltd</i>	25
		<i>Asahi Glass Co Ltd</i>	116
		<i>Astilleros Mouro SL</i>	21
		<i>AstraZeneca</i>	332
		<i>Astrium Ltd</i>	72
		<i>Aventis Pharma Ltd</i>	132
		<i>BAE Systems</i>	89
		<i>Bayer</i>	109
		<i>Binnie Black & Veatch</i>	189
		<i>Boeing</i>	73

Financial Statistics

Income from sponsored research for the year ended 31 July 2003 (continued)

	£000		£000
Bowman Power Systems Ltd	40	Hoechst AG	63
BP Exploration Operating Co Ltd	73	Hunting - BRAE Ltd	40
Britannia Pharmaceuticals Ltd	94	ICI PLC	24
British Council	66	Institute of Petroleum	20
British Marine Federation	26	International Atomic Energy Agency	24
BYK UK	54	International Copper Association	58
Cambridge Antibody Technology Ltd	25	Jaguar Cars Ltd	32
Celltech Group PLC	113	Johnson Matthey PLC	128
Central Health Outcomes Unit	96	Juvenile Diabetes Research Foundation	
Chemical Manufacturers Association (USA)	37	International	118
Chiltern International Ltd	83	Kings College London	138
Christopher Reeve Paralysis Foundation	31	Knowles Electronics (USA)	31
City Technology Ltd	26	Liverpool School of Tropical Medicine	29
Corporation of London	49	Lloyds Register	200
Countryside Agency	33	Local Authorities Consortium	160
Den Norske Stats Oljeselskap AS - STATOIL (Norway)	80	Maritime and Coastguard Agency	35
Department for Education and Skills	65	Maternal & Child Health Research Consortium	64
Department for Environment Food and Rural Affairs	340	Medarex Inc	40
Department of Health	3,621	MediSense	31
Department of Trade & Industry	558	Merck Ltd	38
Department for Transport Local Government and the Regions	97	Merck Sharpe & Dohme Research Laboratories	23
Depuy International Ltd	135	Meteorological Office	89
Diageo PLC	22	Ministry of Defence	238
Dubois Naval Architects Ltd	101	MSX International	33
Emu Ltd	47	Multiple Myeloma Research Foundation	50
English Heritage	169	Nanotecture Ltd	33
English Nature	60	National Institute of Health	242
Environment Agency	88	New Forest District Council	57
Epigenesis Pharmaceuticals Inc	24	NHS Executive Northern & Yorkshire	78
European Rail Research Institute	25	NHS Executive South & West	91
European Regional Development Fund	41	NHS Executive South East	769
European Space Operations Centre	148	NHS Hants and IOW Trust	181
European Union	5,680	NHS Management Executive	58
Exxon Mobil	97	NHS Primary Care Group West and Test	25
Food Standards Agency	364	Nippon Sheet Glass Inc (USA)	22
Ford Foundation	106	Nissan Motor Company (Japan)	65
Gary Cliffe Consultants	28	Nycomed Amersham PLC	139
Gaztransport & Technigaz	52	Office for National Statistics	295
General Motors Corporation	35	Organon NV (Netherlands)	37
Genmab BV	34	Parexel International Ltd	37
Gifford & Partners Ltd	30	Pechiney Crov	24
GlaxoSmithKline PLC	566	Pfizer Ltd	82
Health and Safety Executive	70	Pipe Supports Ltd	21
Health Canada	53	Public Health Laboratory Service	36
Hewlett Packard Ltd	57	Qantas Airways Ltd	22
Hitachi Ltd	20	QinetiQ PLC	392
		Radiodetection Ltd	58
		Reckitt Benckiser PLC	65
		Regma Biotechnologies	23

Financial Statistics

Income from sponsored research for the year ended 31 July 2003 (continued)

	£000		£000
<i>Renault</i>	28	<i>United States Air Force</i>	295
<i>Renold Automotive Systems</i>	34	<i>United States Anti-Doping Agency</i>	42
<i>Roche Products Ltd</i>	65	<i>United States Federal Aviation Administration</i>	94
<i>Rolls Royce PLC</i>	516	<i>United States Navy</i>	28
<i>Rotta Laboratorium</i>	94	<i>University Corporation for Atmospheric</i>	
<i>Royal College of General Practitioners</i>	22	<i>Research</i>	69
<i>Royal Mail Group</i>	29	<i>University of Bristol</i>	33
<i>Royal Society</i>	648	<i>University of Leeds</i>	20
<i>Royal Veterinary College</i>	23	<i>University of Newcastle upon Tyne</i>	46
<i>Sloan Foundation</i>	72	<i>University of Texas</i>	43
<i>Smith and Nephew Inc</i>	67	<i>Van Oossanen & Associates</i>	42
<i>South East England Development Agency</i>	22	<i>Virtual Centre of Excellence in Mobile &</i>	
<i>Southampton City Council</i>	39	<i>Personal Communications Ltd</i>	208
<i>Southampton Photonics Ltd</i>	269	<i>Wessex Renal & Transplant Unit</i>	47
<i>Sterix Ltd</i>	46	<i>Western Mining Corporation</i>	60
<i>Thames Water Utilities Ltd</i>	55	<i>Wyeth Research</i>	70
<i>Transport for London</i>	51	<i>Yamanouchi UK Ltd</i>	30
<i>Treasury Chambers</i>	23	<i>Others less than £20,000</i>	5,615
<i>Tyne & Wear Passenger Transport Authority</i>	33	Total Other Sources	28,479
<i>UCB Farchim SA</i>	27		
<i>Unilever</i>	55		