

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

2003 - 2004

University of Southampton and Subsidiary Undertakings

Financial Statements
for the year ended 31 July 2004

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University of Southampton and Subsidiary Undertakings

Treasurer

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R Allan Spencer, MA, ACA

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Treasurer's Report 2003-2004

I am pleased to report another strong financial performance by the University and its subsidiary undertakings in the year ending 31 July 2004. Total income increased by 10.0% to £274 million while expenditure rose by 9.4% to £267 million, leaving a surplus of £6.9 million, compared with £5.3 million last year.

Net cash flow from operations amounted to £17.7 million. This sum, together with capital grants of around £14.0 million, has allowed £32.6 million of capital expenditure to be undertaken to improve further the facilities, infrastructure and environment in which the University operates. These developments enhance our teaching facilities, add to our already strong research capabilities and contribute to a better working environment both for our students and our staff.

The results are particularly pleasing in a year when the University has implemented significant changes in the structure of its financial management. This follows the new organisational structure in which decision making and now, financial responsibility for the control of budgets, have been devolved to the level of the 20 academic schools, 4 academic centres and the individual professional service departments. The schools, centres and departments have responded enthusiastically to the greater authority they have been given while maintaining tight budgetary control. The success of this change gives me confidence that the new framework will enable the University to achieve its strategic aims. Its implementation has not been easy and I would like to thank all those who have worked hard to make the new system a success.

As intimated in my report last year we, like many other Universities, have experienced structural financial problems in some academic areas of the University, most notably in Science, where the funding available does not adequately recognise the full costs incurred. The changes introduced by the 2004 Higher Education Act enabling Universities to charge fees to home and EU undergraduates from 2006 will have some effect on these structural imbalances but are unlikely to resolve all of the issues. In the meantime we will continue to manage these areas in a manner which is prudent but capable of delivering our objectives.

I also commented last year that the income from research contracts failed to make an adequate contribution to the full costs of the work

undertaken. I am pleased to be able to report a positive outcome on this subject and that, as a result of the increased funding being made available to the research councils, Universities can now look forward to the impact of a fuller contribution to the economic cost of research projects from Government Financial Year 2005/06.

Consolidated Income and Expenditure Statement

Income from the Funding Councils remains the single most important source of income, contributing £91.8 million to our total income, an increase of £7.7 million (9.1%) on 2002/03.

Almost £4 million of the increase has been provided for specific projects and initiatives while the "block grant" element of our funding from the Higher Education Funding Council for England (HEFCE) increased by £3.3 million (4.5%).

Income from academic fees has continued to move ahead with growth of £6 million (11.9%) on 2002/03. This was achieved mainly by an increase of £4 million (33.1%) in fees from international students. We believe that the University has a great deal to offer the international student, particularly at postgraduate level and we will continue to seek further growth in this area.

Total income of £76.4 million from research grants and contracts showed a healthy increase of £5.1 million (7.1%) on 2002/03. Within this figure we saw research council income grow by £5.7 million and the amount from government increase by £1.9 million but there were lower contributions from UK industry and commerce and from UK based charities. It is to be expected that each sector will experience some volatility through the economic cycle and it is therefore helpful that the University is able to create a degree of stability in its total funding through its diversification across the sectors.

Other Operating Income increased from £41.8 million in 2002/03 to £47.9 million this year (up 14.6%). This includes a profit of £2.7 million achieved on the sale of part of our shareholding in Offshore Hydrocarbon Mapping Limited (OHM), a spin-out company from the Southampton Oceanography Centre. This is described in more detail below.

The average number of full time equivalent staff has risen slightly from 4,284 to 4,365. Staff costs increased from £137.7 million to £152.3 million

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(up 10.6%) and now represent 57% of total expenditure. Following a long period of contribution holiday, the University resumed employer's contributions to the PASNAS scheme during the year at a rate of 10.33% of pensionable payroll and has increased this further to 12.8% with effect from 1 August 2004. The University has been an early adopter of the modernised pay arrangements for University staff and, following a lengthy consultation period, with considerable support from the relevant trades unions, staff will have the opportunity to move to the new unified pay spine before the end of 2004.

Other Operating Expenditure increased by £6.6 million (7.3%) and interest repayments increased by £0.4 million (11.1%) as a result of a new loan taken out with Barclays Bank to support the construction of the Jubilee Sports Centre.

Balance Sheets

The net value, after depreciation, of the University's tangible fixed assets increased by £19.4 million over the year. The University acquired new capitalised assets totalling £32.6 million, funded largely by the internal generation of cash from our operating activities, specific capital grants from HEFCE and the new bank loan. Despite this level of capital investment and development, our cash, cash deposits and readily convertible investments stood at £30.5 million at the balance sheet date, virtually unchanged from the previous year's figure of £28.9 million. The level of cash and near-cash holdings provides comfort that the University can manage fluctuations in its operational funding requirements and also provides the means to finance capital investment in the short term. In due course, drawings on short term resources are likely to be replaced with longer term borrowings.

The University continues to make interim disclosures under the accounting standard, FRS 17 "Accounting for Retirement Benefits". The 2004 valuations show funding deficits on all our pension schemes. It is expected that when fully applied, the standard will affect the presentation of the University's balance sheets.

Investment Performance

The University's endowment fund and general asset investments in equities and fixed interest stocks are managed by Lazard Asset Management and HSBC Investment Management. The portfolio contains equity and fixed interest investments spread across a range of sectors and, while predominately UK based, has some exposure to international markets. The investment performance is reviewed regularly. The market value of the investments at the balance sheet date was £18.2 million, against a cost of £18.0 million. Market value thus represents 101% of cost, compared with a market value of 99% of cost at 31 July 2003.

The level of tradable investments will be carefully monitored in the future, particularly in view of the University's likely capital investment requirements.

Commercial Activities

The University benefited from the successful flotation of OHM on the Alternative Investment Market (AIM), with the sale of 30% of our holding in the company generating a profit of £2.7 million. Southampton Asset Management Limited continues to hold 13.4% of the share capital of OHM. This is a significant landmark for the University's commercial exploitation of our intellectual property and provides a model for future spin-out activities. The consolidated balance sheet continues to show the remaining holding in OHM at cost rather than the current AIM market value. This is consistent with our previous accounting policies for the valuation of companies.

Capital Projects

In the year, the University has brought a number of capital projects to a successful conclusion. We have completed the Jubilee Sports Centre, a comprehensive indoor sports and swimming pool complex on the Highfield campus, at a cost of £8.4 million. We have also continued with the refurbishment of the life sciences buildings at Boldrewood and will invest further sums in the future to complete this project. The development of the new centre specialising in Infection Inflammation and Repair at Southampton General Hospital is expected to be completed in 2005, at a cost of £11.2 million, and the project to

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extend and refurbish the Hartley Library and the Learning and Resource Centre (total cost £10.3 million) was successfully concluded early in the new academic session.

During the year, we have started the construction of a new Student Services Building, sited alongside the existing Administration Building, and have also introduced a combined heat and power system that should lead to more efficient use of energy in the longer term.

Future Developments

The University's strategic planning process has helped to identify and prioritise essential investments over the next 5 years. During 2004/05, we will begin the construction of a £15.3 million Engineering, Education and University Reception Building at the heart of the Highfield campus and will begin a major refurbishment of Glen Eyre Hall of Residence and the construction of 540 new student bedrooms at Glen Eyre and Wessex Lane at a total cost of £21 million.

The University recognises that significant investment is needed to refurbish several key academic areas to improve the teaching and research infrastructure of the University. It is likely that any future HEFCE capital grants will be applied to these large infrastructure projects.

In addition to making investments in the estate, the University will make funds available to enhance our computing infrastructure and to develop projects aimed directly at improving the student's educational and social experience of the University. As a follow up to the major investment in indoor sports facilities, the University will be making a £4 million investment, of which £2 million will be contributed by the Football Foundation and Eastleigh Borough Council, in outdoor sports facilities at our Wide Lane playing fields.

The External Environment

In recent years, Higher Education has moved from a position of neglect towards the centre of the political stage. The 2004 Higher Education Act, based closely on the 2003 White Paper covering

the Future of Higher Education, will allow Universities to charge home and EU undergraduate students tuition fees of up to £3,000 per annum from 2006/07. Students will be able to defer the payment of fees until after graduation and then make repayments through the tax system. Non-repayable grants will be available to students from poorer backgrounds.

The Government has made clear its policy of increasing investment levels in science and technology research and has significantly increased the capital funding available to institutions through the Science Research Investment Fund. Increased funding has also been made available for University commercial interactions through the Higher Education Innovation Fund.

All these developments are broadly to be welcomed. However, in return for receiving additional income, Universities will be subject to greater scrutiny, especially in regard to their admission policies and the financial support they make available to students. They will also need to respond to increased expectations from students that they will enjoy excellent academic and non-academic facilities while at University. The University Council looks forward to these challenges and opportunities and has given its support to the University's investment plans, taking into account the expected additional future income streams.

Twelve months ago, the higher education sector was enveloped in a cloud of uncertainty. The position is now significantly improved and we have a framework within which we can continue a strategy that places Southampton amongst the leading UK Universities.

14 December 2004

Alan Walker, Treasurer

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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 and Policy and Resources Committee (PRC) are the other principal decision making bodies.

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 Secretary and Registrar is Secretary to the University Council.

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

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

Corporate Governance

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 is a full risk and control assessment system. 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.*

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.

Corporate Governance

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 2004 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 report is made solely to 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 Memorandums dated 1 August 2000 and 1 October 2003 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 2004, 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.
- (iii) in all material respects, income has been applied in accordance with the University's statutes and where appropriate in accordance with the Financial Memorandums dated 1 August 2000 and 1 October 2003 with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency covering the period 1 August 2003 to 31 July 2004.

University of Southampton and Subsidiary Undertakings

Consolidated Income and Expenditure Account for the year ended 31 July 2004

	Notes	2004 £000	2003 £000
<i>INCOME</i>			
<i>Funding Council grants</i>	2	91,836	84,141
<i>Academic fees and support grants</i>	3	56,429	50,434
<i>Research grants and contracts</i>	4	76,359	71,265
<i>Other operating income</i>	5	47,884	41,801
<i>Endowment income and interest receivable</i>	6	1,662	1,567
<i>Total income</i>		<u>274,170</u>	<u>249,208</u>
 <i>EXPENDITURE</i>			
<i>Staff costs</i>	7	152,254	137,708
<i>Depreciation</i>	10	14,315	12,573
<i>Other operating expenses</i>	8	96,722	90,171
<i>Interest payable</i>	9	3,821	3,439
<i>Total expenditure</i>	10	<u>267,112</u>	<u>243,891</u>
		<u>7,058</u>	<u>5,317</u>
<i>Surplus after depreciation of assets</i>		<u>7,058</u>	<u>5,317</u>
<i>Endowment income retained in year</i>		(207)	(15)
<i>Surplus for the year</i>		<u>6,851</u>	<u>5,302</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 2004

	Notes	Consolidated		University	
		2004 £000	2003 £000	2004 £000	2003 £000
FIXED ASSETS					
<i>Tangible assets</i>	11	221,815	202,440	192,297	184,324
<i>Investments</i>	12	1,151	1,062	25,182	790
		<u>222,966</u>	<u>203,502</u>	<u>217,479</u>	<u>185,114</u>
ENDOWMENT ASSET INVESTMENTS	13	6,772	6,169	6,772	6,169
DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR	14	1,267	1,634	19,604	15,078
CURRENT ASSETS	15	86,559	72,215	82,725	71,606
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(79,369)	(66,926)	(81,888)	(66,515)
NET CURRENT ASSETS		<u>7,190</u>	<u>5,289</u>	<u>837</u>	<u>5,091</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>238,195</u>	<u>216,594</u>	<u>244,692</u>	<u>211,452</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(60,699)	(57,915)	(63,507)	(61,571)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(7,287)	(6,740)	(6,588)	(6,141)
TOTAL NET ASSETS		<u>170,209</u>	<u>151,939</u>	<u>174,597</u>	<u>143,740</u>
<i>Represented by:</i>					
DEFERRED CAPITAL GRANTS	19	79,132	69,363	72,746	69,363
ENDOWMENTS					
<i>Specific</i>	20	3,933	3,536	3,933	3,536
<i>General</i>	20	2,839	2,633	2,839	2,633
		<u>6,772</u>	<u>6,169</u>	<u>6,772</u>	<u>6,169</u>
RESERVES					
<i>Revaluation reserve</i>	21	8,933	7,772	–	–
<i>Income and Expenditure account</i>	22	75,372	68,635	95,079	68,208
		<u>84,305</u>	<u>76,407</u>	<u>95,079</u>	<u>68,208</u>
TOTAL FUNDS		<u>170,209</u>	<u>151,939</u>	<u>174,597</u>	<u>143,740</u>

The financial statements on pages 10 to 34 were approved by the Council on 14 December 2004, 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 2004

	Notes	2004 £000	2003 £000
<i>Net cash inflow from operating activities</i>	27	17,693	17,878
<i>Returns on investments and servicing of finance</i>	28	(2,208)	(1,919)
<i>Capital expenditure and financial investment</i>	29	(17,310)	(16,952)
<i>Cash outflow before use of liquid resources and financing</i>		(1,825)	(993)
<i>Management of liquid resources</i>	31	(2,237)	547
<i>Net financing</i>	30	3,100	(2,178)
Decrease in cash	31	(962)	(2,624)

Reconciliation of Net Cash Flow to Movement in Net Debt

		2004 £000	2003 £000
<i>Decrease in cash in period</i>	31	(962)	(2,624)
<i>Increase/(decrease) in liquid resources</i>	31	2,522	(216)
<i>New loans and debt movement</i>	30	(6,200)	(800)
<i>Repayment of debt</i>	30	3,100	2,978
<i>Change in net debt</i>		(1,540)	(662)
<i>Net debt at 1 August 2003</i>	31	(26,603)	(25,941)
<i>Net debt at 31 July 2004</i>	31	(28,143)	(26,603)

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 2004

	Notes	2004 £000	2003 £000
<i>Surplus after depreciation of assets</i>		7,058	5,317
<i>Net movement on deferred capital grants</i>	19	9,769	6,906
<i>Unrealised gains on endowment asset investments</i>	20	221	138
<i>Realised gains on endowment asset investments</i>	20	34	8
<i>Endowments received/(disposed of) in year</i>	20	27	(363)
<i>Unrealised surplus/(deficit) on revaluation of Chilworth Science Park</i>	21	1,161	(2,436)
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		18,270	9,570
<i>Total funds as per balance sheet:</i>			
<i>At 1 August 2003</i>		151,939	142,369
<i>Total recognised gains</i>		18,270	9,570
<i>At 31 July 2004</i>		170,209	151,939

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

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 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 specific endowments is credited to the income and expenditure account on a receivable basis. Any excess or shortfall of income compared to expenditure is then transferred to or from the balance sheet before the surplus or deficit for the year is struck. This is a change of accounting policy in line with the SORP published in July 2003.

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

(f) **Leases**

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

(g) **Land and buildings**

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

Buildings under construction within the University are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They

Notes to the Financial Statements for the year ended 31 July 2004

I. Statement of principal accounting policies (continued)

are not depreciated until they are brought into use.

Depreciation is charged on the following bases:

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

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.

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

(h) Equipment

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

Equipment capitalised by the University is generally stated at cost and depreciated over three years. Large scale items of 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.

(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) Maintenance

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

(m) 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.

(n) 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 2004

2. Funding Council grants	2004	2003
	£000	£000
<i>Recurrent grants:</i>		
Higher Education Funding Council for England (HEFCE)	75,768	72,495
Teacher Training Agency	2,095	1,924
Learning and Skills Council	248	427
<i>Specific grants:</i>		
HEFCE	9,635	5,890
Deferred capital grants released in year (note 19)	4,090	3,405
	<u>91,836</u>	<u>84,141</u>
3. Academic fees and support grants	2004	2003
	£000	£000
<i>Full-time home/EU students</i>	29,816	28,415
<i>Full-time overseas students</i>	16,297	12,242
<i>Part-time students</i>	5,213	5,094
<i>Research training support grants</i>	3,601	2,920
<i>Special and short course fees</i>	1,502	1,763
	<u>56,429</u>	<u>50,434</u>

Included in the above is £11,200,000 (2003: £10,437,000) 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 2004

4. Research grants and contracts	2004	2003
	£000	£000
<i>INCOME</i>		
<i>Research councils</i>	36,875	31,172
<i>UK based charities</i>	10,695	11,614
<i>UK Central Government/local authorities/health authorities and hospitals</i>	11,457	9,582
<i>UK public corporations/industry and commerce</i>	7,007	7,836
<i>EU Government</i>	5,621	5,945
<i>EU other sources</i>	837	667
<i>Other overseas sources</i>	3,429	3,851
<i>Other sources</i>	438	598
	<u>76,359</u>	<u>71,265</u>
 <i>EXPENDITURE – DIRECT COSTS</i>		
<i>Salaries and wages</i>	35,121	33,588
<i>Equipment</i>	4,622	3,153
<i>Depreciation</i>	5,843	4,499
<i>Other costs</i>	17,583	18,769
	<u>63,169</u>	<u>60,009</u>
 <i>Contribution to indirect costs</i>	 <u>13,190</u>	 <u>11,256</u>
 5. Other operating income		
	2004	2003
	£000	£000
<i>Residences, catering and conferences</i>	17,537	16,754
<i>Consultancies, trading and services rendered</i>	18,653	14,161
<i>Health authorities</i>	2,495	3,161
<i>Donations and subventions</i>	2,269	1,831
<i>Deferred capital grants released in year (note 19)</i>	236	148
<i>Other income</i>	6,694	5,746
	<u>47,884</u>	<u>41,801</u>
 6. Endowment income and interest receivable		
	2004	2003
	£000	£000
<i>Income from specific endowment asset investments (note 20)</i>	274	137
<i>Income from general endowment asset investments (note 20)</i>	130	96
<i>Income from short term deposits and investments</i>	1,258	1,334
	<u>1,662</u>	<u>1,567</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

7. Staff	2004	2003
	£000	£000
<i>Staff costs:</i>		
Salaries and wages	127,364	116,824
Social Security costs	10,302	8,823
Other pension costs	14,588	12,061
	<u>152,254</u>	<u>137,708</u>

	2004	2003
	Number	Number
<i>Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:</i>		
Academic/clinical/research	2,010	1,987
Administrative and academic support	751	704
Technical	368	349
Other (including clerical and manual)	1,236	1,244
	<u>4,365</u>	<u>4,284</u>
	2004	2003
	£000	£000

<i>Emoluments of the Vice-Chancellor</i>	150	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 £21,000 (2003: £19,600).

Higher Paid Staff:

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

	2004	2003
	Number	Number
£70,000 – £79,999	47	39
£80,000 – £89,999	23	7
£90,000 – £99,999	3	13
£100,000 – £109,999	12	–
£110,000 – £119,999	3	2
£120,000 – £129,999	3	4
£130,000 – £139,999	1	2
£140,000 – £149,999	3	2
£150,000 – £159,999	1	–
£160,000 – £169,999	1	–

Enhanced Pension Benefits

No payments were made by the University on behalf of staff earning in excess of £70,000 per annum (2003:one):

	2004	2003
	£000	£000
Payment to USS for enhanced pension benefits	–	99

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

8. Other operating expenses	2004	2003
	£000	£000
<i>Non capitalised equipment</i>	15,998	13,341
<i>Consumables and laboratory expenditure</i>	12,052	10,834
<i>Office expenses and professional fees</i>	14,078	13,405
<i>Residences, catering and conferences operating expenses</i>	8,176	9,003
<i>Travel costs</i>	8,053	7,831
<i>Repairs, refurbishment and scheduled maintenance</i>	9,619	9,864
<i>Heat, light, water and power</i>	3,213	2,805
<i>Books and periodicals</i>	2,358	2,097
<i>Fellowships, scholarships and prizes</i>	11,280	9,934
<i>Rents, rates and hire of facilities</i>	3,924	3,345
<i>Grant to Students' Union</i>	1,496	1,369
<i>Appreciation of current asset investments valuation back to historic cost</i>	(285)	(331)
<i>External auditors' remuneration</i>	52	37
<i>Auditors' remuneration in respect of other services</i>	27	19
<i>Other expenses</i>	6,681	6,618
	<u>96,722</u>	<u>90,171</u>
9. Interest payable	2004	2003
	£000	£000
<i>Loans not wholly repayable within five years</i>	3,690	3,275
<i>Loans wholly repayable within five years</i>	131	164
	<u>3,821</u>	<u>3,439</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

10. Analysis of 2004 expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	2004 Total £000	2003 Total £000
<i>Academic departments</i>	81,178	2,371	14,494	–	98,043	87,560
<i>Academic services</i>	8,503	794	8,226	–	17,523	14,354
<i>Research grants and contracts (note 4)</i>	35,121	5,843	22,205	–	63,169	60,009
<i>Residences, catering and conferences</i>	3,823	200	8,176	1,123	13,322	13,521
<i>Premises</i>	5,729	4,522	16,743	–	26,994	27,459
<i>Administration and central services</i>	7,080	78	3,258	–	10,416	15,590
<i>Consultancies, trading and services rendered</i>	5,627	396	6,344	115	12,482	10,094
<i>Other activities</i>	5,193	111	17,276	2,583	25,163	15,304
	<u>152,254</u>	<u>14,315</u>	<u>96,722</u>	<u>3,821</u>	<u>267,112</u>	<u>243,891</u>

The depreciation charge has been funded by:

<i>Deferred capital grants released</i>	4,326
<i>General income</i>	9,989
	<u>14,315</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

II. Tangible assets

	Consolidated						University				
	Land and buildings		Assets in	Investment	Furniture	Total	Land and buildings		Assets in	Equipment	Total
	Completed freehold	Completed leasehold	course of construction	properties	fittings and equipment		Completed freehold	Completed leasehold	course of construction	£000	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation											
<i>At 1 August 2003</i>	176,201	19,317	21,132	16,370	44,347	277,367	174,640	19,318	21,103	44,037	259,098
<i>Additions at cost</i>	5,942	94	14,926	7	11,604	32,573	4,168	93	14,020	8,100	26,381
<i>Transfers at cost</i>	15,689	–	(15,689)	–	–	–	10,322	–	(10,322)	–	–
<i>Revaluation</i>	–	–	–	1,161	–	1,161	–	–	–	–	–
<i>Disposals at cost</i>	–	–	–	–	(2,991)	(2,991)	–	–	–	(6,318)	(6,318)
<i>Assets written down at cost</i>	(193)	–	(41)	–	–	(234)	(193)	–	(5,457)	–	(5,650)
<i>At 31 July 2004</i>	197,639	19,411	20,328	17,538	52,960	307,876	188,937	19,411	19,344	45,819	273,511
Depreciation											
<i>At 1 August 2003</i>	(37,128)	(2,654)	–	–	(35,145)	(74,927)	(37,121)	(2,655)	–	(34,998)	(74,774)
<i>Charge for year</i>	(3,798)	(506)	–	–	(9,860)	(14,164)	(3,638)	(505)	–	(8,545)	(12,688)
<i>Eliminated on disposal</i>	–	–	–	–	2,988	2,988	–	–	–	6,206	6,206
<i>Assets written down</i>	42	–	–	–	–	42	42	–	–	–	42
<i>At 31 July 2004</i>	(40,884)	(3,160)	–	–	(42,017)	(86,061)	(40,717)	(3,160)	–	(37,337)	(81,214)
Net book value											
<i>At 31 July 2004</i>	156,755	16,251	20,328	17,538	10,943	221,815	148,220	16,251	19,344	8,482	192,297
<i>At 1 August 2003</i>	139,073	16,663	21,132	16,370	9,202	202,440	137,519	16,663	21,103	9,039	184,324

Included in the balances for freehold land and buildings is expenditure of £11,394,000 funded by 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.

The investment property, Chilworth Science Park, has been included on the basis of freehold open market value for existing use as at 31 July 2004 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 increased by £1,161,000 during the year. The historical and net book value of these assets at 31 July 2004 amounted to £10,417,000 (2003: £10,428,000) which included interest capitalised amounting to £291,000 (2003: £291,000).

In addition to the above expenditure on tangible assets a further £20,047,000 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 2004

12. Fixed asset investments	Consolidated		University	
	2004 £000	2003 £000	2004 £000	2003 £000
Investment in subsidiary undertakings at cost	–	–	24,478	150
Other investments	1,151	1,062	704	640
	1,151	1,062	25,182	790

As at the balance sheet date, the University had 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 invested a further £500,000 in September 2004.

Shareholdings held by the University and University group companies are as follows:

	Percentage holding	Nature of activity
<i>Held by the University</i>		
Henry Robinson Hartley Limited	100.00	Library services
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
Innos Limited (LSU Enterprises Limited to March 2004)	100.00	Microfabrication services
Manor Centre Limited	100.00	Post Office franchise
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	less than 1.00**	Telecommunications
AquaGene Incorporated	3.25**	Biotechnology
Exosect Limited	19.99	Insect destruction
Hunter-Fleming Limited	0.47	Pharmaceuticals
LME Design Automation Limited	2.33	Microchip software
Mesophotonics Limited	5.67	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	8.34	Beverage packaging
<i>Investments held by SAM Limited</i>		
Capsant Neurotechnologies Limited	15.97	Neurological protection
HepCgen Limited	14.32	Hepatitis C testing
Ilika Limited	19.26	Combinatorial chemistry
Nanotectures Limited	21.49	Nanotechnology
Offshore Hydrocarbon Mapping Ltd (formerly Active EM Ltd)	13.42***	Offshore oil surveying
Shellform Technical Limited	2.00	Engineering
Southampton Polypeptides Limited	26.30	Synthetic peptides
SynAIRgen Limited	11.82	Respiratory disorders
<i>Investments held by PI Limited</i>		
Southampton Photonics Incorporated	less than 1.00**	Optical fibre technology
Stratophase Limited	14.08	Optoelectronics

* Company limited by guarantee, maximum liability £1.

** All companies listed above 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.

*** Company listed on the Alternative Investments Market.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

13. Endowment asset investments	Consolidated and University	
	2004	2003
	£000	£000
<i>Balance at 1 August 2003</i>	6,169	6,212
<i>Additions</i>	681	204
<i>Disposals</i>	(299)	(385)
<i>Appreciation on valuation for year</i>	221	138
<i>Balance at 31 July 2004</i>	6,772	6,169
<i>Represented by:</i>		
<i>Fixed interest stocks</i>	662	686
<i>Equities</i>	134	128
<i>Unit trusts and managed funds</i>	4,074	3,798
<i>Total stocks, equities and managed funds at market value *</i>	4,870	4,612
<i>Short term deposits</i>	1,541	1,334
<i>Cash balances</i>	361	223
<i>Total</i>	6,772	6,169
<i>* Total stocks, equities and managed funds at cost</i>	5,124	4,958

14. Long term debtors and prepayments	Consolidated		University	
	2004	2003	2004	2003
	£000	£000	£000	£000
<i>Amounts owed by subsidiary undertakings</i>	–	–	8,840	3,337
<i>Prepayments to subsidiary undertakings</i>	–	–	9,497	10,107
<i>Other prepayments</i>	1,267	1,634	1,267	1,634
	1,267	1,634	19,604	15,078

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

15. Current assets	Consolidated		University	
	2004 £000	2003 £000	2004 £000	2003 £000
Stock	269	383	231	265
Debtors and Prepayments:				
Grants from HEFCE	3,956	2,237	2,773	2,237
Trade debtors	11,145	10,172	10,911	9,474
Student debtors	4,523	2,252	4,523	2,252
Research grants and contracts	26,832	22,623	26,832	22,623
Prepayments to group undertakings	–	–	525	450
Other prepayments	1,880	2,013	1,764	1,914
Other debtors	7,453	3,594	8,475	5,246
	55,789	42,891	55,803	44,196
Investments	21,901	19,379	21,901	19,379
Cash at bank and on deposit (redeemable within 24 hours)	8,600	9,562	4,790	7,766
	<u>86,559</u>	<u>72,215</u>	<u>82,725</u>	<u>71,606</u>
Investments are represented by:				
			2004 £000	2003 £000
Quoted shares and securities *			12,944	12,681
Cash at bank and on deposit (not redeemable within 24 hours)			8,957	6,698
			<u>21,901</u>	<u>19,379</u>
* Market value of quoted shares and securities (held at lower of cost and net realisable value above)			<u>13,297</u>	<u>12,897</u>

16. Creditors: amounts falling due within one year	Consolidated		University	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans	3,294	2,893	2,641	2,260
Other loans	187	187	187	187
HEFCE specific grant	305	1,148	4,116	1,148
Advance income on research	25,054	19,636	25,054	19,636
Social Security and other taxation	5,976	4,772	5,215	4,683
Amounts owed to group undertakings	–	–	2,079	1,556
Trade and other creditors	20,061	13,105	19,475	12,620
Accruals and deferred income	24,492	25,185	23,121	24,425
	<u>79,369</u>	<u>66,926</u>	<u>81,888</u>	<u>66,515</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

17. Creditors: amounts falling due after more than one year	Consolidated		University	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans	53,809	50,924	49,652	46,253
Other loans	1,354	1,540	1,354	1,540
Amounts owed to group undertakings	–	–	9,497	10,107
Accruals and deferred income	5,536	5,451	3,004	3,671
	<u>60,699</u>	<u>57,915</u>	<u>63,507</u>	<u>61,571</u>

Amounts repayable after more than one year in respect of bank loans outstanding as at 31 July 2004, may be analysed as follows:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2004 £000	Balance outstanding 2003 £000
<i>University:</i>					
HSBC *	1993	2018	variable	7,000	7,358
HSBC *	1995	2015	fixed	1,518	1,641
National Westminster Bank	1996	2016	fixed	7,626	8,002
Yorkshire Bank	1997	2020	fixed/variable	18,108	19,364
National Westminster Bank *	1999	2019	fixed/variable	5,242	5,419
Barclays Bank *	1999	2019	fixed	4,194	4,469
Barclays Bank *	2004	2024	variable	5,964	–
				<u>49,652</u>	<u>46,253</u>
<i>Subsidiaries:</i>					
HSBC *	1999	2011	variable	3,447	3,920
HSBC *	2003	2018	variable	710	751
				<u>53,809</u>	<u>50,924</u>

* Loans secured on specific assets

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

18. Provisions for liabilities and charges

Maintenance	Consolidated			University	
	Fund £000	Pensions £000	Total £000	Pensions £000	Total £000
At 1 August 2003	599	6,141	6,740	6,141	6,141
Utilised during year	(23)	(252)	(275)	(252)	(252)
Transfer from Income and Expenditure account	123	699	822	699	699
At 31 July 2004	<u>699</u>	<u>6,588</u>	<u>7,287</u>	<u>6,588</u>	<u>6,588</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

19. Deferred capital grants

	Consolidated			University		
	Funding Council £000	Other grants £000	Total £000	Funding Council £000	Other grants £000	Total £000
<i>At 1 August 2003</i>						
Buildings	57,493	9,947	67,440	57,493	9,947	67,440
Equipment	1,923	–	1,923	1,923	–	1,923
Total	59,416	9,947	69,363	59,416	9,947	69,363
<i>Additions</i>						
Buildings	7,403	4,318	11,721	2,409	3,461	5,870
Equipment	2,374	–	2,374	1,418	–	1,418
Total	9,777	4,318	14,095	3,827	3,461	7,288
<i>Transfer to Income and Expenditure account</i>						
Buildings	(2,035)	(236)	(2,271)	(1,950)	(219)	(2,169)
Equipment	(2,055)	–	(2,055)	(1,736)	–	(1,736)
Total	(4,090)	(236)	(4,326)	(3,686)	(219)	(3,905)
<i>At 31 July 2004</i>						
Buildings	62,861	14,029	76,890	57,952	13,189	71,141
Equipment	2,242	–	2,242	1,605	–	1,605
Total	65,103	14,029	79,132	59,557	13,189	72,746

20. Endowments

	Consolidated and University		
	Specific £000	General £000	Total £000
<i>At 1 August 2003</i>	3,536	2,633	6,169
<i>Additions</i>	27	–	27
<i>Unrealised appreciation of endowment asset investments</i>	140	81	221
<i>Realised gains from sales in year</i>	23	11	34
<i>Income for year</i>	274	130	404
<i>Expenditure for year</i>	(67)	(130)	(197)
<i>Appropriated from Income and Expenditure account</i>	–	114	114
<i>At 31 July 2004</i>	3,933	2,839	6,772
<i>Representing:</i>			
<i>Fellowship and scholarship funds</i>	911	–	911
<i>Prize funds</i>	431	–	431
<i>Chair and lectureship funds</i>	1,443	–	1,443
<i>Other funds</i>	1,148	2,839	3,987
	3,933	2,839	6,772

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

21. Revaluation Reserve

	Consolidated	
	2004	2003
	£000	£000
At 1 August 2003	7,772	10,208
Revaluation increase/(decrease) in year of Chilworth Science Park	1,161	(2,436)
At 31 July 2004	<u>8,933</u>	<u>7,772</u>

22. Reconciliation of Income and Expenditure Reserves

	Consolidated	University
	£000	£000
Balance at 1 August 2003	68,635	68,208
Surplus for the year	6,851	26,985
Transfer to general endowments (note 20)	(114)	(114)
Balance at 31 July 2004	<u>75,372</u>	<u>95,079</u>
Attributable to:		
University departments	27,065	27,065
Central reserves	48,307	68,014
	<u>75,372</u>	<u>95,079</u>

The above reserves have arisen from accumulated annual surpluses. A total of £62,517,000 (2003: £61,282,000) from within these sums has been applied to finance capital developments within the University.

The University surplus and central reserves include approximately £20,000,000 relating to transactions with University group companies which are eliminated on consolidation.

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 2004

25. Capital commitments	Consolidated	
	2004 £000	2003 £000
<i>Contracted commitments at 31 July 2004</i>		
Montefiore Student Residences	5,172	–
Student Services Building*	5,055	–
District Heating & Energy Centre*	2,708	–
Infection Inflammation & Repair Refurbishment*	2,493	7,456
Boldrewood Refurbishment*	1,258	6,078
Hartley Library Refurbishment*	1,232	2,770
Teaching & Research Vessel	950	–
Learning & Resource Centre*	465	1,274
Oncology Building*	243	786
Kennel's Farm Electrical Cabling	235	–
Glen Eyre Student Residences	100	–
Indoor Sports Facility	89	2,447
Students Union Redevelopment	47	728
Cryogenic Laboratory*	–	32
	<hr/>	<hr/>
	20,047	21,571

* Commitments wholly or partly funded by external grants

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

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 2004 was USS 2,725; TSS 43; NHPS 121 and HCC 27. 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 2004 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 2004 a total of 1,541 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 are:

	USS	PASNAS	HCC
Date of valuation	31 March 2002	1 August 2003	31 March 2001
Market valuation of assets	£19,938 million	£60.6 million	£1,935.4 million
Past service liabilities	£19,776 million	£68.5 million	£2,272.7 million
Surplus of assets	£162 million	–	–
Past service deficit	–	–	(£337.3) million
Smoothing adjustment	–	–	£66.0 million
Deficit of assets	–	(£7.9 million)	(£271.3) million

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 March 2002 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 £11,777,000 (2003: £10,830,000) which includes £997,000 (2003: £916,000) 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 £57,000 (2003: £75,000) 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 2004

PASNAS

The last full valuation on 1 August 2003 indicated that the scheme's assets represented 88% of the benefits that had accrued to members after allowing for expected increases in earnings. As the fund shows a deficit of £7.9 million, the University, following actuarial advice, has decided to increase its contribution from 10.33% to 12.8% from 1 August 2004.

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

Valuation date	31 July 2004	31 July 2003	31 July 2002	31 July 2001
Increase in salaries	4.75% pa	4.35% pa	4.15% pa	4.60% pa
Increase in pensions	3.00% pa	2.60% pa	2.40% pa	2.60% pa
Discount rate of scheme liabilities	5.70% pa	5.30% pa	5.70% pa	6.25% pa
Inflation assumption	3.00% pa	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 2004	Value 31 July 2004 £000	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	5.00%	18,525	4.60%	10,773	5.00%	5,769	6.25%	-
Bonds	5.70%	6,053	5.30%	11,413	5.70%	4,999	6.25%	11,646
Equities	6.70%	21,229	6.30%	21,843	6.70%	28,070	7.25%	36,578
Managed funds	6.70%	17,348	6.30%	15,937	6.70%	19,648	7.25%	23,847
Cash deposits	5.00%	662	4.60%	787	5.00%	2,054	6.00%	3,242
Total market value of assets		63,817		60,753		60,540		75,313
Present value of scheme liabilities		(86,742)		(78,453)		(63,299)		(61,641)
(Deficit)/surplus in the scheme		(22,925)		(17,700)		(2,759)		13,672

In accordance with FRS 17 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.

	2004 £000	2003 £000	2002 £000
Analysis of the amount charged to operating surplus			
Current service cost	3,380	3,160	2,587
Total operating charge	3,380	3,160	2,587
Analysis of the amount credited to other operating income			
Expected return on pension scheme assets	3,442	3,860	5,281
Interest on pension scheme liabilities	(4,232)	(3,590)	(3,544)
Net return	(790)	270	1,737
Analysis of amount recognised in the STRGL			
Actual return less expected return on pension scheme assets	(378)	(3,090)	(18,169)
Experience losses arising on the scheme liabilities	(3,193)	(140)	(1,769)
Changes in assumptions underlying the present value of the Scheme liabilities	180	(9,160)	4,049
Actuarial loss recognised in the STRGL	(3,391)	(12,390)	(15,889)
Movement in deficit during the year (Deficit)/surplus in scheme at beginning of the year	(17,700)	(2,759)	13,672
Movement in the year:			
Current service cost	(3,380)	(3,161)	(2,587)
Contributions	2,336	340	308
Other finance (cost)/income	(790)	270	1,737
Actuarial loss in STRGL	(3,391)	(12,390)	(15,889)
Deficit in scheme at end of year	(22,925)	(17,700)	(2,759)
	2004 £000	2003 £000	2002 £000
History of experience gains and losses			
Difference between actual and expected returns on assets	(378)	(3,090)	(18,169)
Percentage of scheme assets	0.6%	5.1%	30.0%
Experience losses on liabilities	(3,193)	(140)	(1,769)
Percentage of scheme liabilities	3.7%	0.2%	2.8%
Total amount recognised in STRGL	(3,391)	(12,390)	(15,889)
Percentage of scheme liabilities	3.9%	15.8%	25.1%

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

HCC

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

Valuation date	31 July 2004	31 July 2003	31 July 2002	31 July 2001
Increase in salaries	4.40% pa	4.20% pa	3.90% pa	4.00% pa
Increase in pensions	2.90% pa	2.70% pa	2.40% pa	2.50% pa
Discount rate of scheme liabilities	5.70% pa	5.50% pa	6.00% pa	5.90% pa
Inflation assumption	2.90% pa	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 2004	Value 31 July 2004 £000	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
Equities	8.00%	1,898	7.80%	1,840	7.90%	1,840	7.90%	2,370
Bonds	5.00%	605	4.80%	550	4.90%	600	4.90%	480
Property	7.00%	110	6.80%	140	6.90%	160	6.90%	170
Other	4.80%	137	3.30%	130	3.40%	140	3.40%	220
Total market value of assets		2,750		2,660		2,740		3,240
Present value of scheme liabilities		(5,310)		(5,140)		(4,350)		(4,000)
Deficit in the scheme		(2,560)		(2,480)		(1,610)		(760)

In accordance with FRS 17 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.

	2004 £000	2003 £000	2002 £000
Analysis of the amount charged to operating surplus			
Current service cost	(100)	90	120
Total operating charge	(100)	90	120
Analysis of the amount credited to other operating income			
Expected return on pension scheme assets	180	190	230
Interest on pension scheme liabilities	(280)	(260)	(240)
Net loss	(100)	(70)	(10)

2004 2003 2002
£000 £000 £000

Analysis of amount recognised in the STRGL

Actual return less expected return on pension scheme assets	40	(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	40	(790)	(820)

Movement in deficit during the year

Deficit in scheme at beginning of the year	(2,480)	(1,610)	(760)
Movement in the year:			
Current service cost	(100)	(90)	(120)
Contributions	80	80	100
Other finance income	180	190	230
Interest cost	(280)	(260)	(240)
Actuarial gain/(loss) in STRGL	40	(790)	(820)
Deficit in scheme at end of year	(2,560)	(2,480)	(1,610)

2004 2003 2002
£000 £000 £000

History of experience gains and losses

Difference between actual and expected returns on assets	40	(50)	(710)
Percentage of scheme assets	1.5%	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	40	(790)	(820)
Percentage of scheme liabilities	0.8%	15.4%	18.9%

If FRS 17 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 2004 would be as follows:

	Net Assets £000	Income and Expenditure Reserves £000
As currently stated	170,209	75,372
Net pension liability	(25,485)	(25,485)
As restated	144,724	49,887

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

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

	2004	2003
	£000	£000
<i>Surplus after depreciation of assets</i>	7,058	5,317
<i>Depreciation</i>	14,315	12,573
<i>Loss on disposal of tangible fixed assets</i>	44	738
<i>Deferred capital grants released to income</i>	(4,326)	(3,553)
<i>Investment income</i>	(1,662)	(1,567)
<i>Interest payable</i>	3,821	3,439
<i>Appreciation of current asset investments valuation back to historic cost</i>	(285)	(331)
<i>Decrease/(Increase) in stock</i>	114	(18)
<i>Increase in debtors</i>	(8,901)	(1,262)
<i>Increase in creditors and accruals</i>	6,968	1,883
<i>Increase in provisions</i>	547	659
<i>Net cash inflow from operating activities</i>	<u>17,693</u>	<u>17,878</u>

28. Returns on investments and servicing of finance

	2004	2003
	£000	£000
<i>Income from endowments</i>	404	233
<i>Income from short term deposits and investments</i>	1,176	1,226
<i>Other interest received</i>	42	64
<i>Interest paid</i>	(3,830)	(3,442)
	<u>(2,208)</u>	<u>(1,919)</u>

29. Capital investment and financial investment

	2004	2003
	£000	£000
<i>Tangible assets acquired</i>	(30,817)	(28,569)
<i>Fixed asset investments acquired</i>	(89)	(11)
<i>Endowment asset investments acquired (note 13)</i>	(681)	(204)
<i>Total fixed and endowment asset investments acquired</i>	<u>(31,587)</u>	<u>(28,784)</u>
<i>Receipts from sales of endowment assets</i>	333	393
<i>Receipts from sales of tangible assets</i>	–	65
<i>Deferred capital grants received</i>	13,917	11,737
<i>Endowments received/(disposed of) (note 20)</i>	27	(363)
	<u>(17,310)</u>	<u>(16,952)</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

30. Analysis of changes in consolidated financing during the year	2004	2004	2003	2003
	£000	£000	£000	£000
<i>Balance at 1 August 2003</i>		55,544		57,722
<i>New loans and increased debt</i>	6,200		800	
<i>Capital repayments</i>	(3,100)		(2,978)	
		<u>3,100</u>		<u>(2,178)</u>
<i>Balance at 31 July 2004</i>		<u>58,644</u>		<u>55,544</u>

31. Analysis of changes in net debt	At		Other	At
	1 August	Cash	non cash	31 July
	2003	flows	changes	2004
	£000	£000	£000	£000
<i>Cash at bank and in hand</i>	9,562	(962)	–	8,600
<i>Short term deposits</i>	19,379	2,237	285	21,901
<i>Debt due within one year</i>	(3,080)	3,100	(3,501)	(3,481)
<i>Debt due after one year</i>	(52,464)	(6,200)	3,501	(55,163)
	<u>(26,603)</u>	<u>(1,825)</u>	<u>285</u>	<u>(28,143)</u>

32. Access funds	Consolidated and University	
	2004	2003
	£000	£000
<i>Balance at 1 August 2003</i>	(16)	39
<i>Net HEFCE grant</i>	968	816
	<u>952</u>	<u>855</u>
<i>Disbursed to students</i>	(962)	(871)
<i>Balance at 31 July 2004</i>	<u>(10)</u>	<u>(16)</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2004

33. Teacher Training Agency (TTA) bursaries

	Consolidated and University				At 31 July 2004 £000
	At 1 August 2003 £000	Income received £000	Disbursements £000	Returned to TTA £000	
<i>Initial Teacher Training bursaries</i>	87	2,376	(2,245)	(84)	134
<i>Secondary Shortage Subject Scheme</i>	50	37	(30)	(1)	56
	<u>137</u>	<u>2,413</u>	<u>(2,275)</u>	<u>(85)</u>	<u>190</u>

Financial Statistics

Financial Indicators

	2004	2003	2002	2001	2000
Source of income					
<i>HEFCE grants plus home fees and support grants/Total income</i>	47.4%	48.8%	47.0%	47.4%	49.6%
<i>Overseas fees/Total income</i>	6.0%	4.9%	4.1%	4.1%	4.0%
<i>Research grants and contracts/Total income</i>	28.3%	28.8%	30.3%	28.1%	26.0%
<i>Other operating income/Total income</i>	17.7%	16.9%	18.0%	19.4%	19.5%
<i>Surplus or deficit before transfers/Total income</i>	2.5%	2.1%	1.8%	1.2%	0.4%
Long term solvency					
<i>Days of total general funds and provisions to total expenditure</i>	119	119	116	119	120
<i>Ratio of long term liabilities to general funds</i>	80.5%	84.4%	95.1%	103.4%	120.9%
Short term solvency					
<i>Net liquid assets to current liabilities</i>	0.4:1	0.5:1	0.5:1	0.5:1	0.6:1
<i>Days ratio of net liquid assets to total expenditure</i>	50	49	58	45	53
<i>Current assets/Current liabilities</i>	1.09:1	1.08:1	1.16:1	1.18:1	1.27:1
<i>Ratio of movement in net liquid assets in year to same assets at start</i>	10.5%	-10.1%	39.6%	-8.1%	-4.6%
<i>Days of total income represented by debtors</i>	44	35	39	38	30

Financial Statistics

Income from sponsored research for the year ended 31 July 2004

From Research Councils	£000		
Arts and Humanities Research Board	923	Marwell Preservation Trust Ltd	41
Biotechnology and Biological Sciences Research Council	2,367	Maurice Laing Foundation	110
British Academy	139	Meningitis Research Foundation	42
Economic and Social Research Council	766	National Asthma Campaign	139
Engineering and Physical Sciences Research Council	17,167	National Osteoporosis Society	29
Medical Research Council	2,087	National Society for the Prevention of Cruelty to Children	26
Natural Environment Research Council	12,266	Nursing and Midwifery Council	29
Partical Physics and Astronomy Research Council	879	Onyx Environmental Trust	101
Tyndall Centre for Climate Change Research	261	Oxford Archaeological Unit Ltd	67
Others less than £20,000	20	Parthenon Trust	29
Total Research Councils	36,875	Research into Ageing	129
		Royal Academy of Engineering	38
		Royal College of Surgeons	135
		Royal National Lifeboat Institute	140
		Sir Jules Thorn Charitable Trust	131
		Smith & Nephew Foundation	81
		Solent Subfertility Trust	71
		Stroke Association	67
		Tenovus	838
		Wellcome Trust	1,549
		Wessex Cancer Trust	177
		Wessex Heartbeat	23
		Wessex Medical Trust	475
		World Cancer Research Fund	25
		Others less than £20,000	327
		Total UK-based Charitable Bodies	10,695
From UK-based Charitable Bodies	£000		
Action Research	129	From Other Sources	£000
Air Charity	59	3M Healthcare Ltd	32
Alzheimer's Society	39	Alfred Mann Foundation	63
Anna Douglas-Pennant Charitable Trust	31	American Chemistry Council	29
Arthritis Research Campaign	198	Applera Corporation	39
Association for International Cancer Research	55	Arakis Ltd	30
Breast Cancer Campaign	26	Asahi Chemical Company	251
British Association for Parenteral and Enteral Nutrition	28	Asahi Glass Co Ltd	138
British Diabetic Association	165	AstraZeneca	250
British Heart Foundation	606	Auxeris Therapeutics Inc	46
British Liver Trust	45	AXA PPP Healthcare	35
British Lung Foundation	25	BAE Systems	121
British Skin Foundation	32	Bayer AG	30
Brook Advisory Centre	40	Black and Veatch	160
BUPA Foundation	23	Boeing	44
Cancer Research UK	1,573	British Council	62
Children's Liver Disease Foundation	45	British Marine Federation	70
Colt Foundation	54	British Petroleum	106
Crohns in Childhood Research Association	36	British Telecom	21
Health Foundation	193	Broad Foundation	38
Hospital Saving Association Charitable Trust	26		
International Centre for Underutilised Crops	49		
International Spinal Research Trust	38		
Joseph Rowntree Memorial Foundation	31		
Leukaemia Busters	188		
Leukaemia Research Fund	1,410		
Leverhulme Trust	323		
Lloyds Register	294		
MacMillan Cancer Relief	115		

Financial Statistics

Income from sponsored research for the year ended 31 July 2004 (continued)

Callisto (France)	105	Juvenile Diabetes Research Foundation	
Cambridge Antibody Technology Ltd	37	International (USA)	80
Celltech Group PLC	99	Kings College London	157
Chiltern International Ltd	56	Knowles Electronics (USA)	21
Christopher Reeve Paralysis Foundation	53	Kodak Ltd	21
Countryside Agency	79	Local Authorities Consortium	170
Countryside Council for Wales	39	London Bus Services Ltd	152
Department for Environment Food and Rural Affairs	410	Luna Rossa SRL	63
Department for Education and Skills	72	Maritime and Coastguard Agency	129
Department for Transport	212	Maternal and Child Health Research Consortium	71
Department of Health	4,883	MediSense	29
Department of Trade and Industry	1,286	Merck Ltd	83
Depuy International Ltd	168	Mulder Design	23
Edison Termoelettrica Spa	52	Multiple Myeloma Research Foundation	47
Elysium Foundation	30	Nanotechnology Ltd	127
English Heritage	143	National Grid Transco PLC	325
Entrust Inc	31	National Institute of Health (USA)	289
Environment Agency	263	National Physical Laboratory	29
European Regional Development Fund	34	National Research Council / British Council Joint Science & Technology Fund	21
European Space Agency	93	Neurodan A/S (Denmark)	62
European Union	5,474	New Forest District Council	26
Evotec OAI	70	Nexus	29
ExxonMobil	47	NHS Executive Northern & Yorkshire	91
Food Standards Agency	434	NHS Executive South East	701
Ford Foundation	34	Nippon Sheet Glass Inc (USA)	57
Foreign and Commonwealth Office	74	Nissan Motor Company (Japan)	30
Gaztransport & Technigaz	84	Novartis Pharmaceuticals	164
GBR Team Challenge Co Ltd	73	Nycomed Amersham PLC	87
General Motors Corporation	150	Office for National Statistics	253
Genmab BV (Netherlands)	95	ONO Pharmaceutical Co Ltd (Japan)	28
GlaxoSmithKline PLC	371	Oxford Instruments PLC	28
Hampshire and Isle of Wight Workforce Development Confederation	51	Parchment Housing Group Ltd	123
Hanson Aggregates Marine Ltd	23	Pechiney Crv	40
Health and Safety Executive	55	Pirelli	29
Health Canada	47	Pronova Biocare AS (Norway)	132
Hewlett Packard Ltd	28	Public Health Laboratory Service	62
Higher Education Funding Council for England	92	QinetiQ PLC	469
HM Treasury	28	Radiodetection Ltd	73
Hunting-BRAE Ltd	72	Reckitt Benckiser PLC	33
Hydraulics Research Wallingford Ltd	34	Roche Products Ltd	54
ICI PLC	37	Rockwater Ltd	23
IMST Ltd	23	Rolls-Royce PLC	553
Innogy Technology Ventures Ltd	22	Royal Society	468
International Copper Association	82	Samsung Electronics Ltd	31
Intervet International	54	Sloan Foundation (USA)	85
Jaguar Cars Ltd	55	Smith Aerospace Electronic Systems	21
Johnson Matthey PLC	73	South Thames Regional Health Authority	37
		Southampton City Council	48

Financial Statistics

Income from sponsored research for the year ended 31 July 2004 (continued)

<i>Southampton Photonics Ltd</i>	138	<i>University College London</i>	28
<i>Southampton University Hospitals NHS Trust</i>	208	<i>University Corporation for Atmospheric Research</i>	124
<i>SRL Medisearch Inc</i>	166	<i>University of Bristol</i>	32
<i>Stratophase Ltd</i>	49	<i>University of Newcastle upon Tyne</i>	81
<i>Syngenta Ltd</i>	24	<i>University of Oxford</i>	68
<i>TAP Pharmaceutical Products Inc (USA)</i>	26	<i>University of Texas</i>	21
<i>Toshiba Corporation</i>	30	<i>Virtual Centre of Excellence in Mobile and Personal Communications Ltd.</i>	216
<i>Tyrrell Racing Organisation</i>	21	<i>World Anti-Doping Agency</i>	78
<i>UCB Farchim SA</i>	132	<i>Wyeth Research UK Ltd</i>	109
<i>United Nations Educational Scientific and Cultural Organisation</i>	21	<i>Others less than £20,000</i>	3,862
<i>United States Air Force</i>	140		
<i>United States Anti-Doping Agency</i>	149	Total Other Sources	28,789

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