

THE UNIVERSITY OF SHEFFIELD

FINANCIAL STATEMENTS FOR THE YEAR TO 31ST JULY 2002

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Report of the Treasurer

2001/02

Scope of the Financial Statements

The Consolidated Financial Statements presented to the Council of the University cover all of the University's activities, including Research Grants, Conference and Residential Services. For the first time the Financial Statements include activities that relate to Sheffield University Enterprises Limited and other companies in which the University has an interest. These companies are detailed in Note 32 to the Financial Statements. The effect of the consolidation of university companies has been to reduce the University's reported historical cost surplus for the year by £0.2m. The previous year's comparative information has been re-stated to reflect the consolidation.

Highlights of the Year

The year has seen substantial progress on a broad range of University activity:

- The commencement of a £100m capital programme.
- The achievement of 35 Units of Assessment at 5* or 5 in the Research Assessment Exercise.
- Contracts signed for the Advanced Manufacturing Research Centre in association with Boeing.
- First stage of a major expansion of academic posts.
- Achievement of a Standard and Poors rating of AA-/ Stable.
- New Research Grants awarded in the year of almost £100m.
- Establishment of an Office for Development and Alumni Relations.

All of these initiatives and achievements build on our strengths as a leading research-led institution and will help us to make a major contribution to both the regional and national economy.

Results for the Year

The Consolidated Income and Expenditure results for the year to 31st July 2002 are summarised as follows:

| | 2001/02 | 2000/01 |
|--|----------------|---------|
| | £000 | £000 |
| Income | 237,976 | 224,494 |
| Expenditure | 240,703 | 221,590 |
| Operational (Deficit) / Surplus - Group | (2,727) | 2,904 |
| - Joint Ventures | 12 | 74 |
| - Associates | (247) | 292 |
| Profit on Disposal of Assets | 600 | - |
| (Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets, and Before Tax | (2,362) | 3,270 |
| Taxation | (31) | (8) |
| Minority Interests | (9) | (13) |
| (Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets, and after Tax and Minority Interests | (2,402) | 3,249 |
| Depreciation Attributable to Revaluation | 2,250 | 1,639 |
| Realisation of Property Revaluation Gains of Previous Years | 1,143 | - |
| Historical Cost Surplus after Taxation and Minority Interests | 991 | 4,888 |

I am pleased to reveal in my first report as Treasurer an historical cost group surplus of just under £1m; with the University surplus being £1.2m, which is very close to the forecast in the revised estimates. This outturn is a very commendable one, because it has been achieved despite the continued pressures on University finances generally and notwithstanding the

Report of the Treasurer – Continued

provision for staffing rationalisation that has been carried out as part of the strategy to support the continued growth and development of the University in order to consolidate its position as a research-led university of international standing. The recent advertisement of 70 key academic posts is proof of our intent in this regard and is viewed as the first stage in this process. In overall terms, income has increased by £13.5m (6%) with expenditure increasing by £19m (8.6%). After discounting for the one-off costs associated with the staff rationalisation scheme, the underlying financial position continues the trends of recent years.

Income from HEFCE grants has increased by nearly £5.7m (7.7%), which included compensation for the effects of inflation, additional funded student places and funding for other earmarked initiatives. Income from tuition fees and education contracts has grown by £4.8m (9.7%).

Our growth in income from research grants and contracts continues apace. At £64.1m this shows an increase of £5.7m (9.7%) compared with last year. This is an increase of almost 74% over the last five years and complements our excellent performance in the 2001 Research Assessment Exercise.

Staff costs this year have risen by 4%, around half the rate of increase over the previous year. Apart from an increase due to the greater research activity, this effectively means that staffing level efficiencies have largely absorbed inflationary costs. This year the University has made a substantial exceptional provision for early retirement costs, which has increased our costs in this area to £5.2m. In addition to this sum, other operating expenditure has increased by £8m (11.6%).

A final item to mention in this section relates to the Standard and Poors rating of the University as AA-/Stable. We are only the fifth university to be rated by Standard and Poors and the rating achieved is the joint highest awarded. We see this as not just a comment on the University's financial strength but also a reflection of the depth and breadth of the University's offerings as well as the strength of its management team.

Capital Projects

During the course of the financial year the University made significant progress on several major capital projects. Work was largely completed on the refurbished University Sports Centre which reopened during the summer, providing state of the art health and fitness facilities. The strategically important site of the former Jessop Hospital was acquired and the Health and Safety Laboratories site on Broad Lane has been secured for the University, with actual purchase completion scheduled for 2005. This site will not only provide high quality laboratory facilities, as well as incubation facilities, but also has potential for significant further development.

Important capital projects still at the planning stage include the proposed Learning Resource Centre, a new University Health Centre and the Medical Sciences Research Institute.

Capital expenditure on buildings was £19.1m during the financial year, reflecting the progress on several major capital projects. Capital expenditure on equipment during the year was £6.2m, of which £4.3m was for the purpose of research.

Cash Flow

The Consolidated Cash Flow Statement shows an increase in cash balances of £2.5m in the year. A decrease in liquid resources of £8.4m was mainly due to the investment for a longer period of £7.4m of cash that had previously been held as short-term deposits.

The Reconciliation of Net Cash Flow to Net Debt demonstrates that the net debt position of the Group increased by £2.6m during the year. Debt owing by the Group was reduced by loan repayments of £3.8m but was increased by an additional finance lease of £0.5m. Debt owing to the Group in the form of short-term deposits placed decreased by £8.4m, offset by an increase in the level of cash of £2.5m.

The Statement of Consolidated Total Recognised Gains and Losses shows the reconciliation of the movement in the total of Endowment Funds and Reserve Funds between the Balance Sheet dates, by adding to the Income and Expenditure Account out-turn, after depreciation of assets at valuation, the items that are taken directly to Endowments or Reserves. Total Recognised Losses relating to the year amounted to £8m including the Consolidated Income and Expenditure Account deficit on Continuing Operations after Depreciation of Assets at Valuation of £2.4m. The main items are as follows:

Report of the Treasurer – Continued

- a net reduction in the market value of investments by £6.4m, reflecting the economic conditions that have prevailed during the financial year, which have impacted in particular on the University's holdings of equities and corporate bonds.
- a net addition of £0.4m to endowed funds due to additional donations received during the year, and a further £0.4m addition being the retention within endowed funds of investment income not utilised during the year.

Investment Performance

After a second year of very difficult market conditions, all of the University's long-term investment funds produced negative returns. The performance of the University's investments for the financial year was worse than the indicators that have been determined as acceptable benchmarks. The long-term performance remains broadly in line with the comparative benchmarks, with the annualised average return (capital and income combined) for the last thirteen years ranging from 8.4% for Japan Foundation to 9.5% for the General Investment Pool.

The level of income generated by the University's investment managers exceeded the target set for the General Investment Pool. However, the income targets for the Endowment Investment Pool, the Japan Foundation and Yorkshire Cancer Research Pools were not met.

The level of income generated from short-term deposits amounted to £1.28m, which was slightly below the revised forecast for the year. The rate of return received was less than forecast, due to lower than anticipated interest rates. However, the effects of the lower than forecast rate of return were reduced due to a better than forecast cash flow. The average rate of return from short-term deposits was 4.36%, 15 basis points better than the bank base rate average of 4.21%.

Risk Management

An essential element of corporate governance is an effective approach to risk management. The University is fully committed to this and in continuing to identify opportunities for funding streams to replace traditional funding sources, the University has effectively managed the risks associated with the decision making for these initiatives.

Following the publication of the HEFCE Risk Management Good Practice Guide, the University has established a more formal risk management structure so that the University's Audit Committee and Council can be satisfied that risks are systematically recognised, assessed, and managed, and at the same time ensure that risk management is integrated into normal University processes and aligned to the strategic objectives of the University.

Future Outlook

Last year my predecessor indicated that the University's future outlook would be determined by how well we managed the many challenges and opportunities, and this is a continuing theme. The University is now well established on a sound financial basis, with surpluses achieved in four consecutive years, amounting in total to almost £17m. We are eagerly awaiting the translation of the outcome of the Government's comprehensive spending review into an actual resource with which we can further develop the institution.

In the Treasurer's report last year we were looking forward to a good performance in the Research Assessment Exercise. I am delighted to report that we achieved this; and I would like to record my congratulations to all those involved, including all individual academics upon whose academic excellence the performance is based, as well as the senior management who led and structured our approach to the exercise. With 35 units of assessment achieving the top two awards of 5* and 5, by this measure we are ranked 6th in the UK. We are already planning for the next RAE in order to improve our situation yet further.

As with any large organisation the University is not immune to globalisation. There is an increasing emphasis on strategic partnerships and internationally the University is already playing a major part in the Worldwide University Network and expects to have a major role in the EU's new Framework 6 Partnership. Regionally we continue to develop joint initiatives with our White Rose Partners, Yorkshire Forward and the Regional Development Agency. Increasingly we see funding for new initiatives being allocated for strategic partnerships rather than at the individual institution level.

Report of the Treasurer – Continued

Two government initiatives, The Higher Education Innovation Fund (HEIF) and Widening Participation will assume greater importance in the coming years as the University continues to develop its knowledge transfer activities through SUEL and encourages participation in Higher Education by students from non-traditional backgrounds.

Not all initiatives come to fruition; and whilst it was rewarding to receive HEFCE pathfinder funding to facilitate the privatisation of the management and operation of our student accommodation stock, it was nevertheless disappointing that we were unable to conclude the deal. However, the process and the experience we have gained has been extremely helpful in crystallising and improving our long-term strategy in this area. We have a clear plan for the future that will produce significant financial benefits for the University and we will be making significant changes to the way in which we will operate our student accommodation in the future.

This year's positive outturn, when taken together with the levels of surplus generated in the previous three years, has given us a sound financial base from which to operate, albeit that our level of general reserve still needs to be above its current level. What the last four years have demonstrated is that we are much better able to cope with change, through our planning and reporting systems. We are hopeful that recent announcements will reverse the trend of Government underfunding although we are most unlikely to move back to the units of resource enjoyed a decade or so ago which is why we must continue to develop alternative income streams.

I have already made reference to the current £100m capital programme. We are also currently completing a Development Framework Strategy in order to focus and prioritise the University's estates strategy for the medium-term. The resultant need for further new build or major refurbishment will be another challenge for the University but one which it will resolve in support of its plans for continued growth.

Finally it is a time of several farewells. Firstly I would like to thank my predecessor, Dr Sir Hugh Sykes, for his contribution to the University as Treasurer. Sir Hugh brought to the role of Treasurer the discipline and focus that would be expected from the Chairman of a major banking organisation. The University also benefited from his experience in operating his own private sector company. Secondly my thanks go to David Bearpark, the Director of Finance, who has now presided over his last financial statements. The University is very grateful to David for the sound financial position in which he is leaving the University after ten years' service. I know that all of those who knew David during his term of office will acknowledge the professional expertise, time and effort he has brought to his role and the initiatives he led to produce additional income for the University. My thanks also go to the members of the Finance Department staff, not just for the preparation of these Financial Statements, but for their continued dedication to the University's financial well-being, none more so than Jim McLeod, who is also retiring from the University and who has been responsible for the production of these financial statements for the last 19 years. I wish them both a long and happy retirement.

KIM STANIFORTH
TREASURER

Corporate Governance

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance procedures applied by the Council of the University.

The Council is satisfied that the University complies with the provisions of the Combined Code which can be applied to Universities, except for going concern and internal control.

The Council of the University is committed to exhibiting best practice in all aspects of Corporate Governance, and is in the process of establishing the necessary processes to comply with the key principles of the Combined Code on Corporate Governance.

Summary of the University's structure of Corporate Governance

The University's Council comprises lay and academic persons appointed under the Statutes of the University, the majority of whom are non-executive. The role of the Chair of the Council is separate from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies. The Council meets four times a year, and has several committees, including a Finance Committee, a Nominations Committee, a Facilities Management Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of Council, one of whom is the Chair.

The Finance Committee is the body responsible for advising Council on all matters relating to the finances of the University. The Chair of the Finance Committee is the Treasurer. Inter alia the Committee recommends to Council the University's annual revenue and capital budgets, monitors performance in relation to the approved budgets and monitors the execution of financial policies adopted by the Council.

The Nominations Committee considers nominations for vacancies in the Council membership under the relevant Statute.

The Remuneration Committee determines the annual remuneration of professorial and senior administrative staff.

The Facilities Management Committee is responsible to the Council for the stewardship and development of the University estates and buildings, for the presentation to the Council of a University Site Development Plan and for ensuring that the Plan is updated periodically.

The Strategic Planning Committee, which is a joint committee of the Senate and the Council, chaired by the Vice-Chancellor, is responsible for the formulation and implementation of the University's corporate strategic plans integrating academic, financial and physical planning components. The Committee also monitors the implementation of the corporate strategy, modifying the strategy as necessary in the light of feedback from operational plans.

The Audit Committee meets at least three times a year. It is responsible for meeting with the External Auditors to discuss their audit findings, and to review the University's annual financial statements and accounting policies. It also considers detailed plans and reports from the Internal Auditor, including recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. The Committee also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the External Auditors on their own for independent discussions.

Corporate Governance – Continued

Interim statement of internal control

1. As the governing body of the University of Sheffield we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Charter & Statutes and the Financial Memorandum with the HEFCE. Each year Council receives assurances from the Audit Committee concerning the robustness of the system of internal control.
2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
3. The University has recently reviewed its approach specifically in respect of the management of risks and opportunities in order to ensure that there is 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. The first stages of this revised process are already in place and by December 2002 it will be fully established. This will allow the provision of a full statement on internal control for the financial year 2002-03. This takes account of the time needed to fully embed the processes that the governing body and management have agreed should be established and to improve their robustness.
4. We have undertaken the following actions to initiate our risk management strategy:
 - a. Agreed where the principal management responsibility rests for risk management.
 - b. Held a risk management workshop during which we identified the institution's objectives and risks, and determined a control strategy for each of the significant risks.
 - c. Requested the Audit Committee to provide advice on the effectiveness of the establishment and implementation of risk management.
 - d. Drafted a risk management policy.
 - e. Requested that the head of internal audit adapt audit planning arrangements and the methodology and approach of the auditors, so that the unit conforms to the latest professional standards reflecting the adoption of risk management.
 - f. Delegated to the Strategic Planning Committee the responsibility to oversee risk management.
5. We receive periodic reports from the Chairman of the Audit Committee concerning internal control, and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.
6. Following the initial publication of the institution's risk framework, further work has been done to widen the basis of the framework and to bring about more consistency in the way in which the institution treats risks.
7. In addition to the actions mentioned above, in the coming year the institution plans to:
 - a. Cascade the risk awareness process down to academic heads of departments.
 - b. Develop and maintain a register of strategic-level risks.
 - c. Implement a reporting structure.
8. The institution has an internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice and which is subject to review for effectiveness by the HEFCE Audit Service. The internal auditors submit regular reports, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.
9. Our 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.

Responsibilities of the Council of the University of Sheffield

In accordance with the University's Statutes, the Council of the University of Sheffield is responsible for the administration and management of the affairs of the University of Sheffield and is required to present audited financial statements for each financial year. The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University of Sheffield and enable it to ensure that the financial statements are prepared in accordance with the University's Statutes, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University of Sheffield, the Council, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs at the balance sheet date of the University of Sheffield and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Council has to ensure 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;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University of Sheffield will continue in operation.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England and the Teacher Training Agency are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum with the Funding Council and the Funding Agreement with the Teacher Training Agency and any other conditions which the Funding Council or the Teacher Training Agency may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University of Sheffield's resources and expenditure.

Report of the Independent Auditors to the Council of the University of Sheffield

We have audited the financial statements of the University of Sheffield which comprise the Income and Expenditure account, Balance Sheet, Cashflow Statement, Statement of Total Recognised Gains and Losses, Accounting Policies and Notes 1 to 33.

Respective responsibilities of the Council and Auditors

As described on page 8, the University's Council is responsible for ensuring that financial statements are prepared in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

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 on Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received, and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Teacher Training Agency.

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the Financial Statements, if 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 audit.

We have also, at the request of the Council, reviewed whether the statement on page 7 reflects the University's compliance with the relevant provisions of the Combined Code specified for our review in so far as they apply to the Higher Education sector, and we report if it does not. We are not required to consider whether the statements on internal control covers all risks and controls, or form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Treasurer's Report and consider the implications for our report if we become suspicious of any apparent mis-statements or material inconsistencies with the Financial Statements.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 31st July 2002 and of the surplus of expenditure over income and cash flows for the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;

Report of the Independent Auditors to the Council of the University of Sheffield

- (ii) in all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency, grants and income for specific purposes have been applied for the purposes for which they were received;
- (iii) in all material respects income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Teacher Training Agency.

KPMG LLP

Chartered Accountants and Registered Auditors

Sheffield

16th December 2002

Notes:

1. The maintenance and integrity of the University of Sheffield web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Principal Accounting Policies

1. Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments, Fixed Asset Investments and Land & Buildings, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and applicable Accounting Standards.

2. Basis of Consolidation

The University has set up a number of companies for commercial purposes, which are shown in Note 32 to the Financial Statements. The results of the subsidiaries are included in the consolidated financial statements with the exception of Sheffield Advisory Services, which is based in Malaysia and is not of material value. Intra group sales and profits are eliminated fully on consolidation.

The financial statements do not include those of the University of Sheffield Students' Union, as the University does not have a dominant influence over policy decisions.

3. Recognition of Income

Income from Specific Endowments and Donations, and Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contribution towards overhead costs.

All income from Short-Term Deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account in the period in which it is earned.

Recurrent grants from the Funding Councils are recognised in the period in which they are receivable.

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

4. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Sheffield Pension Scheme (1975) (USPS). The schemes are defined-benefit schemes, which are externally funded and contracted out of the State Earnings-related Pension Scheme. The Funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the costs of providing pensions over the period during which the institution benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals. A small number of staff remain in other pension schemes.

5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates 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.

Statement of Principal Accounting Policies – Continued

6. Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

7. Land and Buildings

Land and Buildings are stated at valuation. The basis of valuation is as follows: -

| | | |
|--|---|--|
| Specialised Properties | - | depreciated replacement cost |
| Non-specialised Properties | - | open market value on existing use basis |
| Residential Accommodation - student houses | - | vacant possession basis |
| Residential Accommodation - cluster flats and halls of residence | - | investment basis, capitalising the realistic net income. |

Assets with personal user rights in respect of hospital premises have been included in the valuation in accordance with the SORP, although the occupation rights are not formally documented.

A valuation was carried out at 31st July 2000 by Knight Frank Plc on residential properties only.

A further valuation was carried out on 31st July 2001 of academic, office, ancillary and support buildings by Gerald Eve, Chartered Surveyors.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of 60 years and leasehold land over the life of the lease. Refurbishments are depreciated over their expected useful lives, up to a maximum of 20 years.

When buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

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

8. Equipment

Equipment, including micro-computers and software, costing less than £20,000 per individual item is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of 5 years, with the exception of equipment acquired for specific research projects, which is depreciated over the average project life of 3 years.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a grant received in advance and released to income over the expected useful life of the equipment.

Statement of Principal Accounting Policies – Continued

9. Investments

Endowment Asset Investments and Fixed 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.

10. Stocks

The stocks represent consumable materials held by the Central Stores and Residences and Catering outlets, materials held by the Print Unit and supplies of film held by the MRI Unit. They are valued at the lower of cost and net realisable value.

11. 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 in practice available within 24 hours without penalty. No investments, however liquid, are included in 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.

12. Maintenance of Premises

The University has a rolling maintenance plan which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

13. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

14. 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.

15. Financial Instruments

All hedging instruments undertaken in respect of interest rate and foreign currency exposure and any amounts receivable or payable on hedging contracts are accounted for on a consistent basis with the underlying assets or liabilities.

Interest payable and receivable is accounted for on an accruals basis.

Premiums or charges incurred in respect of the hedge instruments are deferred and amortised over the term of the instrument.

Consolidated Income and Expenditure Account

For the Year Ended 31st July 2002

| | Note | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|--|------|--------------------------------------|--------------------------------------|
| INCOME | | | |
| Funding Council Grants | 1 | 79,284 | 73,596 |
| Tuition Fees and Education Contracts | 2 | 54,326 | 49,543 |
| Research Grants and Contracts | 3 | 64,108 | 58,458 |
| Other Income | 4 | 38,129 | 39,518 |
| Endowment and Investment Income | 5 | 2,129 | 3,379 |
| Total Income (Excluding Joint Ventures' turnover of £317k (2001: £588k)) | | <u>237,976</u> | <u>224,494</u> |
| EXPENDITURE | | | |
| Staff Costs | 6 | 143,339 | 137,715 |
| Other Operating Expenses | 7 | 82,037 | 69,371 |
| Depreciation | 12 | 10,558 | 9,108 |
| Loss on Revaluation of Fixed Assets | | - | 482 |
| Interest Payable | 8 | 4,769 | 4,914 |
| Total Expenditure | | <u>240,703</u> | <u>221,590</u> |
| (Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation and Before Tax - Group | | (2,727) | 2,904 |
| - Joint Ventures | | 12 | 74 |
| - Associates | | (247) | 292 |
| Profit on Disposal of Assets | | <u>600</u> | - |
| (Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before Tax | | <u>(2,362)</u> | <u>3,270</u> |
| Taxation | 10 | <u>(31)</u> | <u>(8)</u> |
| (Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax | | <u>(2,393)</u> | <u>3,262</u> |
| Minority Interests | | (9) | (13) |
| (Deficit)/Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and After Tax and Minority Interests | | <u>(2,402)</u> | <u>3,249</u> |

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

Statement of Consolidated Historical Cost Surpluses and Deficits

For the Year Ended 31st July 2002

| | Note | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|---|------|--------------------------------------|--------------------------------------|
| (Deficit)/Surplus on Continuing Operations Before Taxation | | (2,362) | 3,270 |
| Difference Between Historical Cost Depreciation and the Actual Charge for the Year Calculated on the Re-valued Amount | 21 | 2,250 | 1,639 |
| Realisation of Property Revaluation Gains of Previous Years | 21 | <u>1,143</u> | - |
| Historical Cost Surplus Before Taxation and Minority Interests | | <u>1,031</u> | <u>4,909</u> |
| Historical Cost Surplus After Taxation and Minority Interests | | <u>991</u> | <u>4,888</u> |

Statement Of Consolidated Total Recognised Gains And Losses

For The Year Ended 31st July 2002

| | Note | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|--|------|--------------------------------------|--------------------------------------|
| (Deficit)/Surplus on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets and Tax | | (2,402) | 3,249 |
| Unrealised Surplus on Revaluation of Fixed Assets | 12 | - | 50,299 |
| Depreciation of Endowment Asset Investments | 20 | (5,470) | (3,865) |
| Depreciation of Fixed Asset Investment | 21 | (937) | (787) |
| Endowment Income Retained For Year | 20 | 359 | (153) |
| New Endowments | 20 | 417 | 444 |
| Total Recognised (Losses)/Gains Relating to the Period | | (8,033) | 49,187 |
| Reconciliation | | | |
| Opening Reserves and Endowments | | 202,380 | 153,193 |
| Total Recognised (Losses)/Gains for the Year | | (8,033) | 49,187 |
| Closing Reserves and Endowments | | 194,347 | 202,380 |

Balance Sheet as at 31st July 2002

| | Note | Group As At 31st July 2002 £000 | University As At 31st July 2002 £000 | Group As At 31st July 2001 £000 | University As At 31st July 2001 £000 |
|--|------|--|---|--|---|
| FIXED ASSETS | | | | | |
| Tangible Assets | 12 | 274,936 | 274,849 | 261,873 | 261,780 |
| Investments | 13 | 10,992 | 11,176 | 4,793 | 4,765 |
| | | <u>285,928</u> | <u>286,025</u> | <u>266,666</u> | <u>266,545</u> |
| ENDOWMENT ASSETS | 20 | 26,354 | 26,354 | 31,048 | 31,048 |
| CURRENT ASSETS | | | | | |
| Stock | | 342 | 342 | 332 | 332 |
| Debtors | 14 | 40,103 | 40,189 | 38,957 | 38,869 |
| Investments | | 12,792 | 12,792 | 21,778 | 21,778 |
| Cash at Bank and in Hand | | 3,257 | 2,941 | 679 | 597 |
| | | <u>56,494</u> | <u>56,264</u> | <u>61,746</u> | <u>61,576</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 15 | <u>(53,701)</u> | <u>(53,576)</u> | <u>(53,014)</u> | <u>(52,783)</u> |
| NET CURRENT ASSETS | | <u>2,793</u> | <u>2,688</u> | <u>8,732</u> | <u>8,793</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 315,075 | 315,067 | 306,446 | 306,386 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 16 | (52,374) | (52,363) | (54,912) | (54,912) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 18 | <u>(12,130)</u> | <u>(11,781)</u> | <u>(7,864)</u> | <u>(7,794)</u> |
| NET ASSETS | | <u><u>250,571</u></u> | <u><u>250,923</u></u> | <u><u>243,670</u></u> | <u><u>243,680</u></u> |

Balance Sheet as at 31st July 2002

| | Note | Group As At 31st July 2002 £000 | University As At 31st July 2002 £000 | Group As At 31st July 2001 £000 | University As At 31st July 2001 £000 |
|--------------------------------|------|--|---|--|---|
| DEFERRED CAPITAL GRANTS | 19 | <u>56,138</u> | <u>56,138</u> | <u>41,290</u> | <u>41,290</u> |
| ENDOWMENTS | | | | | |
| Specific | 20 | <u>20,184</u> | <u>20,184</u> | 23,911 | 23,911 |
| General | 20 | <u>6,170</u> | <u>6,170</u> | <u>7,137</u> | <u>7,137</u> |
| | | <u>26,354</u> | <u>26,354</u> | <u>31,048</u> | <u>31,048</u> |
| RESERVES | | | | | |
| Revaluation Reserve | 21 | <u>138,047</u> | <u>137,987</u> | 142,377 | 142,095 |
| General Reserve | 22 | <u>29,946</u> | <u>30,444</u> | <u>28,955</u> | <u>29,247</u> |
| | | <u>167,993</u> | <u>168,431</u> | <u>171,332</u> | <u>171,342</u> |
| MINORITY INTERESTS | | <u>86</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL FUNDS | | <u><u>250,571</u></u> | <u><u>250,923</u></u> | <u><u>243,670</u></u> | <u><u>243,680</u></u> |

The financial statements on pages 11 to 36 were approved by the Council on 16th December 2002 and were signed on its behalf by:-

Mr A. M. C. STANIFORTH, Treasurer

Professor R. F. BOUCHER, Vice-Chancellor

Mr D. R. BEARPARK, Director of Finance

The University of Sheffield

Consolidated Cash Flow Statement

For the Year Ended 31st July 2002

| | Note | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|--|------|--------------------------------------|--------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | 23 | 9,667 | 8,416 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | 24 | (1,937) | (1,198) |
| TAXATION | 10 | (31) | (8) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | 25 | (9,855) | (8,167) |
| ACQUISITIONS AND DISPOSALS | | 86 | 3 |
| MANAGEMENT OF LIQUID RESOURCES | | 8,416 | 4,376 |
| FINANCING | 26 | <u>(3,823)</u> | <u>(3,527)</u> |
| INCREASE/(DECREASE) IN CASH IN THE PERIOD | 27 | <u>2,523</u> | <u>(105)</u> |

Reconciliation of Net Cash Flow to Movement in Net Debt

| | Note | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|--|------|--------------------------------------|--------------------------------------|
| INCREASE/(DECREASE) IN CASH IN THE PERIOD | | 2,523 | (105) |
| CASH OUTFLOW FROM LIQUID RESOURCES | | (8,416) | (4,376) |
| ADDITIONAL DEBT (LEASE : NON-CASH FLOW) | | (483) | - |
| CHANGE IN NET DEBT RESULTING FROM CASH FLOWS | | <u>3,823</u> | <u>3,527</u> |
| MOVEMENT IN NET DEBT IN PERIOD | | (2,553) | (954) |
| NET DEBT AT 1st AUGUST 2001 | | <u>(34,730)</u> | <u>(33,776)</u> |
| NET DEBT AT 31st JULY 2002 | 27 | <u>(37,283)</u> | <u>(34,730)</u> |

Notes to the Financial Statements

| | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|---|--------------------------------------|--------------------------------------|
| Note 1 Funding Council Grants | | |
| Higher Education Funding Council for England - Recurrent Grant | 74,909 | 70,829 |
| Specific Grants | | |
| Information Systems Committee | - | 1 |
| Teacher Training Agency Grant | 619 | 772 |
| Other | 2,834 | 1,184 |
| Deferred Capital Grants Released in Year | | |
| Buildings (Note 19) | 702 | 572 |
| Equipment (Note 19) | 220 | 238 |
| | <u>79,284</u> | <u>73,596</u> |
| Note 2 Tuition Fees and Education Contracts | | |
| Home Full-time Undergraduate Students | 12,359 | 11,885 |
| Home Full-time Postgraduate Students | 4,845 | 4,654 |
| Home Part-time Students | 2,211 | 1,847 |
| Overseas students | 17,767 | 15,127 |
| NHS Education Contracts | 14,068 | 13,288 |
| Research Training Support Grants and Other Fees | 3,076 | 2,742 |
| | <u>54,326</u> | <u>49,543</u> |
| Note 3 Research Grants and Contracts | | |
| Research Councils | 21,758 | 19,820 |
| UK Based Charities | 12,329 | 11,322 |
| European Commission | 3,896 | 4,777 |
| Other Grants and Contracts | 22,776 | 19,925 |
| Release from Deferred Capital Grants | 3,349 | 2,614 |
| | <u>64,108</u> | <u>58,458</u> |
| Note 4 Other Income | | |
| Residences, Catering and Conferences | 15,270 | 14,815 |
| Other Services Rendered | 8,200 | 10,013 |
| Health Authorities | 6,234 | 5,684 |
| Releases from Deferred Capital Grants | 325 | 385 |
| Other Income | 8,100 | 8,621 |
| | <u>38,129</u> | <u>39,518</u> |

Notes to the Financial Statements - Continued

| | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|---|--------------------------------------|--------------------------------------|
| Note 5 Endowment and Investment Income | | |
| Transferred from Specific Endowments (Note 20) | 447 | 901 |
| Income from General Endowment Asset Investments (Note 20) | 283 | 319 |
| Other Investment Income | <u>1,399</u> | <u>2,159</u> |
| | <u>2,129</u> | <u>3,379</u> |

| | | |
|-------------------------------|-----------------------|-----------------------|
| Note 6 Staff | | |
| Staff Costs: | | |
| Wages and Salaries | 121,270 | 116,705 |
| Social Security Costs | 9,362 | 9,128 |
| Other Pension Costs (Note 28) | <u>12,707</u> | <u>11,882</u> |
| | <u>143,339</u> | <u>137,715</u> |

Emoluments of the Vice-Chancellor included above

| | | |
|-----------------------|-------------------|-------------------|
| Salary | 149 | 156 |
| Benefits in Kind | <u>2</u> | <u>2</u> |
| | 151 | 158 |
| Pension Contributions | <u>21</u> | <u>23</u> |
| Total | <u>172</u> | <u>181</u> |

Remuneration of other Higher Paid Staff, excluding employer's pension contributions but including payments made on behalf of the NHS in respect of its contractual obligations to University staff under separate NHS contracts of employment, are shown below.

| | Number | Number |
|-------------------|--------|--------|
| £50,000-£59,999 | 105 | 64 |
| £60,000-£69,999 | 44 | 40 |
| £70,000-£79,999 | 32 | 27 |
| £80,000-£89,999 | 15 | 11 |
| £90,000-£99,999 | 19 | 17 |
| £100,000-£109,999 | 8 | 4 |
| £110,000-£119,999 | 7 | 5 |
| £120,000-£129,999 | 2 | 5 |
| £130,000-£139,999 | 6 | 1 |

Payments of £259,774 were made to enhance the pension benefits of five higher paid employees under the early retirement scheme for staff.

Notes to the Financial Statements - Continued

| | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|---|--------------------------------------|--------------------------------------|
| Note 7 Other Operating Expenses | | |
| Consumables and Laboratory Expenditure | 13,737 | 14,416 |
| Books and Periodicals | 2,285 | 2,345 |
| Rates | 1,267 | 1,211 |
| Fellowships, Scholarships and Prizes | 8,741 | 7,879 |
| Furniture and Equipment | 10,705 | 9,318 |
| Heat, Light, Water and Power | 3,914 | 3,912 |
| Repairs and General Maintenance | 6,799 | 6,261 |
| Grants to University of Sheffield Students' Union | 1,030 | 963 |
| Rents | 945 | 837 |
| Auditors' Remuneration | 39 | 34 |
| Auditors' Remuneration in Respect of Non-Audit Services | 85 | 147 |
| Refund of VAT | (1,793) | (1,894) |
| Professional Fees | 3,030 | 1,957 |
| Provision for Bad & Doubtful Debts | 92 | (203) |
| Administrative Expenses | 3,889 | 3,791 |
| Travel & Subsistence Expenses | 4,563 | 4,464 |
| Payments to Non-Contracted Staff | 9,398 | 6,575 |
| Restructuring Costs | 5,206 | 555 |
| Other Expenses | 8,105 | 6,803 |
| | 82,037 | 69,371 |
| | 82,037 | 69,371 |
| Note 8 Interest Payable and Similar Charges | | |
| Loans wholly repayable within five years | 38 | 54 |
| Loans not wholly repayable within five years | 4,672 | 4,810 |
| Finance Leases | 59 | 50 |
| | 4,769 | 4,914 |
| | 4,769 | 4,914 |

Notes to the Financial Statements - Continued

Note 9 Analysis of 2001/02 Expenditure by Activity

| | Staff Costs £000 | Dep'n £000 | Operating Expenses £000 | Interest Payable £000 | Total £000 |
|--------------------------------------|------------------------|---------------|-------------------------------|-----------------------------|----------------|
| Academic Departments | 77,945 | 274 | 15,224 | 1 | 93,444 |
| Academic Services | 8,495 | 312 | 7,265 | 10 | 16,082 |
| Research Grants and Contracts | 28,410 | 3,345 | 20,452 | - | 52,207 |
| Residences, Catering and Conferences | 5,172 | 1,581 | 5,988 | 2,169 | 14,910 |
| Premises | 5,240 | 4,265 | 12,387 | 2,574 | 24,466 |
| Administration | 10,381 | 11 | 4,549 | - | 14,941 |
| Other Expenses | 7,696 | 770 | 16,172 | 15 | 24,653 |
| | <u>143,339</u> | <u>10,558</u> | <u>82,037</u> | <u>4,769</u> | <u>240,703</u> |

The depreciation charge has been funded by:

| | |
|--|---------------|
| Deferred Capital Grants Released (Note 19) | 4,596 |
| Revaluation Reserve Released (Note 21) | 2,250 |
| General Income | 3,712 |
| | <u>10,558</u> |

Note 10 Taxation

| | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| United Kingdom Corporation Tax at 21% | | |
| - Group | 31 | 2 |
| - Joint Ventures | - | - |
| - Associates | - | 6 |
| | <u>31</u> | <u>8</u> |

Note 11 (Deficit)/Surplus on Continuing Operations for the Period

The (deficit)/surplus on continuing operations for the period is made up as follows:

| | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|--|--------------------------------------|--------------------------------------|
| University's (deficit)/surplus for the period | (2,127) | 2,904 |
| Share of associates' and joint ventures' (deficit)/surplus | (235) | 366 |
| | <u>(2,362)</u> | <u>3,270</u> |

Notes to the Financial Statements - Continued

Note 12 Tangible Assets (Consolidated)

| | Land and Buildings | | Equipment | Leased Equipment | Total |
|-------------------------|--------------------|-------------------|---------------|---------------------|----------------|
| | Freehold | Long Leasehold | | | |
| | £000 | £000 | £000 | £000 | £000 |
| Valuation/Cost | | | | | |
| At 1st August 2001 | | | | | |
| Valuation | 202,353 | 13,626 | 360 | - | 216,339 |
| Cost | 48,893 | 46 | 26,287 | 5,510 | 80,736 |
| Additions at Cost | 19,119 | - | 5,739 | 483 | 25,341 |
| Surplus on Revaluation | - | - | - | - | - |
| Disposals | | | | | |
| Valuation | (1,728) | - | - | - | (1,728) |
| Cost | - | - | - | - | - |
| At 31st July 2002 | | | | | |
| Valuation | <u>200,625</u> | <u>13,626</u> | <u>360</u> | <u>-</u> | <u>214,611</u> |
| Cost | <u>68,012</u> | <u>46</u> | <u>32,026</u> | <u>5,993</u> | <u>106,077</u> |
| Depreciation | | | | | |
| At 1st August 2001 | | | | | |
| | 9,039 | 152 | 21,140 | 4,871 | 35,202 |
| Charge for Year | 5,020 | 228 | 4,748 | 562 | 10,558 |
| Eliminated on Disposals | (8) | - | - | - | (8) |
| At 31st July 2002 | | | | | |
| | <u>14,051</u> | <u>380</u> | <u>25,888</u> | <u>5,433</u> | <u>45,752</u> |
| Net Book Value | | | | | |
| At 31st July 2002 | | | | | |
| | <u>254,586</u> | <u>13,292</u> | <u>6,498</u> | <u>560</u> | <u>274,936</u> |
| At 1st August 2001 | | | | | |
| | <u>242,207</u> | <u>13,520</u> | <u>5,507</u> | <u>639</u> | <u>261,873</u> |

Notes to the Financial Statements - Continued

Note 12 Tangible Assets (University)

| | Land and Buildings | | Equipment | Leased Equipment | Total |
|-------------------------|--------------------|-------------------|---------------|---------------------|----------------|
| | Freehold | Long Leasehold | | | |
| | £000 | £000 | | | |
| Valuation/Cost | | | | | |
| At 1st August 2001 | | | | | |
| Valuation | 202,353 | 13,626 | 360 | - | 216,339 |
| Cost | 48,893 | 46 | 26,173 | 5,510 | 80,622 |
| Additions at Cost | 19,119 | - | 5,721 | 483 | 25,323 |
| Disposals | | | | | |
| Valuation | (1,728) | - | - | - | (1,728) |
| Cost | - | - | - | - | - |
| At 31st July 2002 | | | | | |
| Valuation | <u>200,625</u> | <u>13,626</u> | <u>360</u> | <u>-</u> | <u>214,611</u> |
| Cost | <u>68,012</u> | <u>46</u> | <u>31,894</u> | <u>5,993</u> | <u>105,945</u> |
| Depreciation | | | | | |
| At 1st August 2001 | | | | | |
| Charge for Year | 5,020 | 228 | 4,724 | 562 | 10,534 |
| Eliminated on Disposals | (8) | - | - | - | (8) |
| At 31st July 2002 | | | | | |
| | <u>14,051</u> | <u>380</u> | <u>25,843</u> | <u>5,433</u> | <u>45,707</u> |
| Net Book Value | | | | | |
| At 31st July 2002 | | | | | |
| | <u>254,586</u> | <u>13,292</u> | <u>6,411</u> | <u>560</u> | <u>274,849</u> |
| At 1st August 2001 | | | | | |
| | <u>242,207</u> | <u>13,520</u> | <u>5,414</u> | <u>639</u> | <u>261,780</u> |

The value of assets in the course of construction not depreciated in the year is £11,425,901 (2000/01 £5,831,157).

Buildings with a net book value of £95,972,713 and cost of £62,851,937 have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England.

The historical cost of the assets held at valuation is £186,429,940 with depreciation being £55,036,652.

Notes to the Financial Statements - Continued

| | Group Year Ended 31st July 2002 £000 | University Year Ended 31st July 2002 £000 | Group Year Ended 31st July 2001 £000 | University Year Ended 31st July 2001 £000 |
|---|---|--|---|--|
| Note 13 Fixed Asset Investments | | | | |
| Balance at 1st August 2001 | 4,793 | 4,765 | 5,671 | 5,400 |
| Additions | 7,517 | 7,422 | 198 | 120 |
| Disposals | (178) | - | (42) | - |
| Depreciation on Revaluation | (1,140) | (1,011) | (1,034) | (755) |
| | <u>10,992</u> | <u>11,176</u> | <u>4,793</u> | <u>4,765</u> |
| Fixed Interest Stocks | 8,980 | 8,980 | 1,868 | 1,868 |
| Equities | 2,012 | 2,196 | 2,925 | 2,897 |
| Total Fixed Asset Investments | <u>10,992</u> | <u>11,176</u> | <u>4,793</u> | <u>4,765</u> |
| Fixed Interest and Equities at Cost and Bank Balances | <u>9,054</u> | <u>9,966</u> | <u>1,632</u> | <u>2,544</u> |
| | | | | |
| Note 14 Debtors | | | | |
| Amounts falling due within one year: | | | | |
| Debtors | 12,637 | 12,818 | 13,669 | 13,593 |
| Prepayments (Pensions) | 7,401 | 7,401 | 6,871 | 6,871 |
| Other Prepayments and Accrued Income | 20,065 | 19,970 | 18,417 | 18,405 |
| | <u>40,103</u> | <u>40,189</u> | <u>38,957</u> | <u>38,869</u> |
| | | | | |
| Note 15 Creditors: Amounts falling due within one year | | | | |
| Bank Loans and Overdrafts | 2,904 | 2,795 | 3,591 | 3,555 |
| Obligations Under Finance Leases (Note 17) | 198 | 198 | 250 | 250 |
| Payments Received in Advance | 22,927 | 22,927 | 22,506 | 22,506 |
| Creditors | 14,629 | 14,788 | 15,050 | 14,922 |
| Social Security and Other Taxation Payable | 3,241 | 3,210 | 3,347 | 3,346 |
| Accruals and Deferred Income | 9,678 | 9,563 | 8,151 | 8,087 |
| Corporation Tax | 29 | - | 2 | - |
| Amounts Owed to Funding Councils | 95 | 95 | 117 | 117 |
| | <u>53,701</u> | <u>53,576</u> | <u>53,014</u> | <u>52,783</u> |

Notes to the Financial Statements - Continued

| | Group Year Ended 31st July 2002 £000 | University Year Ended 31st July 2002 £000 | Group Year Ended 31st July 2001 £000 | University Year Ended 31st July 2001 £000 |
|--|---|--|---|--|
|--|---|--|---|--|

Note 16 Creditors: Amounts falling due after more than one year

These comprise mortgages, unsecured loans and finance leases repayable:

| | | | | |
|----------------------------|---------------|---------------|---------------|---------------|
| Between one and two years | 2,912 | 2,901 | 2,904 | 2,904 |
| Between two and five years | 8,642 | 8,642 | 8,395 | 8,395 |
| In five years or more | 40,820 | 40,820 | 43,613 | 43,613 |
| | <u>52,374</u> | <u>52,363</u> | <u>54,912</u> | <u>54,912</u> |

The University entered into a 25 year loan agreement with National Westminster Bank on 31st May 1996 for the sum of £35.1 million.

£1.417 million is repayable within one year and is included within bank loans and overdrafts in Note 15 above. The balance falling due after more than one year, included above, is £25.504 million.

The University entered into a 25 year loan agreement with Barclays Bank on 15th August 1997 for the sum of £34.4 million. £1.376 million is repayable within one year and is included within bank loans and overdrafts in Note 15 above. The balance falling due after more than one year, included above, is £26.488 million.

Cross currency interest rate swaps were undertaken with effect from 12th July 1999 in which the University exchanged two principal amounts of sterling debt of £12.797 million for Euro debt of €19.501 million for periods of five years until 24th May 2004, at a fixed rate of interest, and two years until 22nd August 2001 at a variable rate of interest. The purpose of these swaps was to utilise Euro currency revenue to service debt, and as a result reduce the rates of interest payable.

Note 17 Borrowings

| | Group Year Ended 31st July 2002 £000 | University Year Ended 31st July 2002 £000 | Group Year Ended 31st July 2001 £000 | University Year Ended 31st July 2001 £000 |
|---|---|--|---|--|
| Bank Loans and Overdrafts | | | | |
| Bank Loans and Overdrafts are repayable as follows: | | | | |
| In one year or less | 2,904 | 2,795 | 3,591 | 3,555 |
| Between one and two years | 2,804 | 2,793 | 2,793 | 2,793 |
| Between two and five years | 8,379 | 8,379 | 8,379 | 8,379 |
| In five years or more | 40,820 | 40,820 | 43,613 | 43,613 |
| Total | <u>54,907</u> | <u>54,787</u> | <u>58,376</u> | <u>58,340</u> |

Finance Leases

The net finance lease obligations to which the University is committed are:

| | | | | |
|----------------------------|------------|------------|------------|------------|
| In one year or less | 198 | 198 | 250 | 250 |
| Between one and two years | 108 | 108 | 111 | 111 |
| Between two and five years | 263 | 263 | 16 | 16 |
| Total | <u>569</u> | <u>569</u> | <u>377</u> | <u>377</u> |

Notes to the Financial Statements - Continued

Note 18 Provisions for Liabilities and Charges

| | Early Retirement | | | |
|--|------------------|---------------|---------------|---------------|
| | Pensions £000 | Costs £000 | Other £000 | Total £000 |
| Consolidated | | | | |
| At 1st August 2001 | 2,988 | 4,616 | 260 | 7,864 |
| Utilised in Year | (441) | (1,211) | (50) | (1,702) |
| Charged in the Year | - | - | 279 | 279 |
| Transfer from Income and Expenditure Account | 500 | 5,206 | (17) | 5,689 |
| At 31st July 2002 | <u>3,047</u> | <u>8,611</u> | <u>472</u> | <u>12,130</u> |
| | | | | |
| | Early Retirement | | | |
| | Pensions £000 | Costs £000 | Other £000 | Total £000 |
| University | | | | |
| At 1st August 2001 | 2,988 | 4,616 | 190 | 7,794 |
| Utilised in Year | (441) | (1,211) | (50) | (1,702) |
| Transfer from Income and Expenditure Account | 500 | 5,206 | (17) | 5,689 |
| At 31st July 2002 | <u>3,047</u> | <u>8,611</u> | <u>123</u> | <u>11,781</u> |

The provision for pensions relates to ex-gratia benefits. Further details are provided in note 28 (page 32).

Note 19 Deferred Capital Grants

| | Consolidated and University | | |
|------------------------------------|-----------------------------|--|---------------|
| | Funding Council £000 | Other Grants & Benefactions £000 | Total £000 |
| At 1st August 2001 | | | |
| Buildings | 24,170 | 13,876 | 38,046 |
| Equipment | 64 | 3,180 | 3,244 |
| Total | <u>24,234</u> | <u>17,056</u> | <u>41,290</u> |
| Cash Received | | | |
| Buildings | 9,905 | 4,406 | 14,311 |
| Equipment | 1,719 | 3,414 | 5,133 |
| Total | <u>11,624</u> | <u>7,820</u> | <u>19,444</u> |
| Released to Income and Expenditure | | | |
| Buildings (Notes 1, 3 and 4) | 702 | 345 | 1,047 |
| Equipment (Notes 1, 3 and 4) | 220 | 3,329 | 3,549 |
| Total (Note 9) | <u>922</u> | <u>3,674</u> | <u>4,596</u> |
| At 31st July 2002 | | | |
| Buildings | 33,373 | 17,937 | 51,310 |
| Equipment | 1,563 | 3,265 | 4,828 |
| Total | <u>34,936</u> | <u>21,202</u> | <u>56,138</u> |

Notes to the Financial Statements - Continued

Note 20 Endowments

| | Consolidated and University | | |
|--|-----------------------------|--------------|---------------|
| | Specific | General | Total |
| | £000 | £000 | £000 |
| At 1st August 2001 | 23,911 | 7,137 | 31,048 |
| Additions | 122 | 621 | 743 |
| Disposals | (325) | (1) | (326) |
| Depreciation of Endowment Asset Investments | (3,867) | (1,603) | (5,470) |
| Income For Year | 790 | 299 | 1,089 |
| Transferred to Income and Expenditure Account (Note 5) | (447) | (283) | (730) |
| | <u>20,184</u> | <u>6,170</u> | <u>26,354</u> |
| At 31st July 2002 | <u>20,184</u> | <u>6,170</u> | <u>26,354</u> |
| Representing: | | | |
| Fellowships and Scholarship Funds | 8,480 | - | 8,480 |
| Prize Funds | 792 | - | 792 |
| Chairs and Lectureship Funds | 2,506 | - | 2,506 |
| Other Funds | 8,406 | 6,170 | 14,576 |
| | <u>20,184</u> | <u>6,170</u> | <u>26,354</u> |
| The value of Endowments at 31st July 2002 was represented by:- | | | |
| Fixed Interest Stocks | | | 11,544 |
| Equities | | | 12,615 |
| Land and Property | | | 51 |
| Bank Balances | | | 2,144 |
| | | | <u>26,354</u> |
| Total Endowment Asset Investments | | | <u>26,354</u> |
| Fixed Interest and Equities at Cost and Bank Balances | | | <u>17,782</u> |
| Land and Property at Cost | | | <u>51</u> |

Note 21 Revaluation Reserve

| | Consolidated | University | Consolidated | University |
|--|----------------|----------------|----------------|----------------|
| | Year Ended | Year Ended | Year Ended | Year Ended |
| | 31st July 2002 | 31st July 2002 | 31st July 2001 | 31st July 2001 |
| | £000 | £000 | £000 | £000 |
| Revaluations | | | | |
| At 1st August 2001 - Tangible Assets | 146,114 | 146,114 | 95,815 | 95,815 |
| - Investments | 2,537 | 2,255 | 3,324 | 2,850 |
| Revaluation in Year - Tangible Assets | - | - | 50,299 | 50,299 |
| - Investments | (937) | (807) | (787) | (595) |
| Released to Income & Expenditure Account | (1,143) | (1,051) | - | - |
| | <u>146,571</u> | <u>146,511</u> | <u>148,651</u> | <u>148,369</u> |
| Contributions to Depreciation | | | | |
| At 1st August 2001 | 6,274 | 6,274 | 4,635 | 4,635 |
| Released in Year (Note 9) | 2,250 | 2,250 | 1,639 | 1,639 |
| | <u>8,524</u> | <u>8,524</u> | <u>6,274</u> | <u>6,274</u> |
| Net Revaluation Amount | | | | |
| At 31st July 2002 - Tangible Assets | 136,539 | 136,539 | 139,840 | 139,840 |
| At 31st July 2002 - Investments | 1,508 | 1,448 | 2,537 | 2,255 |
| | <u>138,047</u> | <u>137,987</u> | <u>142,377</u> | <u>142,095</u> |
| At 1st August 2001 | <u>142,377</u> | <u>142,095</u> | <u>94,504</u> | <u>94,030</u> |

Notes to the Financial Statements - Continued

| | Group Year Ended 31st July 2002 £000 | University Year Ended 31st July 2002 £000 | Group Year Ended 31st July 2001 £000 | University Year Ended 31st July 2001 £000 |
|--|---|--|---|--|
| Note 22 General Reserve | | | | |
| (Deficit)/Surplus after Depreciation of Assets and Tax | (2,402) | (2,104) | 3,249 | 3,045 |
| Release from Revaluation Reserve | <u>3,393</u> | <u>3,301</u> | <u>1,639</u> | <u>1,639</u> |
| Historical Cost Surplus after Tax | <u>991</u> | <u>1,197</u> | <u>4,888</u> | <u>4,684</u> |
| Balance at 1st August 2001 | <u>28,955</u> | <u>29,247</u> | <u>24,067</u> | <u>24,563</u> |
| Balance at 31st July 2002 | <u><u>29,946</u></u> | <u><u>30,444</u></u> | <u><u>28,955</u></u> | <u><u>29,247</u></u> |
| Note 23 Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities | | | | |
| | | | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
| (Deficit)/Surplus before Tax | | | (2,402) | 3,249 |
| Depreciation (Note 12) | | | 10,558 | 9,108 |
| Gains on sale of Fixed Assets | | | (600) | - |
| Write Off of Fixed Assets | | | - | 482 |
| Deferred Capital Grants Released to Income (Note 19) | | | (4,596) | (3,809) |
| Investment Income | | | (2,642) | (3,517) |
| Interest Payable | | | 4,769 | 4,914 |
| Increase in Stocks | | | (10) | (30) |
| Increase in Debtors | | | (1,146) | (7,821) |
| Increase in Creditors | | | 1,470 | 5,938 |
| Increase/(Decrease) in Provisions | | | <u>4,266</u> | <u>(98)</u> |
| Net Cash Inflow from Operating Activities | | | <u><u>9,667</u></u> | <u><u>8,416</u></u> |
| Note 24 Returns on Investments and Servicing of Finance | | | | |
| Income from Endowments | | | 1,071 | 1,067 |
| Income from Short-Term Investments | | | 1,761 | 2,649 |
| Interest Paid | | | (4,710) | (4,864) |
| Interest Element of Finance Lease Rental Payments | | | <u>(59)</u> | <u>(50)</u> |
| Net Cash Outflow from Returns on Investments and Servicing of Finance | | | <u><u>(1,937)</u></u> | <u><u>(1,198)</u></u> |

Notes to the Financial Statements - Continued

| | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
|---|--------------------------------------|--------------------------------------|
| Note 25 Capital Expenditure and Financial Investment | | |
| Tangible Assets Acquired (Other than Leased Equipment) | (32,198) | (16,911) |
| Endowment Asset Investments Acquired | (197) | (444) |
| Total Fixed and Endowment Asset Investments Acquired | <u>(32,395)</u> | <u>(17,355)</u> |
| Receipts from Sales of Fixed Assets | 2,320 | - |
| Deferred Capital Grants Received | 19,444 | 8,907 |
| Utilisation of Endowment Fund Balances | 579 | (163) |
| Endowments Received | <u>197</u> | <u>444</u> |
| Net Cash Outflow from Capital Expenditure and Financial Investment | <u><u>(9,855)</u></u> | <u><u>(8,167)</u></u> |

Note 26 Analysis of Changes in Financing during the year

| | Finance Leases £000 | Mortgages & Loans £000 | Total £000 |
|-----------------------------|---------------------------|------------------------------|----------------------|
| Balance at 1st August 2000 | <u>1,111</u> | <u>61,121</u> | <u>62,232</u> |
| New Leases/Loans | - | - | - |
| Capital Repayments | <u>(734)</u> | <u>(2,793)</u> | <u>(3,527)</u> |
| Net Amount Acquired in Year | <u>(734)</u> | <u>(2,793)</u> | <u>(3,527)</u> |
| Balance at 31st July 2001 | <u>377</u> | <u>58,328</u> | <u>58,705</u> |
| New Leases/Loans | 483 | 11 | 494 |
| Capital Repayments | <u>(291)</u> | <u>(3,543)</u> | <u>(3,834)</u> |
| Net Amount Acquired in Year | <u>192</u> | <u>(3,532)</u> | <u>(3,340)</u> |
| Balance at 31st July 2002 | <u><u>569</u></u> | <u><u>54,796</u></u> | <u><u>55,365</u></u> |

Note 27 Analysis of Changes in Net Debt

| | At 1st August 2001 £000 | Cash Flows £000 | Other Changes £000 | At 31st July 2002 £000 |
|--------------------------------|-------------------------------|-----------------------|--------------------------|------------------------------|
| Cash at Bank and in Hand | | | | |
| Endowment Assets | 1,565 | 579 | - | 2,144 |
| Other | 679 | 2,578 | - | 3,257 |
| Deposits repayable on demand | 1,962 | (570) | - | 1,392 |
| Overdrafts | <u>(47)</u> | <u>(64)</u> | - | <u>(111)</u> |
| Total Cash at Bank and in Hand | 4,159 | 2,523 | - | 6,682 |
| Short -Term Deposits | 19,816 | (8,416) | - | 11,400 |
| Debt due within one year | (3,793) | 3,834 | (3,032) | (2,991) |
| Debt due after one year | <u>(54,912)</u> | <u>(11)</u> | <u>2,549</u> | <u>(52,374)</u> |
| Total | <u><u>(34,730)</u></u> | <u><u>(2,070)</u></u> | <u><u>(483)</u></u> | <u><u>(37,283)</u></u> |

Notes to the Financial Statements - Continued

Note 28 Pension Schemes

Different categories of staff are eligible to join one of four different schemes.

The two main schemes are both defined-benefit schemes contracted out of the State Earnings-Related Pension Scheme (SERPS), the assets of which are held in separate trustee-administered funds. Details of these schemes are as follows :

(i) The Universities Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The fund is valued every three years, using the projected unit method, by a professionally qualified independent actuary who reviews and reports annually. The rates of contribution payable are determined by the trustees on the advice of the actuary. The contribution rate payable by the Institution in the year was 14% of pensionable salaries. The auditors and actuary to the Universities' Superannuation Scheme have confirmed that it is appropriate to take the pensions costs in the Institution's accounts to be equal to the actual contributions paid during the year. In particular the contribution rate recommended following the 1999 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

(ii) The University of Sheffield Pension Scheme (1975) (USPS) provides for all non-academic staff. The fund is also subject to a triennial valuation by a professionally qualified independent actuary and the rates of contribution payable are determined by the trustees on the advice of the actuary, using the projected unit method.

The latest actuarial valuation was carried out as at 1st April 1999. The assumptions used for that valuation and the main results are shown in the table below. Following the valuation, the University agreed to reintroduce contributions at the rate of 9.6% of pensionable salaries from 1st April 2000, increasing to 11.95% from 1st August 2002. In addition, the University made a one-off contribution of £1 million to the scheme in April 2000.

The pension cost for accounting purposes has been assessed using the same financial assumptions as adopted for the 1999 valuation, except that the assumed rate of investment return was 7.5% pa and the assumed rate of equity dividend growth was 4% pa. Excess funding has been spread over the average expected future working lives of scheme members using the 'straight line' method.

The resulting pension cost charge for the year to 31st July 2002 was £2.299 million (2001: £2.185 million). At 31st July 2002 there was a pension prepayment of £7.401 million (2001 : £6.871 million)

The other two schemes are firstly the Federated Superannuation System for Universities (FSSU), a money purchase scheme contracted into the State Earnings-Related Pension Scheme (SERPS), which covers a small number of academic staff who elected not to transfer to USS when the new scheme was established in 1975, and secondly the National Health Service Pension Scheme (NHSPS), a defined-benefit scheme contracted out of the State Earnings-Related Pension Scheme (SERPS), which is restricted to a number of clinical staff who, when transferring from the Health Service to the University, opted to remain in the Health Service Scheme. Both schemes are administered nationally and their assets are held independently of the University.

| | USS 31st March 1999 | USPS 1st April 1999 |
|--|---|---|
| Latest actuarial valuations | | |
| Actuarial Assumptions: | | |
| Investment return per annum | 4.5% (5.5% In relation to Future Service Liabilities) | 7.25% |
| Salary increases per annum | 3.6% (3.5% In relation to Future Service Liabilities) | 3.75% |
| Pension increases per annum | 2.6% (2.5% In relation to Future Service Liabilities) | 3.00% |
| Market value of assets at date of last valuation | £18,870 million | £43 million |
| Proportion of members' accrued benefits covered by the actuarial value of the assets | 108% | 107% |
| The total pension cost for the University and its subsidiaries was: | Year Ended 31st July 2002 £000 | Year Ended 31st July 2001 £000 |
| USS | 10,358 | 9,732 |
| USPS | 1,769 | 1,708 |
| Other Pension Schemes | 580 | 442 |
| | <u>12,707</u> | <u>11,882</u> |

Notes to the Financial Statements - Continued

Note 28 Pension Schemes (continued)

FRS 17 Disclosure for the accounting period ending 31st July 2002

1 General

a. The University operates a defined benefit pension scheme that non-academic employees of the University can participate in, called the University of Sheffield Pension Scheme (1975) for Non-Academic Staff (USPS). The scheme is externally funded and is contracted out of the state scheme.

b. The last formal valuation of the scheme was performed at 1st April 1999 by a professionally qualified actuary. A valuation is due to be made as at 1st April 2002.

c. The University has paid contributions to the pension scheme at the rate of 9.6% of pensionable salaries and members have contributed at the rate of 4.25% throughout the accounting period. University contributions are due to increase to 11.95% of pensionable salaries with effect from 1st August 2002, subject to review at future actuarial valuations.

d. The University also provides ex-gratia benefits to certain employees and former employees who were previously not eligible to join other pension arrangements. Ex-gratia benefits have ceased accruing for all such employees except in respect of 8 members aged over 60 at 1st August 2001. The University currently pays ex-gratia pensions of £349,000 pa and accrues future liabilities at £5,000 pa. These liabilities are not separately funded.

This information is provided for disclosure purposes only. Pension costs have been recognised in these accounts in line with SSAP24 as described above.

2 Financial assumptions

| | At 31st July 2002 | At 31st July 2001 |
|---|-------------------|-------------------|
| | %pa | %pa |
| Inflation | 2.4 | 2.6 |
| Rate of increase in salaries | 3.15 | 3.35 |
| Rate of increase of pension in payment subject to LPI increases | 2.4 | 2.6 |
| Rate of increase for deferred pensioners subject to statutory revaluation | 2.4 | 2.6 |
| Discount rate | 5.85 | 5.8 |

3 Scheme assets and expected rate of return for USPS

| | Fair value as at 31st July 2002 £000 | Expected rate of return %pa | Fair value as at 31st July 2001 £000 | Expected rate of return %pa |
|----------|--|-----------------------------------|--|-----------------------------------|
| Equities | 32,833 | 8.40 | 39,636 | 7.2 |
| Bonds | 5,573 | 5.25 | 6,524 | 5.0 |
| Cash | 1,245 | 4.00 | 1,110 | 5.0 |
| Total | <u>39,651</u> | <u>7.82</u> | <u>47,270</u> | <u>6.8</u> |

4 Scheme Liabilities - USPS

| At 31st July 2002 £000 | At 31st July 2001 £000 |
|---------------------------|---------------------------|
| <u>54,345</u> | <u>41,980</u> |

Notes to the Financial Statements - Continued

| | Consolidated and University | |
|---|------------------------------------|-----------------------|
| | Year Ended | Year Ended |
| | 31st July 2002 | 31st July 2001 |
| | £000 | £000 |
| Note 29 Capital Commitments | | |
| Commitments contracted at 31st July 2002 | <u>30,090</u> | <u>746</u> |
| Note 30 Financial Commitments | | |
| Operating lease commitments in respect of buildings and equipment for the 2002/2003 financial year, on leases expiring: | | |
| Within one year | 103 | 24 |
| Between two and five years | 288 | 422 |
| Over five years | <u>361</u> | <u>361</u> |
| | <u>752</u> | <u>807</u> |

Foreign currency cylinder options to cover future currency revenue were in place at 31st July 2002 as follows:

Option to sell € 850,000 (£524,691) on 16th January 2003.

Option to sell € 850,000 (£524,691) on 16th July 2003.

Foreign currency forward plus contracts to cover future currency revenue were in place at 31st July 2002 as follows:

Option to sell € 850,000 (£524,691) on 16th October 2002.

Option to sell US\$ 250,000 (£166,667) on 16th January 2003.

Option to sell US\$ 250,000 (£166,667) on 16th April 2003.

Option to sell € 850,000 (£524,691) on 16th April 2003.

Option to sell US\$ 250,000 (£166,667) on 21st July 2003.

A foreign currency option to cover the future translation of Euro bank balances as at 31st July 2003 was in place at 31st July 2002. The option is in respect of the sale of € 620,000 (£388,910), the option date being 29th July 2003 (value date 31st July 2003).

| | Year Ended | Year Ended |
|-----------------------------------|-----------------------|-----------------------|
| | 31st July 2002 | 31st July 2001 |
| | £000 | £000 |
| Note 31 Hardship Funds | | |
| Balance Unspent at 31st July 2002 | 81 | - |
| Funding Council Grants | 971 | 836 |
| Interest Earned | <u>21</u> | <u>12</u> |
| | 1,073 | 848 |
| Disbursed to Students | (953) | (766) |
| Audit Fees | <u>(1)</u> | <u>(1)</u> |
| | <u>119</u> | <u>81</u> |

Funding Council hardship grants are available solely for students. The University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Notes to the Financial Statements - Continued

Note 32 University Companies

The University has set up a number of companies to exploit the commercial applications of research undertaken at the University under Sheffield University Enterprises Ltd (SUEL) as a holding company.

The subsidiary and associate companies of SUEL as at 31st July 2002, together with the proportion of ordinary share capital held and their principal activities, are as follows:

Subsidiary Companies

| | | |
|-------------------------------|--------|---------------------------------------|
| AIVRU Systems Ltd | 100.0% | Dormant |
| Aphora Ltd | 100.0% | Structural monitoring |
| Auxetics Ltd | 100.0% | Dormant |
| BioActa Ltd | 52.4% | Medical research |
| Cavendish Instruments Ltd | 60.0% | Software for scientific instruments |
| Ceregen Ltd | 100.0% | Dormant |
| Conteque Ltd | 100.0% | Dormant |
| Dental Teamwork Training Ltd | 100.0% | Production of training materials |
| ECUS Ltd | 100.0% | Consultancy services |
| First World Manufacturing Ltd | 100.0% | Aerospace manufacturing |
| Invector Ltd | 100.0% | Dormant |
| Lifestyle Choices Ltd | 100.0% | Dormant |
| Luminaries Ltd | 100.0% | Dormant |
| Molecular Healthworks Ltd | 100.0% | Dormant |
| Narnglen Ltd | 100.0% | Manufacturing excellence |
| Nesidion Ltd | 100.0% | Dormant |
| Proactus Ltd | 60.0% | Consultancy services |
| Shefcote Ltd | 100.0% | Dormant |
| Signalbox Ltd | 95.0% | Development and marketing of software |
| SIMCYP Ltd | 100.0% | Dormant |
| Thixoforge Ltd | 100.0% | Thixoforging consultancy |
| Vforge Ltd | 100.0% | Thixoforging manufacturing |
| Viewcheck Ltd | 100.0% | Dormant |
| Webelements Ltd | 100.0% | Dormant |

Associate Companies

| | | |
|---|-------|---|
| Adjuvantix Ltd | 33.0% | Medical research |
| Aquaenviro Ltd | 23.5% | Environmental bio-technological consultancy |
| Asterion Ltd | 39.0% | Medical research |
| Axordia Ltd | 38.5% | Medical research |
| Bethan Technology Ltd | 25.0% | Chemical engineering |
| Celltran Ltd | 39.8% | Medical research |
| Dictionary of Classical Hebrew Ltd | 42.0% | Dictionary development |
| Pictorial Meadows Ltd | 40.0% | Seed mix development |
| Skipworth Englehardt Asset Management Strategists Ltd | 30.0% | Computer software consultancy |
| Supaplants Ltd | 48.4% | Plant propagation |
| Wohanka & Associates Ltd | 30.0% | Translation services |

Notes to the Financial Statements - Continued

Note 32 University Companies (continued)

The University has set up the following companies which are outside the SUEL Group.

| | | |
|--|--------|--|
| South Yorkshire Education Services Ltd | 100.0% | Training Services |
| University Knowledge Ltd | 100.0% | Exploitation of Intellectual Property Rights |
| Unisheff Properties Ltd | 100.0% | Dormant |
| Sheffield Centre for Sports Medicine | 100.0% | Sports Medicine |
| Sheffield Advisory Services Ltd | 100.0% | University Malaysian Office |
| Escafeld Estates Ltd | 100.0% | Dormant |
| USport Ltd | 100.0% | Dormant |
| White Rose Technology Ltd | 40.0% | Investment in new technology companies |

The University also has an interest in the following Joint Venture Companies

| | | |
|--|-------|--|
| YHMAN Ltd | 11.1% | Procurement, operation and management of a metropolitan area network |
| Yorkshire Universities Ltd (formerly YHUA Ltd) | 8.3% | Promotes, markets and secures further recognition of Universities in Yorkshire |
| White Rose Research Ltd | 33.3% | Promotes research and collaborative research between member universities |
| Worldwide Universities Network (WUN) Ltd | 16.7% | Promotes research and distributes e-learning |
| WUN Trading Ltd | 16.7% | Promotes research and distributes e-learning |
| WUN Foundation Ltd | 16.7% | Promotes research and distributes e-learning |

Apart from Sheffield Advisory Services Ltd, which is incorporated in Malaysia, all companies are incorporated in Great Britain.

Notes to the Financial Statements - Continued

Note 33 Related Party Disclosure

During the year ended 31st July 2002 the University had transactions with a number of organisations which fell within the definitions of Related Parties under Financial Reporting Standard 8 "Related Party Disclosures". These include some of the University's subsidiary, associated and joint venture companies, the University of Sheffield Union of Students, the South Yorkshire Higher Education Development Trust and other organisations and companies.

Details of these transactions are shown below where material.

The following cross-memberships with other organisations and companies were also found to exist:-

| Related Party | Name | Cross Membership |
|--|--------------------|---|
| Barclays Bank Plc | Sir P Middleton | Chancellor of the University, Member of University Council |
| Barclays Mercantile Business Finance Ltd | | Chairman of Barclays Bank Plc. |
| Molecular Skincare Ltd | Professor G W Duff | Member of University Council Director of Molecular Skincare Ltd. |

| Related Party | (Income)/Expenditure | | (Debtors)/Creditors | | Details |
|---|----------------------|-----------------|----------------------|--------------|---|
| | Balance at 31st July | | Balance at 31st July | | |
| | 2001/02 £000 | 2000/01 £000 | 2002 £000 | 2001 £000 | |
| University Companies | | | | | |
| Adjuvantix Ltd | (78) | (50) | (24) | (31) | Grant income and salary recharge |
| Asterion Ltd | (144) | (38) | (13) | (38) | Overhead and secondment fees |
| Celltran Ltd | (92) | (125) | (28) | (48) | Grant income and overheads |
| Sheffield Advisory Services Ltd | 93 | 86 | - | - | Salaries and expenses of Malaysian office |
| Wohanka & Associates Ltd | (17) | (6) | (1) | (2) | Salary recharge and office expenses |
| WUN Ltd | - | (2) | - | - | Contribution to expenses |
| | 35 | 35 | - | - | Membership fee |
| YHUA Ltd | (76) | (86) | (25) | - | Grant and research income |
| | 23 | 11 | 6 | - | Membership fee and levy |
| Other Organisations and Companies | | | | | |
| Barclays Bank Plc | 3,452 | 3,486 | 384 | 387 | Loan interest and repayments |
| | 17 | 10 | 4 | - | Bank charges |
| | (136) | (356) | (2) | (216) | Investment and research income |
| Barclays Mercantile Business Finance Ltd | 147 | 587 | - | - | Equipment lease payments |
| South Yorks Higher Education Dev. Trust | (206) | (206) | - | - | Rental of Biology building |
| University of Sheffield Union of Students | (3,049) | (2,771) | (231) | (159) | Payroll payment, other services provided and sundry purchases |
| | 2,881 | 2,720 | 51 | 28 | |
| | 1,052 | 963 | - | - | Annual subvention grant |
| Molecular Skincare Ltd | (331) | - | - | - | Research facilities agreement |

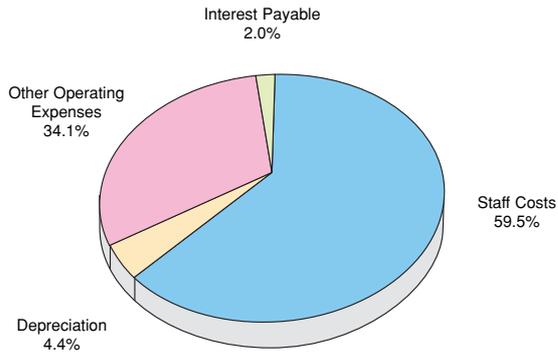
APPENDICES

COMPARATIVE STATISTICS

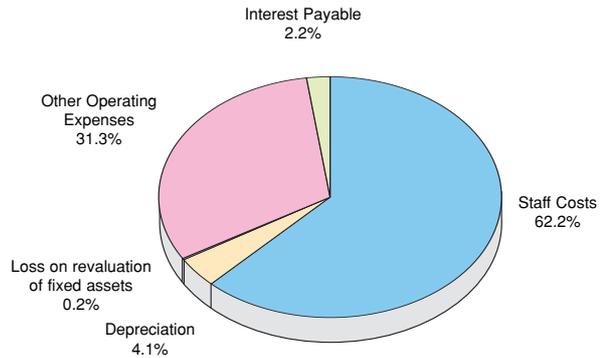
EXPENDITURE

Percentages of Expenditure analysed by Sources

2001/02

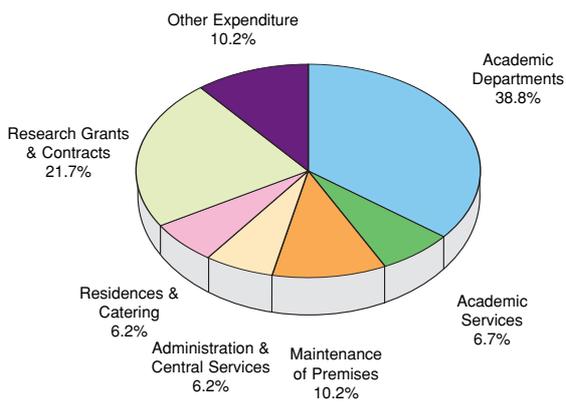


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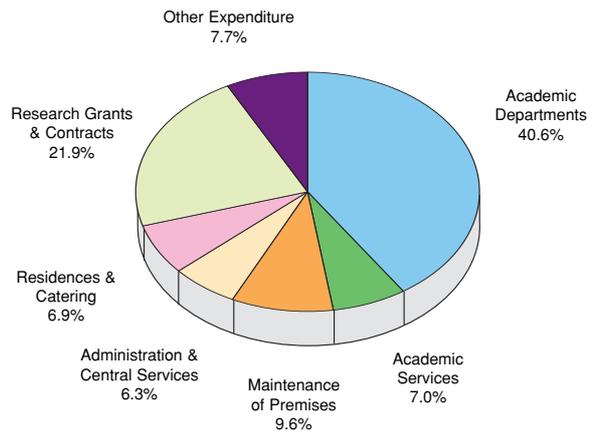


Percentages of Expenditure analysed by Activity

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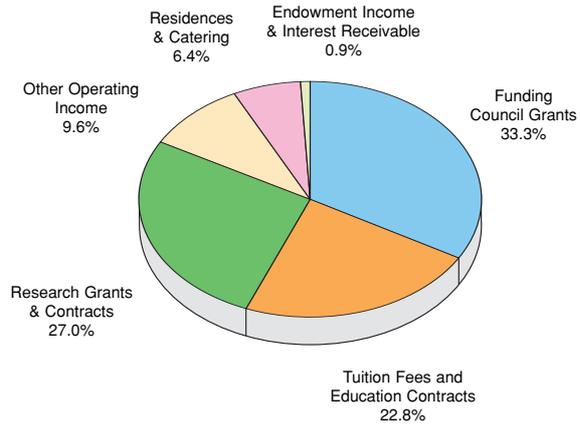
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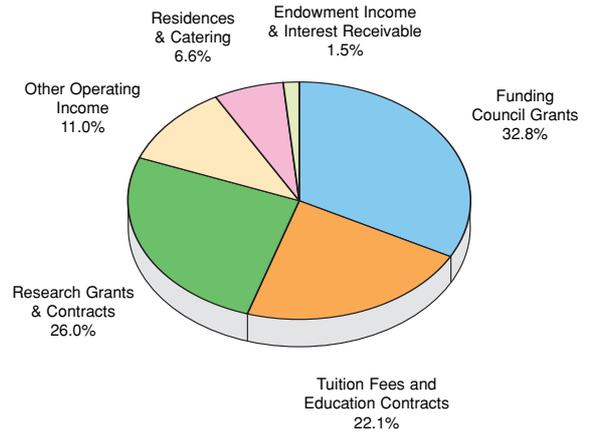
COMPARATIVE STATISTICS

Percentages of Income from Various Sources

2001/02

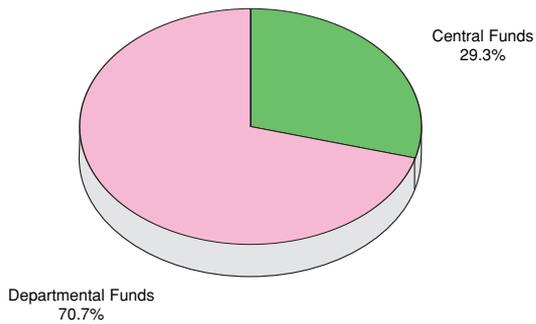


2000/01



Reserve Funds

2001/02



2000/01

