

The
University
Of
Sheffield.

Financial Statements 2004/05.



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Front Cover: View of Sheffield from Crookes (1923), by the Sheffield-born artist Stanley Royle, showing the University red-brick buildings in the centre ground of the picture. The other brick buildings to their right housed the mail order business of J.G.Graves, a generous benefactor to the University.

Report of the Treasurer

2004/05

Scope of the Financial Statements

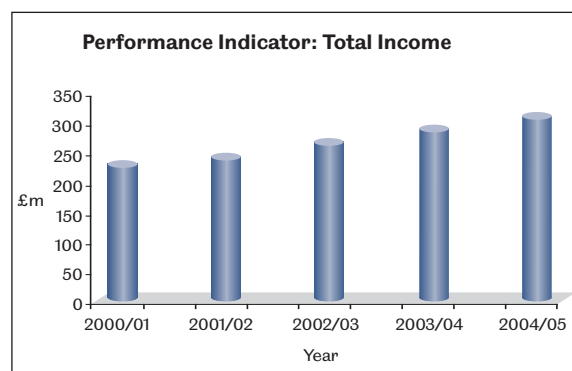
The Consolidated Financial Statements presented to the Council of the University cover all of the University's activities, including Research Grants and Contracts, Conference and Residential Services and Companies in which the University has an interest. These Companies are detailed in Note 32 to the Financial Statements.

Highlights of the Year

- Growth in total student numbers of 753 from 2003/04.
- The successful flotation of Biofusion plc's shares on the Alternative Investment Market. The flotation resulted in an overall market capitalisation of £28.2m. This enabled the Group to realise a deemed gain on disposal of these shares of £4.1m.
- The University appointed Bovis Lend Lease as its preferred partner to build and remain responsible for the upkeep of the new student residences in Endcliffe and Ranmoor. In addition, the plans for the site were granted approval by the City Council in May 2005. This development forms a key strand of the University's Student Residences Strategy.
- Continuing affirmation from Standard and Poor's of the University's long-term credit rating of AA-/stable.
- An indicative allocation of £29.1m was made by Higher Education Funding Council for England (HEFCE) under the Science Research Infrastructure Fund Round 3 (SRIF 3) funding stream.
- Two major capital projects were completed successfully during the year, the Informatics Collaboratory of the Social Sciences and the University Health Centre.

Financial Headlines

- Total income growth of 5.9% to £301.3m.
- Increased expenditure of 8.9% to £307.2m.
- Operating deficit of £2.8m.
- Historical cost surplus of £3.7m (1.2% of turnover).
- Capital expenditure of £43.5m.
- Pension Scheme Deficit of £39.4m.



Report of the Treasurer - Continued

Income and Expenditure Account

Total income increased by 5.9% over the previous year, to £301.3m with expenditure rising by 8.9% to £307.2m. This resulted in an operating deficit of £2.8m after allowing for investments in Joint Ventures and Associates, the loss on disposal of assets and profits on the sale of investments. On a historic cost basis after allowing for movements in the revaluation reserve there was a surplus of £3.7m (1.2%).

However, the extent of the Group profit recognised on the deemed disposal of investments (referred to below) is non-recurrent and masks an underlying deterioration in the operating results.

During the year the Biofusion business, which was established in 2002 to commercialise University generated intellectual property, successfully gained a listing of its shares on the Alternative Investment Market of the London Stock Exchange plc. This resulted in a market capitalisation of £28.2m of which the University now holds 49.6%. On flotation a deemed disposal arose as the University's shareholding was reclassified from subsidiary to associate status. The gain on this disposal is £4.1m and is recognised in full within the Income and Expenditure account.

The underlying operating deficit position has been affected by a fixed asset impairment and a provision for increased staff costs pertaining to the assimilation exercise under review of pay and reward structures. This is a disappointing result when compared with expectations, however the University remains committed to its growth strategy and this has continued during the year highlighted by the University's staffing levels and the capital programme. This strategy is driven by the University's intended market positioning as a University of choice following the introduction of variable tuition fees and the continuation of its strategy of providing market leading teaching and learning in a research led environment.

- Funding Council Grants increased by 9.7% to £102.5m, a large part of which was due to the increase in the HEFCE recurrent grant of £8.4m. This increase is predominantly due to funds under the Rewarding and Developing staff initiative of £3.9m (representing both additional funding and unspent balances brought forward from 2003/04), increased funding for research (£1.2m) and additional funds to support revised clinical pay and NHS pension costs (£1.5m). After adjustment for inflation, the baseline increase to the core grant was 1.5% for teaching and 4.1% for research.

- Tuition Fees and Education Contracts increased by 8.3% to £77.0m largely as a result of the home students market which is now worth £23.4m. The overseas student market income increased by 5.1% and is now worth £26.6m. The University has experienced low growth in overseas student recruitment when compared with expectations and this highlights the volatility of this important income stream. Research training support grants and other fees increased by 59.2% in the year to £7.2m. This growth is predominantly related to increases in doctoral training awards and is matched by expenditure in the year.
- Research Grants and Contracts income has increased by 9.6% to £77.6m which is in keeping with expectations. The majority of the increase is attributable to grant income from Research Councils. This includes £1.6m awarded for transitional funding under the Full Economic Costing initiative. Continuing growth in research income reflects the University's strong performance in the Research Assessment Exercise (RAE) although it is important to continue monitoring the source of these funding streams particularly in relation to any uncertainties surrounding the adoption of the Full Economic Costing methodology in September 2005.
- Staff costs increased during the year by 9.9% to £183.6m in part due to the larger staff base which has increased by 4.0% during the year in line with the continued investment policy. Market pressures on salaries continue and have resulted in above inflation salary increases and higher basic salaries for certain staff categories.

Changes to the University's pay structures included the NHS clinical pay award, which was backdated to April 2003 and had a non-recurrent impact of approximately £0.8m in 2004/05. In addition, staff costs include a £3.0m provision for the impact of the harmonisation of the pay and reward structure that is currently being finalised, relating to the period January to July 2005.

In general, inflationary increases represented a 3.0% increase to staff costs in addition to annual incremental rises. It can be seen that, together with the harmonisation of pay and reward structures, these increases are accelerating faster than the HEFCE baseline increase on core funding. This is unsustainable and highlights the need for the University to continue the diversification of its income streams in order to assist in strengthening its financial position and create headroom for future investment.

Report of the Treasurer - Continued

- Other operating expenses have increased by 4.4% in the year to £98.5m. This increase is partly due to the University incurring additional professional fees of £3.1m in relation to the Student Residences Strategy. These fees are fully expensed within the income and expenditure account. In addition, operating expenses in relation to Fellowships, Scholarships and Prizes have increased by £1.8m (14.4%).
- Depreciation is showing an upward trend due to the University's extensive capital programme and is partly offset by releases from deferred capital grants. Of this additional depreciation charge, £2.1m relates to a fixed asset impairment due to a write-down in the estimated market value of Humphry Davy House which was acquired during the year.

The subsequent additional recurrent operating and staff costs arising from the capital programme reinforce the need to continue the University's growth in marginal income streams to match the specific additional revenue costs.

Treasury and Investments

In addition to the deemed disposal arising from the flotation of Biofusion plc, the University restructured its Group holdings in the year and transferred some subsidiary and associate company holdings back into the University's direct ownership. This transfer was undertaken in order to maximise the efficiency of the Group's tax structure by utilising exemptions specifically available to a charity.

The strategy adopted by the University's investment managers, Sarasin Chiswell, has resulted in robust performance of the University's endowed assets during the year with market values increasing by £4.0m (15.0%), in keeping with strengthening market conditions and meeting the benchmarks they were set.

The rating agency, Standard and Poor's, has again confirmed the University's long-term credit rating as AA-/stable. This is an extremely pleasing outcome for the University and as in previous years, concerns about the deficit on the University of Sheffield Pension Scheme and the University's complex capital programme are balanced by the University's strong reputation and continued robust demand for its services.

During the year the University increased its revolving credit facility with Barclays Bank by £7.5m in order to fund the acquisition of Humphry Davy House. This

was in addition to further planned drawdowns on the facility to supplement the University's short-term liquidity requirements during the year. These requirements included a £10.0m three month drawdown in May 2005.

Cash Flow

Net cash inflow generated from operating activities increased by £14.1m over the year, largely due to movements in working capital such as the increase in creditors of £9.3m. However the Group reported an overall decrease in cash generation during the year of £2.8m. This is predominantly due to funding increasing levels of capital expenditure and a decline in the receipt of deferred capital grants arising from timing differences on grant claims.

The Group received £3.2m from the sale of peripheral properties as part of the overall Student Residences Strategy. However, this was insufficient to fund the overall drain on the Group's cash resources arising from capital expenditure and the operating results, and the Group's net debt rose by £6.9m to £43.9m.

Balance Sheet

The Group's net assets have increased by £28.4m (8.3%) in the year which was largely due to increases in the tangible fixed assets and investments, less the increase in creditors.

Capital expenditure in the year amounted to £35.2m on land and buildings and £8.3m on equipment. Set against this is depreciation of £18.1m and an impairment write-down of £6.2m. A full revaluation of the University's residential estate was undertaken in the year in line with the requirements of FRS 15, resulting in an increase of £14.2m to the existing asset values.

Fixed asset investments have increased by £5.0m in the year including the deemed cost of the Biofusion plc shares of £4.1m.

Debtors due within one year have increased mainly due to the research grant debtor of £1.6m for transitional funding under the Full Economic Costing initiative, countered by a general decrease in the level of other debtors.

Creditors due within one year have increased by £11.8m during the year. This increase includes accruals for the harmonisation of pay and reward structures of £3.0m, increased capital expenditure

Report of the Treasurer - Continued

accruals of £3.4m, payments received in advance on research grants of £2.6m and other creditors of £2.8m.

Provisions for Liabilities and Charges have decreased by £1.2m in the year, predominantly reflecting the utilisation of previous provisions made to cover early retirement and voluntary redundancy costs.

Capital Programme

The University was successful in the SRIF 3 funding round, receiving an indicative allocation of £29.1m from HEFCE. The bid submissions are currently being evaluated and include the Phase 1 development of the west side of the old Jessop Hospital. A master plan for the entirety of this site is currently under development and will include refurbishment of the listed Victorian building.

As in previous years the works in relation to the University's extensive capital programme continued to gather pace. In addition to the major capital projects completed during the year, works on the Biocubator project, which has a budget of £6.8m, progressed well with completion of the project in October 2005.

Work also continued on other major projects including the £16.8m Information Commons project (Learning Resource Centre), Phase 1 of which is due to be completed for operational use in November 2006. During the year work also commenced on the SRIF 2 funded projects which include the Integrated Biomedical Sciences Facility at the Royal Hallamshire Hospital and the relocation of the Nanoscale Science Facility.

During the year the University commenced work on upgrading its financial, payroll and Human Resource systems, with a preferred solution being offered by SAP. This is a £6.0m project with a planned first stage implementation during the 2005/06 financial year.



Prince Andrew at the opening of the Advanced Manufacturing Research Centre with Boeing.

The University's Residences strategy progressed steadily following the appointment of Bovis Lend Lease as the University's preferred partner for the re-development of the Endcliffe and Ranmoor sites and planning permission for the site was granted in May 2005. This momentum will continue during 2005/06 with the team working to discharge planning conditions in order to proceed toward the conclusion of contractual negotiations and the commencement of construction on site.

Pensions

The FRS 17 deficit on the University of Sheffield Pension Scheme for Non-Academic Staff increased by £9.3m during the year to £39.4m. This liability will be recognised on the face of the Group's balance sheet from 2005/06, together with the reversal of the prepayment debtor and will impact substantially on the University's reserves.

The increased employer's contributions arising from the previous full actuarial valuation in April 2002 have continued during the year but it is recognised that these enhanced contributions are not sustainable in the long term. The University is currently considering what changes need to be made to ensure the continuance of the scheme.

Conclusion

2004/05 has been another demanding year that has witnessed further steady progress toward the



Richard Roberts Building.

Report of the Treasurer - Continued

achievement of the University's academic strategy. It is generally acknowledged that whilst this is an exciting period within the sector, the need to continue the University's investment strategy places initial financial pressures on the University in order to meet student expectations and position itself as a University of choice within its market.

The University adopted a revised financial strategy in 2002/03 which included, inter alia, a target surplus of 3.0% of income and a current ratio of 1.2:1. The University needs to achieve these medium term targets in order to fund additional future investments and to provide the financial resilience implicit within this strategy.

The full impact of variable tuition fees will not be felt until 2008/09 and during this period the University must carefully manage its levels of investment in order to maintain a financially robust position. The decline in overseas tuition fees witnessed throughout the sector highlights the volatility of key income streams and underpins the need for the University to manage its expenditure whilst continually seeking to diversify its sources of income. In addition, the extensive capital programme will place further pressure on the University both in terms of the initial capital commitment and the additional recurrent operating costs arising from the new developments, which the University has to fund.

The Student Residences Strategy is one aspect of the University's long-term strategy and is both ambitious and key to the University's continuing success. This is an exciting development which will enable the University to continue to attract students by delivering the range and quality of accommodation they expect and which will also be of benefit to the wider City.

In August 2005 the University regretfully declined to continue to offer new pre-registration nurse and

midwife training from September 2006 following the outcome of tender negotiations with the South Yorkshire Strategic Health Authority. The University will continue to provide and increase provision of postgraduate programmes in nursing and midwifery, and to enhance its practice-related research programmes, the latter being rated internationally excellent with the equal highest ranking in the UK. However, the loss of the ongoing nursing and midwifery training is a disappointing result for the University and work will continue to seek to minimise the adverse financial impact.

The successful flotation of Biofusion plc's shares on the Alternative Investment Market reflected the realisation of the opportunities arising from the commercialisation of the University's intellectual property portfolio. It is anticipated that this model will continue to be developed in the coming years with the University's inherent investment being recognised within a quoted share price.

2005/06 will undoubtedly be another challenging year in terms of the University's financial management. The ongoing pressures arising from the University's investment strategy in terms of the capital programme and staff costs means that the University is unlikely to achieve its financial strategy targets in the short term. To achieve our desired robust and sustainable financial position, our income needs to grow faster than our expenditure. Currently, the opposite is true and there must be increasing focus from management on growing top line revenues without substantial cost increases.

Following the departure of Mr Euan McGregor in December 2004, I am delighted to welcome Mr Bob Rabone to the University as Director of Finance. Bob joined the University from the international law firm, Eversheds LLP, and commenced employment in June 2005. I look forward to working with him and his team as we continue to implement and manage the important changes that we, and the Higher Education sector as a whole, are facing.

KIM STANIFORTH
Treasurer



Firth Court.

Corporate Governance

The following statement is given to assist readers of the Financial Statements to obtain an understanding of the Governance and legal structure of the University of Sheffield.

The University is an independent corporation whose legal status derives from a Royal Charter granted in 1905. Its objectives, powers and governance framework are set out in the Charter and its supporting Statutes. The University's Charter requires the existence of the following three bodies whose main functions are detailed below.

The Senate

The Senate is the academic authority of the University, whose role is to direct and regulate the teaching and research work of the University. Its membership is drawn mainly from the academic staff of the University.

The Court

The Court is a large, formal body comprised mainly of lay members. Its membership is representative of the University and the community in which it is set. Court meets once per year to receive annual reports from Council and Senate, and to receive and consider the Annual Financial Statements of the University.

The Council

The University's Council is the governing body of the University, responsible for the management and administration of the University's business. Council membership 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. Much of the work of Council is carried out through formally constituted committees, including the following:

- 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 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 Chair of the Facilities Management Committee is Mr P Firth.
- The Strategic Planning Committee, 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 is constituted in line with guidance issued by HEFCE and contains both lay members of the University Council and co-optees with special expertise who are not on Council. Whilst senior executives attend meetings of the Audit Committee, they are not members of it. Both the External and Internal Auditors have independent access to the Committee, and vice versa. The Audit Committee is chaired by Mrs V Bayliss and is responsible for making recommendations to the governing body on the appointment of both the Internal and External auditors to the University. The Committee meets with the External Auditors to discuss their audit findings, and to review and approve the audit aspects of the annual Financial Statements; and it provides the governing body with its own opinions as required by the HEFCE Code. It also approves and influences the annual audit plan prepared by the University's Internal Auditors, and considers completed audit reports; these deal with recommendations for the improvement of the University's systems of internal control. The Committee also reviews management responses to audit reports and monitors implementation of recommendations. The Committee also receives and considers reports from HEFCE as they affect the University's business and monitors adherence to the regulatory requirements.
- The Human Resource Management Committee is chaired by Mr G H N Peel. It is responsible for considering recommendations to and from the Strategic Planning Committee and to make recommendations to the Council for new or revised Human Resource policies to support

Corporate Governance - Continued

overall strategic Human Resource objectives. The Human Resource Management Committee also approves procedures and receives and considers reports from the Director of Human Resource Management and the Director of the Staff Development Unit, including Annual Reports of meetings with Campus Unions.

Full Statement of Internal Control

1. As the governing body of the University of Sheffield the Council has 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 and Statutes and the Financial Memorandum with the HEFCE.
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 system of internal control is based on 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. This process has been in place for the year ended 31st July 2005 and up to the date of approval of the annual report and financial statements and accords with HEFCE guidance. The process is regularly reviewed by Council and accords with the Turnbull Guidance. The University has formally adopted the CUC (Committee of University Chairmen) Code which has the key motivation of improving effectiveness of governance structures and processes. The University's policy document on risk management, and its action plans for high level corporate risks, were formally approved by Council on 16th December 2002.
4. The following processes have been established:
 - a. The plans and strategic direction of the institution are specifically considered at one of the regular meetings of Council every year.
 - b. Council undertake an annual assessment for the purpose of making its public statement on internal controls. This assessment considers issues dealt with in the periodic reports received.
 - c. Council receives periodic reports from the Chairman of the Audit Committee concerning internal control and risk management.
 - d. Council has delegated to the Strategic Planning Committee the responsibility to oversee the management of strategic risks.
 - e. The Audit Committee receives regular reports from Internal Audit, which include Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement. The Audit Committee may also request additional reports to gain assurance from other parties on areas of concern.
 - f. A series of facilitated risk management workshops have been held which have encompassed Senior Management Group, Central Services, Heads of Departments and Heads of Academic Departments. Issues addressed have included the cascading of the management of risk at departmental level.
 - g. A risk prioritisation methodology based on risk ranking has been established.
 - h. An organisation-wide risk register is maintained for corporate level risks.
 - i. A reporting structure has been implemented whereby high-level strategic opportunities and risks are overseen by Strategic Planning Committee and reported to Council. Senior Management Group receives reports on the action taken on all corporate level risks, along with suggestions for additions to and deletions from the risk register.
5. The Institution has contracted its internal audit function to an external provider, which operates to standards defined in the HEFCE Audit Code of Practice and whose work is subject to review for effectiveness by the HEFCE Audit Service. The provider's supervising partner for the assignment functions as the institution's Head of Internal Audit. The internal auditors submit regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.
6. Our review of the effectiveness of the system of internal control is informed by the work of Internal Audit and by 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 is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

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 Auditors to the Council of the University of Sheffield

We have audited the Financial Statements on pages 12 to 16, which comprise the consolidated income and expenditure account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

This report is made solely to the Council, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's 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 Council, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University's Council and the auditors

The University's Council is responsible for preparing the Financial Statements. 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: 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, 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 funding agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the Council/ Board of Governors' 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 our 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 cover 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 aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board 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 University's Council in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that 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:

- the Financial Statements give a true and fair view of the state of affairs of the University (and the Group) at 31st July 2005 and of the Group's deficit of income over expenditure, recognised gains and losses and cashflows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31st July 2005 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31st July 2005 has been applied in accordance with the University's Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.

KPMG LLP
Chartered Accountants and Registered Auditors

19th December 2005

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 and buildings, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and applicable accounting standards.

2. Recognition of Income

Income from 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 endowment asset investments and from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

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.

3. Basis of Consolidation

The consolidated Financial Statements include the Financial Statements of the University and all subsidiary undertakings, with the exception of Sheffield Advisory Services Ltd, the results of which are not material. In accordance with FRS2 the results of Sheffield University Students' Union have not been consolidated as the University does not control its activities.

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 Second Pension (S2P). 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.

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 is treated as a finance charge and 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 the income and expenditure account as they are incurred.

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 - open market value on a 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 on 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.

An interim valuation of the University's halls of residence was carried out on 31st July 2003 by Knight Frank plc. An interim valuation of the University's other residential properties was carried out on 31st July 2003 by Eadon, Lockwood & Riddle.

An interim valuation of academic, office, ancillary and support buildings was carried out on 31st July 2004 by Gerald Eve, Chartered Surveyors.

A full valuation of the University's halls of residence and other residential properties was carried out on 31st July 2005 by Knight Frank plc.

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

Statement of Principal Accounting Policies

- Continued

leasehold land over the life of the lease. Refurbishments are depreciated over their expected useful lives, up to a maximum of 20 years.

Specialised short-life assets, for example synthetic sports pitches, are depreciated over their expected useful lives up to a maximum of seven years.

Depreciation is charged against individual assets as soon as their full, unrestricted use becomes available to the University. In the year of acquisition, the depreciation charged against the asset is in proportion to the part of the year the asset is available for use.

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 a fixed asset may not be recoverable. Where assets funded by deferred capital grants are impaired, the related deferred capital grant is released to income.

8. Equipment

Equipment, including 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 an expected useful life of five years, with the exception of equipment acquired for specific research projects, which is depreciated over the average project life of three years.

Depreciation is charged against individual assets as soon as their full, unrestricted use becomes available to the University. In the year of acquisition, the depreciation charged against the asset is in proportion to the part of the year the asset is available for use.

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.

Donated equipment is capitalised at its market value and depreciated over five years.

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 and certificates of deposit 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.

The University's commercial activities are generally contained within its subsidiary undertakings, and are subject to taxation in the same way as those of commercial organisations generally.

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 2005

	Note	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
INCOME			
Funding Council Grants	1	102,472	93,393
Tuition Fees and Education Contracts	2	77,025	71,102
Research Grants and Contracts	3	77,623	70,855
Other Income	4	41,769	46,762
Endowment and Investment Income	5	2,452	2,311
Total Income (Excluding Joint Ventures' turnover of £263K (2004: £211K))		301,341	284,423
EXPENDITURE			
Staff Costs	6	183,631	167,112
Other Operating Expenses	7	98,475	94,341
Depreciation	12	20,398	16,164
Interest Payable	8	4,687	4,399
Total Expenditure		307,191	282,016
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation and Before Tax - Group		(5,850)	2,407
- Joint ventures		(3)	65
- Associates		(32)	63
Profit on Sale of Investments		4,043	0
Profit/(Loss) on Disposal of Assets		(498)	38
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before Tax		(2,340)	2,573
Taxation	10	4	(5)
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax		(2,336)	2,568
Minority Interests		50	64
Transfer to Accumulated Income within Specific Endowments		(466)	(252)
Surplus/(Deficit) on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and After Tax and Minority Interests		(2,752)	2,380

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

Consolidated Statement of Historical Cost Surpluses and Deficits

For the Year Ended 31st July 2005

	Note	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
Surplus/(Deficit) on Continuing Operations after Tax, Minority Interests and Transfers to Endowments		(2,752)	2,380
Difference Between Historical Cost Depreciation and the Actual Charge for the Year Calculated on the Revalued Amount	22	3,216	3,181
Realisation of Property Revaluation Gains of Previous Years	22	3,051	226
Gains on Investments	22	185	-
Historical Cost Surplus After Tax, Minority Interests and Transfers to Endowments		3,700	5,787

Statement of Consolidated Total Recognised Gains and Losses

For the Year ended 31st July 2005

	Note	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
Surplus/(Deficit) on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets, Tax and Transfers to Endowments		(2,752)	2,380
Unrealised Surplus on Revaluation of Fixed Assets	22	17,168	15,175
Unrealised Surplus on Disposal of Fixed Asset Investments		652	–
Appreciation of Endowment Asset Investments	21	3,993	624
Appreciation of Fixed Asset Investments	22	587	253
Endowment Income Retained For Year	21	466	252
New Endowments Less Realisations	21	(386)	(296)
Total Recognised Gains Relating to the Period		19,728	18,388
Reconciliation			
Opening Reserves and Endowments		248,235	229,847
Total Recognised Gains for the Year		19,728	18,388
Closing Reserves and Endowments		267,963	248,235

Balance Sheet

at 31st July 2005

	Note	Group at 31st July 2005 £000	University at 31st July 2005 £000	Group at 31st July 2004 £000	University at 31st July 2004 £000
FIXED ASSETS					
Tangible Assets	12	414,579	368,308	378,955	378,947
Investments	13	9,809	53,879	4,840	4,424
		424,388	422,187	383,795	383,371
ENDOWMENT ASSETS					
	21	31,589	31,589	27,516	27,516
Debtors: Due after more than One Year	14	11,347	11,347	9,436	9,436
CURRENT ASSETS					
Stock		314	288	345	345
Debtors	15	32,536	34,661	32,809	32,627
Investments		13,894	13,894	18,150	17,625
Cash at Bank and in Hand		5,239	1,761	8,840	8,588
		51,983	50,604	60,144	59,185
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(73,307)	(75,768)	(61,509)	(60,619)
NET CURRENT LIABILITIES		(21,324)	(25,164)	(1,365)	(1,434)
TOTAL ASSETS LESS CURRENT LIABILITIES		446,000	439,959	419,382	418,889
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(61,396)	(61,348)	(61,939)	(61,918)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(9,651)	(9,651)	(10,870)	(10,545)
NET ASSETS		374,953	368,960	346,573	346,426

Balance Sheet

at 31st July 2005

	Note	Group at 31st July 2005 £000	University at 31st July 2005 £000	Group at 31st July 2004 £000	University at 31st July 2004 £000
DEFERRED CAPITAL GRANTS	20	107,000	107,000	98,412	98,412
ENDOWMENTS					
Specific	21	24,430	24,430	21,381	21,381
General	21	7,159	7,159	6,135	6,135
		31,589	31,589	27,516	27,516
RESERVES					
Revaluation Reserve	22	192,491	186,809	181,188	180,629
General Reserve	23	43,883	43,562	39,531	39,869
		236,374	230,371	220,719	220,498
MINORITY INTERESTS					
		(10)	–	(74)	–
TOTAL FUNDS		374,953	368,960	346,573	346,426

The Financial Statements on pages 12 to 36 were approved by the Council on 19th December 2005 and were signed on its behalf by:

Mr A M C STANIFORTH, Treasurer

Professor R F BOUCHER, Vice-Chancellor

Mr R RABONE, Director of Finance

The University of Sheffield

Consolidated Cash Flow Statement

For the year ended 31st July 2005

	Note	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
CASH FLOW FROM OPERATING ACTIVITIES	24	21,277	7,193
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	(2,626)	(2,401)
TAXATION	10	4	(5)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	26	(25,546)	(9,157)
MANAGEMENT OF LIQUID RESOURCES		4,256	(8,094)
FINANCING	27	(555)	12,048
DECREASE IN CASH IN THE PERIOD	28	(3,190)	(416)

Note of Movement in Cash Available on Demand and Short-Term Deposits

	Movement in Year
DECREASE IN SHORT-TERM DEPOSITS	(4,256)
DECREASE IN CASH AT BANK AND CALL ACCOUNTS	(3,190)
TOTAL DECREASE IN CASH AND LIQUID RESOURCES	(7,446)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
DECREASE IN CASH IN THE PERIOD		(3,190)	(416)
INCREASE/(DECREASE) IN SHORT-TERM DEPOSITS		(4,256)	8,094
RECLASSIFICATION OF FUNDS HELD IN ESCROW		–	5,422
CASH INFLOW FROM REVOLVING CREDIT FACILITY		(2,500)	(15,000)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		3,083	2,952
MOVEMENT IN NET DEBT IN PERIOD		(6,863)	1,052
NET DEBT AT 1st AUGUST		(37,015)	(38,067)
NET DEBT AT 31st JULY	28	(43,878)	(37,015)

Notes to the Financial Statements

Note 1: Funding Council Grants

1

Recurrent Grant

Specific Grants

Teacher Training Agency Grant

Rewarding and Developing Staff

Knowledge Exchange

Student Support Funding

Higher Education Reach Out to Business and Community

Other

Deferred Capital Grants Released in Year

Buildings (Note 20)

Equipment (Note 20)

Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
93,108	84,692
843	741
2,838	2,207
356	314
161	339
134	290
1,801	1,289
2,309	2,020
922	1,501
102,472	93,393

Note 2: Tuition Fees and Education Contracts

2

Home Full-time Undergraduate Students

Home Full-time Postgraduate Students

Home Part-time Students

Overseas Students

NHS Education Contracts

Research Training Support Grants and Other Fees

14,900	13,974
6,256	6,031
2,204	2,363
26,553	25,261
19,912	18,950
7,200	4,523
77,025	71,102

Note 3: Research Grants and Contracts

3

Research Councils

UK Based Charities

European Commission

Other Grants and Contracts

Release from Deferred Capital Grants (Note 20)

29,595	24,548
14,236	12,307
4,700	5,191
25,423	25,138
3,669	3,671
77,623	70,855

Note 4: Other Income

4

Residences, Catering and Conferences

Other Services Rendered

Health Authorities

Releases from Deferred Capital Grants (Note 20)

Other Income

17,282	17,040
9,249	8,344
6,308	5,975
2,287	2,646
6,643	12,757
41,769	46,762

Notes to the Financial Statements – Continued

Note 5: Endowment and Investment Income

5

Income from Specific Endowment Asset Investments (Note 21)
 Income from General Endowment Asset Investments (Note 21)
 Profit on Disposal of Fixed Asset Investments
 Other Investment Income

Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
464	901
188	252
–	19
1,800	1,139
2,452	2,311

Note 6: Staff

6

Staff Costs:

Wages and Salaries
 Social Security Costs
 Other Pension Costs (Note 29)

152,764	138,942
12,969	11,826
17,898	16,344
183,631	167,112

Emoluments of the Vice-Chancellor included above:

Salary
 Benefits in Kind

 Pension Contributions
 Total

190	171
3	3
193	174
27	24
220	198

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. Included in these amounts are the NHS clinical pay award, which was backdated to April 2003 and has a non-recurrent impact of approximately £0.8m in 2004/05.

	Number	Number
£70,000-£79,999	56	50
£80,000-£89,999	22	22
£90,000-£99,999	14	9
£100,000-£109,999	11	18
£110,000-£119,999	7	7
£120,000-£129,999	18	6
£130,000-£139,999	10	4
£140,000-£149,999	9	5
£150,000-£159,999	4	–
£160,000-£169,999	1	1
£170,000-£179,999	2	–
£180,000-£189,999	2	–
£190,000-£199,999	2	–
£200,000-£209,999	1	–

Payments totalling £109,657 were made as compensation for loss of office to a higher paid member of staff.

Notes to the Financial Statements – Continued

Note 6: Staff (continued)

6

	Year Ended 31st July 2005		Year Ended 31st July 2004	
	Number of staff	Number of FTEs	Number of staff	Number of FTEs
Academic	2,385	2,256	2,283	2,154
Academic Services	433	365	441	370
Central Administration and Services	529	483	482	439
Premises	529	381	540	384
Research, Grants and Contracts	1,543	1,411	1,489	1,370
Residences, Catering and Conferences	428	279	434	274
Staff and Student Facilities	136	113	115	95
	5,983	5,288	5,784	5,086

Note 7: Other Operating Expenses

7

	£000	£000
Consumables and Laboratory Expenditure	11,535	11,247
Books and Periodicals	2,420	2,451
Printing, Stationery and Postage	3,700	2,947
Rates	945	875
Fellowships, Scholarships and Prizes	14,353	12,540
Furniture and Equipment	9,952	9,678
Heat, Light, Water and Power	5,212	4,788
Repairs and General Maintenance	10,416	10,048
Grants to University of Sheffield Students' Union	1,202	1,192
Rents	1,077	1,877
Auditors' Remuneration	96	60
Auditors' Remuneration in Respect of Non-Audit Services	445	264
Professional Fees	10,574	7,053
Provision for Bad & Doubtful Debts	(2,643)	1,040
Administrative Expenses	6,039	5,964
Travel & Subsistence Expenses	6,213	5,534
Payments to Non-Contracted Staff	11,261	10,933
Conference and Meeting Expenditure	1,389	1,125
Professional Subscriptions	915	623
Restructuring Costs and Redundancy Payments	859	414
Other Expenses	2,515	3,688
	98,475	94,341

Note 8: Interest Payable and Similar Charges

8

Loans wholly repayable within five years	454	93
Loans not wholly repayable within five years	4,202	4,259
Finance Leases	31	47
	4,687	4,399
Interest Receivable and Similar Income		
Bank Interest	45	–
Interest from Group Companies	69	–
Other Interest and Similar Income	74	–
	188	–

Notes to the Financial Statements – Continued

Note 9: Analysis of 2004/05 Expenditure by Activity

9

	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	100,629	1,311	17,030	–	118,970
Academic Services	10,212	268	7,794	–	18,274
Central Administration & Services	11,707	39	10,273	–	22,019
General Educational Expenditure	2,548	–	8,585	–	11,133
Staff and Student Facilities	3,776	364	3,154	98	7,392
Research Grants and Contracts	35,951	3,679	22,517	–	62,147
Residences, Catering and Conferences	5,962	2,658	8,324	1,817	18,761
Premises	7,368	11,697	15,218	2,728	37,011
Other Expenses	5,478	382	5,580	44	11,484
	183,631	20,398	98,475	4,687	307,191

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 20)	9,187
Revaluation Reserve Released (Note 22)	3,216
General Income	7,995
	20,398

Note 10: Taxation

10

United Kingdom Corporation Tax – Group

Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
(4)	5

No provision has been made for deferred tax on the revaluation reserve relating to the potential profits in the University Group following the intra-group transfer of certain of the University's properties referred to at Note 12.

Revaluation reserve on intra-group transfer of properties

Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
8,730	0
8,730	0

Total

Note 11: Surplus on Continuing Operations for the Period

11

The surplus on continuing operations for the period is made up as follows:

University's Surplus/(Deficit) for the Period
Consolidation of Subsidiary Companies

Group Surplus for the Period

Share of Associates' and Joint Ventures' Surplus/(Deficit)

Surplus/(Deficit) on Continuing Operations Before Tax

Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
(3,771)	2,547
1,467	(102)
(2,304)	2,445
(36)	128
(2,340)	2,573

Notes to the Financial Statements – Continued

Note 12: Tangible Assets (Consolidated)

	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000	Total £000
	Freehold £000	Long Leasehold £000				
Valuation/Cost						
At 1st August 2004						
Valuation	228,561	22,080	–	360	–	251,001
Cost	87,395	46	45,424	49,141	6,797	188,803
Additions at Cost	3,795	13,688	17,759	8,306	–	43,548
Transfers	42,707	–	(42,707)	–	–	0
Gain on Revaluation	13,895	1,480	–	–	–	15,375
Loss on Revaluation	(2,104)	(967)	–	–	–	(3,071)
Impairment Write-Down	–	–	–	–	–	–
Disposals						
Valuation	(4,022)	(965)	–	–	–	(4,987)
Cost	–	–	–	–	–	–
At 31st July 2005						
Valuation	236,330	21,628	–	360	–	258,318
Cost	133,897	13,734	20,476	57,447	6,797	232,351
Depreciation						
At 1st August 2004						
	19,135	453	–	35,358	5,903	60,849
Charge for Year	11,967	415	–	5,456	257	18,095
Impairment Write-Down	3,448	2,807	–	–	–	6,255
Revaluation	(7,796)	(1,166)	–	–	–	(8,962)
Eliminated on Disposals	(108)	(39)	–	–	–	(147)
At 31st July 2005						
	26,646	2,470	–	40,814	6,160	76,090
Net Book Value						
At 31st July 2005						
	343,581	32,892	20,476	16,993	637	414,579
At 1st August 2004						
	296,821	21,673	45,424	14,143	894	378,955

Buildings with a net book value of £104,096,708 and cost of £75,915,036 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.

Notes to the Financial Statements – Continued

Note 12: Tangible Assets (University)

12

	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000	Total £000
	Freehold £000	Long Leasehold £000				
Valuation/Cost						
At 1st August 2004						
Valuation	228,561	22,080	–	360	–	251,001
Cost	87,395	46	45,424	48,989	6,797	188,651
Additions at Cost	3,795	13,688	17,759	8,423	–	43,665
Transfers	42,707	–	(42,707)	–	–	0
Gain on Revaluation	10,120	600	–	–	–	10,720
Loss on Revaluation	(822)	(17)	–	–	–	(839)
Impairment Write-Down	–	–	–	–	–	–
Disposals						
Valuation	(34,136)	(15,730)	–	–	–	(49,866)
Cost	–	–	–	–	–	–
At 31st July 2005						
Valuation	203,723	6,933	–	360	–	211,016
Cost	133,897	13,734	20,476	57,412	6,797	232,316
Depreciation						
At 1st August 2004						
	19,135	453	–	35,214	5,903	60,705
Charge for Year	11,530	226	–	5,593	257	17,606
Impairment Write-Down	5,244	2,807	–	–	–	8,051
Revaluation	(4,057)	(92)	–	–	–	(4,149)
Eliminated on Disposals	(6,534)	(655)	–	–	–	(7,189)
At 31st July 2005						
	25,318	2,739	–	40,807	6,160	75,024
Net Book Value						
At 31st July 2005						
	312,302	17,928	20,476	16,965	637	368,308
At 1st August 2004						
	296,821	21,673	45,424	14,135	894	378,947

Buildings with a net book value of £104,096,708 and cost of £75,915,036 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.

During the year the University transferred its residential property disposal portfolio to Escafeld Estates Ltd (a wholly owned subsidiary of the University of Sheffield) in order to minimise an adverse tax position on the portfolio disposal. This transfer is reflected in the University's balance sheet through the reduction in tangible fixed assets and corresponding increase in fixed asset investments. In addition, the increase in the University's fixed asset investments reflects the share valuation of the University's subsidiary holdings on transfer back to the University's direct ownership.

Notes to the Financial Statements – Continued

Note 13: Fixed Asset Investments

13

	Group Year Ended 31st July 2005 £000	University Year Ended 31st July 2005 £000	Group Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000
Balance at 1st August	4,840	4,424	9,938	9,803
Additions	5,272	49,095	1	–
Disposals	(1,134)	(2,455)	–	–
Other Net Gains/(Losses)	113	–	126	–
Transferred to Short-term Deposits	–	–	(5,422)	(5,422)
Loans to Associate Companies	–	2,430	–	–
Write Off of Loan to Subsidiary Company	–	–	–	(50)
Repayment of Loan to Subsidiary Company	–	(333)	–	(25)
Appreciation on Revaluation	718	718	197	118
	9,809	53,879	4,840	4,424
Represented By:				
Fixed Interest Stocks	833	833	804	804
Unit Trusts	825	825	918	918
Equities	8,065	45,478	3,033	2,344
Merger Reserve	–	4,287	–	–
Loans to Subsidiary Companies	–	2,370	–	273
Cash	86	86	85	85
Total Fixed Asset Investments	9,809	53,879	4,840	4,424
Fixed Interest and Equities at Cost and Bank Balances	4,522	49,259	1,632	2,544

The additions figure for the University includes £47.4m, representing the University's in-year investment in Escafeld Estates. This element is eliminated on consolidation as the assets concerned revert to the Consolidated Balance Sheet as tangible fixed assets, rather than investments.

The additions figure for the Group includes £4.0m relating to the Group's share of Biofusion plc's net assets following flotation. This floatation yielded funds of £8.2m and the resultant dilution in shareholding transformed Biofusion from a University subsidiary to an associate in year. As a result of this deemed disposal, £4.1m is also recognised in the Income and Expenditure account included within Profit on Sale of Investments.

Note 14: Debtors

14

Amounts falling due after one year:
Prepayment:
University of Sheffield Pension Scheme

	11,347	11,347	9,436	9,436
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Note 15: Debtors

15

Amounts falling due within one year:
Debtors
Prepayments and Accrued Income

	30,404	32,545	29,704	29,549
	2,132	2,116	3,105	3,078
	32,536	34,661	32,809	32,627

Notes to the Financial Statements – Continued

Note 16: Creditors: Amounts falling due within one year

16

	Group Year Ended 31st July 2005 £000	University Year Ended 31st July 2005 £000	Group Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000
Bank Loans and Overdrafts	2,865	2,793	2,893	2,793
Obligations Under Finance Leases	276	276	262	262
Payments Received in Advance	28,761	28,211	25,192	25,192
Creditors	18,317	21,415	18,014	17,874
Social Security and Other Taxation Payable	4,582	4,582	4,066	4,048
Accruals	18,399	18,384	10,969	10,339
Corporation Tax	–	–	2	–
Amounts Owed to Funding Councils	107	107	111	111
	73,307	75,768	61,509	60,619

Note 17: Creditors: Amounts falling due after more than one year

17

Unsecured Loans Repayable:				
Between One and Two Years	2,793	2,793	2,793	2,793
Between Two and Five Years	25,879	25,879	23,379	23,379
In Five Years or more	32,441	32,441	35,234	35,234
Finance Leases Repayable:				
Between One and Two Years	235	235	276	276
Between Two and Five Years	–	–	236	236
Creditors	48	–	21	–
	61,396	61,348	61,939	61,918

Note 18: Borrowings

18

Summary of University Bank Borrowing at 31st July 2005

Institution	Date	Term	Type	Due within one year £000	Due in more than one year £000
Royal Bank of Scotland	31st May 1996	25 years	Term loan	1,417	21,253
Barclays	15th August 1997	25 years	Term loan	1,376	22,360
Barclays	22nd June 2004	up to 5 years	Revolving Credit Facility	–	17,500
				2,793	61,113

Notes to the Financial Statements – Continued

Note 19: Provisions for Liabilities and Charges

19

Consolidated

At 1st August 2004	
Utilised in Year	
Transfer from Income and Expenditure Account	
At 31st July 2005	

University

At 1st August 2004	
Utilised in Year	
Transfer from Income and Expenditure Account	
At 31st July 2005	

Pensions £000	Early Retirement Costs £000	Other £000	Total £000
3,242	7,144	484	10,870
(420)	(1,404)	(340)	(2,164)
468	529	(52)	945
3,290	6,269	92	9,651
3,242	7,144	159	10,545
(420)	(1,404)	(15)	(1,839)
468	529	(52)	945
3,290	6,269	92	9,651

The provision for pensions relates to ex-gratia benefits. Further details are provided in Note 29. The provision for early retirement is the estimated liability that will arise from agreed early retirements under the University's restructuring arrangements.

Note 20: Deferred Capital Grants

20

At 1st August 2004

Buildings	
Equipment	
Total	

Cash Received

Buildings	
Equipment	
Total	

Released to Income and Expenditure

Buildings (Notes 1, 3 and 4)	
Equipment (Notes 1, 3 and 4)	
Total (Note 9)	

At 31st July 2005

Buildings	
Equipment	
Total	

Consolidated and University

Funding Council £000	Other Grants & Benefactions £000	Total £000
34,228	46,998	81,226
11,368	5,818	17,186
45,596	52,816	98,412
7,413	3,557	10,970
3,389	3,416	6,805
10,802	6,973	17,775
2,309	2,307	4,616
922	3,649	4,571
3,231	5,956	9,187
39,332	48,248	87,580
13,835	5,585	19,420
53,167	53,833	107,000

Notes to the Financial Statements – Continued

Note 21: Endowments

21

At 1st August 2004	
New Endowments Received	
Realisations	
Appreciation of Endowment Asset Investments	
Income for Year (Note 5)	
Expenditure for Year	
At 31st July 2005	

Fellowships and Scholarship Funds	
Prize Funds	
Chairs and Lectureship Funds	
Other Funds	

Consolidated and University		
Specific £000	General £000	Total £000
21,381	6,135	27,516
53	–	53
(439)	–	(439)
2,969	1,024	3,993
930	188	1,118
(464)	(188)	(652)
24,430	7,159	31,589
10,776	–	10,776
1,026	–	1,026
3,075	–	3,075
9,553	7,159	16,712
24,430	7,159	31,589

The value of Endowments at 31st July 2005 was represented by:

Fixed Interest Stocks	4,968
Unit Trusts	4,608
Equities	20,026
Land and Property	49
Bank Balances	1,938
Total Endowment Asset Investments	31,589

Note 22: Revaluation Reserve

22

Balance at 1st August – Tangible Assets				
– Investments				
Revaluation in Year – Tangible Assets				
– Investments				
Released to Income & Expenditure Account on Sale of Tangible Asset				
Released to Income & Expenditure Account on Sale of Investment				
Contribution to Depreciation				
Balance at 31st July 2005 – Tangible Assets				
– Investments				

Consolidated Year Ended 31st July 2005 £000	University Year Ended 31st July 2005 £000	Consolidated Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000
178,873	178,873	167,105	167,105
2,315	1,756	2,062	1,642
181,188	180,629	169,167	168,747
17,168	9,933	15,175	15,175
587	587	253	114
(3,051)	(1,482)	(226)	(226)
(185)	(75)	–	–
(3,216)	(2,783)	(3,181)	(3,181)
189,774	184,541	178,873	178,873
2,717	2,268	2,315	1,756
192,491	186,809	181,188	180,629

Notes to the Financial Statements – Continued

Note 23: General Reserve

23

	Group Year Ended 31st July 2005 £000	University Year Ended 31st July 2005 £000	Group Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000
Balance at 1st August	39,531	39,869	33,744	34,167
Surplus after Depreciation of Assets and Taxation	(2,752)	(4,936)	2,380	2,295
Release from Revaluation Reserve	6,452	4,340	3,407	3,407
Historical Cost Surplus after Tax	3,700	(596)	5,787	5,702
Unrealised Profit on Disposal of Fixed Assets	652	4,289	–	–
Balance at 31st July	43,883	43,562	39,531	39,869

Note 24: Reconciliation of Consolidated Operating Surplus to Net Cash Inflow from Operating Activities

24

	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
Surplus before Tax and Transfers to Endowments	(2,536)	2,573
Depreciation (Note 12)	20,398	16,164
(Profit)/Loss on Disposal of Assets	562	(38)
Deferred Capital Grants Released to Income (Note 20)	(9,187)	(9,838)
Investment Income	(2,222)	(2,236)
Interest Payable	4,964	4,385
(Increase)/Decrease in Stocks	31	(21)
(Increase)/Decrease in Debtors	(1,638)	(4,606)
Increase in Creditors	11,799	2,537
Increase/(Decrease) in Provisions	(894)	(1,727)
Net Cash Inflow from Operating Activities	21,277	7,193

Note 25: Returns on Investments and Servicing of Finance

25

	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
Income from Endowments	1,193	859
Income from Short-Term Investments	1,145	1,139
Interest Paid	(4,933)	(4,352)
Interest Element of Finance Lease Rental Payments	(31)	(47)
Net Cash Outflow from Returns on Investments and Servicing of Finance	(2,626)	(2,401)

Notes to the Financial Statements – Continued

Note 26: Capital Expenditure and Financial Investment

26

	Year Ended 31st July 2005 £000	Year Ended 31st July 2004 £000
Tangible Assets Acquired (Other than Leased Equipment)	(43,548)	(40,511)
Fixed Asset Investments Acquired	(4,255)	–
Endowment Asset Investments Acquired	331	266
Total Fixed and Endowment Asset Investments Acquired	(47,472)	(40,245)
Receipts from Sales of Fixed Assets	4,071	271
Deferred Capital Grants Received	17,775	30,865
Utilisation of Endowment Fund Balances	411	218
Endowments Received	(331)	(266)
Net Cash Outflow from Capital Expenditure and Financial Investment	(25,546)	(9,157)

Note 27: Analysis of Changes in Financing during the Year

27

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balance at 1st August 2003	1,032	51,993	53,025
New Leases/Loans	–	15,100	15,100
Capital Repayments	(259)	(2,793)	(3,052)
Net Amount Acquired in Year	(259)	12,307	12,048
Balance at 31st July 2004	773	64,300	65,073
New Leases/Loans	–	17,500	17,500
Capital Repayments	(262)	(17,793)	(18,055)
Net Amount Acquired in Year	(262)	(293)	(555)
Balances at 31st July 2005	511	64,007	64,518

Note 28: Analysis of Changes in Net Debt

28

	At 1st August 2004 £000	Cash Flows £000	Other Changes £000	At 31st July 2005 £000
Cash at Bank and in Hand:				
Endowment Assets	1,101	411	–	1,512
Other	2,570	1,331	–	3,901
Deposits Repayable on Demand	6,237	(4,932)	–	1,305
Overdrafts	–	–	–	0
Total Cash at Bank and in Hand	9,908	(3,190)	–	6,718
Short-Term Deposits	18,150	(4,256)	–	13,894
Debt Due Within One Year	(3,155)	3,083	(3,069)	(3,141)
Debt Due After One Year	(61,918)	(2,500)	3,069	(61,349)
Total	(37,015)	(6,863)	–	(43,878)

Notes to the Financial Statements – Continued

Note 29: Pension Schemes

29

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 Second Pension (S2P) 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 cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March 2002. The assumptions which have the most significant effect on the result of the valuation are shown below. The valuation was carried out using the projected unit method. At the valuation date the value of the assets of the scheme was £19,938m and the value of past service liabilities was £19,776m, leaving a surplus of assets of £162m. The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5m of the surplus. This left a past service surplus of £79.5m (including the Supplementary Section) to be carried forward. Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The above rates will be reviewed when the results of the formal actuarial valuation which took place at 31st March 2005 are known.

(ii) The University of Sheffield Pension Scheme (1975) (USPS) provides for all non-academic staff. The latest actuarial valuation was carried out as at 1st April 2002. The assumptions used for that valuation, and the main results, are shown in the table below. Contributions were made during the year at the rate of 18.2% of pensionable salaries. The pension cost charge for the year for accounting purposes assessed by the actuary was £3.0m (2004: £3.1m). At 31st July 2005 there was a pension prepayment of £11.3m (2004: £9.4m).

The other two schemes are firstly the Federated Superannuation System for Universities (FSSU), a money purchase scheme contracted into the State Second Pension (S2P), 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 Second Pension (S2P), 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.

Latest actuarial valuations	USS		USPS
	31st March 2002	Past Service	1st April 2002
Actuarial Assumptions:	Future Service	Liabilities	
Investment return per annum	6.00%	5.00%	6.75%
Salary increases per annum	3.70%	3.70%	3.25%
Pension increases per annum	2.70%	2.70%	2.50%
Market value of assets at date of last valuation	£19,938 million		£47 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	101%		99%
The total pension cost for the Group was:			
USS			
USPS			
Other Pension Schemes			
	Year Ended	Year Ended	
	31st July 2005	31st July 2004	
	£000	£000	
	13,544	12,372	
	3,033	3,114	
	1,321	858	
	17,898	16,344	

Notes to the Financial Statements – Continued

Note 29: Pension Schemes (continued)

29

FRS 17 Disclosure for the Accounting Period Ending 31st July 2005

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 actuarial valuation of the scheme was performed as at 1st April 2002 by a professionally qualified actuary. The next valuation as at 1st April 2005 is underway, and will be reflected in the disclosure for the 2005/06 financial year.
- c. During the accounting period, the University paid contributions to the pension scheme at the rate of 18.2% of pensionable salaries and members have contributed at the rate of 4.25%.
- 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 four members aged over 60 at 1st August 2000. The University currently pays ex-gratia pensions of £352,000 pa and accrues future liabilities at £4,000 pa. These liabilities are not separately funded.
- e. This information is provided for disclosure purposes only, since pension costs in the University's accounts are recognised in accordance with SSAP24.

Financial assumptions

	At 31st July 2005 %pa	At 31st July 2004 %pa	At 31st July 2003 %pa
Inflation	2.7	3	2.5
Rate of increase in salaries	4.2	3.75	3.25
Rate of increase of pensions in payment *	2.7	3	2.5
Rate of increase for deferred pensioners	2.7	3	2.5
Discount rate	5	5.75	5.5

* Excluding ex-gratia pensions for non-academics, which are subject to fixed 3% pa increases.

Scheme Assets and Expected Rate of Return for USPS

	Fair value as at 31st July 2005 £000	Expected rate of return %pa	Fair value as at 31st July 2004 £000	Expected rate of return %pa	Fair value as at 31st July 2003 £000	Expected rate of return %pa
Equities	59,017	8.00	43,756	8.50	37,703	8.50
Bonds	9,814	4.50	7,660	5.25	6,100	5.00
Cash	608	4.75	630	4.75	674	3.50
Total	69,439	7.48	52,046	7.98	44,477	7.94

Notes to the Financial Statements – Continued

Note 29: Pension Schemes (continued)

FRS 17 Disclosure for the Accounting Period Ending 31st July 2005 (Continued)

Scheme Assets and Liabilities

	At 31st July 2005			At 31st July 2004			At 31st July 2003		
	Ex-gratia			Ex-gratia			Ex-gratia		
	USPS £000	pensions £000	Total £000	USPS £000	pensions £000	Total £000	USPS £000	pensions £000	Total £000
Scheme assets	69,439	–	69,439	52,046	–	52,046	44,477	–	44,477
Scheme liabilities	103,465	5,379	108,844	76,783	5,395	82,178	65,554	5,424	70,978
Surplus/(Deficit)	(34,026)	(5,379)	(39,405)	(24,737)	(5,395)	(30,132)	(21,077)	(5,424)	(26,501)

Analysis of movement in deficit:

	Year ended 31st July 2005			Year ended 31st July 2004		
	Ex-gratia			Ex-gratia		
	USPS £000	pensions £000	Total £000	USPS £000	pensions £000	Total £000
Surplus/(Deficit) at beginning of year	(24,737)	(5,395)	(30,132)	(21,077)	(5,424)	(26,501)
Pensions or contributions paid by the University	4,944	322	5,266	4,804	367	5,171
Current service cost	(4,267)	(4)	(4,271)	(3,893)	(4)	(3,897)
Other finance income/(charge)	(185)	(301)	(486)	2	(288)	(286)
Loss recognised in STRGL	(9,781)	(1)	(9,782)	(4,573)	(46)	(4,619)
Surplus/(Deficit) at end of year	(34,026)	(5,379)	(39,405)	(24,737)	(5,395)	(30,132)

Under the transitional arrangements of FRS17, no provision has been made in the University's Financial Statements for the deficit in the scheme. If provision were made, the following entries would be disclosed.

	At 31st July 2005 £000	At 31st July 2004 £000
Balance Sheet Presentation		
Net Assets excluding FRS 17 pension liability	374,953	346,573
Net pension liability	(39,405)	(30,132)
Net Assets including FRS 17 pension liability	335,548	316,441
Reserves Note		
General Reserve excluding FRS 17 pension liability	43,883	39,531
Pension Reserve	(39,405)	(30,132)
General Reserve including FRS 17 pension liability	4,478	9,399

Notes to the Financial Statements – Continued

Note 29: Pension Schemes (continued)

29

FRS 17 Disclosure for the Accounting Period Ending 31st July 2005 (Continued)

Under the transitional arrangements of FRS 17, the University's pension charge for the year calculated under FRS17 assumptions is not included in the Financial Statements. If the charge had been included on an FRS17 basis the following entries would be made:

Amounts charged to operating surplus:

Current service cost

Past service costs

Total charge to operating profit

Analysis of amounts credited/charged to other finance income:

Interest cost

Expected return on assets

Net (credit)/charge to other finance income:

Analysis of amounts recognised in statement of total recognised gains and losses (STRGL):

Loss on assets

Experience loss/(gain) on liabilities

Loss/(gain) on change of assumptions

Total loss recognised in STRGL

Year to 31st July 2005			Year to 31st July 2004		
USPS	Ex-gratia	Total	USPS	Ex-gratia	Total
£000	£000	£000	£000	£000	£000
4,267	4	4,271	3,893	4	3,897
–	–	–	–	–	–
4,267	4	4,271	3,893	4	3,897
4,543	301	4,844	3,695	288	3,983
(4,358)	–	(4,358)	(3,697)	–	(3,697)
185	301	486	(2)	288	286
(7,896)	–	(7,896)	301	–	301
–	(553)	(553)	486	56	542
17,677	554	18,231	3,786	(10)	3,776
9,781	1	9,782	4,573	46	4,619

Note 30: Capital Commitments

30

Commitments contracted at 31st July

Consolidated and University	
Year Ended	Year Ended
31st July 2005	31st July 2004
£000	£000
30,932	2,996

Note 31: Financial Commitments

31

Operating lease commitments in respect of buildings and equipment for the 2005/06 financial year, on leases expiring:

Within One Year

Between Two and Five Years

Over Five Years

52	87
196	675
333	542
581	1,304

Notes to the Financial Statements – Continued

Note 32: University Companies

32

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 at 31st July 2005, together with the proportion of ordinary share capital held and their principal activities were as follows:

Subsidiary Companies

Blastech Ltd	60.0%	Dormant
Luminaries Ltd	100.0%	Ecologically Efficient Lighting
Proactus Ltd	60.0%	Consultancy Services

Associate Companies

Adjuvantix Ltd	33.8%	Medical Research
Asterion Ltd	39.0%	Medical Research
Axordia Ltd	34.9%	Medical Research
Bethan Ltd	25.0%	Environmental Engineering
Conteque Ltd	24.9%	Development of Novel Reinforcement Systems
Material State Ltd	25.0%	Advanced Materials and Testing

The following companies were transferred on 29th July 2005 from SUEL to the University:

Subsidiary Companies

AIVRU Systems Ltd	100.0%	Dormant
Aphora Ltd	100.0%	Structural Monitoring
Auxetics Ltd	100.0%	Dormant
Ceregen Ltd	100.0%	Dormant
Dental Teamwork Training Ltd	100.0%	Dormant
ECUS Ltd	100.0%	Environmental Consultancy Services
Farapack Polymers Ltd	100.0%	Innovative Packaging Solutions
Fire Engineering Analysis Ltd	100.0%	Dormant
First World Manufacturing Ltd	100.0%	Dormant
Invector Ltd	100.0%	Dormant
Lifestyle Choices Ltd	100.0%	Dormant
Molecular Healthworks Ltd	100.0%	Dormant
Shefcote Ltd	100.0%	Dormant
Thixoforge Ltd	100.0%	Thixoforging Consultancy
Vforge Ltd	100.0%	Thixoforging Manufacturing
Viewcheck Ltd	100.0%	Dormant
Xsuppress Ltd (formerly Nesidion Ltd)	100.0%	Dormant

Associate Companies

Dictionary of Classical Hebrew Ltd	42.0%	Dictionary Development
Webelements Ltd	30.0%	Web Publications

Notes to the Financial Statements – Continued

Note 32: University Companies (continued)

32

On 4th February 2005 the University signed a 10 year agreement with Biofusion plc to commercialise medical life science Intellectual Property. As part of the agreement the University's shareholding in eight companies and an economic interest in a ninth were transferred to Biofusion at the time of the AIM listing. The AIM listing had the effect of creating a deemed disposal of part of the University's shareholding in Biofusion reducing it from 70% to 49.6%.

Biofusion plc	49.6%	Lifesciences
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The University has set up the following companies which are outside the SUEL Group:

Escafeld Estates Ltd	100.0%	Property Disposal for Student Residences Strategy
Risk2Value Ltd	75.0%	Insurance Services
Sheffield Advisory Services Ltd	100.0%	University Malaysian Office
Sheffield Centre for Sports Medicine	100.0%	Sports Medicine
South Yorkshire Education Services Ltd	100.0%	Training Services
Unisheff Properties Ltd	100.0%	Dormant
University Knowledge Ltd	100.0%	Exploitation of Intellectual Property Rights
USport Ltd	100.0%	Dormant
White Rose Technology Ltd	40.0%	Investment in New Technology Companies

During the year the University transferred its residential property disposal portfolio to Escafeld Estates Ltd in order to minimise an adverse tax position on the portfolio disposal.

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

YHMAN Ltd	12.5%	Procurement, Operation and Management of a Metropolitan Area Network
White Rose Research Ltd	33.3%	Promotes Research and Collaborative Research between Member Universities
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: Hardship Funds

33

Balance Unspent Brought Forward from Previous Year
Funding Council Grants
Interest Earned
Less Returned to Funding Council

Disbursed to Students
Audit Fees
Balance Unspent at 31st July

Consolidated and University	
Year Ended	Year Ended
31st July 2005	31st July 2004
£000	£000
318	9
475	796
27	12
(232)	–
588	817
(580)	(498)
(1)	(1)
7	318

Funding Council 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.

Note 34: ITT Training Bursaries

34

Balance Unspent Brought Forward from Previous Year
TTA Grant Paid

Disbursed to Students
Balance Unspent at 31st July

Consolidated and University	
Year Ended	Year Ended
31st July 2005	31st July 2004
£000	£000
45	25
927	923
972	948
(937)	(903)
35	45

TTA grants for ITT Bursaries are available solely for students: the University acts only as paying agent.

The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Note 35: Minority Ethnic Recruitment

35

Balance Unspent Brought Forward from Previous Year
TTA Basic and Challenge Funds received
TTA Recruitment Funds received

Expenditure in the year
Balance Committed at 31st July
Amount to be recovered by TTA

Consolidated and University	
Year Ended	Year Ended
31st July 2005	31st July 2004
£000	£000
–	–
11	11
2	1
13	12
–	–
13	12
–	–

Notes to the Financial Statements – Continued

Note 36: Related Party Disclosure

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During the year ended 31st July 2005 the University had transactions with a number of organisations which fell within the definition 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 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 and Chairman of Barclays Bank Plc
Barclays Mercantile Business Finance Ltd		
Hotcourses	Prof R F Boucher	Vice-Chancellor of the University of Sheffield Member of Hotcourses Advisory Council
Magstim Ltd	Emer Prof I L Freeston	Member of Audit Committee and Director, Magstim
Connexions South Yorkshire Ltd	Prof A D H Crook	Member of University Council, Finance Committee, Facilities Management Committee, Strategic Planning Committee Chairman of Connexions South Yorkshire Ltd

Related Party	(Income)/Expenditure		(Debtors)/Creditors		Details
	2004/05	2003/04	Balance at 31st July		
	£000	£000	2005	2004	
	£000	£000	£000	£000	
University Companies					
Adjuvantix Ltd	(76)	(71)	(14)	(8)	Grant income and salary recharge
Asterion Ltd	(220)	(147)	–	(49)	Research income
	–	9	–	–	
Axordia Ltd	–	(61)	(5)	(7)	Salary recharge
Celltran Ltd	(277)	(453)	(290)	(39)	Research income and salary recharge
Sheffield Advisory Services	–	94	–	–	Salaries and expenses of Malaysian office
Skipworth Engelhardt Asset Management Strategists Ltd	(8)	–	–	–	Salary recharge
Supaplants Ltd	(39)	(69)	–	(3)	Salary recharge
WUN Trading Ltd	–	(23)	–	(23)	Contribution to expenses
(formerly WUN Ltd)	–	35	–	35	Membership fee
WUN Foundation Ltd	(15)	–	(37)	–	Salary recharge
YHMAN Ltd	14	–	–	–	Network services charged/paid
Other Organisations and Companies					
Barclays Bank Plc	3,753	3,314	620	384	Loan interest and repayments
	8	12	5	–	Bank charges
	(207)	(262)	(1)	(525)	Investment income
Barclays Mercantile Business Finance Ltd	–	–	–	–	Equipment lease payments
Connexions South Yorkshire Ltd	(8)	(6)	(1)	–	Grant income
Hotcourses	24	26	2	–	Advertising
Magstim Ltd	–	(7)	–	–	Research income
	–	3	–	–	Equipment purchase
South Yorks Higher Education Development Trust	(206)	(206)	–	–	Rental of Biology building
University of Sheffield Union of Students	(3,461)	(3,432)	(58)	(43)	Payroll payment, other services provided and sundry purchases
	211	246	61	80	Annual subvention grant
	1,225	1,164	–	–	





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