

The  
University  
Of  
Sheffield.

To  
Discover  
And  
Understand.

# Financial Statements 2005–06.



*The Sir Frederick Mappin Building.*

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# Report of the Treasurer

## 2005–06

### 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

- £93.9m Research Grants and Contracts awarded, an increase of 10.0% on 2004/05. The University's position relative to other universities was highlighted by the 2004/05 Higher Education Statistical Agency (HESA) tables, which placed the University seventh in England in respect of the amounts of Total Research Grants and Contracts.
- Awarded £37.5m of Capital Grant funding for the period 2006-08 by HEFCE: £29.1m for SRIF3 (Research Infrastructure) and £8.4m for PCA4 (Project Capital for Teaching and Learning).
- Commencement of construction of the new Student Residences to improve the provision, standard and choice of student accommodation.
- Continuing affirmation from Standard and Poor's of the University's long term credit rating of AA-/stable.
- Early implementation of the National Framework Agreement for the modernisation of pay structures.
- Successful major capital project completions include the North Campus, which has a gross area of 17,671m<sup>2</sup>, the Sheffield Bioincubator and the Humanities Research Institute.

### Financial Headlines

- Total income growth of 6.7% to £321.6m.
- Increased expenditure of 7.5% to £331.7m.
- Operating deficit of £10.1m.
- Historical cost deficit of £8.1m.
- Continued substantial capital expenditure of £35.6m.
- Pension scheme deficit of £42.5m.

### Income and Expenditure Account

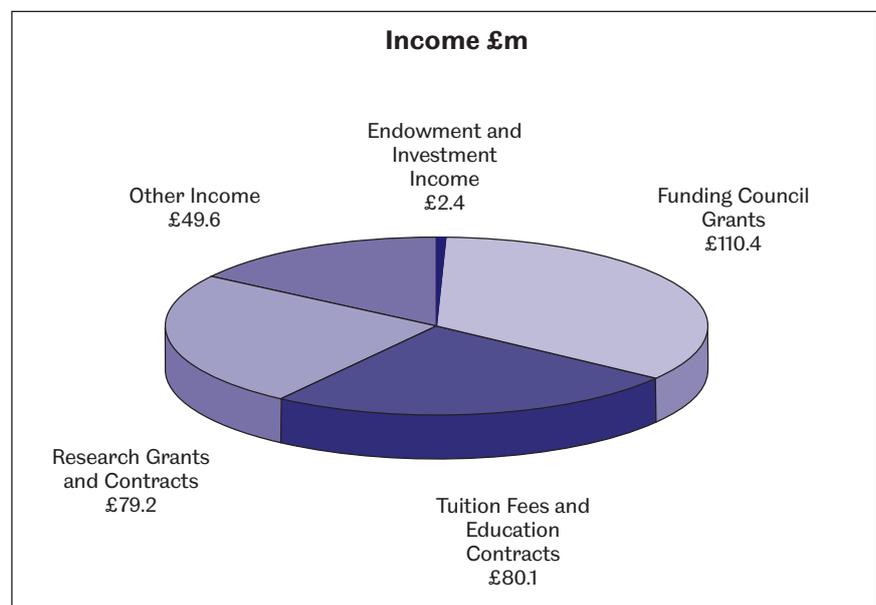
2005/06 has been a demanding financial year as the University continues to progress toward *Our Shared Vision* of achieving excellence.

Total income increased by 6.7% to £321.6m with expenditure increasing by 7.5% to £331.7m. This resulted in an operating deficit of £10.1m. The successful conclusion of negotiations of the Student Residences Strategy led

to the disposal of £48.6m of the residential estate for nil proceeds and a loss on disposal of the same amount. This is offset by a revaluation reserve release of £37.7m, resulting in a net impact on the Income and Expenditure Account of £10.9m. The historic cost deficit, after allowing for movements in the revaluation reserve, is £8.1m.

Funding Council teaching grants increased by 7.7% to £110.4m, including £1.9m caused by the acceleration of deferred capital grants relating to the impairment of revalued academic properties.

Tuition Fees and Education Contracts increased by just 4.0% to £80.1m. For the second successive year there was a sectoral decline in overseas student numbers, with fewer overseas students arriving compared to the number of offers accepted. This resulted in a drop of £0.9m in overseas students' fee income. However the home undergraduate and home postgraduate market was more



# Report of the Treasurer – Continued

buoyant, with fees increasing by £1.3m. Overall student numbers fell by 647 from 24,950 in 2004/05 to 24,303 in 2005/06.

Research Grants and Contracts awarded in the year increased to £93.9m, an increase of 10.0% from 2004/05 (£85.4m). This leaves the University with a very strong pipeline of awards. The implementation of Full Economic Costing (fEC) in 2005 caused a delay in awards being made and Research Grants and Contracts income only increased by 2.0% to £79.2m. Expenditure has increased by 2.6% to £63.8m. Research expenditure has grown faster than income and fewer projects closed with an underspend as they strive to absorb pay cost increases not funded by the research sponsors.

through the appointment of high quality research staff.

Other operating expenses have increased by 10.7%. Recent electricity price increases have had a substantial impact on the University of £3.1m, and further increases are expected in future years. Other significant increases have arisen in rents (£1.5m) and fellowships, scholarships and prizes (£2.6m).

During the year there was a further dilution of the University's shareholding in Biofusion plc as a result of a share issue of £2.0m. This resulted in a deemed disposal and a gain on this disposal of £0.7m and is recognised in full within the Income and Expenditure Account.

arising from the full revaluation of the University's academic estate undertaken at 31st July. The revaluation resulted in an unrealised increase of £76.6m to the existing asset values.

As part of the Student Residences Strategy, £48.6m of tangible fixed assets from the residential estate have been transferred to Catalyst Higher Education Sheffield PLC (Catalyst). The University also made a capital contribution of £18.2m, and this is shown in the accounts as a long term prepayment, which will be amortised over 41 years.

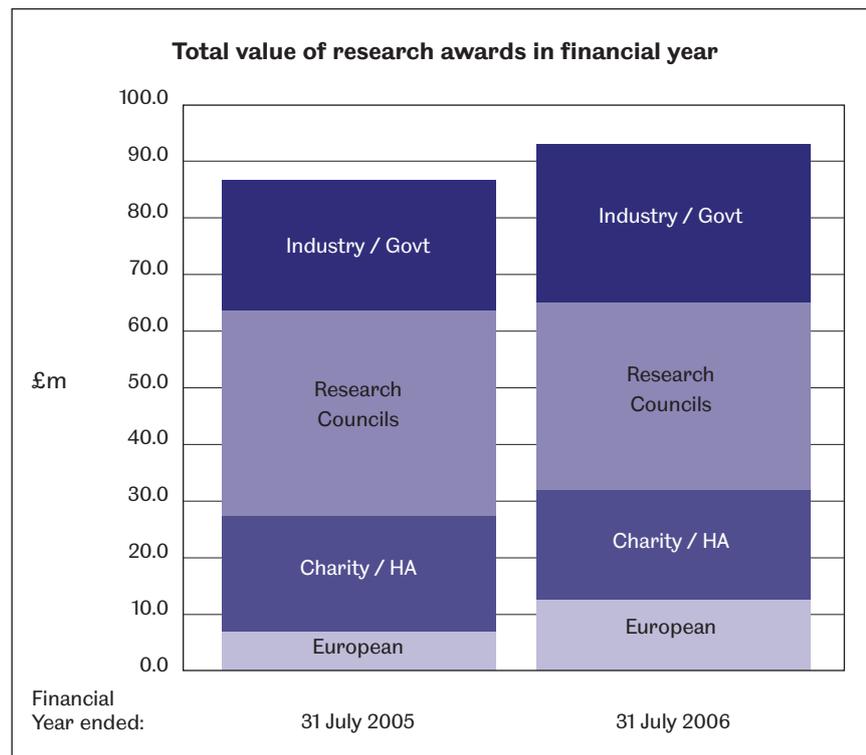
During the 2005/06 financial year the University has put in place a second revolving credit facility, in addition to the existing borrowing facilities. The current portfolio of borrowing combined with the University's future borrowing requirements are currently under assessment. This will enable the University to structure future borrowings to achieve maximum benefit and flexibility during the 2006/07 financial year.

The new Financial Reporting Standard No 17 – Retirement Benefits – has now been adopted in respect of the University of Sheffield Pension Fund for Non-Academic Staff. This requires the Scheme's net liabilities of £42.5m to be included in the Balance Sheet, as a new and separate item. The 2004/05 comparatives have been restated to reflect this change in accounting treatment.

## Cash Flow

During the year cash has increased by £6.1m being the net effect of additional borrowing of £22.1m, cash outflow from operating activities of £17.1m and other cash inflows of £1.1m.

Cash receipts from the sale of tangible fixed assets, including the sale of properties as part of the Student Residences Strategy was £11.5m. There was no cash impact arising on the disposal of the halls of residence as they were transferred to Catalyst for nil proceeds.



Staff costs have increased by 6.6%. Market pressures on salaries continue with an agreed pay deal for staff of 13.1% over the next three years. The University continues to seek to reinforce its position in world-leading research in the forthcoming RAE2008,

## Balance Sheet

During the year the extensive capital programme continued to grow with £35.6m incurred on land and buildings and £11.3m on equipment. Set against this is depreciation of £18.7m and an impairment write down of £2.3m

# Report of the Treasurer – Continued

Overall, the Group's net debt rose by £18.3m to £62.2m.

## Capital Programme

The capital project programme includes several high profile infrastructure projects, including the North Campus site acquisition, allowing a major expansion for multidisciplinary science and engineering facilities. Work on the site was completed during this financial year at a cost of £17.9m. This campus includes two new centres, the Kroto Research Institute and the Nanoscience and Technology Centre, together with a third building for future expansion.

The Sheffield Bioincubator has been designed to be ideal for developing a community of bioscience entrepreneurs in South Yorkshire and is part of a network of business incubators for bioscience, nanoscience, alternative energy sources and creative and digital technology sectors. This was completed in October 2005 at a cost of £6.8m.

The Humanities Research Institute (HRI) was completed in the financial year at a cost of £1.9m. An existing Georgian building has been refurbished to very high specifications and an extension with Sheffield's first green-roof development has been built in the adjacent garden area. The HRI provides high-quality project research and flexible use space in an interdisciplinary environment.

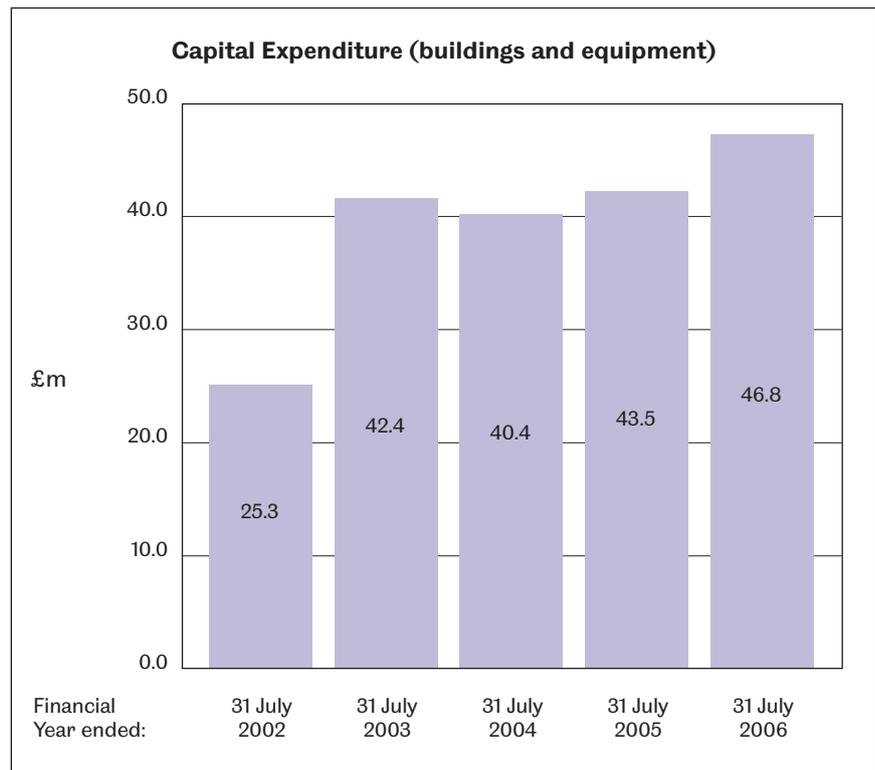
The Information Commons is the University's major new resource centre that is due to open in early 2007, providing 1,000 study spaces and a wealth of facilities at a cost of £16.7m. It is being built opposite to the new Jessops development site. It is a high quality landmark building and a bold statement of our dedication to the quality of student experience.

As part of the Student Residences Strategy, the University entered into a

project agreement with Catalyst Higher Education Sheffield PLC (Catalyst), a special purpose vehicle formed by Bovis Lend Lease and HSBC Infrastructure Fund Management Ltd, to build 3,533 new bed spaces, deliver 401 refurbished bed spaces and take over 257 transferred bed spaces. The project will cost £162m and was partly financed by a bond issue by Catalyst of £155m and this project does not form part of the University Balance Sheet. The ownership of these halls of residence has been transferred to Catalyst but under the terms of the land lease will revert to the University in 41 years time.

Phase 1 will enable the University to address some of its current space requirements and will meet the strategic need to move dispersed academic departments out of substandard and remote accommodation into more physically suitable and centrally located accommodation.

The University is currently investing in the SAP software system, which in 2007 will provide comprehensive, real-time financial, procurement and human resource information. The system aims to improve our business processes, financial transparency and



The University of Sheffield was awarded £37.5m of Capital Grant funding for the period 2006-08 by HEFCE. In addition to the HEFCE award the University will be contributing £31.8m. One of the main projects being funded is the redevelopment of the old Jessops Hospital Site. The development of this prime location within the University's main campus has been split into distinct phases.

management information to operate at a higher level of efficiency.

Yorkshire Forward has committed £6.5m towards the creation of a 'Factory of the Future' which is part of the second phase development in 2007 of the Advanced Manufacturing Research Centre joint venture between the University and Boeing. It is intended that this facility will provide

# Report of the Treasurer - Continued

a unique resource, which will comprise internationally significant University research combined with the expertise of market leaders in manufacturing. Regional companies will have access to some of the very best manufacturing advice and facilities available.

## Conclusion and Future Prospects

2005/06 has been a challenging year for both the University and the UK Higher Education sector. The long term strategy for the University both acknowledges and addresses this difficult operational climate. The strategy sets out that in 2006/07 there will be an operating deficit, but beyond this the University is planning to generate significant operating surpluses in line with our financial strategy.

The University is continuing with its capital investment strategy. Capital projects such as the Information Commons and the redevelopment of the old Jessops Hospital Site are progressing, enabling the University to meet student expectations and to maintain its position as a leading, research led University.

From September 2006 the University will introduce variable tuition fees, with the full impact being felt by 2008/09. This is in accordance with Government guidelines which acknowledge that institutions will need more funding to compete internationally and that graduates should bear some of the cost of the investment in their future.

The rating agency, Standard and Poor's, has again confirmed the University's long-term credit rating as AA-/stable. 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.

A new corporate plan, called 'Our Shared Vision' will be communicated to all staff throughout the University. *Our Shared Vision* illustrates both the University's plans for future success and the University's aspirations and will become central to the University's business planning process. It will guide departments, teams and individuals in their detailed planning and in understanding the value of their contribution to its success.

*Our Shared Vision* will take the University forward until the year 2020 and will set out the long-term direction towards ambitious goals, to ensure that the University remains recognised as a leading international university that delivers learning, teaching, research and knowledge transfer activities of the highest quality.

KIM STANIFORTH

Treasurer

# 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 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,

# Corporate Governance – Continued

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 2006 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 undertakes 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 Assurance 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 Training and Development Agency for Schools (TDA) 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 TDA and any other conditions which the Funding Council or the TDA 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.



*New AMRC Factory of the Future Image and Design by Bond Bryan Architects.*

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

We have audited the Group and University financial statements (the "financial statements") of the University of Sheffield for the year ended 31st July 2006 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 responsibilities for preparing the Report of the Treasurer and the group financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of Responsibilities of the Council of The University of Sheffield on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Report of the Treasurer and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

## Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Group and University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial

statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the Group as at 31st July 2006 and of the Group's deficit of expenditure over income for the year then ended;
- the financial statements have been 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, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31st July 2006 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31st July 2006 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.

KPMG LLP  
Chartered Accountants  
Registered Auditor

18th December 2006

# 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. In accordance with FRS2 the results of Sheffield University Students' Union have not been consolidated as the University does not control its activities.

## 4. Prior Year Adjustment

The University has adopted the measurement requirements as detailed in FRS17 – Retirement Benefits in the Financial Statements for the year ended 31st July 2006. The full adoption of the Standard represents a change in accounting policy and the comparative figures have been restated. Details of the effect of adopting FRS 17 are given in note 29.

## 5. 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). Each fund is valued every three years by professionally qualified independent actuaries. A small number of staff remain in other pension schemes.

Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of FRS17, except for the USS, a multi-employer scheme, for which contributions are charged directly to the income and expenditure account as if the scheme were a defined contribution scheme. The USPS scheme's assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method. The post-retirement benefit surplus or deficit is included on the University's balance sheet, net of the related amount of deferred tax. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes. The current service cost and any past service costs are included in the Income and Expenditure account within operating expenses and the expected return on the schemes' assets, net of the impact of the

unwinding of the discount on scheme liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the Statement of Total Recognised Gains and Losses.

## 6. 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.

## 7. 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 a finance charge 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 the income and expenditure account as they are incurred.

## 8. Land and Buildings

Land and buildings are stated at valuation. All valuations are carried out by parties external to the University. The basis of valuation is as follows:

### Specialised Properties

depreciated replacement cost

### Non-specialised Properties

open market value on existing use basis

# Statement of Principal Accounting Policies

## – Continued

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 full valuation of academic, office, ancillary and support buildings was carried out on 31st July 2006 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.

A full valuation of the University's land upon which Catalyst Higher Education Sheffield PLC (Catalyst) will build, in accordance with the redevelopment of student residential provision, was carried out on 31st July 2006 by Eadon, Lockwood and Riddle.

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.

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.

## 9. 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 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.

## 10. 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.

## 11. 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.

## 12. 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.

## 13. 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.

## 14. 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, (HMRC reference X1089). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories

# Statement of Principal Accounting Policies

## – Continued

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.

### 15. 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.

### 16. 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.

*Firth Court.*



# Consolidated Income and Expenditure Account

For the Year Ended 31st July 2006

	Note	Year Ended 31st July 2006 £000	Year Ended 31st July 2005 as restated £000
<b>INCOME</b>			
Funding Council Grants	1	110,403	102,472
Tuition Fees and Education Contracts	2	80,108	77,025
Research Grants and Contracts	3	79,152	77,623
Other Income	4	49,569	41,769
Endowment and Investment Income	5	2,405	2,452
<b>Total Income</b> (Excluding Joint Ventures' turnover of £200K (2005: £263K))		<b>321,637</b>	301,341
<b>EXPENDITURE</b>			
Staff Costs	6	196,648	184,549
Other Operating Expenses	7	108,971	98,464
Depreciation	12	21,004	20,398
Interest Payable	8	5,087	5,173
<b>Total Expenditure</b>		<b>331,710</b>	308,584
Deficit on Continuing Operations after Depreciation of Assets at Valuation and Before Tax - Group		(10,073)	(7,243)
- Joint ventures		7	(3)
- Associates		(820)	(31)
Profit on Sale of Investments – Biofusion plc		697	4,043
Loss on Disposal of Assets		(48,733)	(498)
Deficit on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before Tax		<b>(58,922)</b>	(3,732)
Taxation	10	2	4
<b>Deficit on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax</b>		<b>(58,920)</b>	(3,728)
Minority Interests		(33)	50
Transfer from/(to) Accumulated Income within Specific Endowments		143	(466)
<b>Deficit on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and After Tax and Minority Interests</b>		<b>(58,810)</b>	(4,144)

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 2006

	Note	Year Ended 31st July 2006 £000	Year Ended 31st July 2005 as restated £000
Deficit on Continuing Operations after Tax, Minority Interests and Transfers to Endowments		(58,810)	(4,144)
Difference Between Historical Cost Depreciation and the Actual Charge for the Year Calculated on the Revalued Amount	22	3,754	3,216
Realisation of Property Revaluation Gains of Previous Years	22	46,896	3,051
Gains on Investments	22	108	185
<b>Historical Cost (Deficit)/Surplus After Tax, Minority Interests and Transfers to Endowments</b>		<b>(8,052)</b>	2,308

The profit/(loss) on disposal of fixed assets and the realisation of property revaluation gains include the transfer of tangible fixed assets from the residential estate to Catalyst Higher Education Sheffield PLC as part of the Residences Strategy (note 12).

The results for the year ended 2005 have been restated to reflect FRS17 – Retirement Benefits (note 29).

# Statement of Consolidated Total Recognised Gains and Losses

For the Year Ended 31st July 2006

	Note	Year Ended 31st July 2006 £000	Year Ended 31st July 2005 as restated £000
Deficit on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets, Tax and Transfers to Endowments		(58,810)	(4,144)
Unrealised Surplus on Revaluation of Fixed Assets	22	73,446	17,168
Unrealised Surplus on Disposal of Fixed Asset Investments		0	653
Appreciation of Endowment Asset Investments	21	1,843	3,993
Appreciation of Fixed Asset Investments	22	209	587
Endowment Income (Decrease)/Increase For Year		(140)	466
New Endowments Less Realisations		52	(386)
Actuarial Loss in respect of Pension Scheme	29	(2,844)	(9,782)
<b>Total Recognised Gains Relating to the Period</b>		<b>13,756</b>	<b>8,555</b>
Prior year adjustments	23	0	(36,523)
<b>Total Recognised Gains/(Losses) since last Report</b>		<b>13,756</b>	<b>(27,968)</b>
<b>Reconciliation</b>			
Opening Reserves and Endowments		220,267	248,235
Total Recognised Gains/(Losses) for the Year		13,756	(27,968)
Closing Reserves and Endowments		234,023	220,267

The results for the year ended 2005 have been restated to reflect FRS17 – Retirement Benefits (note 29).

# Balance Sheet

at 31st July 2006

	Note	Group at 31st July 2006 £000	University at 31st July 2006 £000	Group at 31st July 2005 as restated £000	University at 31st July 2005 as restated £000
<b>FIXED ASSETS</b>					
Tangible Assets	12	453,631	419,119	414,579	368,308
Investments	13	9,165	45,556	8,786	52,856
		<b>462,796</b>	<b>464,675</b>	423,365	421,164
<b>ENDOWMENT ASSETS</b>	21	<b>33,341</b>	<b>33,341</b>	31,589	31,589
<b>DEBTORS: DUE AFTER MORE THAN ONE YEAR</b>	14	<b>18,151</b>	<b>18,151</b>	–	–
<b>CURRENT ASSETS</b>					
Stock		275	249	314	288
Debtors	15	38,702	44,285	32,536	34,661
Investments		11,559	11,559	13,894	13,894
Cash at Bank and in Hand		11,087	1,115	5,239	1,761
		<b>61,623</b>	<b>57,208</b>	51,983	50,604
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	<b>(80,189)</b>	<b>(84,320)</b>	(72,284)	(74,745)
<b>NET CURRENT LIABILITIES</b>		<b>(18,566)</b>	<b>(27,112)</b>	(20,301)	(24,141)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>495,722</b>	<b>489,055</b>	434,653	428,612
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	<b>(83,520)</b>	<b>(83,520)</b>	(61,396)	(61,348)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	<b>(5,430)</b>	<b>(5,430)</b>	(6,594)	(6,594)
<b>NET PENSION ASSET/(LIABILITY)</b>	29	<b>(42,519)</b>	<b>(42,519)</b>	(39,405)	(39,405)
<b>NET ASSETS</b>		<b>364,253</b>	<b>357,586</b>	327,258	321,265

The results for the year ended 2005 have been restated to reflect FRS17 – Retirement Benefits (note 29).

# Balance Sheet

at 31st July 2006

	Note	Group at 31st July 2006 £000	University at 31st July 2006 £000	Group at 31st July 2005 as restated £000	University at 31st July 2005 as restated £000
<b>DEFERRED CAPITAL GRANTS</b>	20	<b>130,237</b>	<b>130,237</b>	107,000	107,000
<b>ENDOWMENTS</b>					
Specific	21	<b>25,761</b>	<b>25,761</b>	24,430	24,430
General	21	<b>7,580</b>	<b>7,580</b>	7,159	7,159
		<b>33,341</b>	<b>33,341</b>	31,589	31,589
<b>RESERVES</b>					
Revaluation Reserve	22	<b>215,181</b>	<b>211,317</b>	192,491	186,809
Pension Reserve	29	<b>(42,519)</b>	<b>(42,519)</b>	(39,405)	(39,405)
General Reserve	23	<b>28,020</b>	<b>25,210</b>	35,593	35,272
		<b>200,682</b>	<b>194,008</b>	188,679	182,676
<b>MINORITY INTERESTS</b>					
		<b>(7)</b>	–	(10)	–
<b>TOTAL FUNDS</b>		<b>364,253</b>	<b>357,586</b>	327,258	321,265

The results for the year ended 2005 have been restated to reflect FRS17 – Retirement Benefits (note 29).

The Financial Statements on pages 14 to 40 were approved by the Council on 18th December 2006 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 2006

	Note	Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
		£000	£000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	24	(17,056)	21,277
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	25	(2,529)	(2,626)
<b>TAXATION</b>	10	2	4
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	26	1,288	(25,546)
<b>MANAGEMENT OF LIQUID RESOURCES</b>		2,335	4,256
<b>FINANCING</b>	27	22,082	(555)
<b>INCREASE/(DECREASE) IN CASH IN THE PERIOD</b>	28	<b>6,122</b>	<b>(3,190)</b>

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

	Movement in Year
DECREASE IN SHORT-TERM DEPOSITS	(2,335)
INCREASE IN CASH AT BANK AND CALL ACCOUNTS	6,122
TOTAL INCREASE IN CASH AND LIQUID RESOURCES	<b>3,787</b>

## Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
		£000	£000
<b>INCREASE/(DECREASE) IN CASH IN THE PERIOD</b>		6,122	(3,190)
<b>(DECREASE)/INCREASE IN SHORT-TERM DEPOSITS</b>		(2,335)	(4,256)
<b>CASH OUTFLOW FROM REVOLVING CREDIT FACILITY</b>		(25,200)	(2,500)
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>		<b>3,069</b>	<b>3,083</b>
<b>MOVEMENT IN NET DEBT IN PERIOD</b>		<b>(18,344)</b>	<b>(6,863)</b>
<b>NET DEBT AT 1st AUGUST</b>		<b>(43,878)</b>	<b>(37,015)</b>
<b>NET DEBT AT 31st JULY</b>	28	<b>(62,222)</b>	<b>(43,878)</b>

# Notes to the Financial Statements

## Note 1: Funding Council Grants

1

Recurrent Grant

Specific Grants

Training and Development Agency for Schools Grant

Rewarding and Developing Staff

Knowledge Exchange

Student Support Funding

Higher Education Reach Out to Business and Community

Higher Education Innovation Fund (Round 2)

Other

Deferred Capital Grants Released in Year

Buildings (Note 20)

Equipment (Note 20)

Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
£000	£000
99,289	93,108
763	843
(10)	2,838
53	356
116	161
14	134
2,195	0
920	1,801
5,437	2,309
1,626	922
<b>110,403</b>	<b>102,472</b>

## 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

15,793	14,900
6,482	6,256
2,385	2,204
25,604	26,553
20,525	19,912
9,319	7,200
<b>80,108</b>	<b>77,025</b>

## 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)

34,818	29,595
11,846	14,236
5,539	4,700
22,608	25,423
4,341	3,669
<b>79,152</b>	<b>77,623</b>

## Note 4: Other Income

4

Residences, Catering and Conferences

Other Services Rendered

Health Authorities

Releases from Deferred Capital Grants

Other Income

18,656	17,282
11,521	9,249
6,872	6,308
1,967	2,287
10,553	6,643
<b>49,569</b>	<b>41,769</b>

# 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)  
 Other Investment Income

Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
£000	£000
616	464
267	188
1,522	1,800
<b>2,405</b>	<b>2,452</b>

## Note 6: Staff

# 6

Staff Costs:

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

161,723	153,528
13,274	13,034
21,651	17,987
<b>196,648</b>	<b>184,549</b>

Emoluments of the Vice-Chancellor included above:

Salary  
 Benefits in Kind  
  
 Pension Contributions  
 Total

208	190
4	3
212	193
23	27
<b>235</b>	<b>220</b>

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
£70,000 - £79,999	51	56
£80,000 - £89,999	28	22
£90,000 - £99,999	16	14
£100,000 - £109,999	18	11
£110,000 - £119,999	8	7
£120,000 - £129,999	10	18
£130,000 - £139,999	14	10
£140,000 - £149,999	9	9
£150,000 - £159,999	1	4
£160,000 - £169,999	3	1
£170,000 - £179,999	3	2
£180,000 - £189,999	2	2
£190,000 - £199,999	4	2
£200,000 - £209,999	2	1
£260,000 - £269,999	1	–

Compensation for loss of office was received by two higher paid members of staff. Payments totalling £272,085 were made and additional pension service years were granted at an estimated cost of £137,822.

# Notes to the Financial Statements – Continued

## Note 6: Staff (continued)

# 6

Academic	2,359	2,227	2,385	2,256
Academic Services	476	395	433	365
Central Administration and Services	524	477	529	483
Premises	521	388	529	381
Research, Grants and Contracts	1,527	1,405	1,543	1,411
Residences, Catering and Conferences	375	260	428	279
Staff and Student Facilities	169	131	136	113
	<b>5,951</b>	<b>5,283</b>	<b>5,983</b>	<b>5,288</b>

	Year Ended 31st July 2006		Year Ended 31st July 2005	
	Number of staff	Number of FTEs	Number of staff	Number of FTEs
Academic	2,359	2,227	2,385	2,256
Academic Services	476	395	433	365
Central Administration and Services	524	477	529	483
Premises	521	388	529	381
Research, Grants and Contracts	1,527	1,405	1,543	1,411
Residences, Catering and Conferences	375	260	428	279
Staff and Student Facilities	169	131	136	113
	<b>5,951</b>	<b>5,283</b>	<b>5,983</b>	<b>5,288</b>

## Note 7: Other Operating Expenses

# 7

Consumables and Laboratory Expenditure	11,732	11,535
Books and Periodicals	2,483	2,420
Printing, Stationery and Postage	2,731	3,700
Rates	1,007	945
Fellowships, Scholarships and Prizes	16,941	14,353
Furniture and Equipment	7,536	9,952
Heat, Light, Water and Power	8,283	5,212
Repairs and General Maintenance	9,607	10,416
Grants to University of Sheffield Students' Union	1,278	1,202
Rents	2,577	1,077
Auditors' Remuneration	58	96
Auditors' Remuneration in Respect of Non-Audit Services	124	445
Professional Fees	10,448	10,574
Provision for Bad & Doubtful Debts	817	(2,643)
Administrative Expenses	6,103	6,039
Travel & Subsistence Expenses	6,666	6,213
Payments to Non-Contracted Staff	11,274	11,261
Conference and Meeting Expenditure	1,574	1,389
Professional Subscriptions	1,003	915
Restructuring Costs and Redundancy Payments	628	859
Other Expenses	6,101	2,504
	<b>108,971</b>	<b>98,464</b>

	Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
	£000	£000
Consumables and Laboratory Expenditure	11,732	11,535
Books and Periodicals	2,483	2,420
Printing, Stationery and Postage	2,731	3,700
Rates	1,007	945
Fellowships, Scholarships and Prizes	16,941	14,353
Furniture and Equipment	7,536	9,952
Heat, Light, Water and Power	8,283	5,212
Repairs and General Maintenance	9,607	10,416
Grants to University of Sheffield Students' Union	1,278	1,202
Rents	2,577	1,077
Auditors' Remuneration	58	96
Auditors' Remuneration in Respect of Non-Audit Services	124	445
Professional Fees	10,448	10,574
Provision for Bad & Doubtful Debts	817	(2,643)
Administrative Expenses	6,103	6,039
Travel & Subsistence Expenses	6,666	6,213
Payments to Non-Contracted Staff	11,274	11,261
Conference and Meeting Expenditure	1,574	1,389
Professional Subscriptions	1,003	915
Restructuring Costs and Redundancy Payments	628	859
Other Expenses	6,101	2,504
	<b>108,971</b>	<b>98,464</b>

Auditors' remuneration for the University of Sheffield is £47,000 (2005: £40,000).

## Note 8: Interest Payable and Similar Charges

# 8

Loans wholly repayable within five years	902	454
Loans not wholly repayable within five years	3,979	4,202
Finance Leases	15	31
Finance Pension Costs	191	486
	<b>5,087</b>	<b>5,173</b>

Loans wholly repayable within five years	902	454
Loans not wholly repayable within five years	3,979	4,202
Finance Leases	15	31
Finance Pension Costs	191	486
	<b>5,087</b>	<b>5,173</b>

# Notes to the Financial Statements – Continued

## Note 9: Analysis of 2005/06 Expenditure by Activity

9

	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	107,584	1,656	16,871	–	126,111
Academic Services	10,766	361	8,248	–	19,375
Central Administration & Services	12,905	65	10,936	–	23,906
General Educational Expenditure	2,652	–	8,921	–	11,573
Staff and Student Facilities	4,034	370	3,194	83	7,681
Research Grants and Contracts	38,671	4,351	20,769	–	63,791
Residences, Catering and Conferences	5,493	1,443	10,924	–	17,860
Premises	8,001	11,619	17,516	4,988	42,124
Other Expenses	6,542	1,139	11,592	16	19,289
	<b>196,648</b>	<b>21,004</b>	<b>108,971</b>	<b>5,087</b>	<b>331,710</b>

The depreciation charge has been funded by:  
 Deferred Capital Grants Released  
 Revaluation Reserve Released (Note 22)  
 General Income

11,957
3,754
5,293
<b>21,004</b>

## Note 10: Taxation

10

United Kingdom Corporation Tax – Group

Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
£000	£000
(2)	(4)

No provision has been made for deferred taxation on the revaluation reserve relating to the potential profits in the University Group following the intra-group transfer of certain properties in the year to 31st July 2005.

Profits on the sale of the properties will arise in Escafeld Estates Limited. They will be paid in total to the University under a Deed of Covenant, reducing profits chargeable to tax to Nil. No tax liability is therefore expected to crystallise within the group.

The full potential liability to tax if the Deed of Covenant were not in place is disclosed below.

	Group Year Ended 31st July 2006	University Year Ended 31 July 2006	Group Year Ended 31st July 2005 as restated	University Year Ended 31st July 2005 as restated
	£000	£000	£000	£000
Total	6,460	6,460	8,641	8,641

## Note 11: Surplus on Continuing Operations for the Period

11

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

	Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
	£000	£000
University's Deficit for the Period before Loss on disposal of Fixed Assets	(10,849)	(5,363)
Loss on Disposal of Fixed Assets	(48,733)	(498)
Consolidation of Subsidiary Companies	1,473	2,164
Group Deficit for the Period	(58,109)	(3,697)
Share of Associates' and Joint Ventures' Deficit	(813)	(35)
Deficit on Continuing Operations Before Tax	(58,922)	(3,732)

## Notes to the Financial Statements – Continued

## Note 12: Tangible Assets (Consolidated)

12

	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000	Total £000
	Freehold £000	Long Leasehold £000				
<b>Valuation/Cost</b>						
At 1st August 2005						
Valuation	236,330	21,628	–	360	–	258,318
Cost	133,897	13,734	20,476	57,447	6,797	232,351
Additions at Cost	5,114	9,645	20,795	11,253	–	46,807
Transfers	11,245	–	(11,245)	–	–	–
Gain on Revaluation	50,240	3,714	–	600	–	54,554
Loss on Revaluation	(609)	(250)	–	–	–	(859)
Disposals						
Valuation	(60,639)	–	–	(2)	–	(60,641)
Cost	(578)	–	–	–	–	(578)
At 31st July 2006						
Valuation	225,322	25,092	–	958	–	251,372
Cost	149,678	23,379	30,026	68,700	6,797	278,580
<b>Depreciation</b>						
At 1st August 2005						
	26,646	2,470	–	40,814	6,160	76,090
Charge for Year	11,100	469	–	6,898	257	18,724
Impairment Write-Down	2,280	–	–	–	–	2,280
Revaluation	(17,054)	(2,697)	–	–	–	(19,751)
Eliminated on Disposals	(1,022)	–	–	–	–	(1,022)
At 31st July 2006						
	21,950	242	–	47,712	6,417	76,321
<b>Net Book Value</b>						
At 31st July 2006						
	353,050	48,229	30,026	21,946	380	453,631
At 1st August 2005						
	343,581	32,892	20,476	16,993	637	414,579

Buildings with a net book value of £124,528,435 and cost of £101,783,928 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.

As part of the Student Residences Strategy £48,618,434 of tangible fixed assets from the residential estate have been transferred to Catalyst Higher Education Sheffield PLC (Catalyst). £37,726,127 of this was a release from the revaluation reserve, with the balance being the net impact on the Income and Expenditure account.

## 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				
<b>Valuation/Cost</b>						
At 1st August 2005						
Valuation	203,723	6,933	–	360	–	211,016
Cost	133,897	13,734	20,476	57,412	6,797	232,316
Additions at Cost	5,114	9,645	20,795	11,243	–	46,797
Transfers	11,245	–	(11,245)	–	–	–
Gain on Revaluation	50,240	3,714	–	600	–	54,554
Loss on Revaluation	(609)	(250)	–	–	–	(859)
Disposals						
Valuation	(49,633)	–	–	–	–	(49,633)
Cost	(578)	–	–	–	–	(578)
At 31st July 2006						
Valuation	203,721	10,397	–	960	–	215,078
Cost	149,678	23,379	30,026	68,655	6,797	278,535
<b>Depreciation</b>						
At 1st August 2005						
	25,318	2,739	–	40,807	6,160	75,024
Charge for Year	10,357	469	–	6,880	257	17,963
Impairment Write-Down	2,280	–	–	–	–	2,280
Revaluation	(17,054)	(2,697)	–	–	–	(19,751)
Eliminated on Disposals	(1,022)	–	–	–	–	(1,022)
At 31st July 2006						
	19,879	511	–	47,687	6,417	74,494
<b>Net Book Value</b>						
At 31st July 2006						
	333,520	33,265	30,026	21,928	380	419,119
At 1st August 2005						
	312,302	17,928	20,476	16,965	637	368,308

Buildings with a net book value of £124,528,435 and cost of £101,783,928 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.

As part of the Student Residences Strategy £48,618,434 of tangible fixed assets from the residential estate have been transferred to Catalyst Higher Education Sheffield PLC (Catalyst). £37,726,127 of this was a release from the revaluation reserve, with the balance being the net impact on the Income and Expenditure account.

## Notes to the Financial Statements – Continued

## Note 13: Fixed Asset Investments

13

	Group Year Ended 31st July 2006	University Year Ended 31st July 2006	Group Year Ended 31st July 2005 as restated	University Year Ended 31st July 2005 as restated
	£000	£000	£000	£000
Balance at 1st August	8,786	52,856	3,920	3,504
Additions	135	583	5,272	49,095
Disposals	(3)	(3)	(1,134)	(2,455)
Other Net Gains/(Losses)	(233)	–	113	–
Loans to Associate Companies	268	268	–	2,430
Investment return on Escafeld Estates	–	(8,360)	–	–
Repayment of Loan to Associate Company	(10)	(10)	–	(333)
Appreciation on Revaluation	222	222	615	615
	<b>9,165</b>	<b>45,556</b>	8,786	52,856
<b>Represented By:</b>				
Fixed Interest Stocks	1,126	1,126	598	598
Unit Trusts/Property Trusts	72	72	547	547
Equities	7,696	39,900	7,563	44,976
Escafeld Estates Limited	–	1,559	–	4,287
Loans to Subsidiary Companies	–	2,628	–	2,370
Cash	271	271	78	78
Total Fixed Asset Investments	<b>9,165</b>	<b>45,556</b>	8,786	52,856
Fixed Interest and Equities at Cost and Bank Balances	<b>2,400</b>	–	3,898	–

## Note 14: Debtors

14

Amounts falling due after one year:

	Group	University	Group	University
Prepayment:				
Capital Contribution to Residences Project	18,151	18,151	–	–

## Note 15: Debtors

15

Amounts falling due within one year:

Debtors	37,159	42,744	30,404	32,545
Prepayment: Capital Contribution to Residences Project	50	50	–	–
Prepayments and Accrued Income	1,493	1,491	2,132	2,116
	<b>38,702</b>	<b>44,285</b>	32,536	34,661

# Notes to the Financial Statements – Continued

## Note 16: Creditors: Amounts falling due within one year

16

	Group Year Ended 31st July 2006	University Year Ended 31st July 2006	Group Year Ended 31st July 2005 as restated	University Year Ended 31st July 2005 as restated
	£000	£000	£000	£000
Bank Loans and Overdrafts	2,844	2,793	2,865	2,793
Loans from Subsidiary Companies	–	3,000	–	–
Obligations Under Finance Leases	235	235	276	276
Payments Received in Advance	36,512	36,512	28,761	28,211
Creditors	17,802	19,043	17,294	20,392
Social Security and Other Taxation Payable	4,724	4,724	4,582	4,582
Accruals	17,893	17,834	18,399	18,384
Corporation Tax	–	–	–	–
Amounts Owed to Funding Councils	179	179	107	107
	<b>80,189</b>	<b>84,320</b>	<b>72,284</b>	<b>74,745</b>

## 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	51,079	51,079	25,879	25,879
In Five Years or more	29,648	29,648	32,441	32,441
Finance Leases Repayable:				
Between One and Two Years	–	–	235	235
Between Two and Five Years	–	–	–	–
Creditors	–	–	48	–
	<b>83,520</b>	<b>83,520</b>	<b>61,396</b>	<b>61,348</b>

## Note 18: Borrowings

18

### Summary of University Bank Borrowing at 31st July 2006

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	19,836
Barclays	15th August 1997	25 years	Term loan	1,376	20,984
Barclays	22nd June 2004	up to 5 years	Revolving Credit Facility	–	27,500
Barclays	12th May 2006	up to 30th June 2009	Revolving Credit Facility	–	15,200
				<b>2,793</b>	<b>83,520</b>

# Notes to the Financial Statements – Continued

## Note 19: Provisions for Liabilities and Charges

# 19

	Pensions £000	Early Retirement Costs £000	Other £000	Total £000
At 1st August 2005	3,290	6,269	92	9,651
Prior Year Adjustment	(3,057)	–	–	(3,057)
At 1st August 2005 restated	233	6,269	92	6,594
Utilised in Year	(22)	(1,512)	(49)	(1,583)
Transfer from/(to) Income and Expenditure Account	85	222	112	419
At 31st July 2006	296	4,979	155	5,430

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.

The pension provision liability for the year ended 2005 has been restated in accordance with FRS 17 Retirement Benefits (note 29).

## Note 20: Deferred Capital Grants

# 20

	Consolidated and University		Total £000
	Funding Council £000	Other Grants & Benefactions £000	
At 1st August 2005			
Buildings	39,332	48,248	87,580
Equipment	13,835	5,585	19,420
Total	53,167	53,833	107,000
Cash Received			
Buildings	25,869	1,517	27,386
Equipment	5,407	3,815	9,222
Total	31,276	5,332	36,608
Released to Income and Expenditure			
Buildings (Notes 1, 3 and 4)	5,437	2,187	7,624
Equipment (Notes 1, 3 and 4)	1,626	4,121	5,747
Total	7,063	6,308	13,371
At 31st July 2006			
Buildings	59,764	47,578	107,342
Equipment	17,616	5,279	22,895
Total	77,380	52,857	130,237

# Notes to the Financial Statements – Continued

## Note 21: Endowments

# 21

At 1st August 2005	
New Endowments Received	
Realisations	
Appreciation of Endowment Assets	
Income for Year (Note 5)	
Expenditure for Year	

At 31st July 2006

### Representing:

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

Consolidated and University		
Specific £000	General £000	Total £000
24,430	7,159	31,589
52	–	52
–	–	–
1,422	421	1,843
616	267	883
(759)	(267)	(1,026)
<b>25,761</b>	<b>7,580</b>	<b>33,341</b>
11,529	–	11,529
1,135	–	1,135
3,240	–	3,240
9,857	7,580	17,437
<b>25,761</b>	<b>7,580</b>	<b>33,341</b>

### The value of Endowment Asset Investments at 31st July 2006 was represented by:

Fixed Interest Stocks	9,420
Unit Trusts/Property Trusts	524
Equities	19,489
Land and Property	47
Bank Balances	3,861
Total Endowment Assets	<b>33,341</b>

## 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 – Tangible Assets				
– Investments				

	Consolidated Year Ended 31st July 2006 £000	University Year Ended 31st July 2006 £000	Consolidated Year Ended 31st July 2005 £000	University Year Ended 31st July 2005 £000
	189,774	184,541	178,873	178,873
	2,717	2,268	2,315	1,756
	<b>192,491</b>	<b>186,809</b>	181,188	180,629
	73,446	73,446	17,168	9,933
	210	210	587	587
	(46,896)	(45,989)	(3,051)	(1,482)
	(316)	–	(185)	(75)
	(3,754)	(3,159)	(3,216)	(2,783)
	212,570	208,839	189,774	184,541
	2,611	2,478	2,717	2,268
	<b>215,181</b>	<b>211,317</b>	192,491	186,809

## Notes to the Financial Statements – Continued

## Note 23: General Reserve

23

	Group Year Ended 31st July 2006 £000	University Year Ended 31st July 2006 £000	Group Year Ended 31st July 2005 as restated £000	University Year Ended 31st July 2005 as restated £000
Balance at 1st August as previously stated	43,883	43,562	39,531	39,869
Reversal of SSAP 24 prepayment	(11,347)	(11,347)	(9,436)	(9,436)
Prior year adjustment in respect of FRS17	(39,405)	(39,405)	(30,132)	(30,132)
Prior year adjustment in respect of ex gratia pensions	3,057	3,057	3,046	3,046
	(3,812)	(4,133)	3,009	3,347
Deficit after Depreciation of Assets	(58,810)	(56,751)	(4,144)	(6,327)
Release from Revaluation Reserve	50,758	49,148	6,452	4,340
Historical Cost Surplus/(Deficit) after Tax	(8,052)	(7,603)	2,308	(1,987)
Actuarial Gain/(Loss) in respect of pension scheme	(2,844)	(2,844)	(9,782)	(9,782)
Unrealised Profit on Disposal of Fixed Assets	209	(2,729)	653	4,289
Balance at 31st July	(14,499)	(17,309)	(3,812)	(4,133)
<b>Represented By:</b>				
Pension Reserve	(42,519)	(42,519)	(39,405)	(39,405)
General Reserve	28,020	25,210	35,593	35,272
	(14,499)	(17,309)	(3,812)	(4,133)

**Prior Year Adjustment**

The prior year adjustment relates to the implementation of FRS 17 'Retirement Benefits', the adoption of which resulted in the following movements:

General Reserve as previously stated (Note 23)	43,883
SSAP 24 release	(9,436)
Pension Liability at 1st August 2004	(30,132)
Release of ex gratia pension provisions	3,046
<b>Movement during year ended 31st July 2005</b>	
Employer Service Cost	(4,272)
Employer Contributions	5,266
SSAP 24 Pre payment	(1,911)
Ex gratia pension provision	11
Net interest on assets	(486)
Actuarial loss	(9,782)
<b>General account reserve as restated at 31st July 2005</b>	<b>(3,813)</b>
<b>Analysis of prior year adjustment</b>	
Adjustment to opening General Reserve at 1st August 2004	(30,132)
Adjustment for General Reserve for year ended 31st July 2005	509
Adjustment for STRGL for year ended 31st July 2005	(9,782)
<b>Total Pension Liability for year ended 31st July 2005</b>	<b>(39,405)</b>

# Notes to the Financial Statements – Continued

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

# 24

Deficit before Tax and Transfers to Endowments	
Depreciation (Note 12)	
Loss on Disposal of Assets	
Deferred Capital Grants Released to Income (Note 20)	
Pension Costs less Contributions Payable	
Investment Income	
Interest Payable	
Decrease in Stocks	
Increase in Debtors	
Increase in Creditors	
Decrease in Provisions	

### Net Cash (Outflow)/Inflow from Operating Activities

Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
£000	£000
(58,922)	(3,930)
21,004	20,398
48,733	562
(13,371)	(9,187)
271	1,391
(2,475)	(2,222)
5,087	4,964
39	31
(24,317)	(1,638)
8,059	11,802
(1,164)	(894)
<b>(17,056)</b>	<b>21,277</b>

## Note 25: Returns on Investments and Servicing of Finance

# 25

Income from Endowments	
Income from Short-Term Investments	
Interest Paid	
Interest Element of Finance Lease Rental Payments	

### Net Cash Outflow from Returns on Investments and Servicing of Finance

Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
£000	£000
1,444	1,193
1,114	1,145
(5,072)	(4,933)
(15)	(31)
<b>(2,529)</b>	<b>(2,626)</b>

## Note 26: Capital Expenditure and Financial Investment

# 26

Tangible Assets Acquired (Other than Leased Equipment)	
Fixed Asset Investments Acquired	
Endowment Asset Investments Acquired	
Total Fixed and Endowment Asset Investments Acquired	
Receipts from Sales of Fixed Assets	
Deferred Capital Grants Received	
Utilisation of Endowment Fund Balances	
Endowments Received	

### Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment

Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
£000	£000
(46,807)	(43,548)
(134)	(4,255)
248	331
<b>(46,693)</b>	<b>(47,472)</b>
11,464	4,071
36,608	17,775
157	411
(248)	(331)
<b>1,288</b>	<b>(25,546)</b>

# Notes to the Financial Statements – Continued

## Note 27: Analysis of Changes in Financing during the Year

# 27

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balance at 1st August 2004	773	64,300	65,073
New Leases/Loans	–	17,500	17,500
Capital Repayments	(262)	(17,793)	(18,055)
Net Amount Released in Year	(262)	(293)	(555)
Balance at 31st July 2005	511	64,007	64,518
New Leases/Loans	–	57,700	57,700
Capital Repayments	(276)	(35,342)	(35,618)
Net Amount Acquired/(Released) in Year	(276)	22,358	22,082
Balances at 31st July 2006	235	86,365	86,600

## Note 28: Analysis of Changes in Net Debt

# 28

	At 1st August 2005 £000	Cash Flows £000	Other Changes £000	At 31st July 2006 £000
Cash at Bank and in Hand:				
Endowment Assets	1,512	280	–	1,792
Other	3,901	6,587	–	10,488
Deposits Repayable on Demand	1,305	(745)	–	560
Overdrafts	–	–	–	0
Total Cash at Bank and in Hand	6,718	6,122	–	12,840
Short-Term Deposits	13,894	(2,335)	–	11,559
Debt Due Within One Year	(3,141)	276	(3,028)	(5,893)
Debt Due After One Year	(61,349)	(22,407)	3,028	(80,728)
<b>Total</b>	<b>(43,878)</b>	<b>(18,344)</b>	<b>–</b>	<b>(62,222)</b>

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes

# 29

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

- Universities' Superannuation Scheme (USS)
- University of Sheffield Pension Scheme (1975) for Non Academic Staff (USPS)
- Federated Superannuation System for Universities (FSSU)
- National Health Service Pension Scheme (NHSPS).

The two main schemes, being USS and USPS, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee-administered funds.

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.

The total pension cost to the University was:

	Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
	£000	£000
USS	14,989	13,544
USPS including FRS 17 adjustments	4,884	3,122
Other Pension Schemes	1,778	1,321
	<b>21,651</b>	<b>17,987</b>

### (i) The Universities' Superannuation Scheme (USS)

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, therefore full FRS 17 disclosure is not required. The cost recognised within the surplus/deficit for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March 2005. 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 £21,740m and the value of past service liabilities was £28,308m, leaving a deficit of assets of £6,568m. It was agreed that the employers' contribution rate will be maintained at 14% of salaries. The contribution rate will be subject to review at the next actuarial valuation date which is due to take place on 31st March 2008. Depending on the analysis of promotional salary increases and other factors, it may be necessary to consider the contribution rate in advance of the next actuarial valuation. The valuation includes a reserve of £800m to take account of recent promotional salary experience.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company, and using the FRS 17 formula as if USS was a single employee scheme, the actuary estimated that the funding level would have been approximately 90%.

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

# 29

Latest actuarial valuations

Actuarial Assumptions:

Investment return per annum

Salary increases per annum

Pension increases per annum

Market value of assets at date of last valuation

Proportion of members' accrued benefits covered by the actuarial value of the assets

USS 31st March 2005	
Future Service Liabilities	Past Service Liabilities
6.20%	4.50%
3.90%	3.90%
2.90%	2.90%
£21,740 million	
77%	

### FRS 17 (Retirement Benefits)

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits the following disclosure is required for the University of Sheffield Pension Scheme (1975) for Non Academic Staff.

A disclosure is not required under FRS 17 for the Universities Superannuation Scheme or the NHS Pension Scheme, because although they are defined benefit schemes it is not possible to identify surpluses and deficits by individual employer. These schemes are accordingly accounted for as if they were defined contribution schemes, which are exempt from FRS 17 disclosure requirements. The Federated Superannuation Scheme for Universities is a defined contribution scheme and therefore exempt from the disclosure.

### (ii) The University of Sheffield Pension Scheme (1975) (USPS)

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 2005. The assumptions used for that valuation and the main results, are shown below.

Latest actuarial valuations

Actuarial Assumptions:

Investment return per annum

Salary increases per annum

Pension increases per annum

Market value of assets at date of last valuation

Proportion of members' accrued benefits covered by the actuarial value of the assets

USPS 1st April 2005	
	6.90%
	4.20%
	2.70%
	£62 million
	81%

### FRS 17 (Retirement Benefits) Disclosure for the accounting period ending 31st July 2006

#### University of Sheffield Pension Scheme (1975) for Non Academic Staff

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 2005 by a professionally qualified actuary. The next valuation is due to be made as at 1st April 2008.

c. During the accounting period, the University paid contributions to the pension scheme at the rate of 18.2% of pensionable salaries up to 31 December 2005, 16.45% of pensionable salaries from 1st January 2006 and 15.6% of pensionable salaries from 1st February 2006.

d. In addition, the University made a back-payment equal to the difference between the contributions actually paid in respect of the period between 1st April 2005 and 31st January 2006 and those that would have been paid under a rate of 18.45% up until 31st December 2005 and 15.6% from 1st January 2006. This back-payment and the revised level of future contributions were a result of the actuarial valuation as at 1st April 2005, together with a change to early retirement terms for future service and an increase in the level of member contributions, from 4.25% to 6% of pensionable salaries, with both these changes being effective from 1st January 2006.

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

# 29

e. The University also provides ex-gratia pension benefits to certain employees and former employees who previously did not join other pension arrangements. Ex-gratia benefits have ceased accruing for all such employees except in respect of one member. The University currently pays ex-gratia pensions of £378,000 pa. These liabilities are not separately funded.

### Financial assumptions

The financial assumptions used to calculate scheme liabilities under FRS 17 are as follows:

	At 31st July 2006 %pa	At 31st July 2005 %pa	At 31st July 2004 %pa
Inflation (RPI)	3.00	2.70	3.00
Rate of increase in salaries	4.50	4.20	3.75
Rate of increase of pensions in payment *	3.00	2.70	3.00
Rate of increase for deferred pensioners	3.00	2.70	3.00
Discount rate	5.10	5.00	5.75

\* 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 2006 £000	Expected rate of return %pa	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
Equities	69,926	8.00	59,017	8.00	43,756	8.50
Bonds	12,090	4.60	9,814	4.50	7,660	5.25
Cash	673	4.75	608	4.75	630	4.75
Total	82,689	7.48	69,439	7.48	52,046	7.98

### Components of defined benefit cost

	Year to 31 July 2006		Year to 31 July 2005	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
<b>Amounts charged to operating surplus/(deficit):</b>				
Current service cost	5,258	2	4,267	4
Past service costs	–	–	–	–
<b>Total charge to operating surplus/(deficit):</b>	<b>5,258</b>	<b>2</b>	<b>4,267</b>	<b>4</b>
<b>Other amounts charged to income and expenditure account:</b>				
(Gain)/Loss on settlements	–	–	–	–
(Gain)/Loss on curtailments	–	–	–	–
<b>Net (Gain)/Loss charged to income and expenditure account</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Amounts charged to other finance income:</b>				
Interest cost	5,282	259	4,543	301
Expected return on assets	(5,350)	–	(4,358)	–
<b>Net charge/(credit) to other finance income</b>	<b>(68)</b>	<b>259</b>	<b>185</b>	<b>301</b>
<b>Total income and expenditure charge before deduction for tax</b>	<b>5,190</b>	<b>261</b>	<b>4,452</b>	<b>305</b>

## Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

29

	Year to 31 July 2006		Year to 31 July 2005	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
<b>Analysis of amounts recognised in STRGL:</b>				
(Gain)/Loss on assets	(3,725)	–	(7,896)	–
Experience (Gain)/Loss on liabilities	1,889	179	–	(553)
(Gain)/Loss on change of assumptions	4,481	20	17,677	554
<b>Total (Gain)/Loss recognised in STRGL before adjustment for tax</b>	<b>2,645</b>	<b>199</b>	<b>9,781</b>	<b>1</b>

## History of experience gains and losses

	Year to 31st July 2006		Year to 31st July 2005		Year to 31st July 2004	
	USPS	Ex-gratia pensions	USPS	Ex-gratia pensions	USPS	Ex-gratia pensions
<b>(Gain)/Loss on assets:</b>						
Amount (£000)	(3,725)	–	(7,896)	–	301	–
% of assets as end of year	-5%	–	-11%	–	1%	–
<b>Experience (Gain)/Loss on liabilities</b>						
Amount (£000)	1,889	179	–	(553)	486	56
% of liabilities at end of year	2%	3%	–	-10%	1%	1%
<b>(Gain)/Loss on change of assumptions</b>						
Amount (£000)	4,481	20	(1,885)	554	3,786	(10)
<b>Total actuarial (Gain)/Loss</b>						
Amount (£000)	2,645	199	(9,781)	1	4,573	46
% of liabilities at end of year	2%	4%	-9%	–	6%	1%
<b>(Gain)/Loss on assets:</b>						
Amount (£000)			1,527	–	12,451	–
% of assets as end of year			3%	–	32%	–
<b>Experience (Gain)/Loss on liabilities</b>						
Amount (£000)			1,139	(55)	1,883	174
% of liabilities at end of year			2%	-1%	4%	3%
<b>(Gain)/Loss on change of assumptions</b>						
Amount (£000)			3,730	330	5,549	(86)
<b>Total actuarial (Gain)/Loss</b>						
Amount (£000)			6,396	275	19,883	88
% of liabilities at end of year			10%	5%	37%	2%

# Notes to the Financial Statements – Continued

## Note 29: Pension Schemes (continued)

### Reconciliation to balance sheet

	At 31st July 2006		At to 31st July 2005		At 31st July 2004	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
Scheme assets	82,689	–	69,439	–	52,046	–
Scheme liabilities	119,747	5,461	103,465	5,379	76,783	5,395
<b>Surplus/(Deficit)</b>	<b>(37,058)</b>	<b>(5,461)</b>	<b>(34,026)</b>	<b>(5,379)</b>	<b>(24,737)</b>	<b>(5,395)</b>

### Analysis of movement in deficit

	At 31st July 2006		At to 31st July 2005	
	USPS £000	Ex-gratia pensions £000	USPS £000	Ex-gratia pensions £000
<b>Deficit at beginning of year</b>	<b>(34,026)</b>	<b>(5,379)</b>	<b>(24,737)</b>	<b>(5,395)</b>
Contributions or benefits paid by University	4,803	378	4,944	322
Current service cost	(5,258)	(2)	(4,267)	(4)
Past service cost	–	–	–	–
Settlement cost	–	–	–	–
Curtailment cost	–	–	–	–
Other finance income/(charge)	68	(259)	(185)	(301)
Loss recognised in STRGL	(2,645)	(199)	(9,781)	(1)
<b>Deficit at end of year</b>	<b>(37,058)</b>	<b>(5,461)</b>	<b>(34,026)</b>	<b>(5,379)</b>

## Note 30: Capital Commitments

Commitments contracted at 31st July

Consolidated and University	
Year Ended 31st July 2006	Year Ended 31st July 2005 as restated
£000	£000
<b>12,780</b>	<b>30,932</b>

## Note 31: Financial Commitments

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

<b>79</b>	<b>52</b>
<b>110</b>	<b>196</b>
<b>441</b>	<b>333</b>
<b>630</b>	<b>581</b>

The University is a member of a mutual association for the provision of insurance against terrorism risks. In connection with this membership the University has undertaken to loan, if called upon to do so, the sum of £2m. The term of the loan facility is for one year from 1st August 2004, and any loans made under the facility would be repayable over seven years.

# Notes to the Financial Statements – Continued

## Note 32: University Companies

# 32

### Subsidiary Companies

AIVRU Systems Ltd	100.0%	Dormant
Auxetics Ltd	100.0%	Dormant
BIOH2 Ltd	100.0%	Dormant
Biohydrogen Ltd	100.0%	Dormant
Blade Leasing Co Ltd	100.0%	Dormant
Ceregen Ltd	100.0%	Dormant
Dental Teamwork Training Ltd	100.0%	Dormant
ECUS Ltd	100.0%	Environmental Consultancy Services
Escafeld Estates Ltd	100.0%	Property Disposal for Student Residences Strategy
Farapak Polymers Ltd	100.0%	Innovative Packaging Solutions
First World Manufacturing Ltd	100.0%	Dormant
In-Tend Ltd	100.0%	Procurement Software
Invector Ltd	100.0%	Dormant
Luminaires Ltd	100.0%	Dormant
Molecular Healthworks Ltd	100.0%	Dormant
Risk2Value Ltd	75.0%	Insurance Services
Shefcote Ltd	100.0%	Dormant
Sheffield Advisory Services Ltd	100.0%	University Malaysian Office
Sheffield Centre of Sports Medicine Ltd	Limited by Guarantee	Dormant
Sheffield International College Ltd	Limited by Guarantee	Dormant
Sheffield University Enterprise Ltd	100.0%	Holding Company
South Yorkshire Education Services Ltd	100.0%	Training Services
Thixoforge Ltd	100.0%	Dormant
Unisheff Properties Ltd	100.0%	Dormant
University Knowledge Ltd	100.0%	Exploitation of Intellectual Property Rights
Uspport Ltd	100.0%	Dormant
Vforge Ltd	100.0%	Dormant
Viewcheck Ltd	100.0%	Dormant
Wildfire Snowsports Ltd	100.0%	Dormant
Xsuppress Ltd	100.0%	Dormant

### Associate Companies

Biofusion plc	49.6%	Commercialisation of Medical Life Science Intellectual Property
Blastech Ltd	24.88%	Blast, Impact and Ballistic Testing Services
Vulcan Solutions Ltd	35.0%	Structural Fire Engineering Software Tool
Webelements Ltd	30.0%	Web Publications
White Rose Technology Ltd	40.0%	Investment in New Technology Companies
In-Tend Asset Management Ltd	Limited by Guarantee	Dormant

# Notes to the Financial Statements – Continued

## Note 32: University Companies (continued)

# 32

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.

## Note 33: Hardship Funds

# 33

Balance Unspent at 1st August	
Funding Council Grants	
Interest Earned	
Less Returned to Funding Council	
<b>Total Hardship Funding Available</b>	
Disbursed to Students	
Interest Used to Publicise	
Audit Fees	
<b>Balance Unspent at 31st July</b>	

<b>Consolidated and University</b>	
<b>Year Ended</b>	<b>Year Ended</b>
<b>31st July 2006</b>	<b>31st July 2005</b>
	as restated
<b>£000</b>	<b>£000</b>
397	325
810	915
12	27
(303)	(289)
<b>916</b>	<b>978</b>
(792)	(580)
(11)	–
(1)	(1)
<b>112</b>	<b>397</b>

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 at 1st August	
TDA Grant Received	
<b>Total Training Bursary Funding Available</b>	
Disbursed to Students	
<b>Balance Unspent at 31st July</b>	

<b>Consolidated and University</b>	
<b>Year Ended</b>	<b>Year Ended</b>
<b>31st July 2006</b>	<b>31st July 2005</b>
	as restated
<b>£000</b>	<b>£000</b>
35	45
973	927
<b>1,008</b>	<b>972</b>
(964)	(937)
<b>44</b>	<b>35</b>

TDA 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.

## Notes to the Financial Statements – Continued

## Note 35: Minority Ethnic Recruitment

35

Balance Unspent at 1st August	
TDA Basic, Challenge Funds and Recruitment Funds received	
Total MER Funding Available	
Expenditure in the year	
Balance Committed at 31st July	
Amount to be recovered by TDA	

Consolidated and University	
Year Ended	Year Ended
31st July 2006	31st July 2005
	as restated
£000	£000
–	–
13	13
13	13
(11)	–
–	13
2	–

## Note 36: Related Party Disclosure

36

During the year ended 31st July 2006 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
Hotcourses	Prof R F Boucher	Vice-Chancellor of the University of Sheffield Member of Hotcourses Advisory Council
HESA	Dr D E Fletcher	Registrar and Secretary of the University of Sheffield Director of HESA
Connexions South Yorkshire Ltd Sheffield Homes Ltd	Prof A D H Crook	Pro Vice-Chancellor Member of University Council and Member of Strategic Planning Committee Chairman of Connexions South Yorkshire Ltd and Sheffield Homes Ltd
Yorkshire & the Humber Strategic H.A. Eadon, Lockwood and Riddle	Mrs K E Riddle	Chairman of University Council, Pro-Chancellor, Member of Strategic Planning Committee, Facilities Management Committee, Finance Committee and Senior Remuneration Committee Chairman of Yorkshire & the Humber Strategic Health Authority Family relation is a partner of Eadon, Lockwood and Riddle
Sheffield Church Burgesses Trust	Mr P W Lee	Member of Finance Committee and Facilities Management Committee Trustee of Sheffield Church Burgesses Trust
DLA Piper UK LLP	Mr P N Firth	Member of University Council, Strategic Planning Committee, Facilities Management Committee, Finance Committee and Senior Remuneration Committee Partner in DLA Piper UK LLP
Fretwell-Downing Group Ltd	Mr C A J Biggin	Member of University Council and Member of Finance Committee Financial Director of Fretwell-Downing Group Ltd
Footprint Tools Ltd	Mr C J Jewitt	Member of University Council and Member of Facilities Management Committee Trustee of South Yorkshire Higher Education Development Trust Managing Director of Footprint Tools Ltd

## Notes to the Financial Statements – Continued

## Note 36: Related Party Disclosure (continued)

36

## University Companies

Related Party	(Income)/Expenditure		(Debtors)/Creditors		Details
			Balance at 31st July		
	2005/06	2004/05	2006	2005	
	£000	£000	£000	£000	
<b>University Companies</b>					
Adjuvantix Ltd	(10)	(76)	–	(14)	Research income
Asterion Ltd	(248)	(220)	(49)	–	Research income
Axordia Ltd	(94)	–	(3)	(5)	Salary recharges
Cavendish Instruments Ltd	(127)	–	(10)	–	Salary recharges
CellTran Ltd	(151)	(277)	(105)	(290)	Research income
	36	–	–	–	Medical supplies
Sheffield Advisory Services	86	116	–	–	Salaries and expenses of Malaysian office
Supaplants Ltd	–	(39)	(1)	–	Office costs recharges
WUN Foundation Ltd	36	(15)	(2)	(37)	Salary recharges
	41	–	–	–	Subscription costs
YHMAN Ltd	(3)	(4)	–	–	Network services charged
	18	18	–	–	Network services paid
<b>Other Organisations and Companies</b>					
Connexions South Yorkshire Ltd	–	(8)	–	(1)	Grant income
DLA Piper UK LLP	(4)	(1)	–	–	Careers fairs
	179	476	–	27	Professional fees
Eadon, Lockwood and Riddle	16	19	16	–	Professional land valuation advice
Footprint Tools Ltd	11	–	2	–	Training costs
Fretwell-Downing Group Ltd	25	20	5	4	Conference costs
HESA	26	25	–	24	Subscription costs
Hotcourses	35	24	1	2	Advertising costs
Sheffield Church Burgesses Trust	206	208	–	6	Rental costs
Sheffield Homes Ltd	(42)	(14)	(4)	(12)	Conference costs
South Yorks. Higher Education Development Trust	(882)	(206)	(882)	–	Rental costs
University of Sheffield	(3,683)	(3,461)	–	(58)	Payroll payment, other services provided and sundry purchases
Union of Students	280	211	41	61	Annual subvention grant
	1,288	1,225	–	–	
Yorkshire & the Humber Strategic H.A.	(11)	–	–	–	Training costs
	140	100	3	–	Course costs





The  
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Of  
Sheffield.