

THE UNIVERSITY OF SHEFFIELD

FINANCIAL STATEMENTS FOR THE YEAR TO 31ST JULY 2001

Index	Page
Report of the Treasurer	2-4
Corporate Governance Statement	5
Responsibilities of the University's Council	6
Report of the Auditors	7-8
Statement of Principal Accounting Policies	9-11
Income and Expenditure Account	12
Statement of Historical Costs Surpluses and Deficits	12
Statement of Total Recognised Gains and Losses	13
Balance Sheet	14-15
Cash Flow Statement	16
Reconciliation of Net Cash Flow to Movement in Net Debt	16
Notes to the Financial Statements	17-33
Appendices	
Comparative Statistics	35-36

Report of the Treasurer

2000/01

Scope of the Financial Statements

The Financial Statements presented to the Council of the University cover all of the University's activities, including Research Grants, Conference and Residential Services. The only activities excluded relate to Sheffield University Enterprises Limited and other companies in which the University has an interest. They do not have a material effect on the results and are detailed in Note 29 to the Financial Statements.

Results for the Year

The University's Income and Expenditure results for the year to 31st July 2001 are summarised as:

	2000/01	1999/00
	£000	£000
Income	224,599	210,782
Expenditure	221,554	208,637
Operational Surplus	3,045	2,145
Profit on Disposal of Assets	-	1,214
Depreciation Attributable to Revaluation	1,639	917
Realisation of Property Revaluation Gains of Previous Years	-	193
Historical Cost Surplus	4,684	4,469

The surplus achieved for the year of nearly £4.7m compares with a revised budget prediction of £4.1m. Given the continued pressures on University finances generally, together with the continued development and growth of the University, such an outturn is a very creditable one. Income has increased by £13.8m (6.6%) with expenditure increasing by slightly less than that.

Income from HEFCE grants continues to remain at a relatively constant level with an increase of £2.2m, which included compensation for the effects of inflation, initiatives to widen participation and to provide additional funded student places.

Part of the University's recent strategic focus has been targeted on overseas student numbers. This has been very successful and has now more than reversed the decline experienced three years ago as a consequence of the Malaysian currency crisis. We are also optimistic for further growth.

Our growth in income from Research Grants and Contracts continues apace. At £58.5m this shows an increase of almost 30% over just two years ago. Other Income has increased by £3.6m (9.9%), which demonstrates the success of the University's policy to develop income streams from alternative sources of activity at a time when traditional government funding is stabilising.

Staff costs increased by nearly £10m (7.8%), which reflects the costs of pay awards and increments, additional research grants and contracts and, to a limited extent, new posts for the Research Assessment Exercise.

Capital Projects

Funding announcements in the last two years have given the University a tremendous opportunity to expand and refurbish its estate. On top of last year's announcements of £37m capital funding under the Joint Infrastructure Fund (JIF), the University has now been successful with eight bids totalling in excess of £29m from the Science Research Investment Fund (SRIF), the primary aim of which is to contribute to and invest in the science research infrastructure of higher education institutions. In addition, the University has successfully secured funding in excess of £5m from the HEFCE towards major refurbishment in

Report of the Treasurer – Continued

the Department of Chemistry as a consequence of the transfer to Sheffield of Lancaster University's Chemistry Department. During the year significant refurbishment works commenced on the University's sports centre. This work will result in state of the art facilities, will more appropriately match our current student numbers and will represent an exciting commercial opportunity for the University. In addition, the University is currently in the process of acquiring the former Jessop Hospital, which when refurbished, will represent a prestigious landmark building on the campus.

Taken together, the above means that the University has commenced on one of the biggest phases of building and refurbishment in its history. Whilst this represents a challenge to the University in terms of the concurrent management of so many projects and the associated decanting issues, this development phase will result in significantly upgraded and extended academic facilities to leave the University better placed for its continued academic growth and development.

Capital expenditure on buildings was £12.2m during the last year, reflecting the increased level of activity on the various capital projects currently being undertaken. Capital expenditure on equipment during the year was £4.2m, of which £3m was for the purpose of research, with the balance of £1.2m being in respect of departmental teaching equipment and the upgrading of the telephone system within the University's Student Accommodation.

Cash Flow

There was a net outflow of cash of £4.2m, compared with a forecast outflow of £9m, which was made up of a decrease in liquid resources of £4.4m offset by an increase in cash balances of £0.2m. The main positive variations were an under-spend on capital projects (£4.5m) due to slippage in the capital programme, an increase in the level of creditors (£5.2m), an increase in the level of deferred capital grants (£1m) and a higher Income & Expenditure Account surplus after depreciation at valuation (£0.5m). These were partially offset by an increase in the level of debtors (£7m).

The Reconciliation of Net Cash Flow to Net Debt demonstrates that the net debt position of the University increased by £0.7m during the year. Loan repayments amounted to £3.5m and the level of cash increased by £0.2m, offset by a reduction in the level of short-term deposits of £4.4m.

The Statement of Total Recognised Gains and Losses shows the reconciliation of the movement in the total of Endowment Funds and Reserve Funds between the Balance Sheet dates by adding to the Income and Expenditure Account out-turn, after depreciation of assets at valuation, the items that are taken directly to Endowments or Reserves. Total Recognised Gains relating to the year amounted to £49.2m including the Income and Expenditure Account surplus on Continuing Operations after Depreciation of Assets at Valuation of £3m. The main items are as follows:

- the University's properties, excluding residential properties, were re-valued as at 31st July 2001 resulting in an increase of £50.3m in the market value of the properties.
- a net reduction in the market value of investments by £4.5m, a reflection of the negative performance in the UK equity market caused by investors' fears of a global recession.
- a net addition of £0.4m to endowed funds due to additional donations received during the year, partially offset by the utilisation of investment income retained in previous years.

Investment Performance

Market conditions were very difficult, particularly during the second half of the year, producing overall negative returns on all of the University's long-term investment funds. However, the University's investments outperformed the indicators that have been determined as acceptable comparators. The long-term performance remains broadly in line with the comparative benchmarks, with the annualised average return (capital and income combined) for the last twelve years ranging from 10.3% for Japan Foundation to 12% for the General Investment Pool.

The level of income generated by the University's investment managers exceeded the targets set for both the General and Endowment Investment Pools.

Report of the Treasurer – Continued

The level of income generated from short-term deposits amounted to £1.97m, marginally better than the revised forecast for the year. This was entirely due to a better than anticipated cash flow. The average rate of return from short-term deposits was 6.03%, 29 basis points better than the bank base rate average of 5.74%. This was the best performance in the nine year period during which this benchmark has been used, exceeding the previous best of 27 basis points in 1999/00.

The Euro

The University accounts for all of its financial transactions in Sterling. Given that the UK will not be joining the European Single Currency (the Euro) for the time being, the University has no plans to change this at present. Therefore no system changes are required and any costs in respect of the Euro should be minimal. The University currently receives a small proportion of its income and makes a small proportion of its payments in Euros in accordance with specific contractual terms. The University operates a Euro bank account for this purpose. An option was in place at 31st July 2001 to cover the future translation of Euro bank balances to provide protection against adverse movements in the exchange rate. Further details are included in Note 28 on page 29.

Future Outlook

Last year I indicated that the University's future outlook would be determined by how well we would manage uncertainty and change and, whilst these two factors are still heavily in evidence, I would add a third and that is the management of challenges and opportunities. As I have already reported, the University has been very successful in its bid for capital funds and now has a very challenging capital programme to manage with a wide range of projects throughout the campus. We are also close to finalising contracts for the outsourcing to the private sector of the management and operation of all student accommodation.

We have a major challenge and opportunity in the development of the Aerospace Manufacturing Research Centre (AMRC) in Sheffield, especially in the light of recent global aerospace uncertainty. The attraction to Sheffield of such a major partner as Boeing reflects well on the University's reputation for research. In addition we continue to benefit from the Science Enterprise Challenge in conjunction with our two White Rose University partners.

We expect to do well in this year's Research Assessment Exercise, the results of which will be announced by the end of the calendar year, and our challenge will be to start preparing ourselves to do even better in the next exercise and to plan ahead accordingly.

In the light of the continued strong growth in the University's reputation and in its teaching and research excellence, it is gratifying to be awarded the accolade of "University of the Year" by the Sunday Times in its 2001 annual survey of UK universities. We intend to maintain, and indeed enhance, our standing in the coming years.

However, we also have to recognise that we are operating in a sector which has suffered considerably over the years from Government underfunding; and, despite recent infrastructure funding initiatives, the financial health of universities is heavily dependent on Government decisions on future funding in many areas, including staff pay, student support and for teaching and research generally.

The financial results for the year have further built on the surpluses generated in recent years and this performance provides the University with a good financial base. Our Financial Forecasts reflect our development plans across all areas of the University and, as such, do not predict future surpluses at the level of those in recent years. However, it is important that we maintain a stable financial platform from which we can plan future activity and to cushion us from the impact of any adverse occurrences.

Finally, I would like to thank the Director of Finance and members of the Finance Department staff, not just for the preparation of these Financial Statements, but for their continued dedication to the University's financial well-being.

DR SIR HUGH R. SYKES
TREASURER

Corporate Governance

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

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

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

The Council has not asked the External Auditors to review compliance with the matters specified.

Summary of the University's structure of Corporate Governance

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

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

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

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

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

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

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

Responsibilities of the Council of the University of Sheffield

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

In causing the financial statements to be prepared, the Council has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University of Sheffield will continue in operation.

The Council has taken reasonable steps to:

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

Independent Auditor's Report to the Council of the University of Sheffield

We have audited the financial statements which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the statement of principal accounting policies.

Respective Responsibilities of the Council and Auditors

The Council is responsible for the preparation of the financial statements in accordance with the Accounts Direction issued by the Higher Education Funding Council for England, the Statement of Recommended Practice - Accounting for Further and Higher Education, applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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, in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the University's statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England. We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinion

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

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

Opinion

In our opinion:

- a. the financial statements give a true and fair view of the state of affairs of the University at 31 July 2001, and of the surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education;

Independent Auditor's Report to the Council of the University of Sheffield – Continued

- b. in all material respects, income from the Higher Education Funding Council for England and the Teaching Training Agency, grants and income for specific purposes and from other restricted funds administered by the University, have been applied for the purposes for which they were received;
- c. in all material respects, income has been applied in accordance with the University's statutes and where appropriate with the financial memorandum dated June 2000 with the Higher Education Funding Council for England.

Notes:

- (a) The Maintenance and integrity of the University of Sheffield's website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PricewaterhouseCoopers
Chartered Accountants

Sheffield
17th December 2001

Statement of Principal Accounting Policies

1. **Accounting Convention**

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

The University has set up a number of companies for commercial purposes. The separately audited financial statements are not consolidated on the grounds of immateriality but details are shown in summary form in Note 29 to the Financial Statements.

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

2. **Recognition of Income**

Income from Specific Endowments and Donations, and Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contribution towards overhead costs. All income from Short-Term Deposits and General Endowment Asset Investments is credited to the Income and Expenditure Account in the period in which it is earned.

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

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

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

4. **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.

5. **Leases**

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

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

Statement of Principal Accounting Policies – Continued

6. Land and Buildings

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

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

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

A valuation was carried out at 31st July 2000 by Knight Frank, Chartered Surveyors, on residential properties, with a further valuation of academic, office, ancillary and support buildings being carried out on 31st July 2001 by Gerald Eve, Chartered Surveyors.

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

Major refurbishments are depreciated over their expected useful lives of 20 years.

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

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

7. Equipment

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

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

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

8. 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.

9. 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.

10. Cash Flows and Liquid Resources

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

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

Statement of Principal Accounting Policies – Continued

11. **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.

12. **Taxation Status**

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

13. **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.

14. **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.

Income and Expenditure Account

For the Year Ended 31st July 2001

	Note	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
INCOME			
Funding Council Grants	1	73,596	71,423
Tuition Fees and Education Contracts	2	49,543	46,615
Research Grants and Contracts	3	58,458	53,587
Other Income	4	39,673	36,111
Endowment and Investment Income	5	<u>3,329</u>	<u>3,046</u>
Total Income		<u>224,599</u>	<u>210,782</u>
EXPENDITURE			
Staff Costs	6	137,246	127,284
Other Operating Expenses	7	69,810	67,941
Depreciation	10	9,102	8,369
Loss on Revaluation of Fixed Assets	10	482	-
Interest Payable	8	<u>4,914</u>	<u>5,043</u>
Total Expenditure		<u>221,554</u>	<u>208,637</u>
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Before Tax		<u>3,045</u>	<u>2,145</u>
Profit on Disposal of Assets	10	<u>-</u>	<u>1,214</u>
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before and After Tax		<u>3,045</u>	<u>3,359</u>

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

Statement of Historical Cost Surpluses

For the Year Ended 31st July 2001

	Note	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Surplus on Continuing Operations Before and After Taxation		3,045	3,359
Difference Between Historical Cost Depreciation and the Actual Charge for the Year Calculated on the Re-valued Amount	19	1,639	917
Realisation of Property Revaluation Gains of Previous Years	19	<u>-</u>	<u>193</u>
Historical Cost Surplus Before and After Taxation		<u>4,684</u>	<u>4,469</u>

Statement Of Total Recognised Gains And Losses

For The Year Ended 31st July 2001

	Note	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Surplus on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets and Before and After Tax		3,045	3,359
Unrealised Surplus on Revaluation of Fixed Assets	10	50,299	38,518
(Depreciation)/Appreciation of Endowment Asset Investments	18	(3,865)	1,760
(Depreciation)/Appreciation of Fixed Asset Investments	19	(595)	354
Endowment Income Retained For Year	18	(153)	(72)
New Endowments	18	444	(44)
Total Recognised Gains Relating to the Period		49,175	43,875
Reconciliation			
Opening Reserves and Endowments		153,215	
Total Recognised Gains for the Year		49,175	
Closing Reserves and Endowments		202,390	

Balance Sheet as at 31st July 2001

	Note	As At 31st July 2001 £000	As At 31st July 2000 £000
FIXED ASSETS			
Tangible Assets	10	261,780	204,689
Investments	11	<u>4,765</u>	<u>5,400</u>
		<u>266,545</u>	<u>210,089</u>
ENDOWMENT ASSETS			
	18	31,048	34,622
CURRENT ASSETS			
Stock		332	302
Debtors	12	38,869	31,022
Investments		21,778	25,991
Cash at Bank and in Hand		<u>597</u>	<u>429</u>
		61,576	57,744
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	13	<u>(52,783)</u>	<u>(46,381)</u>
NET CURRENT ASSETS			
		<u>8,793</u>	<u>11,363</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		306,386	256,074
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	14	(54,912)	(58,705)
PROVISIONS FOR LIABILITIES AND CHARGES			
	16	<u>(7,794)</u>	<u>(7,962)</u>
NET ASSETS			
		<u>243,680</u>	<u>189,407</u>

Balance Sheet as at 31st July 2001

	Note	As At 31st July 2001 £000	As At 31st July 2000 £000
DEFERRED CAPITAL GRANTS	17	<u>41,290</u>	<u>36,192</u>
ENDOWMENTS			
Specific	18	23,911	26,307
General	18	<u>7,137</u>	<u>8,315</u>
		<u>31,048</u>	<u>34,622</u>
RESERVES			
Revaluation Reserve	19	142,095	94,030
General Reserve	20	<u>29,247</u>	<u>24,563</u>
		<u>171,342</u>	<u>118,593</u>
TOTAL FUNDS		<u><u>243,680</u></u>	<u><u>189,407</u></u>

The financial statements on pages 9 to 33 were approved by the Council on 17th December 2001 and were signed on its behalf by:-

Dr Sir H. R. SYKES, Treasurer

Professor R. F. BOUCHER, Vice-Chancellor

Mr D. R. BEARPARK, Director of Finance

The University of Sheffield

Cash Flow Statement

For the Year Ended 31st July 2001

	Note	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
CASH FLOW FROM OPERATING ACTIVITIES	21	8,257	11,463
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	22	(1,198)	(1,498)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23	(7,752)	(215)
MANAGEMENT OF LIQUID RESOURCES		4,376	(6,992)
FINANCING	24	<u>(3,527)</u>	<u>(3,630)</u>
INCREASE/(DECREASE) IN CASH IN THE PERIOD	25	<u>156</u>	<u>(872)</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
INCREASE/(DECREASE) IN CASH IN THE PERIOD		156	(872)
CASH (OUTFLOW)/INFLOW FROM LIQUID RESOURCES		(4,376)	6,992
ADDITIONAL DEBT (LEASE: NON-CASH FLOW)		-	(28)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		<u>3,527</u>	<u>3,630</u>
MOVEMENT IN NET DEBT IN PERIOD		(693)	9,722
NET DEBT AT 1st AUGUST 2000		<u>(34,084)</u>	<u>(43,806)</u>
NET DEBT AT 31st JULY 2001	25	<u>(34,777)</u>	<u>(34,084)</u>

Notes to the Financial Statements

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 1 Funding Council Grants		
Higher Education Funding Council for England - Recurrent Grant	70,829	69,159
Specific Grants		
Information Systems Committee	1	56
Teacher Training Agency Grant	772	946
Other	1,184	448
Deferred Capital Grants Released in Year		
Buildings (Note 17)	572	499
Equipment (Note 17)	238	315
	<u>73,596</u>	<u>71,423</u>
Note 2 Tuition Fees and Education Contracts		
Home Full-time Students	16,604	15,809
Home Part-time Students	1,851	1,784
Overseas Students	15,128	13,571
NHS Education Contracts	12,485	12,418
Research Training Support Grants and Other Fees	3,475	3,033
	<u>49,543</u>	<u>46,615</u>
Note 3 Research Grants and Contracts		
Research Councils	19,820	16,856
UK Based Charities	11,322	11,045
European Commission	4,777	4,359
Other Grants and Contracts	19,925	18,515
Release from Deferred Capital Grants	2,614	2,812
	<u>58,458</u>	<u>53,587</u>
Note 4 Other Income		
Residences, Catering and Conferences	14,815	14,367
Other Services Rendered	10,013	8,824
Health Authorities	5,684	5,175
Releases from Deferred Capital Grants	385	328
Other Income	8,776	7,417
	<u>39,673</u>	<u>36,111</u>

Notes to the Financial Statements – Continued

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 5 Endowment and Investment Income		
Transferred from Specific Endowments (Note 18)	901	741
Income from General Endowment Asset Investments (Note 18)	319	345
Other Investment Income	<u>2,109</u>	<u>1,960</u>
	<u>3,329</u>	<u>3,046</u>
 Note 6 Staff		
Staff Costs:		
Wages and Salaries	115,789	108,015
Social Security Costs	9,107	8,461
Other Pension Costs (Note 26)	<u>12,350</u>	<u>10,808</u>
	<u>137,246</u>	<u>127,284</u>
 Emoluments of the Vice-Chancellor	<u>157</u>	<u>149</u>

The emoluments of the Vice-Chancellor, which include benefits in kind, are shown on the same basis as for higher paid staff as set out below. The University's pension contributions are paid to USS and, because of the salary cap applicable to USS contributions, to a subsidiary pension scheme at the same rate as for other academic staff. These amounted to £11,190 (1999/00 – £16,968) for the Vice-Chancellor who left the University on 31st December 2000 and £11,629 for the new Vice-Chancellor.

A payment of £21,201 was made to enhance the pension benefit of the former Vice-Chancellor, together with a lump sum payment of £7,660.

Remunerations 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. It is because of these NHS contracts and the differential salary scales for clinical staff in universities with medical schools that all but 72 (52 in 1999/00) of the higher paid staff below are clinical staff.

	Number	Number
£50,000-£59,999	64	54
£60,000-£69,999	40	43
£70,000-£79,999	27	21
£80,000-£89,999	11	14
£90,000-£99,999	17	7
£100,000-£109,999	4	6
£110,000-£119,999	5	2
£120,000-£129,999	5	5
£130,000-£139,999	1	-

Payments of £215,695 were made to enhance the pension benefit of five higher paid employees under the early retirement scheme for staff. This payment includes £112,546 relating to one higher paid employee who left the University on 31st July 2001, but to whom a payment was not made until August 2001.

Notes to the Financial Statements – Continued

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 7 Other Operating Expenses		
Consumables and Laboratory Expenditure	14,416	12,989
Books and Periodicals	2,345	1,942
Rates	1,211	1,214
Fellowships, Scholarships and Prizes	7,879	6,798
Furniture and Equipment	9,318	9,364
Heat, Light, Water and Power	3,912	3,997
Repairs and General Maintenance	6,261	6,086
Grants to University of Sheffield Students' Union	963	906
Rents	837	824
Auditors' Remuneration	34	31
Auditors' Remuneration in Respect of Non-Audit Services	147	3
Refund of VAT	(1,894)	(1,083)
Professional Fees	1,957	1,563
Provision for Bad & Doubtful Debts	(203)	1,621
Administrative Expenses	3,791	3,813
Travel & Subsistence Expenses	4,464	4,495
Payments to Non-Contracted Staff	6,575	6,697
Other Expenses	7,797	6,681
	69,810	67,941

Note 8 Interest Payable and Similar Charges		
Loans wholly repayable within five years	54	70
Loans not wholly repayable within five years	4,810	4,875
Finance Leases	50	98
	4,914	5,043

Note 9 Analysis of 2000/01 Expenditure by Activity	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	76,086	315	13,547	14	89,962
Academic Services	7,908	421	7,219	9	15,557
Research Grants and Contracts	27,207	2,614	18,815	(10)	48,626
Residences, Catering and Conferences	5,014	1,639	6,220	2,274	15,147
Premises	4,457	3,733	10,465	2,627	21,282
Administration	10,041	7	3,980	-	14,028
Other Expenses	6,533	373	9,564	-	16,470
	137,246	9,102	69,810	4,914	221,072

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 17)	3,809
Revaluation Reserve Released (Note 19)	1,639
General Income	3,654
	9,102

The above analysis excludes the Loss on Revaluation of Fixed Assets shown in the Income and Expenditure Account.

Notes to the Financial Statements - Continued

Note 10 Tangible Assets

	Land and Buildings		Equipment	Leased Equipment	Total
	Freehold	Long Leasehold			
	£000	£000	£000	£000	£000
Valuation/Cost					
At 1st August 2000					
Valuation	163,379	11,928	290	-	175,597
Cost	36,552	193	21,991	5,510	64,246
Additions at Cost	12,194	-	4,182	-	16,376
Surplus on Revaluation	39,710	1,444	-	-	41,154
Disposals					
Valuation	-	-	-	-	-
Cost	-	-	-	-	-
Loss on revaluation of fixed assets	(173)	(309)	-	-	(482)
Revaluation in Year	-	-	70	-	70
At 31st July 2001					
Valuation	<u>202,916</u>	<u>13,063</u>	<u>360</u>	<u>-</u>	<u>216,339</u>
Cost	<u>48,746</u>	<u>193</u>	<u>26,173</u>	<u>5,510</u>	<u>80,622</u>
Depreciation					
At 1st August 2000					
	13,595	211	17,015	4,333	35,154
Charge for Year	3,741	719	4,104	538	9,102
Revaluation	(8,760)	(315)	-	-	(9,075)
Eliminated on Disposals	-	-	-	-	-
At 31st July 2001					
	<u>8,576</u>	<u>615</u>	<u>21,119</u>	<u>4,871</u>	<u>35,181</u>
Net Book Value					
At 31st July 2001					
	<u>243,086</u>	<u>12,641</u>	<u>5,414</u>	<u>639</u>	<u>261,780</u>
At 1st August 2000					
	<u>186,336</u>	<u>11,910</u>	<u>5,266</u>	<u>1,177</u>	<u>204,689</u>

The value of assets in the course of construction not depreciated in the year is £5,831,157.

Buildings with a net book value of £86,770,416 and cost of £52,946,393 have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England.

The historical cost of the assets held at valuation is £167,934,133 with depreciation being £50,943,050.

Notes to the Financial Statements - Continued

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 11 Fixed Asset Investments		
Balance at 1st August 2000	5,400	
Additions	120	
Depreciation on Revaluation	(755)	
	<u>4,765</u>	
Fixed Interest Stocks	1,868	1,972
Equities	2,897	3,428
Total Fixed Asset Investments	<u>4,765</u>	<u>5,400</u>
Fixed Interest and Equities at Cost and Bank Balances	<u>2,544</u>	<u>2,424</u>
 Note 12 Debtors		
Amounts falling due within one year:		
Debtors	27,221	21,686
Prepayments (Pensions)	6,871	6,394
Other Prepayments and Accrued Income	4,777	2,942
	<u>38,869</u>	<u>31,022</u>
 Note 13 Creditors: Amounts falling due within one year		
Bank Loans and Overdrafts (Note 15)	3,555	2,793
Obligations Under Finance Leases (Note 15)	250	734
Payments Received in Advance	22,506	18,613
Creditors	14,922	13,249
Social Security and Other Taxation Payable	3,346	3,163
Accruals and Deferred Income	8,087	7,485
Amounts Owed to Funding Councils	117	344
	<u>52,783</u>	<u>46,381</u>

Notes to the Financial Statements - Continued

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 14 Creditors: Amounts falling due after more than one year		
These comprise mortgages, unsecured loans and finance leases repayable:		
Between one and two years	2,904	3,793
Between two and five years	8,395	8,506
In five years or more	43,613	46,406
	54,912	58,705

The University entered into a 25 year loan agreement with National Westminster Bank on 31st May 1996 for the sum of £35.1 million. The loan is secured by legal charges over certain properties. £1.417 million is repayable within one year and is included within bank loans and overdrafts in Note 13 above. The balance falling due after more than one year, included above, is £26.921 million.

The University entered into a 25 year loan agreement with Barclays Bank on 15th August 1997 for the sum of £34.4 million. The loan is secured by legal charges over certain properties. £1.376 million is repayable within one year and is included within bank loans and overdrafts in Note 13 above. The balance falling due after more than one year, included above, is £27.864 million.

Cross currency interest rate swaps were undertaken with effect from 12th July 1999 in which the University exchanged two principal amounts of sterling debt of £12,796,800 for Euro debt of €19,501,371.53 for periods of five years until 24th May 2004, at a fixed rate of interest, and two years until 22nd August 2001 at a variable rate of interest. The purpose of these swaps was to utilise Euro currency revenue to service debt, and as a result, reduce the rates of interest payable.

Note 15 Borrowings

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Bank Loans and Overdrafts		
Bank Loans and Overdrafts are repayable as follows:		
In one year or less	3,555	2,793
Between one and two years	2,793	3,543
Between two and five years	8,379	8,379
In five years or more	43,613	46,406
Total	58,340	61,121
Finance Leases		
The net finance lease obligations to which the University is committed are:		
In one year or less	250	734
Between one and two years	111	250
Between two and five years	16	127
Total	377	1,111

Notes to the Financial Statements - Continued

Note 16 Provisions for Liabilities and Charges

	Pensions £000	Early Retirement Costs £000	Other £000	Total £000
At 1st August 2000	2,933	4,967	62	7,962
Utilised in Year	(434)	(906)	(47)	(1,387)
Transfer from Income and Expenditure Account	489	555	175	1,219
At 31st July 2001	2,988	4,616	190	7,794

Note 17 Deferred Capital Grants

	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1st August 2000			
Buildings	22,723	10,437	33,160
Equipment	302	2,730	3,032
Total	23,025	13,167	36,192
Cash Received			
Buildings	2,019	3,845	5,864
Equipment	-	3,043	3,043
Total	2,019	6,888	8,907
Released to Income and Expenditure			
Buildings (Notes 1, 3 and 4)	572	406	978
Equipment (Notes 1, 3 and 4)	238	2,593	2,831
Total (Note 9)	810	2,999	3,809
At 31st July 2001			
Buildings	24,170	13,876	38,046
Equipment	64	3,180	3,244
Total	24,234	17,056	41,290

Notes to the Financial Statements – Continued

Note 18 Endowments

	Specific £000	General £000	Total £000
At 1st August 2000	26,307	8,315	34,622
Additions	507	-	507
Disposals	(62)	(1)	(63)
Depreciation of Endowment Asset Investments	(2,688)	(1,177)	(3,865)
Income For Year	748	319	1,067
Transferred to Income and Expenditure Account (Note 5)	(901)	(319)	(1,220)
	23,911	7,137	31,048
At 31st July 2001	23,911	7,137	31,048
Representing:			
Fellowships and Scholarship Funds	9,918	-	9,918
Prize Funds	915	-	915
Chairs and Lectureship Funds	3,038	-	3,038
Other Funds	10,040	7,137	17,177
	23,911	7,137	31,048
	23,911	7,137	31,048
The value of Endowments at 31st July 2001 was represented by:-			
Fixed Interest Stocks			12,962
Equities			16,460
Land and Property			61
Bank Balances			1,565
			12,962
Total Endowment Asset Investments			31,048
Fixed Interest and Equities at Cost and Bank Balances			16,997
Land and Property at Cost			61

Note 19 Revaluation Reserve

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Revaluations		
At 1st August 2000	98,665	59,986
Revaluation in Year – Tangible Assets	50,299	38,518
– Investments	(595)	354
Released to Income & Expenditure Account	-	(193)
	148,369	98,665
At 31st July 2001	148,369	98,665
Contributions to Depreciation		
At 1st August 2000	4,635	3,718
Released in Year (Note 9)	1,639	917
	6,274	4,635
At 31st July 2001	6,274	4,635
Net Revaluation Amount		
At 31st July 2001	142,095	94,030
At 1st August 2000	94,030	56,268

Notes to the Financial Statements – Continued

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 20 General Reserve		
Surplus after Depreciation of Assets and Tax	3,045	
Release from Revaluation Reserve	<u>1,639</u>	
Historical Cost Surplus after Tax	<u>4,684</u>	
Balance at 1st August 2000	<u>24,563</u>	
Balance at 31st July 2001	<u><u>29,247</u></u>	
 Note 21 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
Surplus before Tax	3,045	3,359
Depreciation (Note 10)	9,102	8,369
Gains on Sale of Fixed Assets	-	(1,214)
Write Off of Fixed Assets	482	33
Deferred Capital Grants Released to Income (Note 17)	(3,809)	(3,954)
Investment Income	(3,517)	(3,410)
Interest Payable	4,914	5,043
(Increase)/Decrease in Stocks	(30)	36
Increase in Debtors	(7,847)	(2,341)
Increase in Creditors	6,085	6,490
Decrease in Provisions	<u>(168)</u>	<u>(948)</u>
Net Cash Inflow from Operating Activities	<u><u>8,257</u></u>	<u><u>11,463</u></u>
 Note 22 Returns on Investments and Servicing of Finance		
Income from Endowments	1,067	1,014
Income from Short-Term Investments	2,649	2,531
Interest Paid	(4,864)	(4,945)
Interest Element of Finance Lease Rental Payments	<u>(50)</u>	<u>(98)</u>
Net Cash Outflow from Returns on Investments and Servicing of Finance	<u><u>(1,198)</u></u>	<u><u>(1,498)</u></u>

Notes to the Financial Statements – Continued

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 23 Capital Expenditure and Financial Investment		
Tangible Assets Acquired (Other than Leased Equipment)	(16,496)	(6,186)
Endowment Asset Investments Acquired	(444)	(149)
Total Fixed and Endowment Asset Investments Acquired	(16,940)	(6,335)
Receipts from sales of Fixed Assets	-	1,803
Deferred Capital Grants Received	8,907	4,284
Utilisation of Endowment Fund Balances	(163)	(72)
Endowments Received	444	105
Net Cash Outflow from Capital Expenditure and Financial Investment	(7,752)	(215)

Note 24 Analysis of Changes in Financing during the year

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balance at 1st August 1999	1,920	63,914	65,834
New Leases/Loans	28	-	28
Capital Repayments	(837)	(2,793)	(3,630)
Net Amount Acquired in Year	(809)	(2,793)	(3,602)
Balance at 31st July 2000	1,111	61,121	62,232
New Leases/Loans	-	-	-
Capital Repayments	(734)	(2,793)	(3,527)
Net Amount Acquired in Year	(734)	(2,793)	(3,527)
Balances at 31st July 2001	377	58,328	58,705

Note 25 Analysis of Changes in Net Debt

	At 1st August 2000 £000	Cash Flows £000	Other Changes £000	At 31st July 2001 £000
Cash at Bank and in Hand				
Endowment Assets	1,728	(163)	-	1,565
Other	429	168	-	597
Deposits repayable on demand	1,799	163	-	1,962
Overdrafts	-	(12)	-	(12)
Total Cash at Bank and in Hand	3,956	156	-	4,112
Short-Term Deposits	24,192	(4,376)	-	19,816
Debt due within one year	(3,527)	3,527	(3,793)	(3,793)
Debt due after one year	(58,705)	-	3,793	(54,912)
Total	(34,084)	(693)	-	(34,777)

Notes to the Financial Statements - Continued

Note 26 Pension Schemes

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

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

(i) The Universities Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee-administered fund. The fund is valued every three years, using the projected unit method, by professionally qualified independent actuary who reviews and reports annually. The rates of contribution payable are determined by the trustees on the advice of the actuary. The contribution rate payable by the Institution in the year was 14% of pensionable salaries.

The auditors and actuary to the Universities' Superannuation Scheme have confirmed that it is appropriate to take the pensions costs in the Institution's accounts to be equal to the actual contributions paid during the year. In particular the contribution rate recommended following the 1999 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

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

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

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

The resulting pension cost charge for the year to 31st July 2001 was £2.185 million (2000: £1.486 million). At 31st July 2001 there was a pension prepayment of £6.871 million (2000: £6.394 million)

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

USS	31st March 1999	USPS 1st April 1999
Latest actuarial valuations		
Actuarial Assumptions:		
Investment return per annum	4.5% (5.5% In relation to Future Service Liabilities)	7.25%
Salary increases per annum	3.6% (3.5% In relation to Future Service Liabilities)	3.75%
Pension increases per annum	2.6% (2.5% In relation to Future Service Liabilities)	3.00%
Market value of assets at date of last valuation	£18,870 million	£43 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	108%	107%
The total pension cost for the University was:	Year Ended	Year Ended
	31st July 2001	31st July 2000
	£000	£000
USS	9,732	9,027
USPS	2,185	1,486
Other Pension Schemes	433	295
	12,350	10,808

Notes to the Financial Statements - Continued

Note 26 Pension Schemes (Continued)

FRS 17 Disclosure for the accounting period ending 31st July 2001

General

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.

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

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

The University also provides ex-gratia benefits to certain employees and former employees who were previously not eligible to join other pension arrangements. Ex-gratia benefits have ceased accruing for all such employees except in respect of 12 members aged over 60 at 1st August 2000. The University currently pays ex-gratia pensions of £344,000 pa and accrues future liabilities at £7,000 pa. These liabilities are not separately funded.

This information is provided for disclosure purposes only. Pension costs have been recognised in these accounts in line with SSAP24 as described on page 27.

Financial assumptions

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

Scheme assets and expected rate of return for USPS

	Fair value as at 31st July 2001 £000	Expected rate of return %pa
Equities	39,636	7.2
Bonds	6,524	5.0
Cash	1,110	5.0
Total	<u>47,270</u>	<u>6.8</u>

Reconciliation to the Balance Sheet

	USPS at 31st July 2001 £000	Ex-gratia pension benefits at 31st July 2001 £000
Fair value of scheme assets	47,270	-
Actuarial value of scheme liabilities	(41,980)	(5,171)
Surplus/(Deficit) in the scheme	<u>5,290</u>	<u>(5,171)</u>
Net Pension asset	<u>5,290</u>	<u>(5,171)</u>

Notes to the Financial Statements – Continued

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Note 27 Capital Commitments		
Commitments contracted at 31st July 2001	<u>746</u>	<u>1,590</u>
 Note 28 Financial Commitments		
Operating lease commitments in respect of buildings and equipment for the 2001/2002 financial year, on leases expiring:		
Within one year	24	41
Between two and five years	422	524
Over five years	<u>361</u>	<u>361</u>
	<u>807</u>	<u>926</u>

Foreign currency cylinder options to cover future currency revenue were in place at 31st July 2001 as follows:

- Option to sell US\$400,000 (£266,667) on 11th October 2001.
- Option to sell US\$400,000 (£266,667) on 11th April 2002.

Foreign currency forward plus contracts to cover future currency revenue were in place at 31st July 2001 as follows:

- Option to sell US\$500,000 (£344,828) on 11th January 2002.
- Option to sell US\$500,000 (£344,828) on 11th July 2002.

Foreign currency options to cover the future translation of Euro and US\$ bank balances as at 31st July 2002 were in place at 31st July 2001. The options are in respect of the sale of €1,300,000 (£797,546) and US\$400,000 (£280,308), the option date being 29th July 2002 (value date 31st July 2002).

Notes to the Financial Statements -Continued

Note 29 University Companies

The University has set up a number of companies to exploit the commercial applications of research undertaken at the University under Sheffield University Enterprises Ltd (SUEL) as a holding company. The subsidiary and associate companies of Sheffield University Enterprises Ltd as at 31st July 2001, together with the proportion of ordinary share capital held and their principal activities, are as follows:-

Subsidiary Companies

AIVRU Systems Ltd	100%	Dormant
Auxetics Ltd	100%	Dormant
Axordia Ltd	100%	Dormant
BioActa Ltd	57%	Dormant
Cavendish Instruments Ltd	60%	Software for scientific instruments
Ceregen Ltd	100%	Tools for molecular brain research
Conteque Ltd	100%	Building fabrication systems
Dental Teamwork Training Ltd	100%	Production of training materials
Groundwater Protection & Restoration Consultants Ltd	60%	Consultancy services
Intelligent Bicycles Ltd	100%	Dormant
Intelligent Vehicles Ltd	100%	Dormant
Invector Ltd	100%	Reagents for application in molecular biology
Lifestyle Choices Ltd	100%	Dormant
Luminaries Ltd	100%	Ecologically efficient lighting
Molecular Healthworks Ltd	100%	Dormant
Nesidion Ltd	100%	Dormant
Proactus Ltd	60%	Consultancy services
Shefcote Ltd	100%	Dormant
Signalbox Ltd	95%	Development and marketing of software
Sophora Ltd	100%	Structural health monitoring
Supagel Ltd	60.7%	Plant rooting gels
Supaplants Ltd	60.7%	Sale of plants
SIMCYP Ltd	100%	Dormant
Thixoforge Ltd	100%	Process of thixoforging
Vforge Ltd	100%	Dormant
Viewcheck Ltd	100%	Dormant
Webelements Ltd	100%	Dormant

Associate Companies

Adjuvantix Ltd	39.9%	Medical research
Aquaenviro Ltd	33.33%	Environmental bio-technological consultancy
Asterion Ltd	39%	Medical research
Bethan Technology Ltd	25%	Chemical engineering
Celltran Ltd	42%	Medical research
Dictionary of Classical Hebrew Ltd	42%	Dictionary development
Done-It Ltd	40%	Horticultural development
Wohanka & Associates Ltd	30%	Translation

The loss after tax as shown by the financial statements of Sheffield University Enterprises Ltd for the year to 31st July 2001 was £170,577 (2000: £44,020) and the cumulative deficit at that date amounted to £748,524 (2000: £577,947).

The net assets of Sheffield University Enterprises Ltd at 31st July 2001 amounted to £432,644 (2000: £645,103) The University's investments in the above companies are included at market value in Fixed Asset Investments and Endowment Asset Investments in the Balance Sheet, as part of the General Investment Pool's equity investments.

The details of cost and market value are as follows:-

	Cost	Market Value
	£000	£000
Sheffield University Enterprises Ltd	900	433

Notes to the Financial Statements - Continued

The University also owns 100% of the share capital of South Yorkshire Education Services Ltd (SYES Ltd), a company which provides training services. The financial statements of SYES Ltd showed no profit or loss made for the year to 31st July 2001 (2000: £0), and net liabilities of £869 at that date (2000: £869). A Gift Aid Payment of £35,240 was made by SYES Ltd to the University of Sheffield in the year to 31st July 2001 (2000: £45,367).

The University owns 100% of the share capital of University Knowledge Ltd, a company set up for the commercial exploitation of the University's intellectual property rights in research. The financial statements of University Knowledge showed a loss of £95 for the year to 31st July 2001 (2000: profit of £8,798) and net assets of £20,702 at that date (2000: £20,798).

The University owns 100% of the share capital in Unisheff Properties Ltd, a company set up for the purpose of property management. In the year to 31st July 2001 the company made a loss of £55 (2000:0) and had net liabilities of £6,358 (2000: £6,303).

The University has set up the Sheffield Centre of Sports Medicine, a company limited by guarantee. In the year to 31st July 2001 the company made a loss of £17,247 and had net liabilities of £7,666.

Phoenix Sports Ltd, a company limited by guarantee, has been set up as a vehicle for the development of the United Kingdom Sports Institute. The University has guaranteed 14.3% of the company's capital.

The University owns 12.5% of the share capital of YHMAN Ltd, a joint venture with seven other universities in the Yorkshire and Humberside area, for the procurement, operation and management of a metropolitan area network.

The University has guaranteed 10% of the capital of YHUA Ltd, a company limited by guarantee. A joint venture with nine other universities, its purpose is to promote universities in the Yorkshire and Humberside area.

The University owns 33% of the share capital of White Rose Research Ltd., a consortium of three universities set up to promote the commercial exploitation of research.

The University owns 100% of the share capital of Sheffield Advisory Services Ltd, a company incorporated in Malaysia, the purpose of which was to give the University a legal presence in that country.

Note 30 Access Funds

	Year Ended 31st July 2001 £000	Year Ended 31st July 2000 £000
Funding Council Grants	836	888
Interest Earned	12	11
	848	899
Disbursed to Students	(766)	(898)
Audit Fees	(1)	(1)
	81	-
Balance Unspent at 31st July 2001	81	-

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.

Notes to the Financial Statements – Continued

Note 31 Related Party Disclosure

During the year ended 31st July 2001 the University had transactions with a number of organisations which fell within the definitions of Related Parties under Financial Reporting Standard 8 “Related Party Disclosures”. These include the University’s subsidiary and associated companies, the University of Sheffield Union of Students, the South Yorkshire Higher Education Development Trust and other organisations and companies. Details of these transactions are shown below where material.

Transactions with the University’s subsidiary and associated companies

Related Party	(Income)/Expenditure		(Debtors)/Creditors Balance at 31st July		Details
	2000/01	1999/00	2001	2000	
	£000	£000	£000	£000	
Adjuvantix Ltd	(50)	-	(31)	-	Grant income and salary recharge
Asterion Ltd	(38)	-	(38)	-	Overhead and secondment fees
Cavendish Instruments Ltd	(119)	(77)	(12)	(24)	Payroll service provided by the University and sundry sales and purchases
	4	59	-	-	
Celltran Ltd	(125)	-	(48)	-	Grant income and overheads
Sheffield Advisory Services	86	73	-	-	Salaries and expenses of Malaysian office
Sheffield Centre of Sports Medicine Ltd	(178)	-	(18)	-	Payroll Service provided by the University, hire charges and University Contribution
	302	-	-	-	
Sheffield University Enterprises Ltd	(237)	(111)	(61)	(16)	Payroll Service provided by the University and contribution to legal costs
	8	112	-	-	
South Yorkshire Education Services Ltd	(19,919)	(21,822)	(15)	-	Training services
University Knowledge Ltd	(20,459)	(19,437)	(3,063)	(700)	Supply of R & D services and payroll service provided by the University
	141	19	71	-	
WUN Ltd	(2)	-	-	-	Contribution to expenses
	35	-	-	-	Membership fee
YHMAN Ltd	(2)	(112)	-	4	Computer network charges, heat and power
	18	36	-	18	
YHUA Ltd	(86)	(136)	-	(5)	Grant and research income
	11	11	-	-	Membership fee and levy

Notes to the Financial Statements – Continued

Note 31 Related Party Disclosure (continued)

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

Related Party	Name	Cross Membership
Barclays Bank Plc	Sir P. Middleton	Chancellor of the University, Member of University Council;
Barclays Mercantile Business Finance Ltd		Chairman of Barclays Bank Plc.

Transactions with other organisations and companies

Related Party	(Income)/Expenditure		(Debtors)/Creditors		Details
			Balance at 31st July		
	2000/01	1999/00	2001	2000	
	£000	£000	£000	£000	
Barclays Bank Plc	3,486	4,382	388	410	Loan interest and repayments
	10	3	-	-	Bank charges
Barclays Mercantile Business Finance Ltd	587	459	-	-	Equipment lease payments
South Yorks Higher Education Dev. Trust	(206)	(206)	-	-	Rental of Biology building
University of Sheffield	(2,771)	(2,680)	(159)	(40)	Payroll payment, other services provided and sundry purchases
Union of Students	2,720	2,429	28	35	Annual subvention grant
	963	906	-	-	

APPENDICES

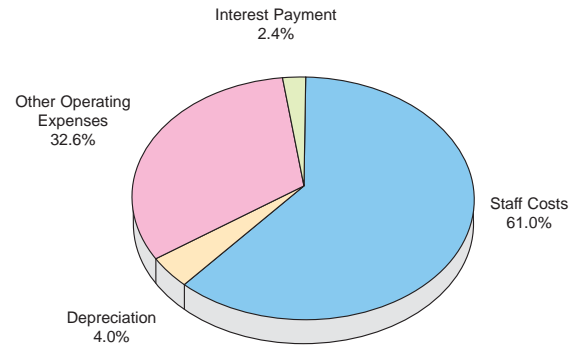
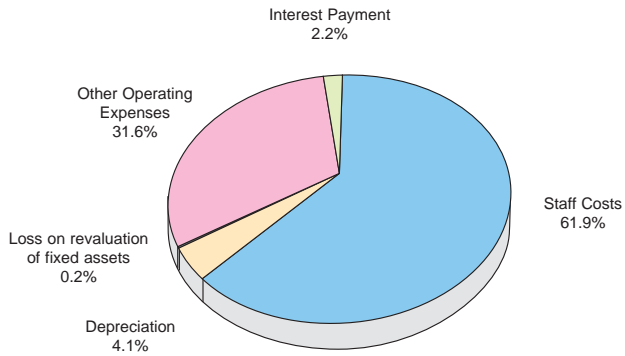
COMPARATIVE STATISTICS

EXPENDITURE

Percentages of Expenditure analysed by Sources

2000/01

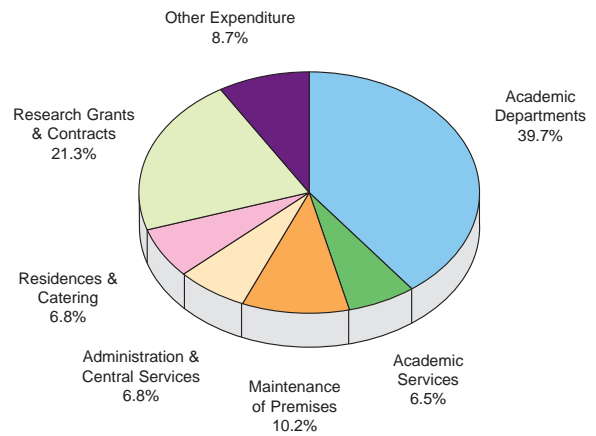
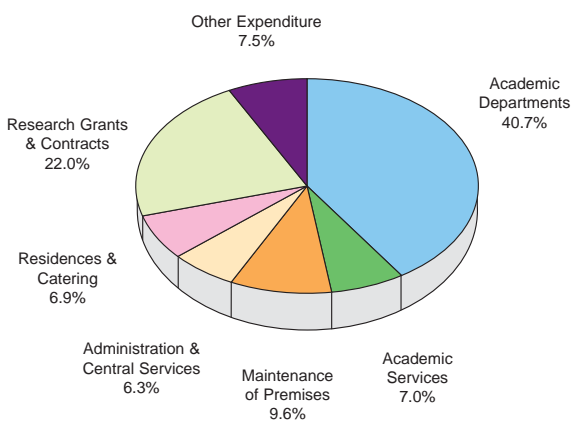
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Percentages of Expenditure analysed by Activity

2000/01

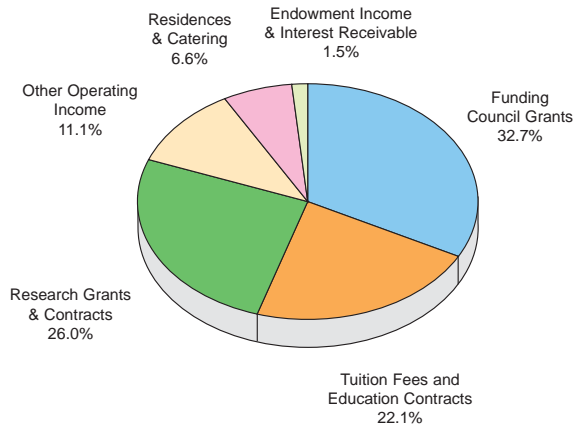
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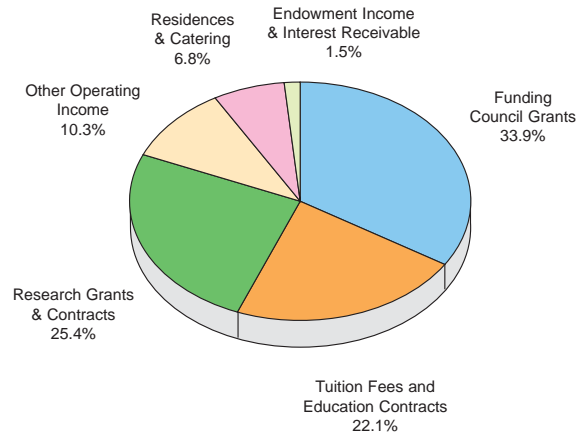
COMPARATIVE STATISTICS

Percentages of Income from Various Sources

2000/01

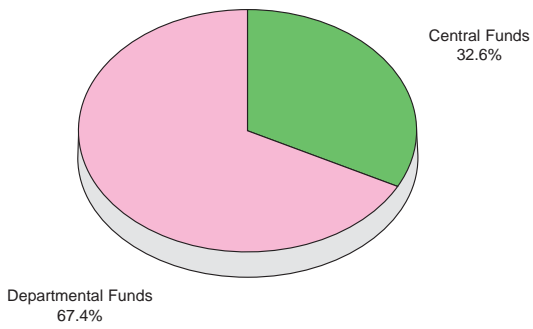


1999/00



Reserve Funds

2000/01



1999/00

