

THE UNIVERSITY OF SHEFFIELD

FINANCIAL STATEMENTS FOR THE YEAR TO 31ST JULY 2000

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Report of the Treasurer

1999/00

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 of the University excluded from the Financial Statements 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 2000 are summarised as follows:

	1999/00	1998/99
	£000	£000
Income	210,782	201,904
Expenditure	208,637	196,245
Operational Surplus	2,145	5,659
Profit /(Loss) on Disposal of Assets	1,214	(9)
Depreciation Attributable to Revaluation	917	964
Realisation of Property Revaluation Gains of Previous Years	193	-
Historical Cost Surplus	4,469	6,614

This year's surplus of nearly £4.5m is very close to the budgeted surplus of £4.0m and is a very creditable outturn given the investment that has taken place for the next research assessment exercise. Income has increased by £8.9m (4.4%) and expenditure by £12.4m (6.3%), which does to some extent reflect the investment previously mentioned.

Income from HEFCE grants has largely stabilised with the increase of c.£2m being in the main due to the Government's compensation for inflation, initiatives to widen participation and to provide additional funded places.

In my report last year I made reference to the fact that the year on year increase in Research Grants and Contracts was significantly lower than evidenced by the awards announced in the year, but subsequent years would derive future benefits. The increase of nearly £8m (17.3%) has confirmed that view and is an excellent outturn in the run up to the Research Assessment Exercise and demonstrates that we are well on the way to achieving our ambitious targets for the future.

Staff costs increased by £11m (9.5%), which reflects the costs of pay awards and increments, additional research grants and contracts and new posts for the Research Assessment Exercise. After allowing £2.5m for additional non-staff costs associated with research activity, other operating costs actually fell by £0.77m.

Capital Projects

During the year the University spent in excess of £200K preparing bids to the Joint Infrastructure Fund (JIF) for a number of major developments in our research infrastructure. I was pleased to be informed that we were successful with bids totalling in excess of £37m in the departments of Chemistry, Biomedical Sciences, Animal and Plant Sciences and Physics and Astronomy. We are currently waiting for the outcome of the bids that were submitted as round four of the JIF bidding process. There is no doubt that this is a very time consuming and costly exercise for all concerned and I am also pleased to note that this fact has been recognised by the HEFCE following a consultant's report on the process.

The JIF initiative that I have just mentioned will provide the opportunity for a number of major refurbishments centred on research activity, which will form part of the University's ambitious capital project plans and work on them will start during the financial year 2000/01.

Capital expenditure on buildings was unusually low at £2.1m during 1999/2000. This was due to the importance of ensuring that capital works dovetailed with successful JIF projects; and the delays in the commencement of the JIF developments awarded.

Capital expenditure in the year on equipment was £4.1m, of which £3.5m was for the purposes of research, with the balance of £0.6m being in respect of departmental teaching equipment.

Report of the Treasurer - Continued

Of the total £6.2m spent on buildings and equipment, £4.3m was funded by external sponsors, including research sponsors and the HEFCE, and £1.5m was met from the University's internal funds.

Cash Flow

There was a net inflow of cash of £6.1m, compared to a forecast decrease of £0.9m, which was made up of an increase in liquid resources of £7m offset by a decrease in cash balances of £0.9m. The main positive variations were the underspend on capital projects (£5.1m), an increase in the level of creditors (£5.4m) and a higher Income & Expenditure Account surplus after depreciation at valuation (£0.5m). These were partially offset by a shortfall on deferred capital grants (£2m) and an increase in the level of debtors (£2m).

The Reconciliation of Net Cash Flow to movement in Net Debt demonstrates that the net debt position of the University reduced by £9.7m during 1999/00. Loan repayments amounted to £3.6m and short-term deposits increased by £7m, but these were offset by a reduction in the level of cash by £0.9m.

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 outturn, after depreciation of assets at valuation, the items which are taken directly to Endowments or Reserves. Total Recognised Gains relating to the year amounted to £43.9m including the Income and Expenditure Account surplus of £3.4m. The main items are as follows:

- * the University's residential properties have been re-valued as at 31st July 2000 resulting in an increase in the market value of the properties by £38.5m.
- * a net movement in the market value of investments upward by £2.1m, a reflection of the positive performance in the UK equity market for the third year in succession.

Investment Performance

The overall performance of the University's investment portfolio was good when compared with the indicators that have been determined as acceptable comparators, although the total returns on the two lower value funds, Japan Foundation and Yorkshire Cancer Research, were below the benchmark, returning 4.2% and 2.9% respectively. This was due to the under-performance of corporate bonds relative to gilts. The returns on the General and Endowment Investment Pools were 9.5% and 9.3% respectively. Performance on UK equities stood out as significantly better than the benchmark with all four funds outperforming the FTSE-A All Share Index and they benefited from being overweight against their respective asset allocation targets for UK equities. The long-term performance remains broadly in line with the comparative benchmarks, with the annualised average return (capital and income combined) for the last eleven years ranging from 12%, for the Japan Foundation, to 14% for the General Investment Pool.

The market value of the University's investments, held in equities and fixed interest stocks, increased by £2.1m during the year, mainly due to the appreciation in the value of the equity portfolios. The level of income generated by the University's investment managers of £1.66m exceeded the target set for the year by £176K.

The level of income generated from short-term deposits amounted to £1.73m, which was £430K better than the revised forecast for the year. This was due to a better than anticipated cash flow and a better rate of return compared to the revised forecast. The average rate of return from short-term deposits was 5.93%, 27 basis points better than the bank base rate average of 5.66%. This was the best performance in the eight year period during which this benchmark has been used, exceeding the previous best of 20 basis points in 1998/99.

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.

Currency options were in place at 31st July 2000 to cover future Euro currency revenue and 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 28.

Report of the Treasurer - Continued

Millennium IT Risk

With regard to the Year 2000 issue, the University conducted a risk-based review of its computer systems and computer-controlled processes to identify those which could be affected and developed an implementation plan to test and eliminate the faults. The University replaced or repaired the affected systems, in close collaboration with system suppliers, and, as a result, the “millennium bug” did not adversely affect the University’s operations.

Employment of Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the University continues. It is the policy of the University that the training, career development and promotion of disabled persons should address their specific needs and, as far as possible, be identical with that of other employees. Proper attention is given to the needs of disabled people in planning all new capital projects.

Employee Involvement

As well as being an equal opportunities employer, the University places considerable value on the involvement of its employees and on good communications with them including regular Newsletters. The University has a Training and Staff Development Unit. Members of staff participate in formal and informal consultation and staff representatives attend meetings of Council and Senate.

Future Outlook

For the second successive year the University has achieved a level of surplus which is consistent with HEFCE guidelines and which improves the University’s general reserve position. This has been achieved whilst still preparing for the imminent Research Assessment Exercise and ensuring the continuing academic development of the University. As such it is a very creditable achievement. However the future holds many uncertainties for universities generally with regard to their financial situation. Although the long years of continuing and increasing underfunding of universities by Government appear to be easing with the recent Comprehensive Spending Review announcement, the details of this are not yet clear; and early indications are that the new funds available may be entirely linked to further bidding processes focussed on targeted areas. Whilst this should provide important additional sources of income, despite possibly time consuming bidding processes, the fear is that the underlying problem of insufficient unit funding will continue.

This position is reflected in the University’s financial forecasts for the next few years which do not show a repetition of the last two years’ healthy surpluses. The University has plans to improve income sources, including from the 2001 Research Assessment Exercise; but universities’ ability to manage their complex and difficult businesses, in an environment where both price and home student numbers are not within their control, will be sorely tested without an improved and continued increase in funding from Government.

The event which is most certain to occur throughout the planning period is change. Of critical importance will be the ability to manage the increasing pace of change and to do so whilst at the same time maintaining a stable financial base to give the flexibility to maximise opportunities as they arise.

This is the final full year for which the Vice-Chancellor, Professor Sir Gareth Roberts, will put his name to the Financial Statements and I would like to take this opportunity to thank him for his enormous contribution to the University of Sheffield and to wish him well in his future position. The University’s growth and development over the last decade is a tribute to his leadership and foresight.

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 wellbeing.

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 welcomes the report of the Committee on the Financial Aspects of Corporate Governance, and the Cadbury Committee's Code of Best Practice, particularly as the University is a significant investor in a wide range of listed companies. Whilst the University, being a corporation formed by Royal Charter with charitable status, does not fall within the regulation of the London Stock Exchange, the Council is satisfied that the University complies with the provisions of the Code which can be applied to Universities, except for going concern and internal control.

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

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

We have audited the financial statements on pages 12 to 32 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 on pages 9 to 11.

Respective responsibilities of the Council and Auditors

As set out on page 6, the University's Council is responsible for ensuring that financial statements are prepared in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University of Sheffield, have been properly applied only for the purposes for which they were received, and whether income has been applied in accordance with the University of Sheffield's Statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England, and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the University of Sheffield 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 set out on pages 2-6 and pages 34-35 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 of Sheffield's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- (i) the financial statements give a true and fair view of the state of affairs of the University of Sheffield at 31st July 2000 and of the surplus of income over expenditure, recognised gains and losses, and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;

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

- (ii) in all material respects, income from the Higher Education Funding Council for England and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- (iii) income has been applied in accordance with the Statutes governing the University of Sheffield and, where appropriate, with the Financial Memorandum dated July 1997 with the Higher Education Funding Council for England.

PricewaterhouseCoopers
Chartered Accountants

Sheffield
12th December 2000

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 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 :-

Academic, office, ancillary and support buildings	-	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 of all properties was performed by Chesterton Plc, International Property Consultants at 31st July 1995.

A further valuation was carried out at 31st July 2000 by Knight Frank, Chartered Surveyors, on residential properties only.

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.

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.

Statement of Principal Accounting Policies - Continued

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.

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 2000

	Note	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
INCOME			
Funding Council Grants	1	71,423	69,189
Tuition Fees and Education Contracts	2	46,615	47,516
Research Grants and Contracts	3	53,587	45,669
Other Income	4	36,111	36,214
Endowment and Investment Income	5	3,046	3,316
Total Income		210,782	201,904
EXPENDITURE			
Staff Costs	6	127,284	116,284
Other Operating Expenses	7	67,941	66,188
Depreciation	10	8,369	7,974
Interest Payable	8	5,043	5,799
Total Expenditure		208,637	196,245
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Before Tax		2,145	5,659
Profit / (loss) on disposal of assets		1,214	(9)
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before and After Tax		3,359	5,650

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

Statement of Historical Cost Surpluses

For the Year Ended 31st July 2000

	Note	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Surplus on Continuing Operations Before and After Taxation		3,359	5,650
Difference Between Historical Cost Depreciation and the Actual Charge for the Year Calculated on the Revalued Amount	19	917	964
Realisation of Property Revaluation Gains of Previous Years	19	193	-
Historical Cost Surplus Before and After Taxation		4,469	6,614

Statement Of Total Recognised Gains And Losses

For The Year Ended 31st July 2000

	Note	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Surplus on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets and Before and After Tax		3,359	5,650
Unrealised Surplus on Revaluation of Fixed Assets	10	38,518	-
Appreciation of Endowment Asset Investments	18	1,760	1,914
Appreciation of Fixed Asset Investments	19	354	768
Endowment Income Retained for Year	18	(72)	(288)
New Endowments	18	(44)	492
Total Recognised Gains Relating to the Period		43,875	8,536
Reconciliation			
Opening Reserves and Endowments		109,340	
Total Recognised Gains for the Year		43,875	
Closing Reserves and Endowments		153,215	

Balance Sheet as at 31st July 2000

	Note	As At 31st July 2000 £000	As At 31st July 1999 £000
FIXED ASSETS			
Tangible Assets	10	204,689	168,948
Investments	11	5,400	5,033
		210,089	173,981
 ENDOWMENT ASSETS	 18	 34,622	 32,978
 CURRENT ASSETS			
Stock		302	338
Debtors	12	31,022	28,681
Investments		25,991	18,883
Cash at Bank and in Hand		429	1,458
		57,744	49,360
 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 13	 (46,381)	 (40,000)
 NET CURRENT ASSETS		 11,363	 9,360
 TOTAL ASSETS LESS CURRENT LIABILITIES		 256,074	 216,319
 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	 14	 (58,705)	 (62,207)
 PROVISIONS FOR LIABILITIES AND CHARGES	 16	 (7,962)	 (8,910)
 NET ASSETS		 189,407	 145,202

Balance Sheet as at 31st July 2000

	Note	As At 31st July 2000 £000	As At 31st July 1999 £000
DEFERRED CAPITAL GRANTS	17	<u>36,192</u>	<u>35,862</u>
ENDOWMENTS			
Specific	18	26,307	25,362
General	18	<u>8,315</u>	<u>7,616</u>
		<u>34,622</u>	<u>32,978</u>
RESERVES			
Revaluation Reserve	19	94,030	56,268
General Reserve	20	<u>24,563</u>	<u>20,094</u>
		<u>118,593</u>	<u>76,362</u>
TOTAL FUNDS		<u><u>189,407</u></u>	<u><u>145,202</u></u>

The financial statements on pages 9 to 32 were approved by the Council on 11th December 2000 and were signed on its behalf by :-

Dr Sir H. R. SYKES, Treasurer

Professor Sir G. G. ROBERTS, Vice-Chancellor

Mr D. R. BEARPARK, Director of Finance

The University of Sheffield

Cash Flow Statement

For the Year Ended 31st July 2000

	Note	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
CASH FLOW FROM OPERATING ACTIVITIES	21	11,463	13,864
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	22	(1,498)	(2,570)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23	(215)	(2,995)
MANAGEMENT OF LIQUID RESOURCES		(6,992)	(3,289)
FINANCING	24	(3,630)	(3,735)
(DECREASE)/INCREASE IN CASH IN THE PERIOD	25	(872)	1,275

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(872)	1,275
CASH INFLOW FROM LIQUID RESOURCES		6,992	3,289
ADDITIONAL DEBT (LEASE : NON-CASH FLOW)		(28)	(608)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		3,630	3,735
MOVEMENT IN NET DEBT IN PERIOD		9,722	7,691
NET DEBT AT 1st AUGUST 1999		(43,806)	(51,497)
NET DEBT AT 31st JULY 2000	25	(34,084)	(43,806)

Notes to the Financial Statements

	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Note 1 Funding Council Grants		
Higher Education Funding Council for England - Recurrent Grant	69,159	66,791
Specific Grants		
Information Systems Committee	56	124
Teacher Training Agency Grant	946	818
Other	448	583
Deferred Capital Grants Released in Year		
Buildings (Note 17)	499	519
Equipment (Note 17)	315	354
	<u>71,423</u>	<u>69,189</u>
Note 2 Tuition Fees and Education Contracts		
Home Full-time Students	15,809	15,711
Home Part-time Students	1,784	2,223
Overseas students	13,571	14,965
NHS Education Contracts	12,418	11,554
Research Training Support Grants and Other Fees	3,033	3,063
	<u>46,615</u>	<u>47,516</u>
Note 3 Research Grants and Contracts		
Research Councils	16,856	13,729
UK Based Charities	11,045	9,138
European Commission	4,359	4,496
Other Grants and Contracts	18,515	16,208
Release from Deferred Capital Grants	2,812	2,098
	<u>53,587</u>	<u>45,669</u>
Note 4 Other Income		
Residences, Catering and Conferences	14,367	13,849
Other Services Rendered	8,824	9,291
Health Authorities	5,175	4,756
Releases from Deferred Capital Grants	328	344
Other Income	7,417	7,974
	<u>36,111</u>	<u>36,214</u>

Notes to the Financial Statements - Continued

	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Note 5 Endowment and Investment Income		
Transferred from Specific Endowments (Note 18)	741	1,275
Income from General Endowment Asset Investments (Note 18)	345	331
Other Investment Income	<u>1,960</u>	<u>1,710</u>
	<u>3,046</u>	<u>3,316</u>
Note 6 Staff		
Staff Costs:		
Wages and Salaries	108,015	100,466
Social Security Costs	8,461	7,794
Other Pension Costs (Note 26)	<u>10,808</u>	<u>8,024</u>
	<u>127,284</u>	<u>116,284</u>
Emoluments of the Vice-Chancellor	<u>149</u>	<u>136</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, and amounted to £16,968 (1998/99 - £17,844).

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 52 (26 in 1998/99) of the higher paid staff below are clinical staff.

	Number	Number
£50,000-£59,999	54	53
£60,000-£69,999	43	23
£70,000-£79,999	21	14
£80,000-£89,999	14	13
£90,000-£99,999	7	3
£100,000-£109,999	6	7
£110,000-£119,999	2	3
£120,000-£129,999	5	-

A payment of £42,156 was made to enhance the pension benefit of one higher paid employee under the early retirement scheme for staff, and a lump sum payment of £51,935 was made to one higher paid employee under the voluntary redundancy scheme for staff.

Notes to the Financial Statements - Continued

	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Note 7 Other Operating Expenses		
Consumables and Laboratory Expenditure	12,989	13,246
Books and Periodicals	1,942	1,834
Rates	1,214	1,305
Fellowships, Scholarships and Prizes	6,798	7,537
Furniture and Equipment	9,364	8,462
Heat, Light, Water and Power	3,997	3,945
Repairs and General Maintenance	6,086	5,791
Grants to University of Sheffield Students' Union	906	946
Rents	824	875
Auditors' Remuneration	31	35
Auditors' Remuneration in Respect of Non-Audit Services	3	4
Refund of VAT	(1,083)	(1,731)
Professional Fees	1,563	1,410
Provision for Bad & Doubtful Debts	1,621	707
Administrative Expenses	3,813	3,972
Travel & Subsistence Expenses	4,495	4,306
Payments to Non-Contracted Staff	6,697	6,403
Other Expenses	6,681	7,141
	67,941	66,188

Note 8 Interest Payable and Similar Charges		
Loans wholly repayable within five years	70	83
Loans not wholly repayable within five years	4,875	5,578
Finance Leases	98	138
	5,043	5,799

Note 9 Analysis of 1999/00 Expenditure by Activity	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	70,204	259	12,420	35	82,918
Academic Services	6,798	502	6,278	13	13,591
Research Grants and Contracts	24,446	2,812	17,216	-	44,474
Residences, Catering and Conferences	4,746	1,189	6,013	2,304	14,252
Premises	4,647	3,223	10,618	2,690	21,178
Administration	9,817	7	4,337	1	14,162
Other Expenses	6,626	377	11,059	-	18,062
	127,284	8,369	67,941	5,043	208,637

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 17)	3,954
Revaluation Reserve Released (Note 19)	917
General Income	3,498
	8,369

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 1999					
Valuation	129,929	9,990	260	-	140,179
Cost	34,828	193	17,903	5,482	58,406
Additions at Cost	2,098	-	4,088	28	6,214
Surplus on Revaluation	33,593	2,081	-	-	35,674
Disposals					
Valuation	(124)	(129)	-	-	(253)
Cost	(374)	-	-	-	(374)
Impaired Assets written off	(19)	(14)	-	-	(33)
Revaluation in Year	-	-	30	-	30
At 31st July 2000					
Valuation	163,379	11,928	290	-	175,597
Cost	36,552	193	21,991	5,510	64,246
Depreciation					
At 1st August 1999	12,505	684	12,930	3,518	29,637
Charge for Year	3,292	177	4,085	815	8,369
Revaluation	(2,191)	(623)	-	-	(2,814)
Eliminated on Disposals	(11)	(27)	-	-	(38)
At 31st July 2000	13,595	211	17,015	4,333	35,154
Net Book Value					
At 31st July 2000	186,336	11,910	5,266	1,177	204,689
At 1st August 1999	152,252	9,499	5,233	1,964	168,948

The value of assets in the course of construction not depreciated in the year is £1,039,830.

Buildings with a net book value of £67,479,151 and cost of £50,928,439 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, before depreciation, is £155,288,300. These have been depreciated by £48,073,783 resulting in a Net Book Value of £107,214,517.

Notes to the Financial Statements - Continued

	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Note 11 Fixed Asset Investments		
Balance at 1st August 1999	5,033	
Appreciation on Revaluation	367	
	5,400	
Fixed Interest Stocks	1,972	2,192
Equities	3,428	2,841
	5,400	5,033
Fixed Interest and Equities at Cost and Bank Balances	2,424	2,424
 Note 12 Debtors		
Amounts falling due within one year:		
Debtors	21,686	20,588
Prepayments (Pensions)	6,394	6,193
Other Prepayments and Accrued Income	2,942	1,900
	31,022	28,681
 Note 13 Creditors: Amounts falling due within one year		
Bank Loans and Overdrafts (Note 15)	2,793	2,950
Obligations Under Finance Leases (Note 15)	734	834
Payments Received in Advance	18,613	15,562
Creditors	13,249	11,387
Social Security and Other Taxation Payable	3,163	2,818
Accruals and Deferred Income	7,485	6,449
Amounts Owed to Funding Councils	344	-
	46,381	40,000

Notes to the Financial Statements - Continued

	Year Ended 31st July 2000	Year Ended 31st July 1999
	£000	£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	3,793	3,524
Between two and five years	8,506	9,484
In five years or more	46,406	49,199
	58,705	62,207
	58,705	62,207

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 £28.338 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 £29.240 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 2000	Year Ended 31st July 1999
	£000	£000
Bank Loans and Overdrafts		
Bank Loans and Overdrafts are repayable as follows :		
In one year or less	2,793	2,793
Between one and two years	3,543	2,793
Between two and five years	8,379	9,129
In five years or more	46,406	49,199
	61,121	63,914
Total	61,121	63,914

Finance Leases

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

In one year or less	734	834
Between one and two years	250	731
Between two and five years	127	355
	1,111	1,920
Total	1,111	1,920

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 1999	3,029	5,881	-	8,910
Utilised in Year	(448)	(914)	-	(1,362)
Transfer from Income and Expenditure Account	352	-	62	414
At 31st July 2000	2,933	4,967	62	7,962

Note 17 Deferred Capital Grants

	Funding Council £000	Other Grants & Benefactions £000	Total £000
At 1st August 1999			
Buildings	22,815	10,425	33,240
Equipment	617	2,005	2,622
Total	23,432	12,430	35,862
Cash Received			
Buildings	407	318	725
Equipment	-	3,559	3,559
Total	407	3,877	4,284
Released to Income and Expenditure			
Buildings (Notes 1, 3 and 4)	499	306	805
Equipment (Notes 1, 3 and 4)	315	2,834	3,149
Total (Note 9)	814	3,140	3,954
At 31st July 2000			
Buildings	22,723	10,437	33,160
Equipment	302	2,730	3,032
Total	23,025	13,167	36,192

Notes to the Financial Statements - Continued

Note 18 Endowments	Specific £000	General £000	Total £000
At 1st August 1999	25,362	7,616	32,978
Additions	105	-	105
Disposals	(149)	-	(149)
Appreciation of Endowment Asset Investments	1,061	699	1,760
Income for Year	669	345	1,014
Transferred to Income and Expenditure Account (Note 5)	(741)	(345)	(1,086)
	<u>26,307</u>	<u>8,315</u>	<u>34,622</u>
At 31st July 2000	<u>26,307</u>	<u>8,315</u>	<u>34,622</u>
Representing:			
Fellowships and Scholarship Funds	10,708	-	10,708
Prize Funds	972	-	972
Chairs and Lectureship Funds	3,338	-	3,338
Other Funds	11,289	8,315	19,604
	<u>26,307</u>	<u>8,315</u>	<u>34,622</u>
	<u>26,307</u>	<u>8,315</u>	<u>34,622</u>
The value of Endowments at 31st July 2000 was represented by :-			
Fixed Interest Stocks			13,789
Equities			19,036
Land and Property			68
Bank Balances			1,729
			<u>16,699</u>
Total Endowment Asset Investments			<u>34,622</u>
Fixed Interest and Equities at Cost and Bank Balances			<u>16,699</u>
Land and Property at Cost			<u>68</u>
Note 19 Revaluation Reserve	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000	
Revaluations			
At 1st August 1999	59,986	59,218	
Revaluation in Year - Tangible Assets	38,518	-	
- Investments	354	768	
Released to Income & Expenditure Account	(193)	-	
	<u>98,665</u>	<u>59,986</u>	
At 31st July 2000	<u>98,665</u>	<u>59,986</u>	
Contributions to Depreciation			
At 1st August 1999	3,718	2,754	
Released in Year (Note 9)	917	964	
	<u>4,635</u>	<u>3,718</u>	
At 31st July 2000	<u>4,635</u>	<u>3,718</u>	
Net Revaluation Amount			
At 31st July 2000	<u>94,030</u>	<u>56,268</u>	
At 1st August 1999	<u>56,268</u>	<u>56,464</u>	

Notes to the Financial Statements - Continued

	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Note 20 General Reserve		
Surplus after Depreciation of Assets and Tax	3,359	
Release from Revaluation Reserve	1,110	
	4,469	
Historical Cost Surplus after Tax	4,469	
	20,094	
Balance at 1st August 1999	20,094	
	24,563	
Balance at 31st July 2000	24,563	
Note 21 Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
Surplus before Tax	3,359	5,650
Depreciation (Note 10)	8,369	7,974
(Gains)/Losses on Sale of Fixed Assets	(1,214)	9
Write Off of Fixed Assets	33	500
Deferred Capital Grants Released to Income (Note 17)	(3,954)	(3,316)
Investment Income	(3,410)	(3,418)
Interest Payable	5,043	5,799
Decrease in Stocks	36	5
Increase in Debtors	(2,341)	(128)
Increase in Creditors	6,490	3,219
Decrease in Provisions	(948)	(2,430)
	11,463	13,864
Net Cash Inflow from Operating Activities	11,463	13,864
Note 22 Returns on Investments and Servicing of Finance		
Income from Endowments	1,014	1,318
Income from Short-Term Investments	2,531	1,911
Interest Paid	(4,945)	(5,661)
Interest Element of Finance Lease Rental Payments	(98)	(138)
Net Cash Outflow from Returns on Investments and Servicing of Finance	(1,498)	(2,570)
	(1,498)	(2,570)

Notes to the Financial Statements - Continued

	Year Ended 31st July 2000 £000	Year Ended 31st July 1999 £000
Note 23 Capital Expenditure and Financial Investment		
Tangible Assets Acquired (Other than Leased Equipment)	(6,186)	(5,219)
Endowment Asset Investments Acquired	(149)	(204)
Total Fixed and Endowment Asset Investments Acquired	(6,335)	(5,423)
Receipts from sales of Fixed Assets	1,803	22
Deferred Capital Grants Received	4,284	2,202
Utilisation of Endowment Fund Balances	(72)	(288)
Endowments Received	105	492
Net cash outflow from capital expenditure and financial investment	(215)	(2,995)

Note 24 Analysis of Changes in Financing during the year

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balance at 1st August 1998	2,254	66,707	68,961
New Leases/Loans	608	-	608
Capital Repayments	(942)	(2,793)	(3,735)
Net Amount Acquired in Year	(334)	(2,793)	(3,127)
Balance at 31st July 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)
Balances at 31st July 2000	1,111	61,121	62,232

Note 25 Analysis of Changes in Net Debt

	At 1st August 1999 £000	Cash Flows £000	Other Changes £000	At 31st July 2000 £000
Cash at Bank and in Hand				
Endowment Assets	1,844	(116)	-	1,728
Other	1,458	(1,029)	-	429
Deposits repayable on demand	1,683	116	-	1,799
Overdrafts	(157)	157	-	-
Total Cash at Bank and in Hand	4,828	(872)	-	3,956
Short -Term Deposits	17,200	6,992	-	24,192
Debt due within one year	(3,627)	3,630	(3,530)	(3,527)
Debt due after one year	(62,207)	-	3,502	(58,705)
Total	(43,806)	9,750	(28)	(34,084)

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 a professionally qualified independent actuary who reviews and reports annually. The rates of contribution payable are determined by the trustees on the advice of the actuary. The contribution rate payable by the Institution in the year was 14% of pensionable salaries.

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

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

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

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

The resulting pension cost charge for the year to 31st July 2000 was £1.486 million (1999: credit of £0.645 million). At 31st July 2000 there was a pension prepayment of £6.394 million (1999 : £6.193 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 31st July 2000 £000	Year Ended 31st July 1999 £000
USS	9,027	8,437
USPS	1,486	(645)
Other Pension Schemes	<u>295</u>	<u>232</u>
	<u>10,808</u>	<u>8,024</u>

Notes to the Financial Statements - Continued

	Year Ended 31st July 2000	Year Ended 31st July 1999
	£000	£000
Note 27 Capital Commitments		
Commitments contracted at 31st July 2000	1,590	1,409
	<u> </u>	<u> </u>
Note 28 Financial Commitments		
Operating lease commitments in respect of buildings and equipment for the 2000/2001 financial year, on leases expiring:		
Within one year	41	9
Between two and five years	524	443
Over five years	361	361
	<u> </u>	<u> </u>
	926	813
	<u> </u>	<u> </u>

Foreign currency cylinder options to cover future currency revenue of 1,680,000 (£1,148,325) and US\$ 1,500,000 (£890,208) were in place at 31st July 2000. The option dates are for the period from 30th August 2000 to 30th July 2001.

Foreign currency options to cover the future translation of Euro and US\$ bank balances as at 31st July 2000 were in place at 31st July 2000. The options are in respect of the sale of 1,320,000 (£816,074) and US\$ 440,000 (£293,333), the option date being 27th July 2001 (value date 31st July 2001).

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 2000, together with the proportion of ordinary share capital held and their principal activities, are as follows:-

Subsidiary Companies

Claremont Systems Ltd	57.1%	Information technology consultancy
Supaplants Ltd	66.7%	Sale of plants
Unisheff Properties Ltd	99%	Property management company
AIVRU Systems Ltd	100%	Dormant
Invector Ltd	100%	Reagents for application in molecular biology
SOPHORA Ltd	100%	Structural health monitoring
Ceregen Ltd	100%	Tools for molecular brain research
Cavendish Instruments Ltd	60%	Software for scientific instruments
Conteque Ltd	100%	Building fabrication systems
Luminaries Ltd	100%	Ecologically efficient lighting
Nesidion Ltd	100%	Medical research
Adjuvantix Ltd	100%	Medical research
Cellbiosys Ltd	100%	Dormant
Celltran Ltd	100%	Medical research
Dental Teamwork Training Ltd	100%	Dormant
Dictionary of Classical Hebrew Ltd	100%	Dormant
Groundwater Protection Ltd	100%	Consultancy services
Proactus Ltd	60%	Consultancy services
Shefcote Ltd	100%	Dormant
Signalbox Ltd	95%	Development and marketing of software
Thixoforge Ltd	100%	Process of thixoforging
Viewcheck Ltd	100%	Dormant
Webelements Ltd	100%	Dormant

Associate Companies

Aquaenviro Ltd	33.33%	Environmental bio-technological consultancy
Bethan Technology Ltd	25%	Chemical engineering
Supagel Ltd	50%	Plant rooting gels
Supaplant Fibres Ltd	50%	Manufacture and sale of pre-seeded fibre mats

The consolidated loss after tax as shown by the consolidated financial statements of Sheffield University Enterprises Ltd for the year to 31st July 2000 was £83,818 (1999 £185,183) and the group cumulative deficit at that date amounted to £643,206 (1999 £547,388).

The net assets of Sheffield University Enterprises Ltd at 31st July 2000 amounted to £575,009 (1999 £50,925). 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	600	575

Notes to the Financial Statements - Continued

Note 29 University Companies (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 2000 (1999 £0), and net liabilities of £869 at that date (1999 £869). A Gift Aid Payment of £45,367 was made by SYES Ltd to the University of Sheffield in the year to 31st July 2000 (1999 £44,438).

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 Ltd showed a profit of £8,798 for the year to 31st July 2000 and net assets of £20,798 at that date.

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.

	Year Ended 31st July 2000	Year Ended 31st July 1999
	£000	£000
Note 30 Access Funds		
Funding Council Grants	888	642
Interest Earned	11	19
	899	661
Disbursed to Students	(898)	(666)
Audit Fees	(1)	(1)
Balance Unspent/(Overspent) at 31st July 2000	0	(6)

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 2000 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
	1999/00	1998/99	2000	1999	
	£000	£000	£000	£000	
South Yorkshire Education Services Ltd	(21,822)	(22,160)	-	-	Training services
University Knowledge Ltd	(19,437)	(1,839)	(700)	(274)	Supply of R & D services & payroll service provided by the University
	19	-	-	-	
Sheffield University Enterprises Ltd	(111)	(95)	(16)	(78)	Payroll Service provided by the University and contribution to legal costs
	112	-	-	-	
Unisheff Properties Ltd	(6)	(3)	(3)	(3)	Management charge & sundry services
	-	342	-	-	Loan repayments & interest
	22	328	-	-	Energy charges
	-	-	-	(132)	Energy prepayment
Phoenix Sports Ltd	(5)	(42)	(2)	(42)	Management & consultancy for UK Sports Initiative
	-	(40)	-	-	Loan repaid
Bethan Technology Ltd	37	12	-	-	Cost of research support
	(2)	-	-	-	Computer modelling
Cavendish Instruments Ltd	(77)	-	(24)	-	Payroll service provided by the University & sundry sales
	59	-	-	-	
YHMAN Ltd	36	20	18	-	Contribution to network costs
	(112)	-	4	-	Computer network charges, heat and power
White Rose Research Ltd	-	600	-	-	Donation and loan
Sheffield Advisory Services	73	138	-	-	Salaries & expenses of Malaysian office

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; Chairman of Barclays Bank Plc.

Transactions with other organisations and companies

Related Party	(Income)/Expenditure		(Debtors)/Creditors		Details
	1999/00	1998/99	Balance at 31st July		
	£000	£000	2000	1999	
			£000	£000	
University of Sheffield Union of Students	(2,680)	(2,516)	(40)	(50)	Payroll payment, other services
	2,429	2,275	35	21	provided & sundry purchases
	906	946	-	-	Annual subvention grant
South Yorks Higher Education Dev. Trust	(206)	(206)	-	-	Rental of Biology building
Barclays Bank Plc	4,382	4,045	410	419	Loan interest & repayments
Barclays Mercantile Business Finance Ltd.	459	881	-	-	Equipment lease payments

APPENDICES