



The University of Sheffield

FINANCIAL STATEMENTS 2003/04

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Report of the Treasurer

2003/04

Scope of the Financial Statements

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

Highlights of the Year

- Opening of new and refurbished buildings:
 - Integrated Research in Molecular Life Sciences (IRMLS)
- Medical Sciences Institute
- Advanced Manufacturing Research Centre (AMRC)
- Review of financial management processes and systems linked to moves toward budgetary devolution and a new academic planning framework
- Arrangement of a £30m Revolving Credit Facility for a five-year period with Barclays Bank PLC
- Affirmation of Standard and Poor's long term credit rating of AA-/stable

Results for the Year

The Consolidated Income and Expenditure results for the year to 31st July 2004 are summarised as follows:

	2003/04	2002/03
	£000	£000
Income	284,423	261,735
Expenditure	282,016	260,342
Operational Surplus	2,407	1,393
Group		
Joint Ventures	65	18
Associates	63	(116)
Profit on Disposal of Assets	38	61
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before Tax	2,573	1,356
Taxation (Charge)/Refund	(5)	14
Minority Interests	64	88
Transfer to Accumulated Income within Specific Endowments	(252)	(260)
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets, Tax, Minority Interests and Transfers to Endowments	2,380	1,198
Depreciation Attributable to Revaluation	3,181	2,198
Realisation of Property Revaluation Gains of Previous Years	226	43
Historical Cost Surplus	5,787	3,439

The results for the year show a historical cost surplus of £5.8m, which is on track with the medium-term historic cost target surplus which the University has established as a key element of the approved financial strategy. The extensive Capital Programme continues to have a significant impact, with expenditure of £40.4m during the year. In order to support this level of expenditure an initial drawdown of £15m was made from the Revolving Credit Facility.

An interim valuation of all academic and administrative buildings was conducted in the year in line with the

requirements of Financial Reporting Standard 15 (Tangible Fixed Assets). The previous full valuation was carried out in 2001 with the intervening period evidencing significant capital expenditure on the University's Estate, largely as a result of Joint Infrastructure Fund (JIF) and Science Research Investment Fund (SRIF) funding opportunities. This valuation reflected a net reduction in asset values of £13.3m.

Whilst a growth in asset values of £22.8m was evidenced in many areas of the University's Estate, expenditure on other projects resulted in a decrease in

Report of the Treasurer - Continued

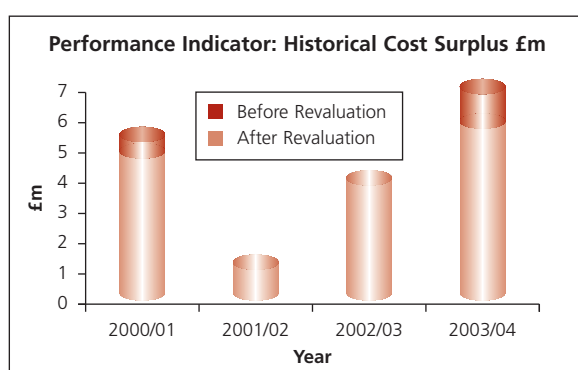
net asset values of £9.5m. The majority of the expenditure during this period has been on refurbishing existing assets which may be contrasted with the development of greenfield sites.

Where previous gains on asset values were reflected in the Revaluation Reserve, these losses were fully offset against the prior gains. However, it is not permitted under the guidelines of FRS 15 to offset cumulative gains on other assets against the remaining balance of the losses arising. Nevertheless, a material element of the original expenditure was grant funded, therefore the impact of the impairment on the Income and Expenditure Account has been reduced by an accelerated release from Deferred Capital Grants. The net impact on the Income and Expenditure Account from this asset impairment was £1.8m.

This outcome may have ongoing implications for the assessment of future projects, particularly those to be developed under SRIF 3.

Income and Expenditure Account

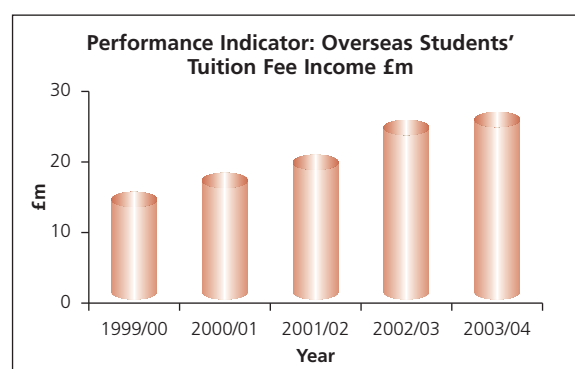
Total income increased by 8.7% over the previous year, to £284m with expenditure rising by 8.3% to £282m. After allowing for investments in Associates, Joint Ventures and profit on disposal of assets there was an operating surplus of £2.4m. On a Historic Cost basis after allowing for movements on the Revaluation Reserve there was a Historic Cost surplus of £6m reflecting reasonable progress towards the target surplus of 3% from the level of 1.3% in the prior year.



Grant income from the Higher Education Funding Council for England (HEFCE) has increased by 6.9%. The increase above the standard HEFCE inflation factor (GDP Deflator) of 2.25% reflects the increased funding for research due to our improved performance in the Research Assessment Exercise (£4.3m), the impact of additional funded student numbers (£800k) and the increase in the impact of special initiatives (£1m), such as Rewarding and Developing Staff. However, these

improvements were offset by a significant reduction in the teaching element (£2.2m), due to changes in the methodology for funding widening access.

Income from Tuition Fees increased during the year by approximately 8% and exceeded target on both Home Postgraduate and Overseas students. Overseas students' fees now total £25.3m and represent a critical, if potentially volatile, income stream.



Income from Research Grants and Contracts increased by 11.1% to £70.9m, in line with expectations. Of particular note in the period, was the increase in income from European Funded Research Grants to £5.2m, an increase of 19.3% during the period. This outcome endorses the University's decision to establish the Framework Six Office, to support this growing and increasingly complex activity. In addition it should be noted that there has had to be a substantial increase in audit certification resulting in increasing fees to the external auditors.

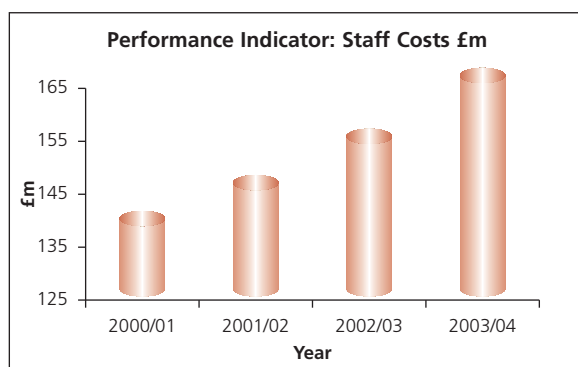
Investment income has decreased slightly during the year. This is primarily due to reduced cash balances as a result of the University's liquidity requirements and consequent restriction on the University's cash managers to take full advantage of yield curve movements.

During the period the University has continued to commit to a growth strategy, reflected in both its extensive capital programme and staffing levels, to underpin the University's position as a leading higher education institution. This is emphasised by the University's intent to position itself as a University of choice, following the introduction of variable tuition fees. However, this strategy requires investment in the research, teaching and support infrastructure and a commitment to additional recurrent expenditure on student support. This strategy anticipates continued increases in research income and the future receipt of top up fees. Therefore, this emphasises the need for greater resilience in our financial position in order to

Report of the Treasurer - Continued

be able to sustain any shortfalls from anticipated income.

Staff costs increased by 8.9% to £167m. Comparing this with the inherent escalator of 2.25% on HEFCE funded activities reflects the underlying growth in our cost base, which arises from both the growth strategy and general wage inflation. Therefore, if we accept that our Government funded income is approximately equivalent to our staff costs, then if our surplus targets are to be achieved, our net income from non Government funded sources must grow at the level necessary to cover these additional staff costs and all other recurrent revenue expenditure. The purpose of our surplus target is to allow sufficient cash generation to accommodate additional investment in our assets over and above our existing capital and debt commitments.



Further pressure will be placed on the Income and Expenditure Account during the coming year arising from the review of Pay and Reward structures within the sector. This includes migration to a single pay spine, job evaluation and harmonisation of terms and conditions. It is anticipated that the outcome of the review, together with the investment in academic staffing, will have a significant impact on future staff costs, with a part year impact in 2004/05. This will considerably add to the pressure to grow net income reflected above.

Depreciation during the period has been impacted by the impairment of fixed assets and this is a one-off adjustment. However, the extensive capital programme is resulting in an underlying upward trend in depreciation which is only partially funded by releases from deferred capital grants. Consequently, the University must see new net additional returns from the investments it is making or its target surplus will be further eroded.

Treasury and Investments

The University's financial instruments comprise fixed and current asset investments, borrowings, cash and

liquid resources. The University's approach toward treasury management is to identify the appropriate instruments to facilitate its operations, whilst managing the risks arising from such operations, namely liquidity, counterparty, interest rate and currency risks.

During the period the University arranged a Revolving Credit Facility of £30m, at competitive terms, to provide the University with optimum flexibility in relation to its liquidity and capital requirements. This facility will give the University funding for its existing capital commitments, while it considers its full long-term funding requirements arising from the capital programme. As planned, an initial three month drawdown of £15m was made in July 2004 to supplement the University's short-term requirements, and contributed toward the increase in cash and liquid resources at the year end.

The rating agency, Standard and Poor's, confirmed the University's long-term credit rating despite concerns about the deficit in the University of Sheffield Pension Scheme and the complex capital programme. As in 2002/03, the outcome reflects the University's strong reputation and diverse course range, coupled with continued high student demand and financial resilience.

The University's investment management policy has been reviewed during 2003/04 and previously established income targets abolished due to the implied increase in portfolio risk. In conjunction with the University's portfolio and investment managers, Sarasin Chiswell, a more diversified portfolio has been developed which links to an achievable, but lower risk, investment strategy. This portfolio investment strategy now provides for modest capital growth and a sustainable income stream over the long-term.

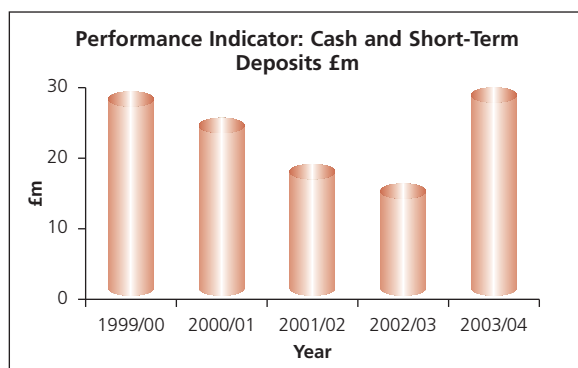
Cash Flow

The Group generated a net cash inflow from operating activities of £7.2m after adjusting for the non-cash impact of items such as depreciation and movements in stocks, debtors and creditors. This represents a decrease of £8.8m when compared with the previous year, primarily due to working capital movements.

The overall increase in cash and liquid resources totalled £13.1m reflecting the drawdown on the Revolving Credit Facility and the reclassification of the Escrow account within short-term deposits. The Escrow account is related to the purchase of the Health and Safety Laboratories Site. This improvement masks the underlying deterioration in cash flow from operating activities by £8.3m to a net inflow of £7.2m being

Report of the Treasurer - Continued

insufficient to cover net debt servicing costs of £5.4m and net capital expenditure of £9.6m, hence the increased borrowing requirement.



Balance Sheet

The Group's Net Assets have increased by £39m (12.8%) during the year with the impact of the interim valuation being reflected in Tangible Fixed Assets, Revaluation Reserve and Deferred Capital Grants.

The University's capital programme gathered further momentum during the year with expenditure on land and buildings totalling £32m and equipment expenditure totalling £8m. Set against this is depreciation for the year of £13m and in addition there was a net gain on revaluation of £13.3m as a result of the revaluation.

The next full valuation of the University's residential properties is due to take place during 2004/05 and it is intended to align the revaluation of all properties at this time with a further valuation of the University's academic and administrative estate. However, it should be noted that the value of the residential assets will be significantly impacted by the disposal programme and the proposed re-development of the core residence sites.

Fixed Asset Investments reduced by £5.1m in the year due to the reclassification of the Escrow account into short-term deposits. This amount is to fund the planned acquisition of the former Health and Safety Laboratories in January 2005.

The overall increase in debtors reflects an increase in the debtor balance outstanding from Research Grants and Contracts of £3m and a decrease of £0.3m in the Group's Tuition Fees and Sundry Debtors. It is not anticipated that this increase in the Research Debtors balance will result in any increase in bad debt write off but it has been reflected in the provision during the year.

Provisions for Liabilities and Charges have decreased by £1.7m during the year reflecting successful resolution of pending litigation and the utilisation of previous provisions made to cover early retirement and voluntary redundancy costs.

Capital Programme

Activity on the Capital Programme continued during the year with the completion of major projects including the Integrated Research in Molecular Life Sciences Project (IRMLS) which had total expenditure of £31.2m and the Medical Sciences Institute which had total expenditure of £11.5m.

Throughout the year work continued on new buildings and refurbishment projects, including the £5.7m Informatics Collaboratory for the Social Sciences and the £3.1m University Health Centre project.

Much of the work under the HEFCE SRIF2 funded activity, totalling £27.74m, will commence during 2004/05. Major projects include the relocation of the EPSRC National Centre for III/V Technologies, the Integrated Biomedical Sciences Facility at the Royal Hallamshire Hospital and the recladding of the Hicks building.

HEFCE have also announced a further round of SRIF funding spanning the period from April 2006 to March 2008. Conditional allocations will be published in early 2005.

The revised Learning Resources Centre project is due to commence in April 2005 and has a budget of £15.9m, £4.736m of which will be funded under the HEFCE Project Capital Round Three allocation. Works will also commence in relation to the rationalisation of the old



Prince Philip with the Vice-Chancellor and Professor Philip Ingham.



University Health Centre, viewed from Glossop Road.

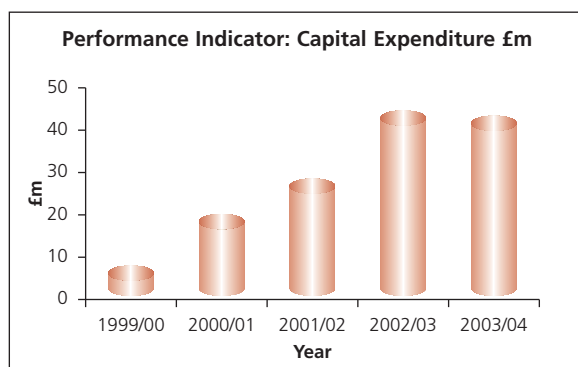


Informatics Collaboratory for the Social Sciences, at Portobello.

Report of the Treasurer - Continued

Jessops Hospital site and the Bio-incubator project to be built on the Jessop Laundry.

In addition, during the year the University Council approved, in principle, a revised Residences Strategy. This includes the proposed disposal of 140 street properties and a number of peripheral residential sites. It is anticipated that proceeds of approximately £44m will accrue over the next four years. It is planned to redevelop the core residential sites of Endcliffe, Ranmoor, Stephenson and Crewe. This project is likely to have a three year duration and, subject to reaching financial close, will commence in the summer of 2005. Due to the substantial total project costs, the Council has determined that the project requires to be funded by a third party without consolidation on the University's Balance Sheet. All fees involved in developing the project are being charged to the Income and Expenditure Account as incurred.



Pensions

In common with many defined benefit (final salary) pension schemes the actuarial valuation of the University of Sheffield Pension Scheme for Non-Academic Staff, carried out in April 2002, highlighted that the Scheme was under-funded on both the normal funding basis (99%) and the statutory Minimum Funding Requirement (MFR) basis (83%). This resulted in a significant increase in the employer's contribution rate to 18.2% and contributions have been made at this rate throughout 2003/04. As these additional contributions are not sustainable in the long term, the University is reviewing its options to fund the future liabilities and to reduce the risk of the need for future deficit funding. In this context, the University remains committed to continuing access to final salary schemes for all staff.

Conclusion

2003/04 has seen steady progress towards achieving the University's academic strategy. Due to the adverse impact of the asset revaluation, the University has not

achieved its financial strategy targets during the period. In particular, the level of commitments on the capital programme continue to place the cash flow under pressure, as reflected by the level of drawings on the new Revolving Credit Facility. If the levels of net income do not start to increase significantly, the University will not be in a position to make any further commitments to pipeline capital projects unless fully matched by external grant funding or the proceeds received from the sale of the residential portfolio, after allowing for the liquidity reserve identified in the financial strategy.

The introduction of variable tuition fees, while generally good news for the sector and the University, is undoubtedly resulting in increased pressure to improve the teaching and related support facilities. This was already being partially addressed by the new Learning Resources Centre Project but it also implies substantial investment in other out-dated teaching facilities, equipment and IT infrastructure. As the full level of the new variable tuition fees will not be received until 2008/09 these requirements are placing further pressure on our financial resources.

The existing capital commitments are resulting in not only a net cash outflow to fund the developments but will also result in net future revenue commitments on both staff and facility management. To the extent that these commitments are not met from increased future net income, they will have to be funded by reductions in expenditure elsewhere. There is also a risk that the recurrent costs of the review of Pay and Reward structures will prove to be higher than currently forecast. It is not clear that the full costs of these changes will be met by external funding bodies, despite the move towards Full Economic Costing within the next two years.

In order to get back on track in terms of migration towards the financial strategy target surplus in 2004/05, the University needs to achieve a substantial uplift from this year's results after adjusting for the Income and Expenditure Account impact of the Residences Strategy.

KIM STANIFORTH
Treasurer

Corporate Governance

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

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

The Senate

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

The Court

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

The Council

The University's Council is the governing body of the University, responsible for the management and administration of the University's business. Council membership comprises lay and academic persons appointed under the statutes of the University, the majority of whom are non-executive. The role of the Chair of the Council is separate from the role of the University's Chief Executive, the Vice-Chancellor. The matters specially reserved to the Council for decision are set out in the Statutes of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Council holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day-to-day operations of its business and its subsidiary companies. Much of the work of Council is carried out through formally constituted committees, including the following:

- The Finance Committee is the body responsible for advising Council on all matters relating to the finances of the University. The Chair of the Finance Committee is the Treasurer. Inter alia the Committee recommends to Council the University's

annual revenue and capital budgets, monitors performance in relation to the approved budgets and monitors the execution of financial policies adopted by the Council.

- The Facilities Management Committee is responsible to the Council for the stewardship and development of the University estates and buildings, for the presentation to the Council of a University Site Development Plan and for ensuring that the Plan is updated periodically.
- The Strategic Planning Committee, a joint committee of the Senate and the Council, chaired by the Vice-Chancellor, is responsible for the formulation and implementation of the University's corporate strategic plans integrating academic, financial and physical planning components. The Committee also monitors the implementation of the corporate strategy, modifying the strategy as necessary in the light of feedback from operational plans.
- The Audit Committee is responsible for meeting with the External Auditors to discuss their audit findings, and reviewing the University's annual financial statements and accounting policies. It also considers detailed plans and reports from the Internal Auditor, including recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. The Committee also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the External Auditors on their own for independent discussions.

Corporate Governance - Continued

Full Statement of Internal Control

1. As the governing body of the University of Sheffield we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the governing body in the Charter & Statutes and the Financial Memorandum with the HEFCE.
 2. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
 3. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31st July 2004 and accords with HEFCE guidance. The University's policy document on risk management, and its action plans for high level corporate risks, were formally approved by Council on 16th December 2002.
 4. The following processes have been established:
 - a. The plans and strategic direction of the institution are specifically considered at one of the regular meetings of Council every year.
 - b. Council receives periodic reports from the chairman of the Audit Committee concerning internal control and risk management.
 - c. Council has delegated to the Strategic Planning Committee the responsibility to oversee the management of strategic risks.
 - d. The Audit Committee receives regular reports from the Head of Internal Audit, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement. The Audit Committee may also request additional reports to gain assurance from other parties on areas of concern.
 - e. A series of facilitated risk management workshops have been held which have encompassed Senior Management Group, central services heads of departments and heads of academic departments. Issues addressed have included the cascading of the management of risk at departmental level.
 - f. A risk prioritisation methodology based on risk ranking has been established.
 - g. An organisation-wide risk register is maintained for corporate level risks.
 - h. A reporting structure has been implemented whereby high-level strategic opportunities and risks are overseen by Strategic Planning Committee and reported to Council. Senior Management Group receives reports on the action taken on all corporate level risks, along with suggestions for additions to and deletions from the risk register.
5. The Institution has an internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice and which is subject to review for effectiveness by the HEFCE Audit Service. The internal auditors submit regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, with recommendations for improvement.
 6. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and by the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Responsibilities of the Council

of the University of Sheffield

In accordance with the University's Statutes, the Council of the University of Sheffield is responsible for the administration and management of the affairs of the University of Sheffield and is required to present audited financial statements for each financial year.

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University of Sheffield will continue in operation. The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Council has taken reasonable steps to:

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

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

We have audited the financial statements on pages 10 to 36, 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 10 to 11.

This report is made solely to the University Council in accordance with section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the University Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Council and Auditors

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

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

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

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

We read the other information contained in the Treasurer's Report and consider the implications for

our report if we become suspicious of any apparent 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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 and the Group as at 31st July 2004 and of the groups surplus of income over expenditure, recognised gains and losses and cash flows for the year then ended, and are properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education;
- (ii) in all material respects, income from the Higher Education Funding Council for England, the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2004 have been applied for the purposes for which they were received;
- (iii) in all material respects, income during the year ended 31st July 2004 has been applied in accordance with the University's Statutes and, where appropriate, with the financial memoranda (00/25 and 03/54) with the Higher Education Funding Council for England and the funding agreement with the Teacher Training Agency.

KPMG LLP
Chartered Accountants and Registered Auditors
1, The Embankment
Neville Street
Leeds
13th December 2004

Statement of Principal Accounting Policies

1. Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments, fixed asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and applicable accounting standards.

2. Recognition of Income

Income from research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contribution towards overhead costs.

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

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

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

3. Basis of Consolidation

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

4. Pension Schemes

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Sheffield Pension Scheme (1975) (USPS). The schemes are defined-benefit schemes, which are externally funded and contracted out of the State Second Pension (S2P). The Funds are valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the actuaries review the progress of the schemes.

Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the schemes, and are accounted for on the basis of charging the costs of providing pensions over the period during which the institution benefits from the employees' services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after

making allowances for future withdrawals.

A small number of staff remain in other pension schemes.

5. Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. Leases

Fixed assets held under finance leases, and the related lease obligations, are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations is treated as a finance charge and amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations. Rental costs under operating leases are charged to the income and expenditure account as they are incurred.

7. Land and Buildings

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

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

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

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

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

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

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated

Statement of Principal Accounting Policies

- Continued

over their expected useful lives of 60 years and leasehold land over the life of the lease.

Refurbishments are depreciated over their expected useful lives, up to a maximum of 20 years.

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

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

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. Where assets funded by deferred capital grants are impaired, the related deferred capital grant is released to income.

8. Equipment

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

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

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

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

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

9. Investments

Endowment asset investments and fixed asset investments are included in the Balance Sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

10. Stocks

The stocks represent consumable materials held by the Central Stores and Residences and Catering outlets, materials held by the Print Unit and supplies of film

held by the MRI Unit. They are valued at the lower of cost and net realisable value.

11. Cash Flows and Liquid Resources

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

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits and certificates of deposit held as part of the University's treasury management activities.

12. Maintenance of Premises

The University has a rolling maintenance plan, which is reviewed on an annual basis. The cost of routine corrective maintenance is charged to the income and expenditure account as incurred.

13. Taxation Status

The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax.

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

14. Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

15. Financial Instruments

All hedging instruments undertaken in respect of interest rate and foreign currency exposure and any amounts receivable or payable on hedging contracts are accounted for on a consistent basis with the underlying assets or liabilities. Interest payable and receivable is accounted for on an accruals basis. Premiums or charges incurred in respect of the hedge instruments are deferred and amortised over the term of the instrument.

Consolidated Income and Expenditure Account

For the Year Ended 31st July 2004

	Note	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
INCOME			
Funding Council Grants	1	93,393	87,341
Tuition Fees and Education Contracts	2	71,102	66,032
Research Grants and Contracts	3	70,855	63,803
Other Income	4	46,762	42,046
Endowment and Investment Income	5	2,311	2,513
Total Income (Excluding Joint Ventures' turnover of £211K (2003: £291K))		284,423	261,735
EXPENDITURE			
Staff Costs	6	167,112	153,475
Other Operating Expenses	7	94,341	92,063
Depreciation	12	16,164	10,258
Interest Payable	8	4,399	4,546
Total Expenditure		282,016	260,342
Surplus on Continuing Operations after Depreciation of Assets at Valuation and Before Tax - Group		2,407	1,393
- Joint ventures		65	18
- Associates		63	(116)
Profit on Disposal of Assets		38	61
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Before Tax		2,573	1,356
Taxation	10	(5)	14
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and Tax		2,568	1,370
Minority Interests		64	88
Transfer to Accumulated Income within Specific Endowments		(252)	(260)
Surplus on Continuing Operations after Depreciation of Assets at Valuation, Disposal of Assets and After Tax and Minority Interests		2,380	1,198

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

Consolidated Statement of Historical Cost Surpluses and Deficits

For the Year Ended 31st July 2004

	Note	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
Surplus on Continuing Operations after Tax, Minority Interests and Transfers to Endowments		2,380	1,198
Difference Between Historical Cost Depreciation and the Actual Charge for the Year Calculated on the Revalued Amount	22	3,181	2,198
Realisation of Property Revaluation Gains of Previous Years	22	226	43
Historical Cost Surplus After Tax, Minority Interests and Transfers to Endowments		5,787	3,439

Statement of Consolidated Total Recognised Gains and Losses

For the Year ended 31st July 2004

	Note	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
Surplus on Continuing Operations After Depreciation of Assets at Valuation, Disposal of Assets and Tax		2,380	1,198
Unrealised Surplus on Revaluation of Fixed Assets		15,175	32,807
Appreciation of Endowment Asset Investments	21	624	1,097
Appreciation of Fixed Asset Investments	22	253	554
Gains on Shares Issued in Associates		–	359
Endowment Income Retained For Year	21	252	260
New Endowments less Realisations	21	(296)	(775)
Total Recognised Gains Relating to the Period		18,388	35,500
Reconciliation			
Opening Reserves and Endowments		229,847	194,347
Total Recognised Gains for the Year		18,388	35,500
Closing Reserves and Endowments		248,235	229,847

Balance Sheet

as at 31st July 2004

	Note	Group As At 31st July 2004 £000	University As At 31st July 2004 £000	Group As At 31st July 2003 £000	University As At 31st July 2003 £000
FIXED ASSETS					
Tangible Assets	12	378,955	378,947	339,798	339,729
Investments	13	4,840	4,424	9,938	9,803
		383,795	383,371	349,736	349,532
ENDOWMENT ASSETS					
	21	27,516	27,516	26,936	26,936
Debtors: Due after more than One Year	14	9,436	9,436	7,746	7,746
CURRENT ASSETS					
Stock		345	345	324	324
Debtors	15	32,809	32,627	29,893	30,467
Investments		18,150	17,625	4,634	4,634
Cash at Bank and in Hand		8,840	8,588	9,495	8,998
		60,144	59,185	44,346	44,423
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	16	(61,509)	(60,619)	(58,850)	(59,138)
NET CURRENT LIABILITIES					
		(1,365)	(1,434)	(14,504)	(14,715)
TOTAL ASSETS LESS CURRENT LIABILITIES					
		419,382	418,889	369,914	369,499
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	17	(61,939)	(61,918)	(50,094)	(49,973)
PROVISIONS FOR LIABILITIES AND CHARGES					
	19	(10,870)	(10,545)	(12,597)	(12,292)
NET ASSETS					
		346,573	346,426	307,223	307,234

Balance Sheet

as at 31st July 2004

	Note	Group As At 31st July 2004 £000	University As At 31st July 2004 £000	Group As At 31st July 2003 £000	University As At 31st July 2003 £000
DEFERRED CAPITAL GRANTS	20	98,412	98,412	77,384	77,384
ENDOWMENTS					
Specific	21	21,381	21,381	21,028	21,028
General	21	6,135	6,135	5,908	5,908
		27,516	27,516	26,936	26,936
RESERVES					
Revaluation Reserve	22	181,188	180,629	169,167	168,747
General Reserve	23	39,531	39,869	33,744	34,167
		220,719	220,498	202,911	202,914
MINORITY INTERESTS					
		(74)	–	(8)	–
TOTAL FUNDS					
		346,573	346,426	307,223	307,234

The financial statements on pages 10 to 36 were approved by the Council on 13th December 2004 and were signed on its behalf by:

Mr A M C STANIFORTH, Treasurer

Professor R F BOUCHER, Vice-Chancellor

Mr E T MCGREGOR, Director of Finance

The University of Sheffield

Consolidated Cash Flow Statement

For the year ended 31st July 2004

	Note	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
CASH FLOW FROM OPERATING ACTIVITIES	24	7,193	15,497
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	(2,401)	(1,905)
TAXATION	10	(5)	14
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	26	(9,157)	(13,970)
ACQUISITIONS AND DISPOSALS		–	(6)
MANAGEMENT OF LIQUID RESOURCES		(8,094)	6,766
FINANCING	27	12,048	(2,785)
(DECREASE)/INCREASE IN CASH IN THE PERIOD	28	(416)	3,611

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

	Movement in Year
INCREASE IN SHORT-TERM DEPOSITS	8,094
RECLASSIFICATION OF FUNDS HELD IN ESCROW	5,422
DECREASE IN CASH AT BANK AND CALL ACCOUNTS	(501)
DECREASE IN BANK OVERDRAFT	85
TOTAL INCREASE IN CASH AND LIQUID RESOURCES	13,100

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(416)	3,611
INCREASE/(DECREASE) IN SHORT-TERM DEPOSITS		8,094	(6,766)
RECLASSIFICATION OF FUNDS HELD IN ESCROW		5,422	–
CASH INFLOW FROM REVOLVING CREDIT FACILITY		(15,000)	–
ADDITIONAL DEBT (LEASE: NON-CASH FLOW)		–	(804)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		2,952	3,144
MOVEMENT IN NET DEBT IN PERIOD		1,052	(815)
NET DEBT AT 1st AUGUST		(38,067)	(37,252)
NET DEBT AT 31st JULY	28	(37,015)	(38,067)

Notes to the Financial Statements

Note 1: Funding Council Grants

1

	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
Recurrent Grant	84,692	80,409
Specific Grants		
Teacher Training Agency Grant	741	742
Rewarding and Developing Staff	2,207	1,168
Knowledge Exchange	314	215
Student Support Funding	339	191
HEROBAC	290	353
Other	1,289	1,678
Deferred Capital Grants Released in Year		
Buildings (Note 20)	2,020	1,199
Equipment (Note 20)	1,501	1,386
	93,393	87,341

Note 2: Tuition Fees and Education Contracts

2

Home Full-time Undergraduate Students	13,974	13,360
Home Full-time Postgraduate Students	6,031	5,284
Home Part-time Students	2,363	2,371
Overseas Students	25,261	21,944
NHS Education Contracts	18,950	18,300
Research Training Support Grants and Other Fees	4,523	4,773
	71,102	66,032

Note 3: Research Grants and Contracts

3

Research Councils	24,548	22,435
UK-Based Charities	12,307	11,400
European Commission	5,191	4,352
Other Grants and Contracts	25,138	22,827
Release from Deferred Capital Grants (Note 20)	3,671	2,789
	70,855	63,803

Note 4: Other Income

4

Residences, Catering and Conferences	17,040	16,156
Other Services Rendered	8,344	8,648
Health Authorities	5,975	5,626
Releases from Deferred Capital Grants (Note 20)	2,646	425
Other Income	12,757	11,191
	46,762	42,046

Notes to the Financial Statements – Continued

Note 5: Endowment and Investment Income

5

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

Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
901	936
252	244
19	33
1,139	1,300
2,311	2,513

Note 6: Staff

6

Staff Costs:

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

138,942	128,382
11,826	10,155
16,344	14,938
167,112	153,475

Emoluments of the Vice-Chancellor included above:

Salary
 Benefits in Kind

 Pension Contributions
 Total

171	160
3	3
174	163
24	23
198	186

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

£70,000-£79,999
 £80,000-£89,999
 £90,000-£99,999
 £100,000-£109,999
 £110,000-£119,999
 £120,000-£129,999
 £130,000-£139,999
 £140,000-£149,999
 £150,000-£159,999
 £160,000-£169,999

Number	Number
50	43
22	17
9	15
18	9
7	5
6	9
4	5
5	–
–	–
1	–

Notes to the Financial Statements – Continued

Note 7: Other Operating Expenses

	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
Consumables and Laboratory Expenditure	11,247	10,100
Books and Periodicals	2,451	2,262
Printing, Stationery and Postage	2,947	3,487
Rates	875	1,050
Fellowships, Scholarships and Prizes	12,540	11,396
Furniture and Equipment	9,678	12,276
Heat, Light, Water and Power	4,788	4,478
Repairs and General Maintenance	10,048	9,917
Grants to University of Sheffield Students' Union	1,192	1,050
Rents	1,877	2,547
Auditors' Remuneration	60	87
Auditors' Remuneration in Respect of Non-Audit Services	264	69
Professional Fees	7,053	4,680
Provision for Bad & Doubtful Debts	1,040	426
Administrative Expenses	5,964	5,274
Travel & Subsistence Expenses	5,534	4,866
Payments to Non-Contracted Staff	10,933	11,647
Conference and Meeting Expenditure	1,125	764
Professional Subscriptions	623	659
Restructuring Costs and Redundancy Payments	414	976
Other Expenses	3,688	4,052
	94,341	92,063

Note 8: Interest Payable and Similar Charges

Loans wholly repayable within five years	93	10
Loans not wholly repayable within five years	4,259	4,443
Finance Leases	47	93
	4,399	4,546

Notes to the Financial Statements – Continued

Note 9: Analysis of 2003/04 Expenditure by Activity

9

	Staff Costs £000	Dep'n £000	Operating Expenses £000	Interest Payable £000	Total £000
Academic Departments	92,209	831	17,093	–	110,133
Academic Services	9,215	318	7,936	–	17,469
Central Administration & Services	10,120	105	6,752	–	16,977
General Educational Expenditure	2,361	–	7,639	–	10,000
Staff and Student Facilities	3,468	326	2,930	113	6,837
Research Grants and Contracts	32,437	3,681	21,292	–	57,410
Residences, Catering and Conferences	5,296	2,146	8,754	1,941	18,137
Premises	6,717	8,279	15,249	2,302	32,547
Other Expenses	5,289	478	6,696	43	12,506
	167,112	16,164	94,341	4,399	282,016

The depreciation charge has been funded by:
 Deferred Capital Grants Released (Note 20)
 Revaluation Reserve Released (Note 22)
 General Income

9,838

3,181

3,145

16,164

Note 10: Taxation

10

United Kingdom Corporation Tax – Group

Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
5	(14)

Note 11: Surplus on Continuing Operations for the Period

11

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

University's Surplus for the Period
 Consolidation of Subsidiary Companies

Group Surplus for the Period

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

Surplus on Continuing Operations Before Tax

Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
2,547	1,742
(102)	(288)
2,445	1,454
128	(98)
2,573	1,356

Notes to the Financial Statements – Continued

Note 12: Tangible Assets (Consolidated)

12

	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000	Total £000
	Freehold £000	Long Leasehold £000				
Valuation/Cost						
At 1st August 2003						
Valuation	222,368	21,314	–	360	–	244,042
Cost	77,234	46	23,618	40,729	6,797	148,424
Additions at Cost	10,161	–	21,806	8,412	–	40,379
Surplus on Revaluation	12,094	766	–	–	–	12,860
Loss on Revaluation	(5,262)	–	–	–	–	(5,262)
Impairment Write Down	(404)	–	–	–	–	(404)
Disposals						
Valuation	(235)	–	–	–	–	(235)
Cost	–	–	–	–	–	–
At 31st July 2004						
Valuation	228,561	22,080	–	360	–	251,001
Cost	87,395	46	45,424	49,141	6,797	188,803
Depreciation						
At 1st August 2003						
	16,707	301	–	30,020	5,640	52,668
Charge for Year	7,081	356	–	5,338	263	13,038
Impairment Write Down	2,722	–	–	–	–	2,722
Revaluation	(7,373)	(204)	–	–	–	(7,577)
Eliminated on Disposals	(2)	–	–	–	–	(2)
At 31st July 2004						
	19,135	453	–	35,358	5,903	60,849
Net Book Value						
At 31st July 2004						
	269,821	21,673	45,424	14,143	894	378,955
At 1st August 2003						
	282,895	21,059	23,618	11,069	1,157	339,798

Buildings with a net book value of £98,991,992 and cost of £68,501,446 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 interim valuation of the academic, office, ancillary and support buildings undertaken by Gerald Eve at 31st July 2004 resulted in a net gain on revaluation of £13,345,000. This figure comprised a gain on revaluation of £22,872,000 less a loss on revaluation of £7,697,000 and impairments of £1,830,000. Further impairments of £1,296,000 had been identified during the year.

Notes to the Financial Statements – Continued

Note 12: Tangible Assets (University)

12

	Land and Buildings		Assets in Course of Construction £000	Equipment £000	Leased Equipment £000	Total £000
	Freehold £000	Long Leasehold £000				
Valuation/Cost						
At 1st August 2003						
Valuation	222,368	21,314	–	360	–	244,042
Cost	77,234	46	23,618	40,592	6,797	148,287
Additions at Cost	10,161	–	21,806	8,397	–	40,364
Surplus on Revaluation	12,094	766	–	–	–	12,860
Loss on Revaluation	(5,262)	–	–	–	–	(5,262)
Impairment Write Down	(404)	–	–	–	–	(404)
Disposals						
Valuation	(235)	–	–	–	–	(235)
Cost	–	–	–	–	–	0
At 31st July 2004						
Valuation	228,561	22,080	–	360	–	251,001
Cost	87,395	46	45,424	48,989	6,797	188,651
Depreciation						
At 1st August 2003						
Charge for Year	16,707	301	–	29,952	5,640	52,600
Impairment Write Down	7,081	356	–	5,262	263	12,962
Revaluation	2,722	–	–	–	–	2,722
Eliminated on Disposals	(7,373)	(204)	–	–	–	(7,577)
	(2)	–	–	–	–	(2)
At 31st July 2004						
	19,135	453	–	35,214	5,903	60,705
Net Book Value						
At 31st July 2004						
	296,821	21,673	45,424	14,135	894	378,947
At 1st August 2003						
	282,895	21,059	23,618	11,000	1,157	339,729

Buildings with a net book value of £98,991,992 and cost of £68,501,446 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 interim valuation of the academic, office, ancillary and support buildings undertaken by Gerald Eve at 31st July 2004 resulted in a net gain on revaluation of £13,345,000. This figure comprised a gain on revaluation of £22,872,000 less a loss on revaluation of £7,697,000 and impairments of £1,830,000. Further impairments of £1,296,000 had been identified during the year.

Notes to the Financial Statements – Continued

Note 13: Fixed Asset Investments

13

	Group Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000	Group Year Ended 31st July 2003 £000	University Year Ended 31st July 2003 £000
Balance at 1st August	9,938	9,803	10,992	11,176
Additions	1	–	662	–
Other Net Gains/(Losses)	126	–	(86)	–
Transferred to Short-term Deposits	(5,422)	(5,422)	(2,000)	(2,000)
Loans to Subsidiary Companies	–	–	–	348
Write Off of Loan to Subsidiary Company	–	(50)	–	–
Partial Repayment of Loan to Subsidiary Company	–	(25)	–	–
Appreciation on Revaluation	197	118	370	279
	4,840	4,424	9,938	9,803
Fixed Interest Stocks	804	804	1,604	1,604
Unit Trusts	918	918	–	–
Fixed Term Deposits	–	–	5,647	5,647
Equities	3,033	2,344	2,686	2,203
Loans to Subsidiary Companies	–	273	–	348
Cash	85	85	1	1
Total Fixed Asset Investments	4,840	4,424	9,938	9,803
Fixed Interest and Equities at Cost and Bank Balances	1,632	2,544	7,054	7,966

Note 14: Debtors

14

Amounts falling due after one year: Prepayment: University of Sheffield Pension Scheme	9,436	9,436	7,746	7,746
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Note 15: Debtors

15

Amounts falling due within one year: Debtors	29,704	29,549	25,834	26,459
Prepayments and Accrued Income	3,105	3,078	4,059	4,008
	32,809	32,627	29,893	30,467

Notes to the Financial Statements – Continued

Note 16: Creditors: Amounts falling due within one year

16

	Group Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000	Group Year Ended 31st July 2003 £000	University Year Ended 31st July 2003 £000
Bank Loans and Overdrafts	2,893	2,793	2,878	2,878
Obligations Under Finance Leases	262	262	259	259
Payments Received in Advance	25,192	25,192	22,002	22,002
Creditors	18,014	17,874	16,200	17,082
Social Security and Other Taxation Payable	4,066	4,048	3,800	3,749
Accruals	10,969	10,339	13,605	13,063
Corporation Tax	2	–	1	–
Amounts Owed to Funding Councils	111	111	105	105
	61,509	60,619	58,850	59,138

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

17

Unsecured loans repayable:				
Between one and two years	2,793	2,793	2,793	2,793
Between two and five years	23,379	23,379	8,379	8,379
In five years or more	35,234	35,234	38,027	38,027
Finance Leases repayable:				
Between one and two years	276	276	262	262
Between two and five years	236	236	512	512
Creditors	21	–	121	–
	61,939	61,918	50,094	49,973

Note 18: Borrowings

18

Summary of University Bank Borrowing at 31st July 2004

Institution	Date	Term	Type	Due within one year £000	Due in more than one year £000
Royal Bank of Scotland	31st May 1996	25 years	Term loan	1,417	22,670
Barclays	15th August 1997	25 years	Term loan	1,376	23,736
Barclays	22nd June 2004	up to 5 years	Revolving Credit Facility	–	15,000
				2,793	61,406

Notes to the Financial Statements – Continued

Note 19: Provisions for Liabilities and Charges

19

Consolidated

At 1st August 2003	
Utilised in Year	
Transfer from Income and Expenditure Account	
At 31st July 2004	

University

At 1st August 2003	
Utilised in Year	
Transfer from Income and Expenditure Account	
At 31st July 2004	

Pensions £000	Early Retirement Costs £000	Other £000	Total £000
3,312	8,125	1,160	12,597
(462)	(1,216)	(77)	(1,755)
392	235	(599)	28
3,242	7,144	484	10,870
3,312	8,125	855	12,292
(462)	(1,216)	(77)	(1,755)
392	235	(619)	8
3,242	7,144	159	10,545

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

Note 20: Deferred Capital Grants

20

At 1st August 2003

Buildings	
Equipment	
Total	

Cash Received

Buildings	
Equipment	
Total	

Released to Income and Expenditure

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

At 31st July 2004

Buildings	
Equipment	
Total	

Consolidated and University		
Funding Council £000	Other Grants & Benefactions £000	Total £000
34,221	32,008	66,229
5,252	5,903	11,155
39,473	37,911	77,384
2,316	17,367	19,683
7,617	3,566	11,183
9,933	20,933	30,866
2,309	2,377	4,686
1,501	3,651	5,152
3,810	6,028	9,838
34,228	46,998	81,226
11,368	5,818	17,186
45,596	52,816	98,412

Notes to the Financial Statements – Continued

Note 21: Endowments

21

At 1st August 2003	
New Endowments Received	
Realisations	
Appreciation of Endowment Asset Investments	
Income For Year (Note 5)	
Expenditure for Year	
At 31st July 2004	

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

Consolidated and University		
Specific £000	General £000	Total £000
21,028	5,908	26,936
10	–	10
(306)	–	(306)
397	227	624
901	252	1,153
(649)	(252)	(901)
21,381	6,135	27,516
9,287	–	9,287
841	–	841
2,674	–	2,674
8,579	6,135	14,714
21,381	6,135	27,516

The value of Endowments at 31st July 2004 was represented by:

Fixed Interest Stocks	4,859
Unit Trusts	5,112
Equities	15,229
Land and Property	49
Bank Balances	2,267
Total Endowment Asset Investments	27,516

Note 22: Revaluation Reserve

22

Balance at 1st August – Tangible Assets	
Balance at 1st August – Investments	
Revaluation in Year – Tangible Assets	
– Investments	
Released to Income & Expenditure Account on Sale of Tangible Asset	
Contribution to Depreciation	
Balance at 31st July 2004 – Tangible Assets	
Balance at 31st July 2004 – Investments	

Consolidated Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000	Consolidated Year Ended 31st July 2003 £000	University Year Ended 31st July 2003 £000
167,105	167,105	136,539	136,539
2,062	1,642	1,508	1,448
169,167	168,747	138,047	137,987
15,175	15,175	32,807	32,807
253	114	554	194
(226)	(226)	(43)	(43)
(3,181)	(3,181)	(2,198)	(2,198)
178,873	178,873	167,105	167,105
2,315	1,756	2,062	1,642
181,188	180,629	169,167	168,747

Notes to the Financial Statements – Continued

Note 23: General Reserve

23

	Group Year Ended 31st July 2004 £000	University Year Ended 31st July 2004 £000	Group Year Ended 31st July 2003 £000	University Year Ended 31st July 2003 £000
Balance at 1st August	33,744	34,167	29,946	30,444
Surplus after Depreciation of Assets and Taxation	2,380	2,295	1,198	1,482
Release from Revaluation Reserve	3,407	3,407	2,241	2,241
Historical Cost Surplus after Tax	5,787	5,702	3,439	3,723
Gains on shares issued in Associates	–	–	359	–
Balance at 31st July	39,531	39,869	33,744	34,167

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

24

	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
Surplus before Tax and Transfers to Endowments	2,573	1,356
Depreciation (Note 12)	16,164	10,258
Profit on Disposal of Assets	(38)	(61)
Deferred Capital Grants Released to Income (Note 20)	(9,838)	(5,799)
Investment Income	(2,236)	(2,764)
Interest Payable	4,385	4,546
(Increase)/Decrease in Stocks	(21)	18
(Increase)/Decrease in Debtors	(4,606)	2,464
Increase in Creditors	2,537	5,012
(Decrease)/Increase in Provisions	(1,727)	467
Net Cash Inflow from Operating Activities	7,193	15,497

Note 25: Returns on Investments and Servicing of Finance

25

Income from Endowments	859	1,129
Income from Short-Term Investments	1,139	1,512
Interest Paid	(4,352)	(4,453)
Interest Element of Finance Lease Rental Payments	(47)	(93)
Net cash outflow from returns on investments and servicing of finance	(2,401)	(1,905)

Notes to the Financial Statements – Continued

Note 26: Capital Expenditure and Financial Investment

26

	Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
Tangible Assets Acquired (Other than Leased Equipment)	(40,511)	(39,858)
Endowment Asset Investments Acquired	266	(745)
Total Fixed and Endowment Asset Investments Acquired	(40,245)	(40,603)
Receipts from Sales of Fixed Assets	271	104
Deferred Capital Grants Received	30,865	27,045
Utilisation of Endowment Fund Balances	218	(1,261)
Endowments Received	(266)	745
Net Cash Outflow from Capital Expenditure and Financial Investment	(9,157)	(13,970)

Note 27: Analysis of Changes in Financing during the Year

27

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balance at 1st August 2002	569	54,796	55,365
New Leases/Loans	804	–	804
Capital Repayments	(341)	(2,803)	(3,144)
Net Amount Acquired in Year	463	(2,803)	(2,340)
Balance at 31st July 2003	1,032	51,993	53,025
New Leases/Loans	–	15,100	15,100
Capital Repayments	(259)	(2,793)	(3,052)
Net Amount Acquired in Year	(259)	12,307	12,048
Balances at 31st July 2004	773	64,300	65,073

Note 28: Analysis of Changes in Net Debt

28

	At 1st August 2003 £000	Cash Flows £000	Other Changes £000	At 31st July 2004 £000
Cash at Bank and in Hand:				
Endowment Assets	883	218	–	1,101
Other	669	1,901	–	2,570
Deposits Repayable on Demand	8,857	(2,620)	–	6,237
Overdrafts	(85)	85	–	–
Total Cash at Bank and in Hand	10,324	(416)	–	9,908
Short-Term Deposits	4,634	13,516	–	18,150
Debt Due Within One Year	(3,052)	2,952	(3,055)	(18,155)
Debt Due After One Year	(49,973)	(15,000)	3,055	(46,918)
Total	(38,067)	1,052	–	(37,015)

Notes to the Financial Statements – Continued

Note 29: 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 Second Pension (S2P) the assets of which are held in separate trustee-administered funds. Details of these schemes are as follows:

(i) The Universities Superannuation Scheme (USS) is the main scheme covering most academic and academic-related staff, which provides benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee-administered fund.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March 2002. The assumptions which have the most significant effect on the result of the valuation are shown below. The valuation was carried out using the projected unit method. At the valuation date the value of the assets of the scheme was £19,938m and the value of past service liabilities was £19,776m, leaving a surplus of assets of £162m. The institution contribution rate required for future benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5m of the surplus, leaving a past service surplus of £79.5m to be carried forward.

(ii) The University of Sheffield Pension Scheme (1975) (USPS) provides for all non-academic staff. The latest actuarial valuation was carried out as at 1st April 2002. The assumptions used for that valuation, and the main results, are shown in the table below. Contributions were made during the year at the rate of 18.2% of pensionable salaries. The pension cost charge for the year for accounting purposes assessed by the actuary was £3.114 million (2003: £3.046m). At 31st July 2004 there was a pension prepayment of £9.436 million (2003: £7.746 million).

The other two schemes are firstly the Federated Superannuation System for Universities (FSSU), a money purchase scheme contracted into the State Second Pension (S2P), which covers a small number of academic staff who elected not to transfer to USS when the new scheme was established in 1975, and secondly the National Health Service Pension Scheme (NHSPS), a defined-benefit scheme contracted out of the State Second Pension (S2P), which is restricted to a number of clinical staff who, when transferring from the Health Service to the University, opted to remain in the Health Service Scheme. Both schemes are administered nationally and their assets are held independently of the University.

Latest actuarial valuations	USS		USPS
	31st March 2002	Past Service	1st April 2002
Actuarial Assumptions:	Future Service Liabilities	Past Service Liabilities	
Investment return per annum	6.00%	5.00%	6.75%
Salary increases per annum	3.70%	3.70%	3.25%
Pension increases per annum	2.70%	2.70%	2.50%
Market value of assets at date of last valuation	£19,938 million		£47 million
Proportion of members' accrued benefits covered by the actuarial value of the assets	101%		99%
The total pension cost for the University was:	Year Ended 31st July 2004		Year Ended 31st July 2003
	£000		£000
USS	12,372		11,280
USPS	3,114		3,046
Other Pension Schemes	858		612
	16,344		14,938

Notes to the Financial Statements – Continued

Note 29: Pension Schemes (continued)

29

FRS 17 Disclosure for the Accounting Period Ending 31st July 2004

General

- a. The University operates a defined benefit pension scheme that non-academic employees of the University can participate in, called the University of Sheffield Pension Scheme (1975) for Non-Academic Staff (USPS). The scheme is externally funded and is contracted out of the state scheme.
- b. The last formal actuarial valuation of the scheme was performed as at 1st April 2002 by a professionally qualified actuary, with the next valuation being due to be made as at 1 April 2005.
- c. During the accounting period, the University paid contributions to the pension scheme at the rate of 18.2% of pensionable salaries and members have contributed at the rate of 4.25% .
- d. The University also provides ex-gratia benefits to certain employees and former employees who were previously not eligible to join other pension arrangements. Ex-gratia benefits have ceased accruing for all such employees except in respect of four members aged over 60 at 1st August 2000. The University currently pays ex-gratia pensions of £372,000 pa and accrues future liabilities at £4,000 pa. These liabilities are not separately funded.
- e. This information is provided for disclosure purposes only, since pension costs in the University's accounts are recognised in accordance with SSAP24.

Financial assumptions

	At 31st July 2004 %pa	At 31st July 2003 %pa	At 31st July 2002 %pa
Inflation	3	2.5	2.4
Rate of increase in salaries	3.75	3.25	3.15
Rate of increase of pensions in payment *	3	2.5	2.4
Rate of increase for deferred pensioners	3	2.5	2.4
Discount rate	5.75	5.5	5.85

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

Scheme Assets and Expected Rate of Return for USPS

	Fair value as at 31st July 2004 £000	Expected rate of return %pa	Fair value as at 31st July 2003 £000	Expected rate of return %pa	Fair value as at 31st July 2002 £000	Expected rate of return %pa
Equities	43,756	8.50	37,703	8.50	32,833	8.40
Bonds	7,660	5.25	6,100	5.00	5,573	5.25
Cash	630	4.75	674	3.50	1,245	4.00
Total	52,046	7.98	44,477	7.94	39,651	7.82

Notes to the Financial Statements – Continued

Note 29: Pension Schemes (continued)

FRS 17 Disclosure for the Accounting Period Ending 31st July 2004 (Continued)

Scheme Assets and Liabilities

	At 31st July 2004			At 31st July 2003			At 31st July 2002		
	Ex-gratia			Ex-gratia			Ex-gratia		
	USPS £000	pensions £000	Total £000	USPS £000	pensions £000	Total £000	USPS £000	pensions £000	Total £000
Scheme assets	52,046	–	52,046	44,477	–	44,477	39,651	–	39,651
Scheme liabilities	76,783	5,395	82,178	65,554	5,424	70,978	54,345	5,209	59,554
Deficit	(24,737)	(5,395)	(30,132)	(21,077)	(5,424)	(26,501)	(14,694)	(5,209)	(19,903)

Analysis of movement in deficit:

	Year ended 31st July 2004			Year ended 31st July 2003		
	Ex-gratia			Ex-gratia		
	USPS £000	pensions £000	Total £000	USPS £000	pensions £000	Total £000
Deficit at beginning of year	(21,077)	(5,424)	(26,501)	(14,694)	(5,209)	(19,903)
Pensions or contributions paid by the University	4,804	367	5,171	3,391	359	3,750
Current service cost	(3,893)	(4)	(3,897)	(3,326)	(5)	(3,331)
Other finance income/(charge)	2	(288)	(286)	(52)	(294)	(346)
Loss recognised in STRGL	(4,573)	(46)	(4,619)	(6,396)	(275)	(6,671)
Deficit at end of year	(24,737)	(5,395)	(30,132)	(21,077)	(5,424)	(26,501)

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

	At 31st July 2004 £000	At 31st July 2003 £000
Balance Sheet Presentation		
Net Assets excluding FRS17 pension liability	346,573	307,223
Net pension liability	(30,132)	(26,501)
Net Assets including FRS17 pension liability	316,441	280,722
Reserves Note		
General Reserve excluding FRS17 pension liability	39,531	33,744
Pension reserve	(30,132)	(26,501)
General Reserve including FRS17 pension liability	9,399	7,243

Notes to the Financial Statements – Continued

Note 29: Pension Schemes (continued)

FRS 17 Disclosure for the Accounting Period Ending 31st July 2004 (Continued)

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

Amounts charged to operating surplus:

Current service cost

Past service costs

Total charge to operating surplus

Analysis of amounts credited/charged to other finance income:

Interest cost

Expected return on assets

Net (credit)/charge to other finance income:

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

Loss on assets

Experience loss/(gain) on liabilities

Loss/(gain) on change of assumptions

Total loss recognised in STRGL

Year to 31st July 2004			Year to 31st July 2003		
USPS £000	Ex-gratia pensions £000	Total £000	USPS £000	Ex-gratia pensions £000	Total £000
3,893	4	3,897	3,326	5	3,331
–	–	–	–	–	–
3,893	4	3,897	3,326	5	3,331
3,695	288	3,983	3,269	294	3,563
(3,697)	–	(3,697)	(3,217)	–	(3,217)
(2)	288	286	52	294	346
301	–	301	1,527	–	1,527
486	56	542	1,139	(55)	1,084
3,786	(10)	3,776	3,730	330	4,060
4,573	46	4,619	6,396	275	6,671

Note 30: Capital Commitments

Commitments contracted at 31st July

Consolidated and University Year Ended 31st July 2004 £000	Year Ended 31st July 2003 £000
---	--------------------------------------

2,996

20,286

Note 31: Financial Commitments

Operating lease commitments in respect of buildings and equipment for the 2004/2005 financial year, on leases expiring:

Within one year

Between two and five years

Over five years

87

62

675

535

542

361

1,304

958

Notes to the Financial Statements – Continued

Note 32: University Companies

32

The University has set up a number of companies to exploit the commercial applications of research undertaken at the University under Sheffield University Enterprises Ltd (SUEL) as a holding company. The subsidiary and associate companies of SUEL as at 31st July 2004, together with the proportion of ordinary share capital held and their principal activities were as follows:

Subsidiary Companies

AIVRU Systems Ltd	100.0%	Dormant
Aphora Ltd	100.0%	Structural Monitoring
Auxetics Ltd	100.0%	Dormant
BioActa Ltd	52.4%	Medical Research
Biofusion Ltd	70.0%	Lifesciences
Blastech Ltd	60.0%	Dormant
Ceregen Ltd	100.0%	Dormant
Dental Teamwork Training Ltd	100.0%	Dormant
ECUS Ltd	100.0%	Environmental Consultancy Services
Farapack Polymers Ltd	100.0%	Innovative Packaging Solutions
Fire Engineering Analysis Ltd	100.0%	Dormant
First World Manufacturing Ltd	100.0%	Dormant
Invector Ltd	100.0%	Dormant
Lifestyle Choices Ltd	100.0%	Dormant
Luminaries Ltd	100.0%	Ecologically Efficient Lighting
Molecular Healthworks Ltd	100.0%	Dormant
Proactus Ltd	60.0%	Consultancy Services
Shefcote Ltd	100.0%	Dormant
Thixoforge Ltd	100.0%	Thixoforging Consultancy
Vforge Ltd	100.0%	Thixoforging Manufacturing
Viewcheck Ltd	100.0%	Dormant
Xsuppress Ltd (formerly Nesidion Ltd)	100.0%	Dormant

Associate Companies

Adjuvantix Ltd	33.8%	Medical Research
Asterion Ltd	39.0%	Medical Research
Axordia Ltd	34.9%	Medical Research
Dictionary of Classical Hebrew Ltd	42.0%	Dictionary Development
Webelements Ltd	30.0%	Web Publications
Wohanka & Associates Ltd	30.0%	Translation Services

Notes to the Financial Statements – Continued

Note 32: University Companies (continued)

32

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

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

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

YHMAN Ltd	12.5%	Procurement, Operation and Management of a Metropolitan Area Network
White Rose Research Ltd	33.3%	Promotes Research and Collaborative Research Between Member Universities
WUN Trading Ltd	16.7%	Promotes Research and Distributes e-learning
WUN Foundation Ltd	16.7%	Promotes Research and Distributes e-learning

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

Notes to the Financial Statements – Continued

Note 33: Hardship Funds

33

Balance Unspent brought forward from previous year
 Funding Council Grants
 Interest Earned
 Less Returned to Funding Council

Disbursed to Students
 Audit Fees
 Balance Unspent at 31st July

Consolidated and University	
Year Ended	Year Ended
31st July 2004	31st July 2003
£000	£000
9	119
796	971
12	11
–	(19)
817	1,082
(498)	(1,072)
(1)	(1)
318	9

Funding Council grants are available solely for students: the University acts only as a paying agent.

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

Note 34: ITT Training Bursaries

34

Balance Unspent brought forward from previous year
 TTA Grant Paid

Disbursed to Students
 Balance Unspent at 31st July

Consolidated and University	
Year Ended	Year Ended
31st July 2004	31st July 2003
£000	£000
25	49
923	905
948	954
(903)	(929)
45	25

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

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

Note 35: Minority Ethnic Recruitment

35

Balance Unspent brought forward from previous year
 TTA Basic and Challenge Funds received
 TTA Recruitment Funds received

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

Consolidated and University	
Year Ended	
31st July 2004	
£000	
–	
11,759	
570	
12,329	
–	
12,329	
–	

Notes to the Financial Statements – Continued

Note 36: Related Party Disclosure

36

During the year ended 31st July 2004 the University had transactions with a number of organisations which fell within the definition of Related Parties under Financial Reporting Standard 8 'Related Party Disclosures'. These include some of the University's subsidiary, associated and joint venture companies, the University of Sheffield Union of Students, the South Yorkshire Higher Education Development Trust and other organisations and companies. Details of transactions are shown below, where material.

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

Related Party	Name	Cross Membership
Barclays Bank Plc	Sir P Middleton	Chancellor of the University, Member of University Council and Chairman of Barclays Bank Plc
Barclays Mercantile Business Finance Ltd		
Hotcourses	Prof R F Boucher	Vice-Chancellor of the University of Sheffield Member of Hotcourses Advisory Council
Magstim Ltd	Emer Prof I L Freeston	Member of Audit Committee and Director, Magstim
Connexions South Yorkshire Ltd	Prof A D H Crook	Member of University Council, Finance Committee, Facilities Management Committee, Strategic Planning Committee Chairman of Connexions South Yorkshire Ltd

Related Party	(Income)/Expenditure		(Debtors)/Creditors		Details
	2003/04	2002/03	Balance at 31st July		
	£000	£000	2004	2003	
			£000	£000	
University Companies					
Adjuvantix Ltd	(71)	(57)	(8)	–	Grant income and salary recharge
Asterion Ltd	(147)	(205)	(49)	(4)	Research income
	9	–	–	–	
Axordia Ltd	(61)	(170)	(7)	19	Salary recharge
Celltran Ltd	(453)	(318)	(39)	(57)	Research income and salary recharge
Sheffield Advisory Services	94	94	–	–	Salaries and expenses of Malaysian office
Skipworth Engelhardt Asset Management Strategists Ltd	–	(754)	–	(41)	Salary recharge
Supaplants Ltd	(69)	(487)	(3)	(3)	Salary recharge
WUN Trading Ltd	(23)	(30)	(23)	(2)	Contribution to expenses
(formerly WUN Ltd)	35	35	35	–	Membership fee
Other Organisations and Companies					
Barclays Bank Plc	3,314	3,395	384	379	Loan interest and repayments
	12	22	–	4	Bank charges
	(262)	(360)	(525)	(264)	Investment income
Barclays Mercantile Business Finance Ltd	–	26	–	–	Equipment lease payments
Connexions South Yorkshire Ltd	(6)	–	–	–	Grant income
Hotcourses	26	34	–	–	Advertising
Magstim Ltd	(7)	(53)	–	–	Research income
	3	–	–	–	Equipment purchase
South Yorks Higher Education Development Trust	(206)	(206)	–	–	Rental of Biology building
University of Sheffield Union of Students	(3,432)	(2,949)	(43)	(123)	Payroll payment, other services provided and sundry purchases
	246	445	80	3	Annual subvention grant
	1,164	1,050	–	–	



Front Cover: The research work of Professor Tim Birkhead and Professor Tony Cullis is brought together in a montage showing the flight feather of a zebra finch (top) and columns of atoms in indium antimonide. Professors Birkhead and Cullis were elected Fellows of the Royal Society in 2004.



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