

# **SHEFFIELD HALLAM UNIVERSITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1998**

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# **SHEFFIELD HALLAM UNIVERSITY**

## **BOARD OF GOVERNORS REPORT FOR THE YEAR ENDED 31 JULY 1998**

The Governors of Sheffield Hallam University submit their annual report and audited accounts for the year ended 31 July 1998.

### **Constitution and Powers**

Sheffield Hallam University is a higher education corporation (HEC) as defined under the Education Reform Act 1988.

The powers of the HEC are defined in Section 124 of the 1988 Act as amended by the Further and Higher Education (FHE) Act 1992, and subject thereto any relevant regulations, orders or directions made by the Secretary of State or Privy Council. These powers include the power to provide higher and further education and to carry out research and to publish the results of such research.

The Corporation has exempt charitable status by virtue of the 1988 Act.

### **Scope of the Financial Statements**

The financial statements presented by the Governors comprise the consolidated results of the University and its subsidiary companies. The subsidiary companies undertake activities which, for legal or commercial reasons, are more appropriately channelled through a limited company. These activities include:-

Collegiate Properties Limited : management of student residences  
Collegiate Properties (2) Limited : contracting and property management  
Collegiate Properties (3) Limited : equipment leasing  
O & N Contracting Limited : property leasing  
Sheffield Hallam University Enterprises Limited : non-property trading activities

Collegiate Charitable Trust is also consolidated. The Trust's main activity is the leasing of property.

The subsidiary companies and the Trust covenant taxable profits to the University.

## **Review of Developments**

Professor Diana Green was appointed as Vice-Chancellor in succession to John Stoddart who retired in September 1998 after 15 successful years at the helm. Professor Green is leading a comprehensive strategic review to ensure that Sheffield Hallam University builds on the many strengths which have led to its widespread recognition as one of the UK's premier modern universities.

During the 1997/98 academic year, 23,677 students enrolled for study with Sheffield Hallam University. This total comprised 16,637 full-time and sandwich and 7,040 part-time enrolments, representing a 5.5% increase on the previous year. The popularity of the University with students is highlighted by the fact that recruitment remained buoyant in the first semester of the 1998/99 academic session, despite the controversial sector-wide introduction of a changed fees regime for full-time and sandwich students.

The two universities led the successful bid for the United Kingdom Sports Institute to be based in Sheffield. Sheffield Hallam University made a further commitment to develop sports-related programmes of study for 600 undergraduate students and it is pleasing that the first year programme recruited well in September 1998. Alongside this a Sports Science Research Institute is being established. Three new chairs have been created to lead this development.

The growing importance of information and communications technologies is reflected in the University's infrastructure investment programme for the year. The nine universities in Yorkshire and Humberside have invested in a high capacity metropolitan area network, creating an interconnecting network for research and teaching, which also links to national and international networks. This complements the University's own investment to develop a 'virtual campus' to deliver an effective and efficient flexible learning environment for students. Information technology improvements anticipate potential year 2000 issues and enhance facilities for students and staff. Many post-graduate courses utilise communications technologies as an integral part of the delivery and student support system. Some 1,600 workstations are now based on Windows NT, benefiting all students, but particularly those in the School of Computing and Management Sciences. State-of-the-art computer aided design facilities are provided for students and staff in the School of Engineering and the Sheffield Business School has invested in video-conferencing to extend its flexible and work-based learning capacity in the new Stoddart Building.

The University continues its commitment to support the economic and social development of the region. The associate college partnership with further education colleges and the partnership with Northern College are important to the delivery of this commitment.

In addition, technology transfer through the applied research activity of staff has a major beneficial impact on the regional economy. During 1997, an exciting partnership with Bodycote International, a fast growing UK top 200 plc, was concluded to exploit patented research in surface coating technology. European Regional Development Fund support was important in bringing this complex project to fruition. A successful £1.7m production facility is now operational in close proximity to the City Campus in the heart of Sheffield, with the University providing critical technical and marketing support to the venture.

In the health field, an important partnership arrangement with the Sheffield Health Authority has now been agreed to integrate their Development and Training Services arm into the University academic structure.

The estates strategy moved ahead with the quality refurbishment of older premises which are to remain integral parts of the University estate. Planning permission for an attractive housing development on the University's redundant Topley site, vacated in the summer 1997, has been secured by the appointed developer. This will release significant funds to the University for further infrastructure development. Additional developer owned and managed student accommodation is now available, with the 220 bed city centre development anticipated in last year's report now in occupation.

## **Financial Position**

The University recorded a surplus after depreciation of assets at valuation and tax of £0.85m for the year ended 31 July 1998, with total income increasing by £3.4m to £99.5m. Funding Councils grant increased by 1.8% compared with 1996/97 and other income elements advanced, overall, by a creditable 5.4%. Total Funds increased to £47.6m and within that figure the Income and Expenditure Reserve improved by £2.91m to £14.56m.

The surplus for the year was struck after taking a cautious view of costs and potential write-downs associated with properties that ultimately will be disposed of as part of the University's ongoing estate rationalisation programme. In addition a relatively robust financial performance allowed significant additional investment in Learning Centre book, journal and electronic stock together with additions to, and upgrading of, open access information technology provision. These are the main factors behind the substantial increase in other operating expenses compared with 1997.

The increase of £1.28m in net current liabilities (to £3.85m) is almost entirely attributable to the inclusion of the net Business Expansion Schemes (BES) 31 July 1998 liability within this Balance Sheet category because the schemes end in 1998/99. This is explained in more detail in note 12 to the Financial Statements.

Current cash balances were £7.6m at 31 July 1998 compared with £9.8m a year earlier - although the underlying cash position in fact strengthened slightly after discounting c. £2.7m included in the 1997 figure in respect of short term holding receipts associated with financial planning arrangements. Cash generated from operating activities remains strong, but full realisation of 1998/99 investment plans is likely to result in reduced cash balances over the course of the year.

Longer term borrowings have fallen from £52.4m at 31 July 1997 to £27.9m, almost entirely in consequence of the re-categorisation of BES debt referred to above. It is likely that the University will take advantage of currently favourable market conditions to re-finance a significant proportion of the remaining medium/long term debt during 1998/99.

The consolidated statements incorporate the results of the University's wholly owned subsidiary companies and of the Collegiate Charitable Trust. As already indicated these organisations undertake a variety of activities, including trading, premises refurbishment and property/residences management. On turnover of £7.60m (1996/97 : £6.15m) they generated a pre-tax profit of £1.64m (1996/97 : £0.78m) which has been covenanted back to the University.

### **Employment of Disabled Persons**

The University welcomes staff, students and visitors with disabilities. The University is committed to enabling access to employment, premises and facilities wherever possible and will make special arrangements and reasonable adjustments where appropriate to achieve this.

The University recognises that people's health and fitness change over time, due to the natural ageing process, illness, disability and/or accident. The University aims, as far as reasonably practicable, to help individuals to take up employment, continue to work and to return to work after periods of absence.

### **Employee Involvement**

The University is working towards the Investors in People standard and both the Human Resources and Student Services Departments achieved IIP recognition in 1998. The results of a Staff Experience Survey carried out in the summer of 1997 has led to the development of a University Communication framework which is being implemented locally by schools and departments with the objective of making staff feel more involved in the mission, purpose and decision-making of the University. The University's newly agreed Human Resources strategy is seeking to build a "partnership" approach both with trade union staff representatives and the University's staff to take it into the new millennium.

### **Payment of Creditors**

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. At 31 July 1998 trade creditors represented approximately forty five days purchases.

## **Year 2000**

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and widespread disruption. The operation of the University depends not only on our own computer systems, but also to some degree on those of our suppliers. Thus there is an exposure to further risk in the event of failure by other parties to remedy their own Year 2000 issues.

The University has developed a project plan to address the impact of the Year 2000 on its activities. The plan includes the raising of awareness throughout the institution, assessment, conversion, testing and implementation. A Project Committee reporting to Governors and senior managers has been established to co-ordinate activity to attempt to ensure compliance. The project will strive to ensure all systems - desktop, networks, security and scientific equipment - are compliant. The University's contracted and approved suppliers have been contacted to confirm that all hardware and software they supply will be Year 2000 compliant and that their own in house systems are also compliant.

The University currently is implementing an agreed strategy to upgrade and/or replace business critical hardware and software systems where it is considered prudent to do so.

Costs attributable to Year 2000 compliance measures are not separately identified in the Financial Statements since such costs are an integral part of ongoing information technology investment.

## **Corporate Governance**

In the previous year the financial statements included a statement confirming the University's compliance with the aspects that are relevant to universities of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance. This year's statement appears on pages 6-7 and the review report thereon on page 10.

The Board has noted the publications of the Combined Code of the Committee on Corporate Governance and will keep under review the University's corporate governance arrangements taking the Combined Code into account.

## **Auditors**

The Board of Governors appointed KPMG to undertake the audit of the University for the year to 31 July 1998.

KPMG have expressed their willingness to continue in office as the University's auditors and a resolution proposing their re-appointment has been approved by the Audit Committee.

W N Adsetts  
Chair of the Board of Governors

D M Green  
Vice-Chancellor  
10 December 1998

## **Corporate Governance**

The following statement is to help readers of the financial statements to obtain an understanding of the approach to governance applied by the University's Board of Governors.

The Board welcomed the report of the Cadbury Committee on the Financial Aspects of Corporate Governance, and the Committee's Code of Best Practice. Whilst the University, (being a higher education corporation as defined under the Education Reform Act 1988) with charitable status, does not fall within the regulation of the London Stock Exchange, the Board of Governors is satisfied that the University complies with the provisions of the code which can be applied to universities. A description of the University's internal financial control system is set out on page 9.

### **Summary of the University's Structure of Corporate Governance**

The University's Board of Governors comprises lay and academic persons appointed under the Instrument of Government of the University, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Board of Governors are separate from the role of the University's Chief Executive and Vice-Chancellor. The matters specifically referred to the Board of Governors for decision are set out in the Articles of Government of the University; by custom and under the Financial Memorandum with the Higher Education Funding Council for England, the Board of Governors 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 Board of Governors meets four times a year; and has several Committees including a Finance, Employment and General Purposes Committee, a Student Affairs Committee, a Remunerations Committee, a Nominations Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of the Board of Governors, one of whom is designated to chair meetings.

The Finance, Employment and General Purposes Committee inter alia recommends to the Board of Governors the University's annual income and expenditure budget and monitors performance in relation to the approved budgets.

The Student Affairs Committee advises the Board of Governors of the policy implications of strategic developments in higher education as they affect the experience of University students. It reviews procedures for ensuring appropriate opportunities for students to raise matters of concern to them at all levels in the University. After appropriate consultation it also recommends to the Board of Governors rules with respect to the conduct of students.

The Remunerations Committee determines the annual remuneration of senior staff.

The Nominations Committee considers nominations for filling vacancies in the Board of Governors membership under the Instrument of Government. Such nominations are subject to the formal approval of the Board of Governors.

The Audit Committee meets at least twice annually, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect the University's business and monitors adherence with the regulatory requirements. It reviews the University's annual financial statements together with the accounting policies. 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 University's Board of Governors**

In accordance with the Education Reform Act 1988 and the Articles of Government, the Board of Governors is responsible for the administration and management of the affairs of the University and its subsidiary companies (Group) and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable it to ensure that the financial statements are prepared in accordance with the University's Articles of Government, the Statement of Recommended Practice on Accounting in Higher Education Institutions 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 Board of Governors of the University, the Board of Governors, 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 of the Group and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured 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
- it is appropriate for the financial statements to be prepared on the going concern basis.

The Board of Governors has taken reasonable steps to

- ensure that funds from the Higher Education Funding Council for England, Further Education Funding Council and Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the Sheffield Hallam University have been applied only for the purposes for which they were received and in accordance with the Financial Memoranda with the Funding Councils and any other conditions which the Funding Councils 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 Group and prevent and detect fraud and other irregularities
- secure the economical, efficient and effective management of the Group's resources and expenditure.

## **Internal Financial Controls**

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns
- clearly defined and formalised requirements for approval and control of expenditure
- a formalised treasury management policy
- comprehensive Financial Regulations detailing financial controls and procedures
- a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the University's system of internal financial control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

## **Going Concern**

After making enquiries the Board of Governors has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

## **Review report by KPMG to the Board of Governors of Sheffield Hallam University on corporate governance matters**

In addition to our audit of the financial statements, we have reviewed the Governors' statements on pages 6 to 9 on the University's compliance with paragraphs 1.4, 1.5, 2.3, 2.4, 3.1 to 3.3 and 4.3 to 4.6 of the Code of Best Practice. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

### **Basis of opinion**

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the University's system of internal financial control or its corporate governance procedures, nor on the ability of the University to continue in operational existence.

### **Opinion**

With respect to the Governors' statements on internal financial control and going concern on page 9, in our opinion the Governors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain officers of the University, and examination of relevant documents, in our opinion the Governors' statement on pages 5 to 9 appropriately reflects the University's compliance with the paragraphs of the Code specified above.

KPMG  
Chartered Accountants  
Sheffield

20 January 1999

## **Report of the Auditors to the Board of Governors of Sheffield Hallam University**

We have audited the financial statements on pages 12 to 35 which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and the accounting policies set out on pages 17 to 19.

### **Respective Responsibilities of the Board of Governors**

As described on page 8, the Board of Governors is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

### **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 Board of Governors 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:-

- the financial statements give a true and fair view of the state of the affairs of the University and the group at 31 July 1998 and of its consolidated surplus of income over expenditure for the year then ended and have been properly prepared in accordance with the requirements of the Statement of Recommended Practice on Accounting in Higher Education Institutions;
- funds from the Higher Education Funding Council for England, the Teacher Training Agency and the Further Education Funding Council and grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 1998 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 1998 has been applied in accordance with the Education Reform Act 1988 governing the University and, where appropriate, with the Financial Memorandum dated July 1997 with the Higher Education Funding Council for England, the funding agreement dated February 1997 with the Teacher Training Agency and the funding agreement dated July 1997 with the Further Education Funding Council.

KPMG  
Chartered Accountants  
Registered Auditors  
Sheffield

20 January 1999

**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

for the year ended 31 July 1998

	Note	1998 £000	1997 £000
<b>INCOME</b>			
Funding Council grants	2	50,684	49,780
Academic fees and support grants	3	29,563	28,100
Research grants and contracts	4	4,313	4,084
Other operating income	5	12,567	12,003
Endowment income and interest receivable	6	2,342	2,120
		<hr/>	<hr/>
Total income		99,469	96,087
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs	7	57,315	61,893
Depreciation	8	6,660	5,831
Other operating expenses	9	30,548	25,754
Interest payable	10	4,092	3,569
		<hr/>	<hr/>
Total expenditure		98,615	97,047
		<hr/>	<hr/>
Surplus/(deficit) after depreciation of assets at valuation and before tax		854	(960)
Taxation		-	-
		<hr/>	<hr/>
Surplus/(deficit) after depreciation of assets at valuation and tax		854	(960)
		<hr/>	<hr/>

All results are from continuing operations.

**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED BALANCE SHEET**

as at 31 July 1998

	Note	1998 £000	1998 £000	1997 £000	1997 £000
<b>FIXED ASSETS</b>					
Tangible assets	13	99,952		99,605	
Investments	15	<u>42</u>	99,994	<u>22,706</u>	122,311
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	16		182		164
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		123		146	
Investments	15	24,354		-	
Debtors	17	6,173		6,113	
Short term deposits		8,653		11,554	
Cash at bank and in hand		<u>100</u>		<u>78</u>	
		<u>39,403</u>		<u>17,891</u>	
<b>CREDITORS</b> - amounts falling due within one year	18	<u>43,256</u>		<u>20,466</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(3,853)</u>		<u>(2,575)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			96,323		119,900
<b>CREDITORS</b> - amounts falling due after more than one year	19	27,853		52,355	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	<u>3,686</u>	<u>31,539</u>	<u>2,738</u>	<u>55,093</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>			64,784		64,807
<b>DEFERRED CAPITAL GRANTS</b>	21		<u>17,166</u>		<u>18,061</u>
<b>TOTAL NET ASSETS</b>			<u>47,618</u>		<u>46,746</u>
Represented by :-					
<b>ENDOWMENTS</b>					
Specific	16		182		164
<b>RESERVES</b>					
Revaluation reserve	22	32,875		34,930	
Income and expenditure	23	<u>14,561</u>	<u>47,436</u>	<u>11,652</u>	<u>46,582</u>
<b>TOTAL FUNDS</b>			<u>47,618</u>		<u>46,746</u>

The financial statements on pages 12 to 35 were approved on behalf of the Board of Governors on 10 December 1998.

W N Adsetts, Chair of the Board of Governors    D M Green, Vice-Chancellor

**SHEFFIELD HALLAM UNIVERSITY**

**UNIVERSITY BALANCE SHEET**

as at 31 July 1998

	Note	1998 £000	1998 £000	1997 £000	1997 £000
<b>FIXED ASSETS</b>					
Tangible assets	14	96,993		96,007	
Investments	15	<u>15,807</u>	112,800	<u>38,471</u>	134,478
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	16		182		164
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		123		146	
Investments	15	24,354		-	
Debtors	17	21,412		19,803	
Short term deposits		8,443		11,404	
Cash at bank and in hand		<u>22</u>		<u>19</u>	
		54,354		31,372	
<b>CREDITORS - amounts falling due within one year</b>					
	18	<u>49,420</u>		<u>21,830</u>	
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>					
Due within one year		(3,977)		(1,476)	
Due after more than one year		<u>8,911</u>	<u>4,934</u>	<u>11,018</u>	<u>9,542</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			117,916		144,184
<b>CREDITORS - amounts falling due after more than one year</b>					
	19	52,529		79,090	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	20	<u>3,686</u>	<u>56,215</u>	<u>2,738</u>	<u>81,828</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>			61,701		62,356
<b>DEFERRED CAPITAL GRANTS</b>					
	21		<u>17,166</u>		<u>18,061</u>
<b>TOTAL NET ASSETS</b>			<u>44,535</u>		<u>44,295</u>
Represented by :-					
<b>ENDOWMENTS</b>					
Specific	16		182		164
<b>RESERVES</b>					
Revaluation reserve	22	32,875		34,930	
Income and expenditure	23	<u>11,478</u>	<u>44,353</u>	<u>9,201</u>	<u>44,131</u>
<b>TOTAL FUNDS</b>			<u>44,535</u>		<u>44,295</u>

The financial statements on pages 12 to 35 were approved on behalf of the Board of Governors on 10 December 1998.

W N Adsetts, Chair of the Board of Governors    D M Green, Vice-Chancellor

**SHEFFIELD HALLAM UNIVERSITY**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**for the year ended 31 July 1998**

	Note	1998 £000	1997 £000
Surplus/(deficit) after depreciation of assets at valuation and tax		854	(960)
New Endowments	16	11	16
Endowment income retained for year	16	7	4
		-----	-----
Total recognised gains/(losses) relating to the year		872	(940)
		=====	=====

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

**For the Year Ended 31 July 1998**

	Note	1998 £000	1997 £000
Surplus/(deficit) after depreciation of assets at valuation and tax		854	(960)
Difference between an historical cost depreciation charge/fixed asset writedown and the actual depreciation charge for the year calculated on the revalued amount	22	1,769	484
		-----	-----
Historical cost surplus/(deficit) after tax		2,623	(476)
		=====	=====



**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 July 1998**

	<b>Note</b>	<b>1998 £000</b>	<b>1997 £000</b>
Cash inflow from operating activities	27	6,548	6,392
Return on investments and servicing of finance	29	(1,444)	(1,206)
Capital expenditure and financial investment	30		
Capital expenditure, net of disposals		(9,982)	(13,620)
Deferred capital grants and other receipts		2,115	3,243
		(7,867)	(10,377)
Cash outflow before use of liquid resources and financing		(2,763)	(5,191)
Management of liquid resources		2,883	485
Financing		577	5,437
		697	731
Increase/(decrease) in Cash	31	697	731
 <b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash in the period		697	731
Decrease in liquid resources		(2,883)	(485)
(Increase) in long term debt		(1,258)	(6,098)
Repayment of debt		681	661
New finance leases		(299)	(821)
		(3,062)	(6,012)
Change in net debt		(3,062)	(6,012)
Net debt at 1 August		(43,134)	(37,122)
Net debt at 31 July	31	(46,196)	(43,134)

## SHEFFIELD HALLAM UNIVERSITY

### NOTES TO THE ACCOUNTS

#### 1. Statement of Principal Accounting Policies

##### Accounting Convention

The financial statements of the University have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance both with the 1994 Statement of Recommended Practice : Accounting in Higher Education Institutions (the SORP) and applicable Accounting Standards.

##### Basis of Consolidation

The consolidated financial statements consolidate the financial statements of the University and its wholly owned subsidiary undertakings (Sheffield Hallam University Enterprises Ltd, Collegiate Properties Ltd, Collegiate Properties (2) Ltd, Collegiate Properties (3) Ltd and O&N Contracting Ltd) together with those of the Collegiate Charitable Trust.

The consolidated financial statements do not include those of the University's Union of Students as it is a separate legal entity in respect of which the University maintains controls at the minimum necessary level and does not significantly influence policy.

##### Recognition of Income

Income from Specific Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the Income and Expenditure Account on a receivable basis.

##### 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 year end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

##### 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 on 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.

### Land and Buildings

Land and buildings were revalued at 31 March 1992 on the basis of current market value for continuation of existing use where appropriate. Where buildings are in specialist use and there is no general market value then the valuation was carried out on the basis of depreciated replacement cost, in accordance with the Royal Institution of Chartered Surveyors Guidance Notes concerning asset valuation. Land and buildings acquired since 31 March 1992 are included at cost.

### Equipment

Designated equipment financed from Funding Council grants and other equipment costing £5,000 or more is capitalised and shown at cost.

### Depreciation

#### Buildings

Depreciation on new and existing buildings is provided on a straight line basis over their expected useful lives, generally 50 years. It is provided on structural additions over the remaining useful life, and on major refurbishments over 10 years.

#### Leased Buildings

The fitting out costs of leased buildings are depreciated over the lesser of the assets' lives or the expected occupancy period.

#### Other Tangible Fixed Assets

Furniture and fittings for new and refurbished buildings are depreciated on a straight line basis over 5 years. Other capital equipment is similarly depreciated, generally over 4 years.

#### Grants

Where assets are acquired with the aid of specific grants the relevant grants are treated as deferred capital grants and released to the Income and Expenditure account over the same period as the relevant assets are depreciated.

### Stock

Stock is valued at the lower of cost and net realisable value.

### 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. They exclude any such assets held as Endowment Asset Investments.

## 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 exclusively to charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

## Pension Costs

The University/Group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the University/Group.

## Maintenance of Premises

The cost of routine corrective maintenance is charged to the Income and Expenditure account as it is incurred. The University also sets aside sums to meet the cost of maintenance which occurs on an irregular basis. These are disclosed as provisions.

### 2. Funding Council Grants

	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
Higher Education Funding Council for England	44,073	42,479
Teacher Training Agency	4,086	4,377
Further Education Funding Council	49	36
Deferred capital grants released in year (Note 21)		
Buildings	786	451
Equipment	1,690	2,437
	<hr/> 50,684	<hr/> 49,780

### 3. Academic Fees and Support Grants

	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
Full-time and sandwich students	21,042	19,945
Full-time students charged overseas fees	2,797	2,505
Part-time and short course fees	5,724	5,650
	<hr/> 29,563	<hr/> 28,100

### 4. Research Grants and Contracts

	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
Grants and contracts	4,313	4,084
	<hr/>	<hr/>

5. **Other Operating Income**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Residences, catering and conferences	4,233	4,462
Other services rendered	4,027	3,594
Other income	4,307	3,947
	<hr/>	<hr/>
	12,567	12,003
	<hr/>	<hr/>

6. **Endowment Income and Interest Receivable**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Transferred from specific endowments (Note 16)	4	4
Income from short term investments	648	518
Other interest receivable	1,690	1,598
	<hr/>	<hr/>
	2,342	2,120
	<hr/>	<hr/>

Other interest receivable mainly represents interest accrued on University deposits, under the control of trustees, made in connection with Business Expansion Schemes (see also Notes 12 and 15).

7. **Staff**

<u>Staff Costs</u>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	50,356	54,681
Social Security costs	3,735	3,813
Other pension costs	3,224	3,399
	<hr/>	<hr/>
	57,315	61,893
	<hr/>	<hr/>

Wages and salaries include £Nil (1997 : £3.087m) in respect of costs incurred or to be incurred in consequence of employees taking advantage of a voluntary severance scheme.

<u>Emoluments of the Principal and Vice-Chancellor</u>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
The emoluments of the Principal and Vice-Chancellor are shown excluding employer's pension and National Insurance contributions.	115	110

The University's related employer's pension contributions are paid on a similar basis to other relevant staff and amounted to £8,220 (1997 : £8,710).

Remuneration of other higher paid staff, excluding employer's pension contributions, fall within the following bands:

	1998	1997
£50,000 - £59,999	7	6
£70,000 - £79,999	1	1
£80,000 - £89,999	1	1

The average number of persons employed during the year was made up as follows:

	1998	1997
School/research institute based	1,464	1,542
Academic support departments	224	229
Administration	451	434
Other	245	273
	2,384	2,478

The staff numbers are full time equivalents. Academic support departments mainly comprise staff of Corporate Information Systems and the Learning Centre.

Pension Costs

The two principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The assets of the schemes are held in separately administered funds. The schemes are defined benefit schemes which are externally funded. They are valued every three years for LGPS, every five years for TPS and by actuaries using the projected unit method, the rates of contribution payable being determined by the actuary with the approval of the administering authority. TPS provides benefits based on final pensionable salary for academic staff. LGPS provides similar benefits based on final pensionable salary for academic staff and support staff, including research and manual staff, subject to the rules of eligibility. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	TPS	LGPS
Latest actuarial valuations	*31.3.91	31.3.95
Excess of projected investment returns over salary increases per annum	2.0%	2.5%
Pension increases per annum	3.5%	4%
Market value of assets at date of last valuation	£48,192m	£1,237m
Proportion of the members' accrued benefits covered by the actuarial value of the assets.	97.5%	80%

\*The results for 1.4.91 to 31.3.96 are yet to be published, figures are forecast to be available in early 1999.

8. **Depreciation**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
The depreciation charge has been funded by:		
Deferred capital grants released (Note 21)	2,999	3,121
General income	3,177	2,226
Revaluation reserve released	484	484
	<hr/>	<hr/>
	6,660	5,831
	<hr/>	<hr/>

9. **Other Operating Expenses**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Residences, catering and conferences	1,866	2,022
Consumables and laboratory expenditure	5,085	3,732
Books and periodicals	1,598	1,085
Heat, light, water and power	1,029	
Repairs and general maintenance	821	562
Provision for long-term maintenance (Note 20)	536	500
Property impairment (Note 11)	1,285	-
Grants to Sheffield Hallam University Union of Students	760	782
Rents	3,068	2,178
Auditors' remuneration - Audit	23	19
- Other services	9	2
Equipment operating lease rentals	295	343
Other expenses	14,173	13,478
	<hr/>	<hr/>
	30,548	25,754
	<hr/>	<hr/>

Costs of £2.18m (1997 : £2.37m) in respect of residences, catering and conferences staff are included within employee costs (Note 7).

10. **Interest Payable**

	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>
Bank and other loans wholly repayable within five years	1,275	1,219
Loans not wholly repayable within five years	1,979	1,565
Finance leases	838	785
	<hr/>	<hr/>
	4,092	3,569
	<hr/>	<hr/>

11. **Property Impairment**

As part of the University's premises rationalisation programme, a change of use is planned for certain parts of the estate. In consequence the Board of Governors, after taking internal professional advice and recognising prevailing market conditions, have carried out a review for impairment and written down the carrying value of the University's estate by £1.285 m, which is incorporated within Other Operating Expenses (Note 9) as property impairment.

12. **Business Expansion Schemes (BES)**

The University supported two successful schemes, Accumulus Hallam and Accumulus Hallam II, in 1993/94. The first was fully cash backed, sufficient funds having been placed on deposit under the control of trustees, at fixed interest rates to provide, over five years, the full cash sum necessary to discharge the University's obligations in this connection.

The University's commitment under the second scheme was to secure cash backing of not less than 50% of the five year repayment obligation. Fixed interest deposits, again under the control of trustees, are in place with a maturity value in excess of that commitment. In addition a further fixed interest rate deposit was placed in 1994 with a maturity date coinciding with the Accumulus Hallam II exit.

Taking the two schemes together, the five year exit price commitment totals just under £25.8m and the deposits referred to above will generate £24.6m of that requirement.

Under Accumulus Hallam, four BES companies have acquired existing student residences for £15.482m, based on the estimated value following planned refurbishment. The Accumulus Hallam II scheme entailed the construction of additional student accommodation and the possible further refurbishment of existing accommodation. New and existing accommodation to a value of £4.874m has been transferred to the related BES company.

Within Tangible Fixed Assets (Notes 13 and 14 below) the accounts reflect these transactions in accordance with Financial Reporting Standards and sector guidelines, recording the assets concerned as freehold land and buildings at cost or 31 March 1992 valuation as appropriate.

Both schemes close in 1998/99, and associated investments and accrued liabilities (£24.35m and £25.60m respectively at 31 July 1998) thus are included in Net Current Liabilities. The Accumulus Hallam £19.5m exit commitment was fully discharged by 3 September 1998. The Accumulus Hallam II scheme ends in January 1999.



13. **Tangible Fixed Assets**

	<u>Land and Buildings</u>			<u>Assets in Course of Construction</u>	<u>Equipment</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long Leasehold</u>	<u>Short Leasehold</u>			
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Consolidated</b>						
<b>Cost or Valuation</b>						
At 1 August 1997						
Valuation	37,505	-	-	-	-	37,505
Cost	63,564	136	2,701	452	29,472	96,325
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Additions at cost	4,892	-	-	91	3,309	8,292
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1998						
Valuation	37,505	-	-	-	-	37,505
Cost	68,456	136	2,701	543	32,781	104,617
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
At 1 August 1997	8,431	4	2,250	-	23,540	34,225
Charge for year	3,017	1	75	-	3,567	6,660
Impairment loss	1,285	-	-	-	-	1,285
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1998	12,733	5	2,325	-	27,107	42,170
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>						
At 31 July 1998	93,228	131	376	543	5,674	99,952
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 1997	92,638	132	451	452	5,932	99,605
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, Property Consultants in accordance with the fixed assets accounting policy outlined in Note 1.

Included in the total net book value of tangible fixed assets is £9.68m. (1997 : £10.22m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.54m (1997 : £0.54m).



14. **Tangible Fixed Assets**

	<u>Land and Buildings</u>			<u>Assets in Course of Construction</u>	<u>Equipment</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long Leasehold</u>	<u>Short Leasehold</u>			
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>University</b>						
<b>Cost or Valuation</b>						
At 1 August 1997						
Valuation	37,505	-	-	-	-	37,505
Cost	47,799	15,901	2,701	-	28,033	94,434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Additions at cost	4,892	-	-	-	4,461	9,353
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1998						
Valuation	37,505	-	-	-	-	37,505
Cost	52,691	15,901	2,701	-	32,494	103,787
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
At 1 August 1997	7,170	3,156	2,250	-	23,356	35,932
Charge for year	2,702	789	75	-	3,516	7,082
Impairment loss	1,285	-	-	-	-	1,285
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1998	11,157	3,945	2,325	-	26,872	44,299
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>						
At 31 July 1998	79,039	11,956	376	-	5,622	96,993
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 1997	78,134	12,745	451	-	4,677	96,007
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, Property Consultants in accordance with the fixed assets accounting policy outlined in Note 1.

15. **Investments**

	<b>Consolidated</b>		<b>University</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed Asset Investments</b>				
Investment in subsidiary companies at cost	-	-	9,750	9,750
Loan to Collegiate Properties (2) Ltd	-	-	6,015	6,015
Investments to meet obligations in connection with two Business Expansion Schemes	-	21,269	-	21,269
Other fixed term investments	-	1,395	-	1,395
Other investments	42	42	42	42
	<hr/>	<hr/>	<hr/>	<hr/>
	42	22,706	15,807	38,471
<b>Current Asset Investments</b>				
Investments to meet obligations in connection with two Business Expansion Schemes	22,832	-	22,832	-
Other fixed term investments	1,522	-	1,522	-
	<hr/>	<hr/>	<hr/>	<hr/>
	24,354	-	24,354	-

**Subsidiary Undertakings**

	Principal Activity	Country of Registration	Percentage of Ordinary Shares Held
Collegiate Library Services Limited	Dormant	England and Wales	100
Collegiate Properties Limited	Management of student residences	England and Wales	100
Collegiate Properties (2) Limited	Contracting and property leasing	England and Wales	100
Collegiate Properties (3) Limited	Equipment leasing	England and Wales	100
O&N Contracting Limited	Property leasing	England and Wales	100
Sheffield City Polytechnic Educational Trust Company Limited	Dormant	England and Wales	100
Sheffield Hallam University Enterprises Limited	Non-property related trading activities	England and Wales	100
Virtual Learning Systems Limited	Dormant	England and Wales	100

The University also consolidates the Collegiate Charitable Trust. The Trust's financial statements are prepared to 31 July 1998.

16. **Endowment Assets**

**Consolidated and University**

	<b>£000</b>
At 1 August 1997	164
Additions	11
Income for year	11
Transferred to Income and Expenditure account (Note 6)	(4)
	<hr/>
At 31 July 1998	182
	<hr/>
Representing	
Prize funds	89
Other funds	93
	<hr/>
	182
	<hr/>

The University's fixed asset endowments are held as short term cash deposits.

17. **Debtors**

	<b>Consolidated</b>		<b>University</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:				
Trade debtors	3,280	2,472	2,765	1,690
Amounts owed by group undertaking	-	-	3,310	3,130
Prepayments and accrued income	2,893	3,641	6,426	3,965
	<hr/>	<hr/>	<hr/>	<hr/>
	6,173	6,113	12,501	8,785
Amounts falling due after one year				
Prepayments to group undertakings	-	-	8,911	11,018
	<hr/>	<hr/>	<hr/>	<hr/>
	6,173	6,113	21,412	19,803
	<hr/>	<hr/>	<hr/>	<hr/>

In the financial year 1996/97 the University entered into a contract with Collegiate Properties (2) Limited (CP2L) to carry out refurbishment work on certain of the University's buildings. The University prepaid the whole of the works amounting to £15 million, which was immediately lent back by CP2L with interest at 1% per annum above LIBOR, payable quarterly. The prepayment is reduced as refurbishment work is carried out by CP2L, consequently the loan from CP2L to the University is also reduced, by the value of the work undertaken.

18. **Creditors: Amounts Falling Due Within One Year**

	Consolidated		University	
	1998 £000	1997 £000	1998 £000	1997 £000
Mortgages and unsecured loans	312	405	200	200
Business expansion schemes	25,597	-	25,597	-
Bank overdrafts	1,156	1,831	1,156	1,831
Obligations under finance leases	213	339	2,019	339
Payments received on account	2,994	2,152	2,867	2,523
Trade creditors	3,741	3,162	3,002	2,286
Social security and other taxation payable	1,625	3,899	1,623	1,542
Accruals and deferred income	7,618	8,678	8,643	7,047
Amounts owed to group undertakings	-	-	4,313	6,062
	<hr/>	<hr/>	<hr/>	<hr/>
	43,256	20,466	49,420	21,830
	<hr/>	<hr/>	<hr/>	<hr/>

The obligations in respect of two Business Expansion Schemes (BES) entered into during 1993/94 amounted to £19.49m (1997 : £18.56m) and £6.11m (1997 : £5.78m) at 31 July 1998. The Accumulus Hallam liability increases to £19.52m and Accumulus Hallam II to £6.25m during 1998/99, and both will be discharged in full at their respective exit dates (see also Note 12).

19. **Creditors : Amounts Falling Due After More Than One Year**

	Consolidated		University	
	1998 £000	1997 £000	1998 £000	1997 £000
Loans repayable secured on residential and other property				
Between one and five years				
Business Expansion Schemes	-	24,339	-	24,339
Secured loan	800	800	800	800
Over five years				
Secured loans	18,400	18,600	18,400	18,600
Unsecured loans repayable				
Between one and five years				
Group undertakings	-	-	8,911	11,018
Other	-	49	-	-
Obligations under finance leases				
Between one and five years				
Equipment	264	477	264	477
Over five years:				
Buildings	8,389	8,090	8,389	8,090
Leasehold obligation to group undertaking	-	-	15,765	15,766
	<hr/>	<hr/>	<hr/>	<hr/>
	27,853	52,355	52,529	79,090
	<hr/>	<hr/>	<hr/>	<hr/>

There is a loan outstanding of £14.5m (1997 : £14.7m) repayable by 1 August 2002 secured by a fixed charge on certain of the University's land and buildings. It is intended that the majority of this loan be re-financed by that date.

The Business Expansion Schemes end in 1998/99 and related liabilities at 31 July 1998 now are included in Creditors : amounts falling due within one year.

20. **Provisions for Liabilities and Charges**

**Consolidated and University**

	<b>Long term maintenance and other property related provisions £000</b>	<b>Pensions £000</b>	<b>Total £000</b>
At 1 August 1997	2,300	438	2,738
Utilised in year	(934)	(24)	(958)
Income and Expenditure account	1,906	-	1,906
	<hr/>	<hr/>	<hr/>
At 31 July 1998	3,272	414	3,686
	<hr/>	<hr/>	<hr/>

21. **Deferred Capital Grants**

**Consolidated and University**

<b>Councils</b>	<b>Funding Grants £000</b>	<b>Other Total £000</b>	<b>1998 Total £000</b>	<b>1997 £000</b>
At 1 August				
Buildings	12,089	1,864	13,953	13,418
Equipment	3,900	208	4,108	4,537
	<hr/>	<hr/>	<hr/>	<hr/>
Total	15,989	2,072	18,061	17,955
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Received				
Buildings	920	99	1,019	1,128
Equipment	-	1,085	1,085	2,099
	<hr/>	<hr/>	<hr/>	<hr/>
Total	920	1,184	2,104	3,227
	<hr/>	<hr/>	<hr/>	<hr/>
Released to Income and Expenditure account				
Buildings	786	161	947	593
Equipment	1,690	362	2,052	2,528
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,476	523	2,999	3,121
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July				
Buildings	12,223	1,802	14,025	13,953
Equipment	2,210	931	3,141	4,108
	<hr/>	<hr/>	<hr/>	<hr/>
Total	14,433	2,733	17,166	18,061
	<hr/>	<hr/>	<hr/>	<hr/>

22. **Revaluation Reserve**

**Consolidated and University**

	<b>1998 £000</b>	<b>1997 £000</b>
Balance brought forward at 1 August	34,930	35,797
Release in respect of impairment loss on revalued assets	(1,285)	-
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(770)	(867)
	<hr/>	<hr/>
Balance at 31 July	32,875	34,930
	<hr/>	<hr/>

The amount transferred to the Income and Expenditure reserve includes £286,000 (1997 : £383,000) in respect of assets sold in prior years.

23. **Income and Expenditure Reserve**

	<b>Consolidated £000</b>	<b>University £000</b>
Surplus after depreciation of assets at valuation and tax	854	222
Release from revaluation reserve	2,055	2,055
	<hr/>	<hr/>
	2,909	2,277
Balance at 1 August 1997	11,652	9,201
	<hr/>	<hr/>
Balance at 31 July 1998	14,561	11,478
	<hr/>	<hr/>



24. **Lease Obligations**

	<b>Consolidated</b>		<b>University</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
The net finance lease obligations to which the University is committed are:				
Within one year	213	339	294	339
Between one and five years	264	477	1,439	477
Over five years	8,389	8,090	24,491	23,856
	<hr/>	<hr/>	<hr/>	<hr/>
	8,866	8,906	26,224	24,672
	<hr/>	<hr/>	<hr/>	<hr/>
Operating lease commitments for the financial year, on leases expiring:				
Within one year	116	238	116	238
Between one and five years	522	559	522	559
Over five years	825	960	2,254	1,887
	<hr/>	<hr/>	<hr/>	<hr/>
	1,463	1,757	2,892	2,684
	<hr/>	<hr/>	<hr/>	<hr/>

25. **Capital Commitments**

	<b>Consolidated</b>		<b>University</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Commitments contracted at 31 July	3	3	-	1
Authorised but not contracted at 31 July	2	1	2	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5	4	2	1
	<hr/>	<hr/>	<hr/>	<hr/>

26. **Contingent Liability**

Recent decisions handed down by the European Court of Justice (ECJ) may increase the liability for pension provision of UK employers, including institutions such as Sheffield Hallam University. The implications of the ECJ decisions are, however, unclear and clarification is now awaited from the UK courts. In view of this uncertainty, no financial provision has been made in these accounts in relation to this matter.

27. **Reconciliation of Consolidated Operating Surplus (Deficit) to Net Cash from Operating Activities**

	<b>1998</b> <b>£000</b>	<b>1997</b> <b>£000</b>
Operating surplus/(deficit)	854	(960)
Depreciation	6,660	5,831
Property impairment	1,285	-
Deferred capital grants released to income	(2,999)	(3,121)
Investment income	(2,342)	(2,120)
Interest payable	4,092	3,569
Decrease in stocks	23	35
(Increase) in debtors	(60)	(1,139)
Increase/(decrease) in creditors	(1,913)	3,832
Increase in provisions	948	509
Profit on sale of fixed assets	-	(44)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	6,548	6,392
	<hr/>	<hr/>

28. **Analysis of Changes in Consolidated Financing During the Year**

	<b><u>Finance</u></b> <b><u>Leases</u></b> <b>£000</b>	<b><u>Mortgages</u></b> <b><u>&amp; Loans</u></b> <b>£000</b>	<b><u>Business</u></b> <b><u>Expansion</u></b> <b><u>Scheme Loans</u></b> <b>£000</b>
Balances at 31 July 1996	8,392	15,308	23,141
	<hr/>	<hr/>	<hr/>
New leases/loans	821	4,900	1,198
Capital repayments	(307)	(354)	-
	<hr/>	<hr/>	<hr/>
Net amount acquired/(repaid) in year	514	4,546	1,198
	<hr/>	<hr/>	<hr/>
Balances at 31 July 1997	8,906	19,854	24,339
	<hr/>	<hr/>	<hr/>
New leases/loans	299	-	1,258
Capital repayments	(339)	(342)	-
	<hr/>	<hr/>	<hr/>
Net amount acquired/(repaid) in year	(40)	(342)	1,258
	<hr/>	<hr/>	<hr/>
Balances at 31 July 1998	8,866	19,512	25,597
	<hr/>	<hr/>	<hr/>

29. **Returns on Investments and Servicing of Finance**

	<b>1998 £000</b>	<b>1997 £000</b>
Income from endowments	11	8
Income from short term investments	2,338	2,116
Interest paid	(3,793)	(3,330)
	<hr/>	<hr/>
	(1,444)	(1,206)
	<hr/>	<hr/>

30. **Capital Expenditure and Financial Investment**

	<b>1998 £000</b>	<b>1997 £000</b>
Tangible assets acquired	(8,292)	(12,222)
Investment to meet BES obligations	(1,690)	(1,598)
Receipts from sales of fixed assets	-	200
	<hr/>	<hr/>
	(9,982)	(13,620)
	<hr/>	<hr/>
Deferred capital grants received	2,104	3,227
Endowments received	11	16
	<hr/>	<hr/>
	2,115	3,243
	<hr/>	<hr/>
	(7,867)	(10,377)
	<hr/> <hr/>	<hr/> <hr/>

31. **Analysis of changes in Net Debt**

	<b>1997 Consolidated £000</b>	<b>Other Changes £000</b>	<b>Cash Flows £000</b>	<b>1998 Consolidated £000</b>
Cash at bank and in hand	(1,753)	-	697	(1,056)
Endowment bank balance	164	-	18	182
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,589)	-	715	(874)
<b>Debt due over more than 1 year</b>				
BES	(24,339)	24,339	-	-
Long term loans	(19,449)	249	-	(19,200)
Obligations under finance leases	(8,567)	213	(299)	(8,653)
<b>Debt due under 1 year</b>				
BES	-	(24,339)	(1,258)	(25,597)
Bank loan	(405)	(249)	342	(312)
Obligation under finance leases	(339)	(213)	339	(213)
Short term deposits	11,554	-	(2,901)	8,653
	<hr/>	<hr/>	<hr/>	<hr/>
	(43,134)	-	(3,062)	(46,196)
	<hr/>	<hr/>	<hr/>	<hr/>

32. **Access Funds**

	<b>1998 £000</b>	<b>1997 £000</b>
Funding Council Access grants	311	311
Interest earned	<u>5</u>	<u>5</u>
	316	316
Disbursed to students	(316)	(316)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Funding Council grants are available solely for students, with the University acting only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

### 33. **Related Party Transactions**

The Governors have considered the requirements of FRS8 : Related Party Disclosures which apply to these financial statements. The standard requires disclosure of, inter alia, transactions with related parties of the University.

In the normal course of business the University transacts with private and public sector organisations at certain of which Governors and senior managers of the University are directors, officers or partners. All such transactions are undertaken on an arm's length basis in accordance with normal agreements with customers and suppliers. The Governors do not consider that disclosure of transactions with such organisations is required under the standard because none of the Governors or senior managers, or members of their close family, have a controlling interest in the organisations in which they are employees or partners.

Nonetheless the Governors consider it appropriate to disclose transactions where, for example, a parent company directorship or partner status in a professional firm is involved. Those instances are as follows for the period covered by the Financial Statements

Mr Howard Culley, a Governor, was associated with Irwin Mitchell, Solicitors, which provided professional services to the University. Payments during the year in respect of such services amounted to £96,366.

Mr Quentin Thompson, a co-opted Governor, was associated with Coopers and Lybrand (now PricewaterhouseCoopers), Chartered Accountants, which provided professional services to the University. All such services were completely unconnected with Mr Thompson and were undertaken by a different part of the firm. Payments during the year in respect of such services totalled £83,437.

The University maintains a register of Governors' and senior managers' interests which is available for inspection at the University's Secretariat.

**BOARD OF GOVERNORS**

**FOR THE YEAR ENDED 31 JULY 1998**

W Norman Adsetts OBE (Chair)

Alan Bamford

Georgia Bright (Student Nominee July 1997 - June 1998)

W Angus Clark

Kenneth Cook

Paul Croney

Howard Culley

Kenneth Edwards

Pamela Gordon

Susan Green

Richard Gregory

Cathy Hamlyn

Paul Jagger

Nicholas Jeffrey

Councillor Ted Jones

Liz Kerry

Pam Liversidge

Shahid Malik

Jane Mardell

Charlotte Matthews (Student Nominee July 1998 - June 1999)

Phil Rhodes (Student Nominee July 1997 - June 1998)

Maeve Sherlock

Hilary Spencer

John Stoddart

Martin Taylor

Quentin Thompson

Elly Treanor (Student Nominee July 1998 - June 1999)