

SHEFFIELD HALLAM UNIVERSITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1999

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SHEFFIELD HALLAM UNIVERSITY

BOARD OF GOVERNORS REPORT FOR THE YEAR ENDED 31 JULY 1999

The Governors of Sheffield Hallam University submit their annual report and audited accounts for the year ended 31 July 1999.

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 covenant taxable profits to the University.

The trust returns taxable profits to the University by way of a grant.

Review of Developments

1998/99 has been a good year for Sheffield Hallam by whatever criteria we use to measure success. It has been a year of considerable change.

The trigger for this was the series of discussions set in train by the Vice Chancellor following a university-wide consultation exercise. This has resulted in the production by the Board of Governors of a new vision and values statement. Our vision is to set the standard for a modern, progressive University with a leading national role in the 21st Century by enabling our students and staff to meet the challenges and opportunities of tomorrow's world through educational excellence and enterprise and by encouraging creativity and continuous quality improvement.

The vision and values statement establishes a new strategic framework for the University's development over the next decade. It also highlights the importance accorded to putting students, and other stakeholders, at the heart of the University enterprise and emphasises the commitment to building on the University's track record of innovation, creativity and excellence.

We said farewell to a number of senior staff, including two of the former Assistant Principals, who made a significant contribution to the University's past successes. As part of the review process, the Board of Governors and the Academic Board have both reviewed their structure and membership in order to improve their effectiveness.

The highlights of 1998/99 include:

- Further evidence of the continuing popularity of Sheffield Hallam as measured by the numbers of students recruited - 24,262 compared with 23,677 in 1997/98.
- A number of other academic successes. For example we received excellent scores for teaching quality in a number of subject areas, including psychology which scored the maximum.
- The achievement of a budgetary surplus and reduction of the University's debt burden.
- We have had a range of distinguished guests, including HRH the Duke of Edinburgh and the Secretary of State for Education, David Blunkett. Mr Blunkett formally opened SCOPE, our "hands-on" *exploratorium* which introduces primary school children (and others) to the wonders and excitement of science.

Sheffield Hallam University and its Communities

Sheffield Hallam is a University which means business – defining this in a very broad way. While the vision of Sheffield Hallam is to be a national leader, by history, tradition and commitment it is embedded in and focused on serving the needs of those in the local communities in Sheffield, South Yorkshire and the wider region. One important development in this respect is the opening of a new Research and Business Development Office. This provides a "front door" as a means of both welcoming those interested in the educational and research services provided by the University and reaching out to organisations in the local and regional communities. SHU is also pleased to work closely with its sister university, the University of Sheffield. Individually and collectively, we provide the engine of creativity needed to underpin the economic and social regeneration which is so badly needed in the region.

Education is big business in Sheffield. With two major universities, the UFI and the largest tertiary College in Europe, Sheffield Hallam is proud to be a flagship in the city which can justifiably claim to be a learning city.

Two specific examples of success within 1998/99 exemplify the breadth of the University's commitment to economic regeneration and social inclusion:

- Together with our partner Colleges throughout the region, we led a successful bid for additional student numbers under the HEFCE's widening participation initiative.
- We were successful in a bid to the HEFCE for funding to support the conversion of Collegiate Hall into state of the art premises for the new Sport Science Research Institute and an extension of the Learning Resource centre on the Collegiate Crescent campus. Together with the delivery of the planned refurbishment of premises at the City campus and its contribution to the City Council's *Heart of the City* project, this marks the fact that the University has already spent some £70 million on the upgrading and development of its estate over the last decade. As the new Millennium approaches, the University is examining its next major estates project, the relocation of part of the School of Cultural Studies from Psalter Lane to the City's Cultural Industries Quarter. The potential synergies between the School and the economically important creative industries and the traditional cultural industries (such as the theatres) on our doorstep, provide a perfect illustration of how the University can bring international excellence to support wealth creation and employment opportunities.

At the end of 1998/99, Sir Norman Adsetts reached the end of his eight-year association with the University as a member of the Board of Governors and since 1993 as its Chairman. Sir Norman's contribution to the life and work of the University through his unfailing support and guidance was immense and the Board is confident of the ability of the University to confront the challenges of the new Millennium with confidence under the new chairmanship of Richard Gregory.

Financial Position

The University's financial position continues to improve with the 1998/99 financial statements recording a surplus after depreciation of assets at valuation and tax of £2,772,000. The statements show increases in income from almost all sources, with total income increasing by £6.4m to £105.9m. The University is beginning to see real financial benefits from the increased income from non-Funding Council sources whilst continued tight financial management is also reflected in the strong financial performance in the year.

Funding Councils Grant, after adjusting for tuition fee compensation paid to offset the reduction in fee income as a result of the new student funding arrangements, increased by 5%. This takes account of additional funding for research and also reflects the University's success in attracting funding via various competitive Funding Council initiatives. Other income elements have continued to achieve credible growth, showing an increase of 7.9% which rises to 11.0% after adjusting for the interest benefit accruing from the University's Business Expansion Schemes (BES).

Total funds increased to £50.4m and within that figure the Income and Expenditure Reserve improved by £6.29m to £20.8m. During the year, as part of the ongoing estate rationalisation programme, the University completed the disposal of the redundant Totley site. Reserve transfers associated with this disposal account for c. £3.1m of the I/E Reserve increase. The site disposal also realised a net surplus of £1,186,000 which was a significant element of the University's overall surplus.

Net Current Liabilities remain little changed from 1997/98, although completion of the University's two BES schemes in the year accounts for the large reduction in Current Asset Investments and the corresponding fall in Creditors falling due within one year. This is explained in more detail in note 12 to the Financial Statements.

Current cash balances were £7.2m at 31 July 1999, little changed from the balances of £7.6m a year earlier. Cash generated from operating activities continued to grow strongly, enabling cash balances to be broadly maintained even after investment of c. £10m in additions to the University's fixed asset base. Ongoing investment plans for 1999/2000 and beyond are likely to result in reduced cash balances in the short term.

Longer term borrowings remain largely unchanged at £28.0m, although during the year the University took advantage of favourable market conditions to re-finance a large element of this debt. One-off re-financing costs have been charged to the Income and Expenditure Account in the year, but the University will benefit from significant interest savings over the period of the loans.

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 £8.49m (1997/98 : £7.34m) they generated a pre-tax profit of £1.73m (1997/98 : £1.63m) 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 5 Departments have now achieved recognition. The University's Human Resources strategy is seeking to build a partnership approach with both trade union staff representatives and the University's staff overall to take it into the new millennium. A second staff experience survey will be undertaken during 1999/2000, the results of which will be used to inform future development and investment decisions.

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 1999 trade creditors represented approximately sixty seven days purchases.

Year 2000

The University carried out a comprehensive plan designed to address the impact of the Year 2000 on its activities. This included raising awareness throughout all Schools and Departments, assessment of systems, conversion testing and implementation of changes to business critical systems. The aim was to ensure that all systems - desktop, networks, security and scientific equipment - were compliant. The University's contracted and approved suppliers were asked to confirm that all hardware and software will be compliant and that their own in-house systems will also be compliant. Regular reports were made to the Audit Committee which was satisfied that a prudent approach had been adopted.

Following the critical date transition to 1 January 2000, no failures to business critical systems have been identified. There has been no indication from third parties with whom the University engages, that they have been adversely affected by the Year 2000 problem, which may impact on our ability to operate. The Governors, however, continue to recognise that there still remain critical dates which may lead to failures. In response to this possibility resource continues to be dedicated to the problem until the potential remaining for Year 2000 problems to arise is significantly mitigated.

Costs attributed 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 June 1998 the London Stock Exchange published the principles of Good Governance and Code of Best Practice (“the Combined Code”) which consolidated the previous Cadbury, Greenbury and Hampel reports.

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 intends to ensure that the University complies with the provisions of the code which can be applied to universities. In particular the Board of Governors is in the process of establishing the procedures necessary to implement the guidance on Internal Control (the Turnbull report) which was issued in September 1999 and which forms part of the Combined Code, as far as this can be applied to universities. The Turnbull report requires a review of the effectiveness of all internal controls with full compliance by listed companies expected for accounting periods ending on or after 23 December 2000.

During 1998/99, in response to both Sir Ron Dearing’s recommendations and those of the Committee of University Chairmen, the Board of Governors undertook a review of its own effectiveness, including a review of the role and functions of the Audit Committee. This has resulted in a number of operational changes which are being implemented. The terms of reference of the Audit Committee were widened to include Control Assurance, Risk Analysis and Value for Money and the Committee’s Chairman is now a member of the Board of Governors.

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. These were restructured during 1998/99 and now comprise a Finance and Employment 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. Governors are also represented on the Academic Board’s Honorary Awards Committee.

The Finance and Employment 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 policy implications of strategic developments in higher education as they affect the experience of University students are kept under review through a University Students Union Liaison Group and it is the Board of Governors' intention to nominate one of its members to maintain a line of communication on its behalf. The President of the Students Union is a member of the Board ex officio.

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.

Any system of internal financial control can 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.

Auditors

The Board of Governors appointed KPMG to undertake the audit of the University for the year to 31 July 1999.

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 until 31 July 1999

R Gregory
Chair of the Board of Governors from 1 August 1999

D M Green
Vice-Chancellor
1 February 2000

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

We have audited the financial statements on pages 11 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 16 to 18.

Respective Responsibilities of the Board of Governors

As described on pages 7 and 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 1999 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 1999 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 1999 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 July 1996 with the Teacher Training Agency and the funding agreement dated July 1997 with the Further Education Funding Council.

KPMG
Chartered Accountants
Registered Auditors
Sheffield

1 February 2000

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 1999

	Note	1999 £000	Restated 1998 £000
INCOME			
Funding Council grants	2	57,470	50,684
Academic fees and support grants	3	28,045	29,563
Research grants and contracts	4	4,645	4,313
Other operating income	5	13,637	12,567
Surplus on disposal of fixed assets	11	1,186	-
Endowment income and interest receivable	6	897	2,342
		<hr/>	<hr/>
Total income		105,880	99,469
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	7	61,890	57,315
Depreciation	8	7,388	6,660
Other operating expenses	9	29,208	31,146
Interest payable	10	4,622	4,092
		<hr/>	<hr/>
Total expenditure		103,108	99,213
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and before tax		2,772	256
Taxation		-	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and tax		2,772	256
		<hr/> <hr/>	<hr/> <hr/>

All results are from continuing operations.

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED BALANCE SHEET

as at 31 July 1999

	Note	1999 £000	1999 £000	Restated 1998 £000	Restated 1998 £000
FIXED ASSETS					
Tangible assets	13	99,423		99,952	
Investments	15	<u>42</u>	99,465	<u>42</u>	99,994
ENDOWMENT ASSET INVESTMENTS					
	16		226		182
CURRENT ASSETS					
Stocks and stores in hand		149		123	
Investments	15	-		24,354	
Debtors	17	8,066		6,173	
Short term deposits		6,946		8,653	
Cash at bank and in hand		<u>257</u>		<u>100</u>	
		15,418		39,403	
CREDITORS - amounts falling due within one year	18	<u>19,519</u>		<u>43,658</u>	
NET CURRENT LIABILITIES			<u>(4,101)</u>		<u>(4,255)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			95,590		95,921
CREDITORS - amounts falling due after more than one year	19	28,043		27,853	
PROVISIONS FOR LIABILITIES AND CHARGES	20	<u>1,695</u>	<u>29,738</u>	<u>3,284</u>	<u>31,137</u>
TOTAL ASSETS LESS LIABILITIES			65,852		64,784
DEFERRED CAPITAL GRANTS	21		<u>15,418</u>		<u>17,166</u>
TOTAL NET ASSETS			<u>50,434</u>		<u>47,618</u>
Represented by :-					
ENDOWMENTS					
Specific	16		226		182
RESERVES					
Revaluation reserve	22	29,361		32,875	
Income and expenditure	23	<u>20,847</u>	<u>50,208</u>	<u>14,561</u>	<u>47,436</u>
TOTAL FUNDS			<u>50,434</u>		<u>47,618</u>

The financial statements on pages 11 to 35 were approved on behalf of the Board of Governors on 1 February 2000.

R Gregory, Chair of the Board of Governors D M Green, Vice-Chancellor

SHEFFIELD HALLAM UNIVERSITY

UNIVERSITY BALANCE SHEET

as at 31 July 1999

	Note	1999 £000	1999 £000	Restated 1998 £000	Restated 1998 £000
FIXED ASSETS					
Tangible assets	14	96,540		96,993	
Investments	15	<u>15,807</u>	112,347	<u>15,807</u>	112,800
ENDOWMENT ASSET INVESTMENTS					
	16		226		182
CURRENT ASSETS					
Stocks and stores in hand		149		123	
Investments	15	-		24,354	
Debtors	17	20,882		21,412	
Short term deposits		6,576		8,443	
Cash at bank and in hand		<u>221</u>		<u>22</u>	
		<u>27,828</u>		<u>54,354</u>	
CREDITORS - amounts falling due within one year					
	18	<u>23,943</u>		<u>49,822</u>	
NET CURRENT ASSETS/ (LIABILITIES)					
Due within one year		(865)		(4,379)	
Due after more than one year		<u>4,750</u>	<u>3,885</u>	<u>8,911</u>	<u>4,532</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			116,458		117,514
CREDITORS - amounts falling due after more than one year					
	19	51,951		52,529	
PROVISIONS FOR LIABILITIES AND CHARGES					
	20	<u>1,695</u>	<u>53,646</u>	<u>3,284</u>	<u>55,813</u>
TOTAL ASSETS LESS LIABILITIES					
			62,812		61,701
DEFERRED CAPITAL GRANTS					
	21		<u>15,418</u>		<u>17,166</u>
TOTAL NET ASSETS					
			<u>47,394</u>		<u>44,535</u>
Represented by :-					
ENDOWMENTS					
Specific	16		226		182
RESERVES					
Revaluation reserve	22	29,361		32,875	
Income and expenditure	23	<u>17,807</u>	<u>47,168</u>	<u>11,478</u>	<u>44,353</u>
TOTAL FUNDS					
			<u>47,394</u>		<u>44,535</u>

The financial statements on pages 11 to 35 were approved on behalf of the Board of Governors on 1 February 2000.

R Gregory, 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 1999

	Note	1999 £000	Restated 1998 £000
Surplus after depreciation of assets at valuation and tax		2,772	256
New Endowments	16	10	11
Endowment income retained for year	16	34	7
		<hr/>	<hr/>
Total recognised gains relating to the year		<u>2,816</u>	<u>274</u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31 July 1999

	Note	1999 £000	Restated 1998 £000
Surplus after depreciation of assets at valuation and tax		2,772	256
Difference between an historical cost depreciation charge/fixed asset writedown and the actual depreciation charge for the year calculated on the revalued amount	22	381	1,769
		<hr/>	<hr/>
Historical cost surplus after tax		<u>3,153</u>	<u>2,025</u>

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 1999

	Note	1999 £000	1998 £000
Cash inflow from operating activities	27	9,728	6,548
Return on investments and servicing of finance	29	(3,691)	(1,444)
Capital expenditure and financial investment	30	19,424	(7,867)
Cash inflow/(outflow) before use of liquid resources and financing		25,461	(2,763)
Management of liquid resources		1,663	2,883
Financing		(25,811)	577
Increase in Cash	31	1,313	697
 Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		1,313	697
(Decrease) in liquid resources		(1,663)	(2,883)
(Increase) in long term debt		(23,000)	(1,258)
Repayment of debt		48,811	681
New finance leases		-	(299)
Change in net debt		25,461	(3,062)
Net debt at 1 August		(46,196)	(43,134)
Net debt at 31 July	31	(20,735)	(46,196)

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 University and its subsidiaries prepare accounts to the 31 July.

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.

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 Income and Expenditure Account so as to spread the cost of pensions over employees' working lives with the University/Group.

Maintenance of Premises – Change in Accounting Policy

The cost of routine corrective maintenance is charged to the Income and Expenditure Account in the period it is incurred. Maintenance which occurs on an irregular basis was previously charged against provisions specifically set aside for this purpose. However in order to comply with FRS12, and to give a fairer presentation of the performance of the University and its assets and liabilities, this policy has been changed and the cost of irregular maintenance is now also charged to the Income and Expenditure Account in the period it is incurred.

The effect of this change in accounting policy has been to reclassify the long term maintenance provision within Creditors : amounts falling due within one year. Note 20 contains a more detailed explanation of this adjustment. The change on the Income and Expenditure Account for the current year is not material. The comparative period has been restated to reflect the position had the amended policy been applicable at that time and this has reduced the operating surplus for that period by £598,000.

2. Funding Council Grants

	1999	1998
	£000	£000
Higher Education Funding Council for England	50,382	44,073
Teacher Training Agency	5,130	4,086
Further Education Funding Council	112	49
Deferred capital grants released in year (Note 21)		
Buildings	837	786
Equipment	1,009	1,690
	<hr/>	<hr/>
	57,470	50,684
	<hr/>	<hr/>

3. **Academic Fees and Support Grants**

	1999 £000	1998 £000
Full-time and sandwich students	19,014	21,042
Full-time students charged overseas fees	2,655	2,797
Part-time and short course fees	6,376	5,724
	<hr/>	<hr/>
	28,045	29,563
	<hr/>	<hr/>

The Government's new funding arrangements for higher education, introduced in 1998/99, replaced the old banded tuition fees for undergraduate full-time and sandwich students with a single, standard fee of £1,000. Given the University's mix of classroom and laboratory based students, this change has reduced income from full-time and sandwich students by c. £4.2m. The University was compensated in full for this loss of income in the form of additional funding from the Higher Education Funding Council for England and the Teacher Training Agency (see also Note 2.).

4. **Research Grants and Contracts**

	1999 £000	1998 £000
Grants and contracts	4,645	4,313
	<hr/>	<hr/>

5. **Other Operating Income**

	1999 £000	1998 £000
Residences, catering and conferences	4,524	4,233
Other services rendered	4,987	4,027
Other income	4,126	4,307
	<hr/>	<hr/>
	13,637	12,567
	<hr/>	<hr/>

6. **Endowment Income and Interest Receivable**

	1999 £000	1998 £000
Transferred from specific endowments (Note 16)	11	4
Income from short term investments	530	648
Other interest receivable	356	1,690
	<hr/>	<hr/>
	897	2,342
	<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 Note 12).

7. **Staff**

<u>Staff Costs</u>	1999 £000	1998 £000
Wages and salaries	54,320	50,356
Social Security costs	3,977	3,735
Other pension costs	3,593	3,224
	<hr/>	<hr/>
	61,890	57,315
	<hr/>	<hr/>

<u>Emoluments of the Vice-Chancellor</u>	1999 £000	1998 £000
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The emoluments of the Vice-Chancellor are shown excluding employer's pension and National Insurance contributions.

	101	115
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The University's related employer's pension contributions are paid on a similar basis to other relevant staff and amounted to £7,200 (1998 : £8,220).

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

	1999	1998
£50,000 - £59,999	9	7
£60,000 - £69,999	1	-
£70,000 - £79,999	-	1
£80,000 - £89,999	1	1

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

	1999	1998
School/Research Institute based	1,504	1,464
Academic support departments	240	224
Administration	470	451
Other	241	245
	<hr/>	<hr/>
	2,455	2,384
	<hr/>	<hr/>

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

8. **Depreciation**

	1999	1998
	£000	£000
The depreciation charge has been funded by:		
Deferred capital grants released (Note 21)	2,481	2,999
General income	4,526	3,177
Revaluation reserve released (Note 22)	381	484
	<hr/>	<hr/>
	7,388	6,660
	<hr/>	<hr/>

9. **Other Operating Expenses**

	1999	Restated
	£000	1998
		£000
Residences, catering and conferences	1,965	1,866
Consumables and laboratory expenditure	4,371	5,085
Books and periodicals	1,368	1,598
Heat, light, water and power	942	1,029
Repairs and general maintenance	1,704	1,955
Contribution to city developments	500	-
Property impairment	-	1,285
Grants to Sheffield Hallam University Union of Students	1,278	760
Rents	1,238	3,068
Auditors' remuneration - Audit	19	19
- Other services	9	9
Equipment operating lease rentals	254	295
Other expenses	15,560	14,177
	<hr/>	<hr/>
	29,208	31,146
	<hr/>	<hr/>

Costs of £2.24m (1998 : £2.18m) in respect of residences, catering and conferences staff are included within employee costs (Note 7).

10. **Interest Payable**

	1999	1998
	£000	£000
Bank and other loans wholly repayable within five years	936	1,275
Loans not wholly repayable within five years	1,047	1,979
Finance leases	639	838
Early settlement costs	2,000	-
	<hr/>	<hr/>
	4,622	4,092
	<hr/>	<hr/>

11. **Surplus on disposal of Fixed Assets**

During the year, the University completed the disposal of the redundant Totley site which was vacated in the summer of 1997. The asset was recorded in the accounts at a value of £3.178m and realised on disposal a net surplus of £1.186m.

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

The University supported two fully subscribed schemes, Accumulus Hallam and Accumulus Hallam II, in 1993/94, both of which ended in 1998/99.

The Accumulus Hallam £19.52m exit liability was discharged by the University in full in late August/early September 1998, the total commitment being met from the fixed rate, fixed term investments made under the control of trustees at the start of the scheme. The Accumulus Hallam II £6.25m exit liability was fully discharged in January 1999, with c. £5m of the commitment being met from fixed rate investments and the balance from University funds.

Associated investments and accrued liabilities were included in Net Current Liabilities at 31 July 1998. Completion of the schemes in 1998/99 accounts for the significant reduction in both Current Assets and Creditors falling due within one year (see Notes 15. and 18.).

Audited profits of the five BES companies, Collegiate Halls I-V plc, for the year to 31 July 1999 totalled £71,428 and this amount has, in accordance with sector guidance notes, been included within the consolidated Income and Expenditure Account for the same period.

On the successful completion of the two schemes, the five BES companies became wholly owned subsidiaries of the University. An application was made to Companies House in September 1999 to strike off the five companies. Allowing for the statutory notice period, this process should be complete by January 2000.

Subsequent to the acquisition of the companies, the legal ownership of the fixed assets was transferred back to the University, resulting in the five BES companies being shown in the accounts of the University at nil net cost.

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>			
	£000	£000	£000	£000	£000	£000
Consolidated						
Cost or Valuation						
At 1 August 1998						
Valuation	37,505	-	-	-	-	37,505
Cost	68,456	136	2,701	543	32,781	104,617
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Additions at cost	5,866	-	-	-	4,171	10,037
Transfers at cost	543	-	-	(543)	-	-
Disposals at cost	(45)	-	-	-	-	(45)
Disposals at valuation	(3,200)	-	-	-	-	(3,200)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1999						
Valuation	34,305	-	-	-	-	34,305
Cost	74,820	136	2,701	-	36,952	114,609
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 1 August 1998	12,733	5	2,325	-	27,107	42,170
Charge for year	3,643	1	75	-	3,669	7,388
Eliminated in Disposals	(67)	-	-	-	-	(67)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 1999	16,309	6	2,400	-	30,776	49,491
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value						
At 31 July 1999	92,816	130	301	-	6,176	99,423
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 1998	93,228	131	376	543	5,674	99,952
	<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 £0.23m. (1998 : £9.68m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.12m (1998 : £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>			
	£000	£000	£000	£000	£000	£000
University						
Cost or Valuation						
At 1 August 1998						
Valuation	37,505	-	-	-	-	37,505
Cost	52,691	15,901	2,701	-	32,494	103,787
Additions at cost	5,866	-	-	-	4,155	10,021
Transfers at cost	543	-	-	-	-	543
Disposals at cost	(45)	-	-	-	-	(45)
Disposals at valuation	(3,200)	-	-	-	-	(3,200)
At 31 July 1999						
Valuation	34,305	-	-	-	-	34,305
Cost	59,055	15,901	2,701	-	36,649	114,306
Depreciation						
At 1 August 1998	11,157	3,945	2,325	-	26,872	44,299
Charge for year	3,329	789	75	-	3,646	7,839
Eliminated in Disposals	(67)	-	-	-	-	(67)
At 31 July 1999	14,419	4,734	2,400	-	30,518	52,071
Net Book Value						
At 31 July 1999	78,941	11,167	301	-	6,131	96,540
At 1 August 1998	79,039	11,956	376	-	5,622	96,993

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**

	Consolidated		University	
	1999	1998	1999	1998
	£000	£000	£000	£000
Fixed Asset Investments				
Investment in subsidiary companies at cost	-	-	9,750	9,750
Loan to Collegiate Properties (2) Ltd	-	-	6,015	6,015
Other investments	42	42	42	42
	<hr/>	<hr/>	<hr/>	<hr/>
	42	42	15,807	15,807
Current Asset Investments				
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
	<hr/>	<hr/>	<hr/>	<hr/>

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
Collegiate Halls I – V Plc	Dormant	England and Wales	100

The University also consolidates the Collegiate Charitable Trust. The Trust's financial statements are prepared to 31 July 1999.

16. **Endowment Assets**

Consolidated and University

	£000
At 1 August 1998	182
Additions	10
Income for year	45
Transferred to Income and Expenditure account (Note 6)	(11)
	<hr/>
At 31 July 1999	226
	<hr/>
Representing	
Prize funds	128
Other funds	98
	<hr/>
	226
	<hr/>

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

17. **Debtors**

	Consolidated		University	
	1999	1998	1999	1998
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	3,842	3,280	3,553	2,765
Amounts owed by group undertaking	-	-	6,098	3,310
Prepayments and accrued income	4,224	2,893	6,481	6,426
	<hr/>	<hr/>	<hr/>	<hr/>
	8,066	6,173	16,132	12,501
Amounts falling due after one year				
Prepayments to group undertakings	-	-	4,750	8,911
	<hr/>	<hr/>	<hr/>	<hr/>
	8,066	6,173	20,882	21,412
	<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	
	1999	Restated	1999	Restated
	£000	1998	£000	1998
		£000		£000
Mortgages and unsecured loans	-	312	-	200
Business expansion schemes	-	25,597	-	25,597
Bank overdrafts	-	1,156	-	1,156
Obligations under finance leases	121	213	835	2,019
Payments received on account	3,350	2,994	3,476	2,867
Trade creditors	5,423	3,741	4,474	3,002
Social security and other taxation payable	2,352	1,625	2,347	1,623
Accruals and deferred income	8,273	8,020	9,211	9,045
Amounts owed to group undertakings	-	-	3,600	4,313
	<u>19,519</u>	<u>43,658</u>	<u>23,943</u>	<u>49,822</u>

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

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

	Consolidated		University	
	1999	1998	1999	1998
	£000	£000	£000	£000
Loans repayable secured on residential and other property				
Between one and five years				
Secured loan	-	800	-	800
Over five years				
Secured loans	27,900	18,400	27,900	18,400
Unsecured loans repayable				
Between one and five years				
Group undertakings	-	-	4,750	8,911
Obligations under finance leases				
Between one and five years				
Equipment	143	264	2,999	264
Over five years:				
Equipment	-	-	537	-
Buildings	-	8,389	-	8,389
Leasehold obligation to group undertaking	-	-	15,765	15,765
	<u>28,043</u>	<u>27,853</u>	<u>51,951</u>	<u>52,529</u>

The University re-financed a significant element of its long term borrowings during the current year to take full advantage of lower interest rates in the financial markets.

A loan of £23.0m was put in place, secured by a fixed charge on certain of the University's land and buildings. This loan enabled the University to repay borrowings of an equal value.

20. **Provisions for Liabilities and Charges**

Consolidated and University

	Property related provisions £000	Pensions £000	Total £000
At 1 August 1998 as previously stated	3,272	414	3,686
Transfer to Creditors	(402)	-	(402)
At 1 August 1998 as restated	2,870	414	3,284
Utilised in year	(1,152)	(27)	(1,179)
Released in year	(850)	-	(850)
Income and Expenditure account	400	40	440
At 31 July 1999	1,268	427	1,695

As explained in the accounting policy note, the long term maintenance provision at 1 August 1998 has been reclassified in Creditors since this more appropriately reflects the amounts contained therein. The balance related to work done but not invoiced at the year end in relation to the maintenance of premises.

The provision of £1.268m comprises:-

- i) £0.868m in respect of an onerous contract as defined under FRS 12, which will be fully utilised by November 2000.
- ii) £0.4m in respect of a constructive obligation to contribute towards developments that will enhance the environs within which the University's main campus is located.

The pensions provision is in respect of pension enhancements payable on behalf of staff who have taken early retirement.

21. **Deferred Capital Grants**

Consolidated and University

	Funding Councils £000	Other Grants £000	1999 Total £000	1998 Total £000
At 1 August				
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/>
Cash Received				
Buildings	510	167	677	1,019
Equipment	-	56	56	1,085
	<hr/>	<hr/>	<hr/>	<hr/>
Total	510	223	733	2,104
	<hr/>	<hr/>	<hr/>	<hr/>
Released to Income and Expenditure account				
Buildings	837	245	1,082	947
Equipment	1,009	390	1,399	2,052
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,846	635	2,481	2,999
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July				
Buildings	11,896	1,724	13,620	14,025
Equipment	1,201	597	1,798	3,141
	<hr/>	<hr/>	<hr/>	<hr/>
Total	13,097	2,321	15,418	17,166
	<hr/>	<hr/>	<hr/>	<hr/>

22. **Revaluation Reserve**

Consolidated and University

	1999 £000	1998 £000
Balance brought forward at 1 August	32,875	34,930
Release in respect of impairment loss on revalued assets	-	(1,285)
Release in respect of assets sold in year	(3,133)	-
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(381)	(770)
	<hr/>	<hr/>
Balance at 31 July	29,361	32,875
	<hr/>	<hr/>

The amount transferred to the Income and Expenditure reserve includes £NIL (1998 : £286,000) in respect of assets sold in prior years.

23. **Income and Expenditure Reserve**

	Consolidated £000	University £000
Surplus after depreciation of assets at valuation and tax	2,772	2,146
Business Expansion Scheme	-	669
Release from revaluation reserve	3,514	3,514
	<hr/>	<hr/>
	6,286	6,329
Balance at 1 August 1998	14,561	11,478
	<hr/>	<hr/>
Balance at 31 July 1999	20,847	17,807
	<hr/>	<hr/>

24. **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	31.3.98
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	£2,009m
Proportion of the members' accrued benefits covered by the actuarial value of the assets.	97.5%	90%

*The results for 1.4.91 to 31.3.96 are yet to be published, figures are forecast to be available in early 2000.

Following judgements of the European Court of Justice (ECJ) that excluding part-time staff from pension schemes amounted to discrimination, and the resulting changes in UK legislation, a liability in respect of the cost of providing backdated pension benefits may arise in the University. This would apply to benefits for those part-time staff who have or may elect for retrospective membership of the two principal pension schemes.

Some 40,000 claims nationally have been lodged. The full implications for the ECJ decisions remain, however, unclear and clarification is now awaited from both the UK courts and the ECJ. In view of this uncertainty, and the fact that no claims have been lodged against the University, no financial provision has been made in these accounts in relation to this matter.

25. **Lease Obligations**

	Consolidated		University	
	1999	1998	1999	1998
	£000	£000	£000	£000
The net finance lease obligations to which the University is committed are:				
Within one year	121	213	735	294
Between one and five years	143	264	2,999	1,439
Over five years	-	8,389	16,302	24,491
	<hr/>	<hr/>	<hr/>	<hr/>
	264	8,866	20,036	26,224
	<hr/>	<hr/>	<hr/>	<hr/>
Operating lease commitments for the financial year, on leases expiring:				
Within one year	163	116	163	116
Between one and five years	288	522	288	522
Over five years	828	825	3,128	3,056
	<hr/>	<hr/>	<hr/>	<hr/>
	1,279	1,463	3,579	3,694
	<hr/>	<hr/>	<hr/>	<hr/>

26. **Capital Commitments**

	Consolidated		University	
	1999	1998	1999	1998
	£m	£m	£m	£m
Commitments contracted at 31 July	1	3	-	-
Authorised but not contracted at 31 July	6	2	6	2
	<hr/>	<hr/>	<hr/>	<hr/>
	7	5	6	2
	<hr/>	<hr/>	<hr/>	<hr/>

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

	1999 £000	Restated 1998 £000
Operating surplus	2,772	256
Depreciation	7,388	6,660
Property impairment	-	1,285
Deferred capital grants released to income	(2,481)	(2,999)
Investment income	(897)	(2,342)
Interest payable	4,622	4,092
(Increase)/decrease in stocks	(26)	23
(Increase) in debtors	(1,893)	(60)
Increase/(decrease) in creditors	3,018	(913)
(Decrease)/increase in provisions	(1,589)	546
Profit on sale of fixed assets	(1,186)	-
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	9,728	6,548
	<hr/>	<hr/>

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

	<u>Finance Leases</u> £000	<u>Mortgages & Loans</u> £000	<u>Business Expansion Scheme Loans</u> £000
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/>
New leases/loans	-	23,000	173
Capital repayments	(8,602)	(14,612)	(25,770)
	<hr/>	<hr/>	<hr/>
Net amount acquired/(repaid) in year	(8,602)	8,388	(25,597)
	<hr/>	<hr/>	<hr/>
Balances at 31 July 1999	264	27,900	-
	<hr/>	<hr/>	<hr/>

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

	1999 £000	1998 £000
Income from endowments	45	11
Income from short term investments	886	2,338
Interest paid	(4,622)	(3,793)
	<hr/>	<hr/>
	(3,691)	(1,444)
	<hr/>	<hr/>

30. **Capital Expenditure and Financial Investment**

	1999 £000	1998 £000
Tangible assets acquired	(10,037)	(8,292)
Investment to meet BES obligations	(177)	(1,690)
Realisation of investment to meet BES obligations	24,531	-
Receipts from sale of fixed assets	4,364	-
	<hr/>	<hr/>
	18,681	(9,982)
	<hr/>	<hr/>
Deferred capital grants received	733	2,104
Endowments received	10	11
	<hr/>	<hr/>
	743	2,115
	<hr/>	<hr/>
	19,424	(7,867)
	<hr/>	<hr/>

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

	1998 Consolidated £000	Cash Flows £000	1999 Consolidated £000
Cash at bank and in hand	(1,056)	1,313	257
Endowment bank balance	182	44	226
	<hr/>	<hr/>	<hr/>
	(874)	1,357	483
Debt due over more than 1 year			
Long term loans	(19,200)	(8,700)	(27,900)
Obligations under finance leases	(8,653)	8,510	(143)
Debt due under 1 year			
BES	(25,597)	25,597	-
Bank loan	(312)	312	-
Obligation under finance leases	(213)	92	(121)
Short term deposits	8,653	(1,707)	6,946
	<hr/>	<hr/>	<hr/>
	(46,196)	25,461	(20,735)
	<hr/>	<hr/>	<hr/>

32. **Access Funds**

	1999 £000	1998 £000
Funding Council Access grants	826	311
Interest earned	<u>10</u>	<u>5</u>
	836	316
Disbursed to students	(836)	(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 £100,477.

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 £82,879.

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 1999

W Norman Adsetts OBE (Chair until 31 July 1999)

Rebecca Bursnall (Student Nominee July 1999 - June 2000)

W Angus Clark

Kenneth Cook

Paul Croney

Howard Culley

Kenneth Edwards

Pamela Gordon

Diana Green

Susan Green

Richard Gregory (Chair from 1 August 1999)

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)

Ruth Sayers (Student Nominee July 1999 - June 2000)

Maeve Sherlock

Hilary Spencer

Martin Taylor

Quentin Thompson

Elly Treanor (Student Nominee July 1998 - June 1999)