

# SHEFFIELD HALLAM UNIVERSITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2003

### CONTENTS

#### Page

Board of Governors Report	1 - 9
including:	
Corporate Governance	5 - 8
Responsibilities of the University's Board of Governors	8 - 9
Report of the Auditors	10 - 11
Consolidated Income and Expenditure Account	12
Balance Sheets	13 - 14
Consolidated Statement of Total Recognised Gains and Losses	15
Consolidated Cash Flow Statement	16
Notes to the Accounts	17 - 40
Board of Governors	41

## **SHEFFIELD HALLAM UNIVERSITY**

### **BOARD OF GOVERNORS REPORT FOR THE YEAR ENDED 31 JULY 2003**

The Governors of Sheffield Hallam University submit their annual report and audited accounts for the year ended 31 July 2003.

#### **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 (2) Limited : contracting and property management

Collegiate Properties (3) Limited : equipment leasing

Collegiate Library Services Limited : provision of library services to the University

O & N Contracting Limited : property leasing

Sheffield Hallam University Enterprises Limited : non-property related trading activities

Virtual Learning Systems Limited : web-based learning services (e-learning)

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

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

## Results for the Year

The University's Consolidated Income, Expenditure and Results for the year to 31 July 2003 are summarised as follows:

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Income	131,523	119,810
Expenditure	128,056	116,968
	<hr/>	<hr/>
Surplus on Continuing Operations	3,467	2,842
Surplus on Sale of Fixed Assets	332	1,209
	<hr/>	<hr/>
Surplus for the Year	<b>3,799</b>	<b>4,051</b>
	<hr/> <hr/>	<hr/> <hr/>

The University has again had a financially successful year, recording an operating surplus for the sixth consecutive year. The operating surplus for the year of £3.47m represents just over 2.6% of operating income (2001/02 : 2.4%), whilst the overall surplus for the year, including that arising from the sale of fixed assets, of £3.8m was 2.9% of total income (2001/02 : 3.3%). The overall 2002/03 surplus represents a very pleasing financial performance given the difficult financial environment in which the University is presently operating. It is important that the University continues to improve its operating surplus in order to provide the funds needed to resource its strategic developments and this requirement was again achieved this year.

The financial statements again show increases in income from almost all sources, with total income increasing by £11.7m (9.8%) to £131.5m. Continuing the established trend of the last few years, the sector's public funding has seen only a relatively modest increase. This is reflected in the University's core teaching funds, the revenue grants from the Funding Councils and tuition fees from full-time home and EU students, which have risen by just 3.7%. The University does however continue to benefit from strong growth in income from non-Funding Council sources, indicating the continued success of its research and business development strategy. Tuition fee income from overseas students and from training contracts for the National Health Service have increased by 14.2% and 24.3% respectively, whilst income from Research Grants and Contracts has risen by over 50% to just under £10.3m. This latter income stream has been boosted by the award to the University of a contract to evaluate the Government's New Deal for Communities initiative, worth c. £15m over three years.

Total Funds have risen from £75.2m to £79.4m and within that figure, the Income and Expenditure Reserve improved by £4.5m to £35.1m.

The University's ability to generate cash from its operating activities remains a critical element of its financial strategy and 2002/03 saw another strong performance in this area. £14.9m was generated (2001/02 : £14.5m) and this enabled the University to both invest £12.9m in additions to its fixed asset base and also increase current cash balances to £21.3m at 31 July 2003. The significant increase in cash balances has allowed the University to maintain its Current Ratio (the ratio of current assets to current liabilities) above 1 and also to maintain net current assets at 31 July of £2.3m (2001/02 : £2.5m). The Financial Strategy has established a long-term target for the Current Ratio and this indicator will be reviewed on a regular basis in line with the University's investment and cash requirements. Ongoing investment plans for 2003/04 and beyond will result in reduced cash balances in the short term although the cash generated from operating activities should keep these reductions to a minimum. Longer term borrowings have fallen to £25.8m as the University begins to repay the loans acquired in the mid 1990's to fund its estates development programme at that time.

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 equipment leasing. On turnover of £15.49m (2001/02 : £13.53m) they generated a pre-tax profit of £2.61m (2001/02 : £1.43m).

## **Health and Safety**

The University is committed to providing a safe working environment for its staff, students and visitors and for that purpose employs professionally qualified staff to identify and report on problems, to organise training and to provide advice and information. To enable the Board of Governors to discharge its responsibility for health and safety, it receives regular reports together with an annual report on performance.

## **Sustainability**

The breadth and extent of the University's activities are such that they have a considerable environmental impact. The aim of the University is to minimise adverse environmental effects through initiatives which are compatible with effective and efficient operation. All staff and students are encouraged to recognise their potential contribution to the achievement of the University's environmental aims. Leadership is provided by the Facilities Directorate.

The key achievements and developments during the year were:

- 6% reduction in waste going to landfill
- 6% reduction in water purchased
- 2% reduction in CO<sub>2</sub> emissions resulting from energy use
- Moving from 51<sup>st</sup> to 17<sup>th</sup> position in the Business in the Environment Regional Index
- Introduction of glass and cardboard recycling alongside existing paper recycling
- A successful Sustainability Week with events designed to raise the profile of sustainability throughout the University and the City
- The appointment of a Sustainability Coordinator
- Continued engagement with various community groups to coordinate activity and seek common solutions.

## **Diversity**

The University's vision is to 'set the standard for a modern, progressive university'. Such a vision requires a commitment to treating people equitably irrespective of origins or background. It also encompasses the belief that diversity and inclusivity, of and for both students and staff, will help to encourage the dynamism, enterprise and excellence necessary to 'play a leading national role in the 21<sup>st</sup> Century'.

In April 2002 the Board of Governors approved a Racial Equality Policy (in compliance with the Race Relations Amendment Act 2000) which underlined the University's commitment to eliminate unlawful racial discrimination, promote equality of opportunity and promote good relations between people of different racial groups. In February 2003 the Higher Education Funding Council for England (HEFCE) included the University's policy in its list of those considered to be 'exemplars' in the sector. Progress towards achieving the goals in the implementation plan was reported to HEFCE in July 2003 and there will be annual reports to the Board of Governors from December 2003. The other main focus of attention has been the continuation of work to ensure compliance with the Special Educational Needs Disability Act 2001 (SENDA).

## **Employee Involvement**

The University is committed to developing its staff so that they have the skills, expertise and enterprise necessary to meet the University's challenging goals. Eight Departments and two Schools have achieved Investors in People recognition. Various Schools and Departments are making use of the EFQM excellence model.

As part of the University's aim to build a partnership approach with both trade union staff representatives and the University's staff overall a number of initiatives have taken place including the following:

- A Joint Consultative Committee Partnership Away Day took place in September 2002 and a second partnership away day is scheduled for October 2003. Its main objective is to review the year since the initial away day and devise an action plan for 2003/04. The Vice Chancellor will open the event and a member of the Board of Governors will be participating.
- A joint statement of intent has been created and ratified by both management and trade unions.
- A Joint Negotiating Committee has been established as a forum for discussing university-wide policy decisions and has successfully negotiated agreements on the TU facilities, redeployment periods for fixed-term staff, secondment policy and statutory holiday payments for part-time workers.

The University is committed to developing effective internal communications. The aim of the staff briefing system is to provide all employees with a regular update on the main developments within the University, and to provide a shared understanding of their implications. This is complemented by a number of other mechanisms. The Vice-Chancellor holds an annual programme of meetings with Schools and Departments, to which all staff are invited. These meetings provide an opportunity for her to identify and discuss the key priorities and challenges for the University over the next five years. In addition, the Vice-Chancellor hosts a series of 'listening and learning sessions', which provide a means by which small groups of staff from across the University can raise any issues they choose to discuss on an informal basis.

Consultation on the Corporate Plan Review has been extensive and successful, through bulletins, group meetings and Q&As through the intranet.

The Staff Experience Survey reflects an institutional commitment to improvement based upon listening to the views of staff. Currently it is conducted biennially, the latest occurring towards the end of 2001. The results were published in June 2002 in a full report. Schools and Departments also received a report of their own results. University-wide and local action plans were produced to address the concerns identified.

### **Payment of Creditors**

The University is fully committed to the prompt payment of its suppliers invoices and supports the Confederation of British Industry's (CBI) Prompt Payment Code. The University aims to pay invoices in accordance with agreed contractual conditions or, where no such specific conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. To support this commitment, the University will monitor its performance on creditor payment against both sector and industry norms and report regularly to Governors thereon.

At 31 July 2003 trade creditors represented approximately thirty four days purchases, a decrease of thirteen days from the July 2002 position.

### **Corporate Governance**

The University is committed to exhibiting best practice in all aspects of corporate governance. It aims to conduct its business in accordance with the principles identified in the Committee on Standards in Public Life (Nolan) and the CUC Guide for Members of Governing Bodies of Universities and Colleges. In addition 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 intend to ensure that the University complies with the provisions of its Combined Code on Corporate Governance which can be applied to universities. As a result the University has developed a system of reviewing the entire system of internal control which concentrates on a risk based approach, with the aim of integrating corporate governance into the overall management process.

The Board of Governors has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives, whilst safeguarding the public and other funds and assets for which it is responsible. Such a system is designed to manage rather than eliminate the risk of failure to achieve objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks; to evaluate the nature and extent of those risks; and to manage them effectively and economically. This process has been fully in place from October 2003, when the Board of Governors approved the risk management policy and the corporate risk register, up to the date of approval of the annual report and financial statements. The Board of Governors has responsibility for reviewing the system of internal control (including the effectiveness of the University's risk management processes).

The University engages in risk management because it is good business practice and brings identified benefits rather than merely to comply with external direction. The following has been established:

- The University has embedded its approach to risk management within its planning framework with the aim of engaging all levels of staff with management responsibility.
- The Audit Committee receives reports from the head of internal audit, which include internal audit's independent opinion on the adequacy and effectiveness of the University's system of internal control; together with any recommendations for improvement.
- The Board receives periodic reports from the Chair of the Audit Committee concerning internal control and requires regular reports from managers on steps they are taking to manage risks in their areas of responsibility including progress reports on key projects.

The University's review of effectiveness of internal control is informed by the work of internal audit, which operates to standards defined in the HEFCE Audit Code of Practice. The review of the effectiveness of internal control is also informed by the work of the executive managers with the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Board of Governors is committed to continuous monitoring of its performance. Discussion of the Annual Report of the Board of Governors and its Committees gives the Board an opportunity to reflect on its practice and recommend improvements.

New governors participate in an induction programme and each year all governors are given the opportunity to attend training and development activities on various aspects of their responsibilities. In the year 2002/03 a training session was provided on the academic quality and standards framework and University academic policies.

This report includes a statement showing key elements of the University's internal financial control system (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 Vice-Chancellor. The matters specifically referred to the Board of Governors for decision are set out in the Articles of Government of the University and the Board meets five times a year for this purpose. In addition, discussions are held on issues of strategic development to 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 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 the Board of Governors has nominated one of its members as a student mentor, to maintain a line of communication on its behalf. The President of the Students Union is a member of the Board ex officio, and reports to each meeting on student matters.

The Board of Governors operates with a Committee structure comprising 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 Vice-Chancellor and Clerk to the Board of Governors have held regular meetings with the Board Officers (Chair of the Board, Deputy Chair of the Board, Chair of the Finance and Employment Committee and Chair of the Audit Committee) in order to coordinate effectively the business of the Board.

The Finance and Employment Committee approves: the policy framework and associated regulations for the investment of surplus funds and borrowing requirements; tenders, quotations and contracts for items of expenditure above the limits stated in the Financial Regulations; the write-off of irrecoverable debts; insurance arrangements and major agreements entered into with Trades Unions. It recommends to the Board of Governors: financial and employment policies within the strategic framework approved by the Board; the Financial Regulations; the sale or acquisition of property or land within the strategic framework approved by the Board above the units stated in the Financial Regulations; annual revenue and capital budgets and longer term projections; estates strategy and building programmes and the annual appointment of auditors. Finally, it advises management on finance and personnel operating procedures and on staffing strategies and human resources procedures, and receives reports on the activities of University companies.

The Remunerations Committee determines salaries and conditions of service of Board appointments which are the Vice-Chancellor, the Director of Finance and University Secretary and Clerk to the Board. More generally, it advises the Vice-Chancellor on salaries and conditions of service of senior managers.

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 normally three times annually with the External and Internal Auditors in attendance. The Committee considers 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. The Committee has the formal opportunity to meet with the Auditors in private without University management to enable them to raise any issues and concerns at one meeting each year and may raise urgent matters at any time via the Committee Chairman.



## **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 for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England and the 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, the Learning and Skills Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by 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.

N Jeffrey  
Chair of the Board of Governors

D M Green  
Vice-Chancellor

16 December 2003

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

We have audited the financial statements on pages 12 to 40, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 17 to 19.

This report is made solely to the Board of Governors, in accordance with paragraph 13(2) of the University's articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, for our audit work, for this report, or for the opinions we have formed.

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

The Board of Governors is responsible for preparing the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

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

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

We have also, at the request of the Board of Governors, reviewed whether the statement on page 5 reflects the University's compliance with the relevant provisions of the Combined Code specified for our review in so far as they apply to the Higher Education Sector, and we report if it does not. We are not required to consider whether the statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the University's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Board of Governors' report (including the corporate governance statement) and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of Audit Opinion**

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

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

## **Opinion**

In our opinion:

- a) the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2003 and of the surplus of income over expenditure and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education;
- b) in all material respects income from the Higher Education Funding Council for England, the Learning and Skills Council and the Teacher Training Agency, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received; and
- c) in all material respects, income has been applied in accordance with the University's Instrument and Articles of Government, Financial Regulations and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England, the Terms and Conditions of Funding with the Learning and Skills Council and the Teacher Training Agency.

KPMG LLP  
Chartered Accountants and Registered Auditors  
Leeds

17 December 2003

**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
**for the year ended 31 July 2003**

<b>INCOME</b>	Note	<b>2003 £000</b>	<b>2002 £000 Restated</b>
Funding Council grants	2	64,483	62,408
Academic fees and support grants	3	36,939	33,967
Research grants and contracts	4	10,290	6,692
Other operating income	5	18,948	16,130
Endowment income and interest receivable	6	863	613
		<hr/>	<hr/>
Total income		<b>131,523</b>	<b>119,810</b>
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Staff costs	7	81,244	75,775
Depreciation	8	9,306	8,805
Other operating expenses	9	35,889	30,714
Interest payable	10	1,617	1,674
		<hr/>	<hr/>
Total expenditure		<b>128,056</b>	<b>116,968</b>
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and before tax		<b>3,467</b>	<b>2,842</b>
Surplus on disposal of fixed assets	11	332	1,209
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and disposal of assets but before tax		<b>3,799</b>	<b>4,051</b>
Taxation		-	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation, disposal of assets and tax		<b>3,799</b>	<b>4,051</b>
		<hr/>	<hr/>

All results are from continuing operations.

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

as at 31 July 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
<b>FIXED ASSETS</b>					
Tangible assets	12	103,384		100,791	
Investments	14	<u>42</u>	103,426	<u>42</u>	100,833
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	15		554		523
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		163		152	
Debtors	16	7,575		7,364	
Short term deposits		22,102		17,354	
Cash at bank and in hand		<u>546</u>		<u>570</u>	
		<b>30,386</b>		<b>25,440</b>	
<b>CREDITORS - amounts falling due within one year</b>					
	17	<u>28,133</u>		<u>22,982</u>	
<b>NET CURRENT ASSETS</b>					
			<u>2,253</u>		<u>2,458</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<b>106,233</b>		<b>103,814</b>
<b>CREDITORS - amounts falling due after more than one year</b>					
	18	25,825		27,900	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	19	<u>1,007</u>	<u>26,832</u>	<u>715</u>	<u>28,615</u>
<b>TOTAL NET ASSETS</b>					
			<b><u>79,401</u></b>		<b><u>75,199</u></b>
Represented by:-					
<b>DEFERRED CAPITAL GRANTS</b>					
	20		15,784		16,272
<b>ENDOWMENTS</b>					
Specific	15		554		523
<b>RESERVES</b>					
Revaluation reserve	21	27,172		27,866	
Capital reserve	22	831		-	
Income and expenditure	23	<u>35,060</u>	<u>63,063</u>	<u>30,538</u>	<u>58,404</u>
<b>TOTAL FUNDS</b>					
			<b><u>79,401</u></b>		<b><u>75,199</u></b>

The financial statements on pages 12 to 40 were approved on behalf of the Board of Governors on 16 December 2003.

N Jeffrey, Chair of the Board of Governors

D M Green, Vice-Chancellor

**SHEFFIELD HALLAM UNIVERSITY**

**UNIVERSITY BALANCE SHEET**

as at 31 July 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
<b>FIXED ASSETS</b>					
Tangible assets	13	97,444		95,316	
Investments	14	<u>17,537</u>	<u>114,981</u>	<u>17,537</u>	112,853
<b>ENDOWMENT ASSET INVESTMENTS</b>					
	15		554		523
<b>CURRENT ASSETS</b>					
Stocks and stores in hand		163		152	
Debtors	16	17,057		16,786	
Short term deposits		21,129		17,084	
Cash at bank and in hand		<u>400</u>		<u>505</u>	
		<b>38,749</b>		<b>34,527</b>	
<b>CREDITORS - amounts falling due within one year</b>					
	17	<u>30,833</u>		<u>25,551</u>	
<b>NET CURRENT ASSETS</b>					
Due within one year		7,916		7,537	
Due after more than one year	16	<u>-</u>	<u>7,916</u>	<u>1,439</u>	<u>8,976</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			123,451		<b>122,352</b>
<b>CREDITORS - amounts falling due after more than one year</b>					
	18	47,046		50,017	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	19	<u>1,007</u>	<u>48,053</u>	<u>715</u>	<u>50,732</u>
<b>TOTAL NET ASSETS</b>			<b><u>75,398</u></b>		<b><u>71,620</u></b>
Represented by:-					
<b>DEFERRED CAPITAL GRANTS</b>					
	20		15,784		16,272
<b>ENDOWMENTS</b>					
Specific	15		554		523
<b>RESERVES</b>					
Revaluation reserve	21	27,172		27,866	
Capital reserve	22	831		-	
Income and expenditure	23	<u>31,057</u>	<u>59,060</u>	<u>26,959</u>	<u>54,825</u>
<b>TOTAL FUNDS</b>			<b><u>75,398</u></b>		<b><u>71,620</u></b>

The financial statements on pages 12 to 40 were approved on behalf of the Board of Governors on 16 December 2003.

N Jeffrey, 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 2003**

	<b>Note</b>	<b>2003 £000</b>	<b>2002 £000</b>
Surplus after depreciation of assets at valuation, disposal of assets and tax		3,799	4,051
New endowments	15	31	291
Endowment income retained for the year	15	-	(8)
Unrealised profit for the year	22	860	-
		<hr/>	<hr/>
Total recognised gains relating to the year		<b>4,690</b>	<b>4,334</b>
		<hr/> <hr/>	<hr/> <hr/>

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

**for the year ended 31 July 2003**

	<b>Note</b>	<b>2003 £000</b>	<b>2002 £000</b>
Surplus after depreciation of assets at valuation, disposal of assets and tax		3,799	4,051
Difference between an historical cost depreciation charge/fixed asset writedown and the actual depreciation charge for the year calculated on the revalued amount	21	437	444
		<hr/>	<hr/>
Historical cost surplus after tax		<b>4,236</b>	<b>4,495</b>
		<hr/> <hr/>	<hr/> <hr/>



**SHEFFIELD HALLAM UNIVERSITY**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the year ended 31 July 2003**

	<b>Note</b>	<b>2003 £000</b>	<b>2002 £000</b>
Cash inflow from operating activities	27	14,852	14,493
Return on investments and servicing of finance	29	(754)	(1,069)
Capital expenditure and financial investment	30	(9,254)	(5,135)
Cash inflow before use of liquid resources and financing		4,844	8,289
Management of liquid resources		(4,779)	(7,738)
Financing		(495)	(5)
(Decrease)/increase in cash		<b>(430)</b>	<b>546</b>
 <b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash in the period		(430)	546
Increase in liquid resources		4,779	7,738
Repayment of debt		495	5
Change in net debt		<b>4,844</b>	<b>8,289</b>
Net debt at 1 August		(10,447)	(18,736)
Net debt at 31 July	31	<b>(5,603)</b>	<b>(10,447)</b>

## 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 with both the Statement of Recommended Practice : Accounting for Further and Higher Education (the SORP) issued in June 2000 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 (2) Ltd, Collegiate Properties (3) Ltd, O&N Contracting Ltd, Virtual Learning Systems Ltd and Collegiate Library Services 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 over which the University does not exercise control or significant influence over policy decisions.

##### 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.

The University adopted the transitional provisions of Financial Reporting Standard (FRS) 15 and determined not to subsequently revalue its Fixed Assets from the amounts currently included within the Financial Statements.

## 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.

## Stocks

Stocks are 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.

### Provisions

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

### Maintenance of Premises

The University has a rolling long-term maintenance plan which is reviewed periodically and forms the basis of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

### 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.

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

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

The University's approach to implementing the requirements of FRS17 Retirement Benefits is outlined in Note 24.

## 2. Funding Council Grants

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Higher Education Funding Council for England	57,066	55,413
Teacher Training Agency	5,705	5,374
Learning and Skills Council	-	52
Deferred capital grants released in year (Note 20)		
Buildings	949	1,011
Equipment	763	558
	<hr/> <b>64,483</b> <hr/>	<hr/> <b>62,408</b> <hr/>

3. **Academic Fees and Support Grants**

	<b>2003 £000</b>	<b>2002 £000</b>
Full-time UG home and EU students	15,973	14,998
Full-time PG home and EU students	1,894	1,897
Part-time home and EU students	4,461	4,930
Overseas students	6,943	6,079
Fees from NHS contracts	6,293	5,064
Other fees and support grants	1,375	999
	<hr/>	<hr/>
	<b>36,939</b>	<b>33,967</b>
	<hr/>	<hr/>

4. **Research Grants and Contracts**

	<b>2003 £000</b>	<b>2002 £000 Restated</b>
OST Research Councils	580	343
UK-based charities	552	311
UK central government bodies/local authorities, health & hospital authorities	7,560	2,888
UK industry, commerce and public corporations	492	770
EU government bodies	710	1,780
EU other	46	166
Other overseas	56	51
Other sources	294	383
	<hr/>	<hr/>
	<b>10,290</b>	<b>6,692</b>
	<hr/>	<hr/>

In the financial year 2002, £0.675m has been reallocated from Research grants and contracts to Other operating income on the grounds of consistency. The effect of this reallocation on the 2003 financial statements amounts to £1.2m.

5. **Other Operating Income**

	<b>2003 £000</b>	<b>2002 £000 Restated</b>
Residences, catering and conferences	5,099	5,200
Other services rendered	7,476	6,398
Other income	6,373	4,532
	<hr/>	<hr/>
	<b>18,948</b>	<b>16,130</b>
	<hr/>	<hr/>

6. **Endowment Income and Interest Receivable**

	<b>2003 £000</b>	<b>2002 £000</b>
Transferred from specific endowments (Note 15)	15	24
Income from short term investments	848	589
	<hr/>	<hr/>
	<b>863</b>	<b>613</b>
	<hr/>	<hr/>

7. **Staff**

<b>Staff Costs</b>	<b>2003 £000</b>	<b>2002 £000</b>
Wages and salaries	69,210	66,070
Social Security costs	4,965	4,727
Other pension costs	6,065	4,785
Restructuring costs	1,004	193
	<hr/>	<hr/>
	<b>81,244</b>	<b>75,775</b>
	<hr/>	<hr/>

<b>Emoluments of the Vice-Chancellor</b>	<b>2003 £000</b>	<b>2002 £000</b>
Salary	134	123
Other benefits	1	1
	<hr/>	<hr/>
	135	124
Pension contributions	13	10
	<hr/>	<hr/>
	<b>148</b>	<b>134</b>
	<hr/>	<hr/>

The pension contributions represent the University's employer's contributions to the Teacher's Pensions Scheme and are paid at the same rate as for other employees.

<b>Remuneration of other higher paid staff, excluding employer's pension contributions, fall within the following bands:</b>	<b>2003</b>	<b>2002</b>
£70,000 - £79,999	1	-
£80,000 - £89,999	2	3
£90,000 - £99,999	1	1
£100,000 - £109,999	3	1

<b>The average number of persons employed during the year was made up as follows:</b>	<b>2003</b>	<b>2002</b>
School/Research Institute based	1,650	1,677
Academic support departments	301	287
Administration	550	547
Other	250	249
	<hr/>	<hr/>
	<b>2,751</b>	<b>2,760</b>
	<hr/>	<hr/>

The staff numbers are full time equivalents. Academic support departments mainly comprise staff of Communication and IT Services and the Learning Centre.

8. **Depreciation**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
The depreciation charge has been funded by:		
Deferred capital grants released (Note 20)	1,910	1,767
General income	6,959	6,594
Revaluation reserve released (Note 21)	437	444
	<hr/>	<hr/>
	<b>9,306</b>	<b>8,805</b>
	<hr/>	<hr/>

9. **Other Operating Expenses**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Residences, catering and conferences	1,640	1,684
Consumables and laboratory expenditure	3,812	4,222
Books and periodicals	1,312	1,438
Heat, light, water and power	1,115	1,077
Repairs and general maintenance	1,629	1,152
Grants to Sheffield Hallam University Union of Students	743	741
Rents	601	664
External Auditors' remuneration – Audit: University	25	19
– Audit: Subsidiaries	11	9
– Other services	116	54
Internal Audit services	59	66
Operating lease rentals – plant and machinery	351	328
Staff development, travel and other expenses	2,013	1,932
Restructuring costs	105	-
Student-related expenses	2,101	2,132
Printing and stationery	1,048	1,154
Postage and telephones	1,089	1,146
Advertising and marketing	1,385	1,346
Franchising/Payments to schools	2,246	1,875
Professional services	9,109	4,440
Other expenses	5,379	5,235
	<hr/>	<hr/>
	<b>35,889</b>	<b>30,714</b>
	<hr/>	<hr/>

10. **Interest Payable**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Loans not wholly repayable within five years	1,613	1,670
Finance leases	4	4
	<hr/>	<hr/>
	<b>1,617</b>	<b>1,674</b>
	<hr/>	<hr/>

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

During the year the University completed the disposal of a number of smaller properties and parcels of land which had become surplus to the requirements of the estate.

The assets were recorded in the accounts at a value of £1.114m and realised on disposal a net surplus of £0.332m.

12. **Tangible Fixed Assets - Consolidated**

	<b><u>Land and Buildings</u></b>			<b><u>Assets in Course of Construction</u></b>	<b><u>Equipment</u></b>	<b><u>Total</u></b>
	<b><u>Freehold</u></b>	<b><u>Long Leasehold</u></b>	<b><u>Short Leasehold</u></b>			
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2002						
Valuation	33,956	-	-	-	-	33,956
Cost	88,210	136	2,701	920	48,654	140,621
Additions at cost	2,479	-	-	3,970	6,477	12,926
Transfers at cost	2,294	-	-	(2,294)	-	-
Disposals at cost	(699)	(91)	-	-	-	(790)
Disposals at valuation	(324)	-	-	-	-	(324)
At 31 July 2003						
Valuation	<b>33,632</b>	-	-	-	-	<b>33,632</b>
Cost	<b>92,284</b>	<b>45</b>	<b>2,701</b>	<b>2,596</b>	<b>55,131</b>	<b>152,757</b>
<b>Depreciation</b>						
At 1 August 2002	29,071	9	2,625	-	42,081	73,786
Charge for year	4,703	-	76	-	4,527	9,306
Eliminated on disposals	(78)	(9)	-	-	-	(87)
At 31 July 2003	<b>33,696</b>	-	<b>2,701</b>	-	<b>46,608</b>	<b>83,005</b>
<b>Net Book Value</b>						
At 31 July 2003	<b>92,220</b>	<b>45</b>	-	<b>2,596</b>	<b>8,523</b>	<b>103,384</b>
At 1 August 2002	<b>93,095</b>	<b>127</b>	<b>76</b>	<b>920</b>	<b>6,573</b>	<b>100,791</b>

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, an independent firm of chartered surveyors, in accordance with the fixed assets accounting policy outlined in Note 1.



13. **Tangible Fixed Assets - University**

	<b><u>Land and Buildings</u></b>			<b><u>Assets in Course of Construction</u></b>	<b><u>Equipment</u></b>	<b><u>Total</u></b>
	<b><u>Freehold</u></b>	<b><u>Long Leasehold</u></b>	<b><u>Short Leasehold</u></b>			
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 August 2002	33,956	-	-	-	-	33,956
Valuation Cost	71,212	15,901	2,701	920	48,301	139,035
Additions at cost	2,479	-	-	3,970	6,438	12,887
Transfers at cost	2,294	-	-	(2,294)	-	-
Disposals at cost	(699)	(91)	-	-	-	(790)
Disposals at valuation	(324)	-	-	-	-	(324)
At 31 July 2003	<b>33,632</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,632</b>
Valuation Cost	<b>75,286</b>	<b>15,810</b>	<b>2,701</b>	<b>2,596</b>	<b>54,739</b>	<b>151,132</b>
<b>Depreciation</b>						
At 1 August 2002	26,187	7,101	2,625	-	41,762	77,675
Charge for year	4,360	790	76	-	4,506	9,732
Eliminated on disposals	(78)	(9)	-	-	-	(87)
At 31 July 2003	<b>30,469</b>	<b>7,882</b>	<b>2,701</b>	<b>-</b>	<b>46,268</b>	<b>87,320</b>
<b>Net Book Value</b>						
At 31 July 2003	<b>78,449</b>	<b>7,928</b>	<b>-</b>	<b>2,596</b>	<b>8,471</b>	<b>97,444</b>
At 1 August 2002	<b>78,981</b>	<b>8,800</b>	<b>76</b>	<b>920</b>	<b>6,539</b>	<b>95,316</b>

The land and buildings were revalued as at 31 March 1992 by Fuller Peiser, an independent firm of chartered surveyors, in accordance with the fixed assets accounting policy outlined in Note 1.

14. **Investments**

	<b>Consolidated</b>		<b>University</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</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
Loan to Collegiate Library Services Ltd	-	-	1,730	1,730
Other investments	42	42	42	42
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>42</b>	<b>42</b>	<b>17,537</b>	<b>17,537</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**Subsidiary Undertakings**

	<b>Principal Activity</b>	<b>Country of Registration</b>	<b>Percentage of Ordinary Shares Held</b>
3D Imaging Technology Limited	Dormant	England and Wales	100
Collegiate Library Services Limited	Provision of library services to the University	England and Wales	100
Collegiate Properties Limited	Dormant	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
Hallam Biotechnology Limited	Dormant	England and Wales	100
Hallam Immunotech Limited	Dormant	England and Wales	100
Hallam Proteonics Limited	Dormant	England and Wales	100
O&N Contracting Limited	Property leasing	England and Wales	100
Sheffield Hallam Innovation & Enterprise Limited	Dormant	England and Wales	100
Sheffield Hallam University Enterprises Limited	Non-property related trading activities	England and Wales	100
Virtual Learning Systems Limited	Web-based learning services (e-learning)	England and Wales	100

The University also consolidates the Collegiate Charitable Trust. The Trust's financial statements are prepared to 31 July 2003.

15. **Endowment Assets**

	<b>Consolidated and University</b>	
	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
At 1 August	523	240
Income for year	15	16
New endowments	31	291
Transferred to Income and Expenditure account (Note 6)	(15)	(24)
	<hr/>	<hr/>
At 31 July	<b>554</b>	<b>523</b>
	<hr/>	<hr/>
Representing		
Prize funds	172	154
Other funds	382	369
	<hr/>	<hr/>
	<b>554</b>	<b>523</b>
	<hr/>	<hr/>

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

16. **Debtors**

	<b>Consolidated</b>		<b>University</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:				
Trade debtors	4,891	4,752	4,160	3,931
Amounts owed by group undertakings	-	-	5,898	7,315
Prepayments and accrued income	2,684	2,612	6,999	4,101
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>7,575</b>	<b>7,364</b>	<b>17,057</b>	<b>15,347</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due after one year:				
Prepayments to group undertakings	-	-	-	1,439
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>7,575</b>	<b>7,364</b>	<b>17,057</b>	<b>16,786</b>
	<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.

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank overdrafts	1,385	980	1,385	980
Mortgages & Unsecured Loans	1,585	-	1,585	-
Obligations under finance leases	9	14	2,019	1,603
Payments received on account	6,526	5,944	6,501	5,731
Trade creditors	3,365	3,994	3,292	3,427
Social security and other taxation payable	3,051	2,572	2,977	2,569
Accruals and deferred income	12,212	9,478	11,530	10,941
Amounts owed to group undertakings	-	-	1,544	300
	<b>28,133</b>	<b>22,982</b>	<b>30,833</b>	<b>25,551</b>

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

	<b>Consolidated</b>		<b>University</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Loans repayable secured on residential and other property</b>				
Between one and five years:				
Secured loans	10,720	9,627	10,720	9,627
Over five years:				
Secured loans	15,105	18,273	15,105	18,273
<b>Unsecured loans repayable</b>				
Between one and five years:				
Group undertakings	-	-	-	1,438
<b>Obligations under finance leases</b>				
Between one and five years:				
Equipment	-	-	4,964	4,474
Over five years:				
Equipment	-	-	492	440
Leasehold obligation to group undertakings	-	-	15,765	15,765
	<b>25,825</b>	<b>27,900</b>	<b>47,046</b>	<b>50,017</b>

Amounts repayable after more than one year in respect of bank loans outstanding at 31 July 2003 maybe analysed as follows:

**Consolidated and University:**

<b>Lender</b>	<b>Date loan obtained</b>	<b>Final repayment date</b>	<b>Interest rate</b>	<b>Balance outstanding 2003 £000</b>	<b>Balance outstanding 2002 £000</b>
Co-operative Bank	1997	2012	fixed	3,920	4,900
Barclays Bank	1999	2014	fixed	13,619	14,300
Barclays Bank	1999	2014	variable	8,286	8,700
				<b>25,825</b>	<b>27,900</b>

19. **Provisions for Liabilities and Charges**

	<b>Consolidated and University</b>			
	<b>Property related £000</b>	<b>Pensions £000</b>	<b>Restructuring £000</b>	<b>Total £000</b>
At 1 August 2002	200	515	-	715
Utilised in year	-	(32)	-	(32)
Released in year	-	-	-	-
Income and Expenditure account	-	39	285	324
	<b>200</b>	<b>522</b>	<b>285</b>	<b>1,007</b>
At 31 July 2003	<b>200</b>	<b>522</b>	<b>285</b>	<b>1,007</b>

The property related provision is 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.

The restructuring provision is in respect of redundancy payments and other one-off costs arising from the reorganisation of various elements of the University's academic portfolio.

20. **Deferred Capital Grants**

	<b>Consolidated and University</b>			
	<b>Funding Councils £000</b>	<b>Other Grants £000</b>	<b>2003 Total £000</b>	<b>2002 Total £000</b>
At 1 August				
Buildings	13,249	1,361	14,610	14,782
Equipment	1,612	50	1,662	1,121
<b>Total</b>	<b>14,861</b>	<b>1,411</b>	<b>16,272</b>	<b>15,903</b>
Cash Received				
Buildings	848	-	848	987
Equipment	574	-	574	1,149
<b>Total</b>	<b>1,422</b>	<b>-</b>	<b>1,422</b>	<b>2,136</b>
Released to Income and Expenditure account				
Buildings	949	148	1,097	1,159
Equipment	763	50	813	608
<b>Total</b>	<b>1,712</b>	<b>198</b>	<b>1,910</b>	<b>1,767</b>
At 31 July				
Buildings	13,148	1,213	14,361	14,610
Equipment	1,423	-	1,423	1,662
<b>Total</b>	<b>14,571</b>	<b>1,213</b>	<b>15,784</b>	<b>16,272</b>

21. **Revaluation Reserve**

	<b>Consolidated and University</b>	
	<b>2003 £000</b>	<b>2002 £000</b>
Balance brought forward at 1 August	27,866	28,467
Release in respect of assets sold in year	(257)	(157)
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(437)	(444)
Balance at 31 July	<b>27,172</b>	<b>27,866</b>

22. **Capital Reserve**

	<b>Consolidated and University</b>	
	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward at 1 August	-	-
Unrealised profit in the year	860	-
Release to Income and Expenditure reserve	(29)	-
	<hr/>	<hr/>
Balance at 31 July	<b>831</b>	-
	<hr/>	<hr/>

23. **Income and Expenditure Reserve**

	<b>Consolidated</b>	<b>University</b>
	<b>£000</b>	<b>£000</b>
Surplus after depreciation of assets at valuation, disposal of assets and tax	3,799	3,375
Release from revaluation reserve	694	694
Release from capital reserve	29	29
	<hr/>	<hr/>
	4,522	4,098
Balance at 1 August 2002	30,538	26,959
	<hr/>	<hr/>
Balance at 31 July 2003	<b>35,060</b>	<b>31,057</b>
	<hr/>	<hr/>

24. **Pension Costs**

**Teachers' Pension Scheme (TPS)**

The University participates in the Teachers' Pensions Scheme, a defined benefit scheme which is unfunded. Contributions from both members and employers are credited to the Exchequer, which is then responsible for meeting the cost of all benefits. The TPS is a multi-employer pension scheme and it is not possible to identify each institution's share of the underlying (notional) assets and liabilities of the scheme. Contributions to the scheme are therefore accounted for as if it were a defined contribution scheme, with the cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

Actuarial valuations are carried out on a notional set of investments every five years using the prospective benefits method. The assumptions and other data which have the most significant effect on the determination of the contribution level are as follows:

Latest actuarial valuation	31.3.01
Investment returns per annum	7.0%
Salary scale increases per annum	5.0%
Pension increases per annum	3.5%
Value of notional assets at date of last valuation	£142,880m
Next actuarial valuation due	31.3.06

As part of the actuarial valuation, the Government Actuary undertakes a review of the level of employers' contributions. For the period from 1 April 2002 to 31 March 2003 the employer contribution rate was 8.35%. Based on the results of the last valuation, and the desire of the Government to make the scheme operate more like a privately funded scheme and to also reduce the cost to the Treasury, the Actuary determined that the contribution rate should increase significantly to cover the cost of pensions increases. From 1 April 2003 there was an increase of 5.15%, bringing the rate to 13.5%.

### **Universities Superannuation Scheme (USS)**

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the schemes are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme, with the cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The scheme is valued every three years by actuaries using the projected unit method. The assumptions and other data which have the most significant effect on the determination of the contribution level are as follows:

Latest actuarial valuations	31.3.02
Investment returns per annum	6.0%
Salary scale increases per annum	3.7%
Pension increases per annum	2.7%
Market value of assets at date of last valuation	£19,938m
Proportion of the members' accrued benefits covered by the actuarial value of the assets.	101%
Next actuarial valuation due	31.3.05

### **Local Government Pension Scheme (LGPS)**

The University participates in the Local Government Pension Scheme (LGPS), a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. There are some 100 separate funds within the scheme, administered locally by administering authorities. The University participates in the South Yorkshire Pension Fund (SYPF).

The SYPF is valued every three years by a qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the actuary with the approval of the administering authority. The last full actuarial valuation was carried out at 31 March 2001.

The SYPF is structured in such a way that the actuary has been able to identify the University's share of the underlying assets and liabilities on a consistent and reasonable basis. Whilst the University continues to account for pension costs under SSAP 24 'Accounting for pension costs', the University is required to provide the transitional disclosures set out in FRS17 for a defined benefit scheme.



The actuary has assessed the financial position of the University's share of the scheme as at 31 July 2003. The major assumptions used by the actuary were:

	<b>2003</b>	<b>2002</b>
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions in payment	2.5%	2.5%
Discount rate	5.5%	6.0%
Inflation assumption	2.5%	2.5%

These assumptions are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

### **Scheme Assets**

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	<b>Long term rate of return expected at 31 July 2003</b>	<b>Value at 31 July 2003 £000</b>	<b>Long term rate of return expected at 31 July 2002</b>	<b>Value at 31 July 2002 £000</b>
Equities	8.0%	40,392	8.0%	37,101
Government Bonds	4.7%	10,470	-	-
Other Bonds	6.0%	4,265	6.0%	12,840
Property	7.0%	6,980	7.0%	7,160
Other	4.0%	2,520	4.0%	2,071
		<hr/>		<hr/>
		<b>64,627</b>		<b>59,172</b>
		<hr/>		<hr/>

The following amounts at 31 July 2003 were measured in accordance with the requirements of FRS 17:

	<b>31 July 2003 £000</b>	<b>31 July 2002 £000</b>
Total fair value of assets	64,627	59,172
Present value of scheme liabilities	85,425	70,182
	<hr/>	<hr/>
<b>(Deficit) in the scheme – Net pension (liability)</b>	<b>(20,798)</b>	<b>(11,010)</b>
	<hr/>	<hr/>

If the above amounts had been recognised in the financial statements, the Institution's net assets and general reserve at 31 July 2003 would be as follows:

	<b>31 July 2003</b> <b>£000</b>	<b>31 July 2002</b> <b>£000</b>
Net assets excluding pension liability	79,401	75,199
Pension (liability)	(20,798)	(11,010)
	<hr/>	<hr/>
<b>Net assets including pension liability</b>	<b>58,603</b>	<b>64,189</b>
	<hr/>	<hr/>
General reserve excluding pension liability	35,060	30,538
Pension reserve	(20,798)	(11,010)
	<hr/>	<hr/>
<b>General reserve including pension liability</b>	<b>14,262</b>	<b>19,528</b>
	<hr/>	<hr/>

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2003;

	<b>Year ended 31 July 2003</b>	
	<b>£000</b>	<b>£000</b>
<b>Analysis of amounts charged to income and expenditure account:</b>		
Current service cost		(3,056)
Past service cost		(48)
Financing:		
- expected return on pension scheme assets	4,424	
- interest on expected scheme liabilities	(4,304)	
	<hr/>	
- net return		120

	<b>Year ended 31 July</b>	
	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of amounts recognised in statement of total recognised gains and losses:</b>		
Actual return less expected return on pension scheme assets	(1,759)	(13,601)
Experience gains and losses arising on scheme liabilities	-	-
Changes in assumptions underlying the present value of scheme liabilities	(7,788)	-
	<hr/>	<hr/>
<b>Total actuarial loss recognised</b>	<b>(9,547)</b>	<b>(13,601)</b>
	<hr/> <hr/>	<hr/> <hr/>

The movement in the Institution's share of the scheme's deficit during the year is made up as follows:

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
<b>(Deficit)/Surplus on scheme at 1 August</b>	<b>(11,010)</b>	<b>2,308</b>
Movement in year:		
- current service cost	(3,056)	(2,867)
- contributions	2,743	2,121
- past service costs	(48)	(9)
- other finance income	120	1,038
- actuarial loss	(9,547)	(13,601)
	<hr/>	<hr/>
<b>Deficit on scheme at 31 July</b>	<b>(20,798)</b>	<b>(11,010)</b>
	<hr/> <hr/>	<hr/> <hr/>

The experience gains and losses for the year ended 31 July 2003 were as follows:

**Difference between the expected and actual return on scheme assets:**

Amount (£000)	(1,759)	(13,601)
Percentage of scheme assets	(3%)	(23%)

**Experience gains and losses on scheme liabilities:**

Amount (£000)	-	-
Percentage of the present value of scheme liabilities	-	-

**Total amount recognised in the statement of total recognised gains and losses:**

Amount (£000)	(9,547)	(13,601)
Percentage of the present value of the scheme liabilities	(11%)	(19%)

**Pensions for part-time staff**

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.

A significant number of claims nationally have been lodged (in excess of 40,000), 27 of which are against the University. Following an initial series of test cases involving the UK courts and the ECJ, the House of Lords published its findings in February 2001. Their decision however left a number of other issues still unresolved and a number of further test cases were selected and heard in June and July 2002.

The outcome of these test cases was published in August 2002, followed by a number of further hearings throughout Autumn 2002. By Spring 2003, it was announced that the Government had agreed to settle the majority of the qualifying public sector claims. As the pension schemes are both contributory, the settlement involves making an offer to each individual claimant allowing them to be admitted to the scheme for the period when (s)he was unlawfully excluded, subject to the payment by both the employer and employee of sums to reflect the contributions they would have made had the employee not been excluded. Any applicable employer contributions are expected to be met by the Government and the pension funds therefore there is unlikely to be any cost to the University.

Information is now being collected from claimants but, because of the large number of claims to be processed, it is expected to be late Autumn 2003 at the earliest before any individual offers are made and some offers may not be made until well into 2004. There are also some isolated issues that remain unresolved and hearings on these are scheduled for Autumn 2003.

Final resolution on the part-time staff pension claims is therefore expected by the end of 2003/04.

25. **Lease Obligations**

	Consolidated		University	
	2003 £000	2002 £000	2003 £000	2002 £000
The net finance lease obligations to which the University is committed are:				
Within one year	9	14	2,010	1,603
Between one and five years	-	-	4,964	4,474
Over five years	-	-	16,257	16,205
	<b>9</b>	<b>14</b>	<b>23,231</b>	<b>22,282</b>
Operating lease commitments for the financial year, on leases expiring:				
Within one year	34	16	34	16
Between one and five years	341	333	341	333
Over five years	771	829	3,082	3,140
	<b>1,146</b>	<b>1,178</b>	<b>3,457</b>	<b>3,489</b>

26. **Capital Commitments**

	Consolidated		University	
	2003 £000	2002 £000	2003 £000	2002 £000
Commitments contracted at 31 July	8,870	780	666	50
Authorised but not contracted at 31 July	14,288	19,281	19,281	19,281
	<b>23,158</b>	<b>20,061</b>	<b>19,947</b>	<b>19,331</b>

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

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Operating surplus	3,799	4,051
Depreciation	9,306	8,805
Deferred capital grants released to income	(1,910)	(1,767)
Investment income	(863)	(613)
Interest payable	1,617	1,674
(Increase)/decrease in stocks	(11)	8
(Increase)/decrease in debtors	(211)	1,528
Increase in creditors	3,165	2,477
Increase/(decrease) in provisions	292	(461)
Profit on sale of fixed assets	(332)	(1,209)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	<b>14,852</b>	<b>14,493</b>
	<hr/>	<hr/>

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

	<b>Finance Leases £000</b>	<b>Mortgages &amp; Loans £000</b>	<b>Total £000</b>
Balances at 31 July 2001	<b>19</b>	<b>27,900</b>	<b>27,919</b>
	<hr/>	<hr/>	<hr/>
New leases/loans	-	-	-
Capital repayments	(5)	-	(5)
	<hr/>	<hr/>	<hr/>
Net amount (repaid) in year	(5)	-	(5)
	<hr/>	<hr/>	<hr/>
Balances at 31 July 2002	<b>14</b>	<b>27,900</b>	<b>27,914</b>
	<hr/>	<hr/>	<hr/>
New leases/loans	-	-	-
Capital repayments	(5)	(490)	(495)
	<hr/>	<hr/>	<hr/>
Net amount (repaid) in year	(5)	(490)	(495)
	<hr/>	<hr/>	<hr/>
Balances at 31 July 2003	<b>9</b>	<b>27,410</b>	<b>27,419</b>
	<hr/>	<hr/>	<hr/>

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

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Income from endowments	15	16
Income from short term investments	848	589
Interest paid	(1,617)	(1,674)
	<u>(754)</u>	<u>(1,069)</u>

30. **Capital Expenditure and Financial Investment**

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Tangible assets acquired	(11,176)	(9,429)
Receipts from sale of fixed assets	469	1,867
	<u>(10,707)</u>	<u>(7,562)</u>
Deferred capital grants received	1,422	2,136
Endowments received	31	291
	<u>1,453</u>	<u>2,427</u>
	<u>(9,254)</u>	<u>(5,135)</u>

Land valued at £1.75m was exchanged with a third party for land and buildings of an equivalent value.

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

	<b>2002 Consolidated £000</b>	<b>Cash Flows £000</b>	<b>2003 Consolidated £000</b>
Cash at bank and in hand	(410)	(430)	(840)
Endowment bank balance	523	31	554
	<hr/>	<hr/>	<hr/>
	<b>113</b>	<b>(399)</b>	<b>(286)</b>
Debt due over more than 1 year: Secured loans	(27,900)	2,075	(25,825)
Debt due under 1 year: Secured loans	-	(1,585)	(1,585)
Obligations under finance leases	(14)	5	(9)
Short term deposits	17,354	4,748	22,102
	<hr/>	<hr/>	<hr/>
	<b>(10,447)</b>	<b>4,844</b>	<b>(5,603)</b>
	<hr/>	<hr/>	<hr/>

32. **Access Funds**

	<b>2003 £000</b>	<b>2002 £000</b>
Funding Council Access grants	1,575	1,684
Interest earned	21	14
	<hr/>	<hr/>
	<b>1,596</b>	<b>1,698</b>
Disbursed to students	(1,596)	(1,695)
Grants carried forward and disbursed in following year	-	(3)
	<hr/>	<hr/>
	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

Funding Council Access 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. The University receives income towards the cost of administering these funds and both this income and the related expenditure are included within the Income and Expenditure Account.



33. **Teacher Training Agency Support Funding**

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Initial Teacher Training Bursaries</b>		
Funds received	2,955	2,628
Disbursed to students	(2,487)	(2,324)
	<hr/>	<hr/>
Unspent funds to be recovered	<b>468</b>	<b>304</b>
	<hr/>	<hr/>
<b>Secondary Shortage Subjects Scheme</b>		
Funds received	379	362
Disbursed to students	(375)	(362)
	<hr/>	<hr/>
Funds carried forward to be disbursed in following year	<b>4</b>	<b>-</b>
	<hr/>	<hr/>

These funding streams are available solely for students, with the University acting only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account. The University receives income towards the cost of administering these funds and both this income and the related expenditure are included within the Income and Expenditure Account.

34. **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. There are no instances where this is applicable for the period covered by the financial statements.

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

**BOARD OF GOVERNORS**

**FOR THE YEAR ENDED 31 JULY 2003**

Isadora Aiken OBE  
F Gary Burrell (resigned October 2002)  
Christopher Chapman  
Dr Iain Colquhoun  
Mohammed Dajani  
Alex Dixon (student nominee July 2003 – June 2004)  
Frank Eul (appointed March 2003)  
Pamela Gordon  
Prof Diana Green (Vice-Chancellor)  
Susan Green  
Richard Gregory (Chair)  
Prof Sylvia Harvey  
Simon Holden  
Michael Hubbard  
Nicholas Jeffrey  
Desmond Kavanagh  
John Lambert  
Pam Liversidge OBE  
Neil McKay CB  
Mark Norman (student nominee July 2002 – June 2003)  
Michael Renger  
Ben Shenton (student nominee July 2002 – June 2003)  
Sam Scharf (student nominee July 2003 – June 2004)  
Marion Simon MBE  
Hilary Spencer