

SHEFFIELD HALLAM UNIVERSITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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SHEFFIELD HALLAM UNIVERSITY

BOARD OF GOVERNORS REPORT FOR THE YEAR ENDED 31 JULY 2006

The Governors of Sheffield Hallam University submit their annual report and audited accounts for the year ended 31 July 2006.

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 transfer their profits by means of covenants and grants 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 2006 are summarised as follows:

	2006	2005
	£000	As restated £000
Income	153,473	149,938
Expenditure	148,988	147,081
	<hr/>	<hr/>
Surplus on Continuing Operations	4,485	2,857
Surplus on Sale of Fixed Assets	2,946	-
	<hr/>	<hr/>
Surplus for the Year	7,431	2,857
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The University had another financially successful year, recording an operating surplus for the ninth consecutive year. The operating surplus for the year of £4.5m represents 3.0% of operating income (2004/05: 1.9%). Profit on disposals in 2005/06 related to 18a / 18b Victoria Road, the Nelson Mandela Building (old students union), and Porterbrook, giving profits of £447k, £157k and £2,350k respectively. These gave a total surplus on sale of fixed assets of £2.9m.

The surplus before disposal of fixed assets for 2005/06 increased on prior year by £1.6m, this was largely due to a decrease in depreciation charges resulting from the lower level of capital expenditure during the year.

Income increased by £3.5m which was due to a combination of increased grant income from HEFCE (£4.0m), increased fee income from part time home and EU students (£0.6m), increased fees from overseas students (£0.6m) and additional fees from NHS contracts (£0.7m). This was in part offset by a reduction in research grants and contracts (£3.0m) although this was driven by the end of phase 1 on the 'New Deal for Communities' (NDC) contract, where there is a large amount of spend on subcontractors. Phase 2 will be seen to increase this income category in 2006/07. Capital grants released in year increased by £0.6m.

Staff costs increased by £5.8m increasing the percentage of income from prior year by 2.4% to 63.9%. Depreciation reduced by £1.1m to 6.3% of income versus 7.2% in prior year. This reflected the reduced level of capital spend on equipment in year. Interest payable decreased on prior year by £0.4m. Other operating expenses decreased by £2.3m, from 28.0% of income to 25.9%. After accounting for large decreases in spend against professional services and bad debts, other operating expenses increased by a moderate £1.0m. The decreased spend against professional services reflects the decreased income against research grants and contracts relating to the NDC contract mentioned above. Bad debts improved as a result of the successful collection of old SLC (student loan company) debt, the improved position on overseas debt (as a result of a new policy requiring 50% deposit payment in advance), and the prudent provision made in 2005.

Additional areas that are worthy of note within the increased spend on other operating expenses are premises costs, which saw a rise of £0.5m relating to inflation on energy prices, and student grants and expenses which increased by £0.3m.

Fixed assets have increased by £3.2m (2004/05 £4.9m), with significant additions from the purchase of land at Furnival St / Arundel St, Howard St / Surrey Lane, and Charles St, as well as the refurbishment of Collegiate main building.

Total net assets (excluding pension liability) have risen from £99.4m to £107.8m and within that figure, the Income and Expenditure Reserve improved by £9.0m to £58.5m (before accounting for the Pension liability of £32.1m versus £31.4m in 2004/05).

The University's ability to generate cash from its operating activities remains an important element of its financial strategy and 2005/06 saw another strong performance in this area. £11.0m was generated (2004/05: £15.6m) and this enabled the University to both invest £15.3m in additions to its fixed asset base and also increase current cash balances by £2.9m to £36.4m at 31 July 2006. The increase in cash balances has enabled the University to improve its current ratio (the ratio of current assets to current liabilities) from 1.18 to 1.23, and also to increase net current assets by £2.1m to £8.9m. Ongoing investment plans for 2006/07 and beyond will result in reduced cash balances and increased borrowing. Work to establish borrowing requirements has been completed through the development of a long term financial plan and through the expertise of consultants RSM Robson Rhodes. Next steps involve approaching financial institutions to establish terms for the borrowing requirement. Existing longer term borrowings have fallen from £20.5m to £17.8m as the University continues 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 £113.71m (2004/05: £114.86m) they generated a pre-tax profit of £1.83m (2004/05: £1.65m).

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. A revised Health & Safety Policy Statement is currently under development, with the intention of further integrating health and safety into business planning and management processes. These developments will further increase the positive contribution effective health and safety management makes to the University.

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:

- Reduction in total water consumption by 3.3 million litres;
- The University's campaign to reduce water consumption was recognised by HEEPI (Higher Education Environmental Performance Improvement) when it was awarded the prestigious Green Gown Award for Energy and Water Efficiency;
- Total emissions of carbon dioxide fell by 76 Tonnes, or 0.6%.
- Increased activities in line with the University's integrated transport policy;
- Activity to reduce the negative effects of student behaviour on the local community and action to raise the profile of the University's positive contributions;
- Raising staff and student awareness of sustainability issues;

The University is also committed to sustainability in the broader senses of the word. We are strongly committed to enhancing our positive socio-economic impact on the city of Sheffield and the wider region through our employment policies, recruitment strategies and investments in our estate. The University works with local and regional partners to enhance the regeneration impact of our activities and mitigate any potentially negative dimensions (such as studentification).

Overall leadership in these aspects is provided by the Pro Vice-Chancellor for Strategic Planning and Sustainability. In addition, the University's Financial Strategy (led by the Director of Finance) embodies robust and forward-looking processes to ensure financial sustainability.

Diversity

The University is committed to treating people equally irrespective of origins or background. It also believes that diversity and inclusivity, of and for both students and staff, will help to encourage the dynamism, enterprise and excellence necessary to continue to be a leading university.

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 has been reported regularly to the Board of Governors and to HEFCE. In 2004 the Board of Governors and the Academic Board approved policies and guidance notes on religious and sexual orientation equality to take account of the University's obligations which came into force in December 2003. During 2005 and 2006 work has been progressing to make the University compliant with age discrimination legislation which comes into effect in October 2006 and the Disability Discrimination Act 2005 which comes into effect on 1 December 2006.

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. Investors in People recognition has been achieved in a number of business units across the University and other quality benchmarks are used to monitor the excellence of the organisation and the products and services that we deliver.

The University continues to build on its partnership approach to progressing change and problem resolution, developing better employment relationships at all levels between managers, staff and their representatives. This approach has been widened to embrace the Information and Consultation Regulations through the introduction of Information and Consultation Representatives at both University and local level.

The fifth annual partnership seminar for senior managers and trade union representatives is due to be held later this year and will explore the widening participation of partnership working across all levels of the University as we come to grips with the changing demands of partnership working.

The University undertakes a staff experience survey on a biennial basis. The survey is divided into two sections, distributed electronically each year and the results are communicated to appropriate senior managers for them to determine action plans to address areas of concern for staff. Action plans and subsequent action following the survey is logged and displayed on the staff website. The Joint Consultative Committees are kept abreast of the process and outcomes. In addition during the past year, the University conducted a stress survey among staff and is currently considering its response to the results.

The University has prioritised effective communications and consultation with staff on the implementation of the Corporate Plan and on initiatives such as the pay modernisation agenda and University branding. A clear participative approach has been adopted with an emphasis on partnership working.

A Head of Internal Communications was appointed in January 2006 to work with departments and faculties to review and strengthen communication and consultation networks from Corporate through local levels. A communications framework and strategy was agreed by the Executive Group early in 2006 and many new initiatives to engage staff have been or are being implemented. These include a new core briefing system which is delivered each month by managers to their staff. The core briefing, named PreView, was introduced in response to requests from staff for more face-to-face communications. The idea is that managers either deliver the contents of PreView in their existing face-to-face briefings, or set up new meetings with their staff. PreView is designed to complement the two other main staff publications, Eview and Newview.

Eview is an electronic news digest e-mailed fortnightly to all staff. It contains news, information, offers and competitions. It is growing in popularity and readership. Eview was introduced as a direct response to staff concerns about the growing number of all-staff emails being sent out that were not relevant to them. Proposed all-staff e-mails are now reviewed by a moderator in the Corporate Communications department who decides if the message is of strategic and/or operational importance to all University staff.

NewView, is a quarterly staff magazine generating active input from staff and students. It has an editorial board representing all faculties and departments and is distributed to all members of staff and key external stakeholders including business partners, media and other universities.

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.

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. The Board of Governors has adopted the CUC's Governance Code of Practice and work is ongoing to ensure that governance practice is consistent with the principles of the Code. 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 intends 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 Board of Governors has responsibility for reviewing the system of internal control (including the effectiveness of the University's risk management processes). 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. The Board of Governors is of the view that this has been fully in place for the year ended 31st July 2006 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Board of Governors and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

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 have been established:

- A risk management policy, approved by the Board of Governors in October 2002;
- A register of corporate risks, which is reviewed on an annual basis;
- A Risk Management Group, which is responsible for the continuing development of the risk management process and for monitoring and reviewing the risk register;
- Development workshops to raise staff awareness of risk management across the University;
- The University has embedded its approach to risk management within its business planning process with the aim of engaging all levels of staff with management responsibility;
- Risk management is embedded in the University's approach to the management of change and, specifically, in the governance of corporate projects;
- 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 Audit Committee receives regular reports on risk management;
- The Board of Governors 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 Accountability and 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 University's business planning process requires faculties and departments to identify and record risks (both threats and opportunities) associated with their annual operating plans, including the local implications of any key issues arising from their analysis of the external context, with reference to the University's PEST analysis. The senior management considers the local risk assessments and action plans as part of its overview of the planning process and the Risk Management Group uses the information when reviewing the corporate risk register.

The corporate risk register currently consists of twelve key strategic risk areas identified by the University Executive Group. Each key risk or uncertainty is further analysed and the root causes deemed to be of significant concern are identified.

A risk table for each area of uncertainty defines the major causes of concern, identifies any opportunities that might arise, quantifies the degree of risk posed, explains current and/or planned countermeasures and records any change in level of risk over time. Risk leaders have been assigned to each key risk area and they are responsible for regularly reviewing the risk statements and reporting on changes in levels of threat or opportunity.

The University Executive conducted an annual review of the risk profile of the University at a workshop in July 2006 and, from that, nine key strategic risks were prioritised. These risks were further defined by the Risk Management Group and included in the corporate risk register for regular review.

At their meetings in November and December 2006, the Audit Committee and Board of Governors respectively carried out an annual assessment of the effectiveness of risk management for the year ended 31st July 2006 and taking into account events since 31st July 2006.

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 2005/06, the University held a workshop for Governors on the new University vision. In addition, workshops were arranged relating to specific responsibilities: Finance Strategy and Long Term Financial Plan (for members of the Finance Committee), Long Term Financial Plan and its associated risks (for members of the Audit Committee), revised Human Resources Strategy (for members of the Employment Committee) and training for a pool of Governors to sit on appeals panels relating to staff discipline.

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.

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 six 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 Committee, an Employment Committee, a Remuneration 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 (i.e. Chair and Deputy Chair of the Board and each of its sub-committees) in order to coordinate effectively the business of the Board.

The Finance Committee monitors progress in respect of the strategic development of the University on behalf of the Board of Governors in the areas of finance, estate and capital programmes. The 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 arrangements for the execution of estate, building and other capital programmes within the strategic framework and annual capital budgets approved by the Board. It recommends to the Board of Governors: financial policies within the strategic framework approved by the Board; Financial Regulations; the sale or acquisition of property or land within the strategic framework approved by the Board above the limits stated in the Financial Regulations; estate, building and other capital programmes within the strategic framework approved by the Board and annual revenue and capital budgets and longer term projections. Finally, it advises management on finance operating and receives reports on the activities of University companies.

The Employment Committee monitors progress in respect of the strategic development of the University on behalf of the Board of Governors in the areas of human resource and employment matters. It makes recommendations to the Board on the Human Resources Strategy and employment policies. The Committee approves major agreements entered into with trades unions and advises management on personnel operating procedures, staffing strategies and human resources development.

The Remuneration Committee determines salaries and conditions of service of Board appointments which are the Vice-Chancellor, the Director of Finance and the Secretary and Registrar 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 four 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 oversees the University's risk management process on behalf of the Board of Governors. 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 and the Training and Development 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.

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.

Independent auditors' report to the Board of Governors of Sheffield Hallam University

We have audited the Consolidated and University financial statements (the "financial statements") of Sheffield Hallam University for the year ended 31 July 2006 which comprise Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 University's Board of Governors and Auditors

The University's Board of Governors responsibilities for preparing the Board of Governors' Report and the consolidated financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on page 12.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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: 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 Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England and the Training and Development Agency for Schools. We also report to you whether in our opinion the Board of Governors' Report is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Board of Governors' Report and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the University's Board of Governors in the preparation of the financial statements and of

whether the accounting policies are appropriate to the Group and University'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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the University and the group as at 31 July 2006 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recognised Practice: Accounting for Further and Higher Education;
- in all material respects, income from the Higher Education Funding Council for England and the Training and Development Agency for Schools grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2006 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2006 has been applied in accordance with the University's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England and the funding agreement with the Training and Development Agency for Schools.

KPMG LLP

*Chartered Accountants
Registered Auditor*

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2006

	Note	2006 £000	2005 As restated £000
INCOME			
Funding Council grants	2	75,503	71,482
Academic fees and support grants	3	45,141	43,357
Research grants and contracts	4	9,162	12,146
Other operating income	5	21,980	21,327
Endowment income and interest receivable	6	1,687	1,626
		<hr/>	<hr/>
Total income		153,473	149,938
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	7	98,081	92,260
Depreciation	8	9,631	10,799
Other operating expenses	9	39,696	42,047
Interest and finance charges payable	10	1,580	1,975
		<hr/>	<hr/>
Total expenditure		148,988	147,081
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and before tax		4,485	2,857
Surplus on disposal of fixed assets		2,946	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and disposal of assets but before tax		7,431	2,857
Taxation		-	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation, disposal of assets and tax		7,431	2,857
		<hr/> <hr/>	<hr/> <hr/>

All results are from continuing operations.

The results for the year end 31 July 2005 have been restated to reflect the full implementation of FRS 17 (see note 24).

SHEFFIELD HALLAM UNIVERSITY

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31 July 2006

	Note	2006 £000	2005 As restated £000
Surplus after depreciation of assets at valuation, disposal of assets and tax		7,431	2,857
Difference between an historical cost depreciation charge / fixed asset writedown and the actual depreciation charge for the year calculated on the revalued amount		396	419
		<hr/>	<hr/>
Historical cost surplus after tax		7,827	3,276
		<hr/> <hr/>	<hr/> <hr/>

SHEFFIELD HALLAM UNIVERSITY

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 July 2006

	Note	2006 £000	2005 As restated £000
Surplus after depreciation of assets at valuation, disposal of assets and tax		7,431	2,857
New endowments	14	39	39
Endowment income retained for the year	14	(96)	3
Actuarial loss in respect of the pension scheme	24	(1,321)	(7,541)
		<hr/>	<hr/>
Total recognised gains/(losses) relating to the year		6,053	(4,642)
Prior year adjustment - adoption of FRS 17		(22,219)	-
		<hr/>	<hr/>
Total recognised gains/(losses) since last annual report		(16,166)	(4,642)
		<hr/>	<hr/>
Reconciliation			
Opening reserves and endowments (2005 - as previously stated)		45,147	72,008
Prior year adjustment - adoption of FRS 17		-	(22,219)
		<hr/>	<hr/>
Opening reserves and endowments (2005 - restated)		45,147	49,789
Total recognised gains/(losses) for the year		6,053	(4,642)
		<hr/>	<hr/>
Closing reserves and endowments		51,200	45,147
		<hr/>	<hr/>

SHEFFIELD HALLAM UNIVERSITY

CONSOLIDATED BALANCE SHEET

as at 31 July 2006

	Note	2006 £000	2006 £000	2005 As restated £000	2005 As restated £000
FIXED ASSETS					
Tangible assets	11	117,480		113,885	
Investments	13		117,522		
		<u>42</u>		<u>42</u>	113,927
ENDOWMENT ASSET INVESTMENTS	14		549		606
CURRENT ASSETS					
Stocks and stores in hand		151		115	
Debtors	15	10,168		9,600	
Short term deposits		36,663		33,438	
Cash at bank and in hand		<u>293</u>		<u>343</u>	
		47,275		43,496	
CREDITORS - amounts falling due within one year	16	<u>38,402</u>		<u>36,706</u>	
NET CURRENT ASSETS			8,873		6,790
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>126,944</u>		<u>121,323</u>
CREDITORS - amounts falling due after more than one year	17	17,783		20,464	
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>1,405</u>	<u>19,188</u>	<u>1,431</u>	<u>21,895</u>
NET ASSETS EXCLUDING PENSION LIABILITY			107,756		99,428
Pension Liability	24		<u>32,092</u>		<u>31,387</u>
TOTAL NET ASSETS			<u>75,664</u>		<u>68,041</u>
Represented by					
DEFERRED CAPITAL GRANTS	19		24,464		22,894
ENDOWMENTS					
Specific	14		549		606
RESERVES					
Revaluation reserve	20	23,492		25,651	
Capital reserve	21	745		774	
Income and expenditure	22	<u>26,414</u>	<u>50,651</u>	<u>18,116</u>	<u>44,541</u>
TOTAL FUNDS			<u>75,664</u>		<u>68,041</u>

The financial statements on pages 15 to 52 were approved on behalf of the Board of Governors on 12 December 2006.

N Jeffrey, Chair of the Board of Governors

D M Green, Vice-Chancellor

SHEFFIELD HALLAM UNIVERSITY

UNIVERSITY BALANCE SHEET

as at 31 July 2006

	Note	2006 £000	2006 £000	2005 As restated £000	2005 As restated £000
FIXED ASSETS					
Tangible assets	12	110,232		107,041	
Investments	13	<u>17,537</u>	127,769	<u>17,537</u>	124,578
ENDOWMENT ASSET INVESTMENTS	14		549		606
CURRENT ASSETS					
Stocks and shares in hand		151		115	
Debtors	15	12,988		13,748	
Short term deposits		36,383		33,168	
Cash at bank and in hand		<u>172</u>		<u>208</u>	
		49,694		47,239	
CREDITORS - amounts falling due within one year	16	<u>39,859</u>		<u>38,352</u>	
NET CURRENT ASSETS			9,835		8,887
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>138,153</u>		<u>134,071</u>
CREDITORS - amounts falling due after more than one year	17	34,857		38,555	
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>1,405</u>	<u>36,262</u>	<u>1,431</u>	<u>39,986</u>
NET ASSETS EXCLUDING PENSION LIABILITY			101,891		94,085
Pension Liability	24		<u>32,092</u>		<u>31,387</u>
TOTAL NET ASSETS			<u>69,799</u>		<u>62,698</u>
Represented by					
DEFERRED GRANTS	CAPITAL				
	19		24,464		22,894
ENDOWMENTS					
Specific	14		549		606
RESERVES					
Revaluation reserve	20	23,492		25,651	
Capital reserve	21	745		774	
Income and expenditure	22	<u>20,549</u>	<u>44,786</u>	<u>12,773</u>	<u>39,198</u>
TOTAL FUNDS			<u>69,799</u>		<u>62,698</u>

The financial statements on pages 15 to 52 were approved on behalf of the Board of Governors on 12 December 2006.

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2006

	Note	2006 £000	2005 As restated £000
Cash inflow from operating activities	27	11,000	15,599
Return on investments and servicing of finance	29	284	153
Capital expenditure and financial investment	30	(5,573)	(10,178)
Cash inflow before use of liquid resources and financing		<u>5,531</u>	<u>5,574</u>
Management of liquid resources		(3,168)	(3,127)
Financing		<u>(2,681)</u>	<u>(2,686)</u>
(Decrease) in cash		<u>(318)</u>	<u>(239)</u>
Movement in cash / (debt)			
(Decrease) in cash in the period		(318)	(239)
Increase in liquid resources		3,168	3,127
Repayment of debt		<u>2,681</u>	<u>2,686</u>
Change in net cash		5,531	5,574
Net cash at 1 August		10,995	5,421
Net cash at 31 July	31	<u>16,526</u>	<u>10,995</u>

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 September 2003 and applicable Accounting Standards.

In these financial statements the following new standards have been adopted for the first time:

FRS 21 'Events after the balance sheet date';

the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and

FRS 28 'Corresponding amounts'.

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed.

FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. FRS 25 'Financial instruments: presentation and disclosure' has had no impact on the current or preceding period.

FRS 21 supersedes SSAP 17. Under the FRS 21 gift aid income is recognised only in the period in which they are approved in the annual general meeting and therefore becomes legally binding, whereas under SSAP 17 gift aid income was accrued for when proposed. This has resulted in an increase of £69,295 in retained surplus for the University only for the period ended 31 July 2005.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus or deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. Where a member of the scheme has submitted a form prior to the period end requesting a transfer of benefits from the scheme, the impact of the transfer has been incorporated within the FRS 17 valuation at the period end.

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.

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

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

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 is capitalised on the basis of nature. Equipment is capitalised if it is tangible, has a life of more than one year and has a resale value for the duration of its life. The life of the asset is dependant on its categorisation within 16 categories, ranging from 2 years e.g. 'Audio visual 2yr' to ten years e.g. 'Fixed Equip, Plant, Heavy m/c 10yr'.

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 fixed equipment for new and refurbished buildings are depreciated on a straight line basis over the life according to the relevant category (for furniture this is 5 years). Depreciation on all other equipment is calculated on a straight line basis from the month of purchase, over the lifespan of the asset category.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

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

	2006	2005
	£000	£000
Higher Education Funding Council for England		
Recurrent grant	61,914	59,376
Specific grants	4,346	2,920
Training and Development Agency		
Recurrent grant	6,328	6,900
Specific grants	151	115
Deferred capital grants released in year (Note 19)		
Buildings	1,692	1,483
Equipment	1,072	688
	<hr/>	<hr/>
	75,503	71,482
	<hr/>	<hr/>

3. **Academic Fees and Support Grants**

	2006	2005
	£000	£000
Full-time UG home and EU students	16,283	15,718
Full-time PG home and EU students	2,012	2,342
Part-time home and EU students	6,208	5,711
Overseas students	9,645	9,063
Fees from NHS contracts	8,660	8,223
Other fees and support grants	2,333	2,300
	<hr/>	<hr/>
	45,141	43,357
	<hr/>	<hr/>

4. **Research Grants and Contracts**

	2006	2005
	£000	£000
OST Research Councils	1,080	916
UK-based charities	735	1,090
UK central government bodies / local authorities, health & hospital authorities	5,334	8,072
UK industry, commerce and public corporations	698	857
EU government bodies	864	798
EU other	217	65
Other overseas	12	58
Other sources	222	290
	<hr/>	<hr/>
	9,162	12,146
	<hr/>	<hr/>

5. **Other Operating Income**

	2006	2005
	£000	£000
Residences, catering and conferences	5,793	5,617
Other services rendered	6,646	7,479
Other income	9,541	8,231
	<hr/>	<hr/>
	21,980	21,327
	<hr/>	<hr/>

6. **Endowment Income and Interest Receivable**

	2006	2005
	£000	£000
Transferred from specific endowments (Note 14)	117	19
Income from short term investments	1,560	1,597
Other interest receivable	10	10
	<hr/>	<hr/>
	1,687	1,626
	<hr/>	<hr/>

7. **Staff**

Staff Costs	2006	2005
	£000	As restated £000
Wages and salaries	82,124	75,658
National Insurance costs	6,558	5,960
Superannuation costs	7,737	8,964
Restructuring costs	1,662	1,678
	<hr/>	<hr/>
	98,081	92,260
	<hr/>	<hr/>

Emoluments of the Vice-Chancellor	2006	2005
	£000	£000
Salary	165	159
Other benefits	1	1
	<hr/>	<hr/>
	166	160
Pension contributions	22	21
	<hr/>	<hr/>
	188	181
	<hr/>	<hr/>

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

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

	2006	2005
£70,000 - £79,999	2	7
£80,000 - £89,999	2	1
£90,000 - £99,999	5	-
£100,000 - £109,999	1	2
£110,000 - £119,999	4	3
£120,000 - £129,999	-	1

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

	2006	2005
Faculty / Research Institute based	1,647	1,653
Academic support departments	253	285
Administration	575	598
Other	260	254
	<hr/>	<hr/>
	2,735	2,790
	<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**

	2006	2005
	£000	£000
The depreciation charge has been funded by:		
Deferred capital grants released (Note 19)	2,918	2,350
General income	6,317	8,030
Revaluation reserve released (Note 20)	396	419
	<hr/>	<hr/>
	9,631	10,799
	<hr/>	<hr/>

9. **Other Operating Expenses**

	2006	2005
	£000	As restated £000
Premises Costs	6,058	5,589
Furniture and Supplies	1,284	1,382
Equipment and Consumables	2,267	2,202
Books and Periodicals	2,041	1,797
Staff Development and Training	1,222	1,425
Staff Travel Expenses	1,883	1,655
Other Staff Costs	644	529
Students Grants and Expenses	3,289	2,966
Grants to Sheffield Hallam University Union of Students	852	923
Computers and IT	2,318	2,210
Printing and Stationery	1,294	1,253
Marketing and Publicity	1,264	1,363
Hospitality	232	459
Postage and Communications	1,136	1,129
Professional Services	8,949	11,362
External Auditors' Remuneration - Audit: University	36	29
- Subsidiaries	11	11
- Other services	52	143
Internal Audit Services	101	112
Course and Exam Expenses	2,318	2,257
Bad Debts	181	1,094
Other Expenses	2,264	2,157
	<hr/>	<hr/>
	39,696	42,047
	<hr/>	<hr/>

10. **Interest and Finance Charges Payable**

	2006	2005
	£000	As restated £000
Loans not wholly repayable within five years	1,307	1,476
Pension finance costs (Note 24)	273	499
	<hr/>	<hr/>
	1,580	1,975
	<hr/>	<hr/>

11. **Tangible Fixed Assets - Consolidated**

	Land and Buildings			Assets in Course of Construction	Equipment	Total
	Free hold	Long Lease hold	Short Lease hold			
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 August 2005						
Valuation	31,302	-	-	-	-	31,302
Cost	114,353	493	2,701	2,128	16,858	136,533
Additions at cost	4,567	-	-	5,572	5,165	15,304
Transfers at cost	1,969	-	-	(1,969)	-	-
Disposals at cost	(2,210)	-	-	-	-	(2,210)
Disposals at valuation	(476)	-	-	-	-	(476)
Adjustments to disposals	-	-	-	-	30	30
At 31 July 2005						
Valuation	30,826	-	-	-	-	30,826
Cost	118,679	493	2,701	5,731	22,053	149,657
	149,505	493	2,701	5,731	22,053	180,483
Depreciation						
At 1 August 2005	42,788	44	2,701	-	8,417	53,950
Charge for year	5,222	26	-	-	4,383	9,631
Eliminated on disposals	(668)	-	-	-	-	(668)
Adjustment to disposals	-	-	-	-	90	90
At 31 July 2006	47,342	70	2,701	-	12,890	63,003
Net Book Value						
At 31 July 2006	102,163	423	-	5,731	9,163	117,480
At 1 August 2005	102,867	449	-	2,128	8,441	113,885

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. The adjustments to disposals on equipment relates to adjustments arising on the implementation of a Fixed Asset Register.

12. **Tangible Fixed Assets - University**

	<u>Land and Buildings</u>			<u>Assets in Course of Construction</u>	<u>Equipment</u>	<u>Total</u>
	<u>Free hold</u>	<u>Long Lease hold</u>	<u>Short Lease hold</u>			
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 August 2005						
Valuation	31,302	-	-	-	-	31,302
Cost	97,355	16,258	2,701	2,128	16,413	134,855
Additions at cost	<u>4,567</u>	<u>-</u>	<u>-</u>	<u>5,572</u>	<u>5,162</u>	15,301
Transfers at cost	1,969	-	-	(1,969)	-	-
Disposals at cost	(2,210)	-	-	-	-	(2,210)
Disposals at valuation	(476)	-	-	-	-	(476)
Adjustments to disposals	-	-	-	-	457	457
At 31 July 2006						
Valuation	<u>30,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	30,826
Cost	<u>101,681</u>	<u>16,258</u>	<u>2,701</u>	<u>5,731</u>	<u>22,032</u>	148,403
	132,507	16,258	2,701	5,731	22,032	179,229
Depreciation						
At 1 August 2005	38,880	9,503	2,701	-	8,032	59,116
Charge for year	4,882	814	-	-	4,378	10,074
Transfers	-	-	-	-	-	-
Eliminated on disposals	(668)	-	-	-	-	(668)
Adjustments to disposals	-	-	-	-	475	475
At 31 July 2006	<u>43,094</u>	<u>10,317</u>	<u>2,701</u>	<u>-</u>	<u>12,885</u>	68,997
Net Book Value						
At 31 July 2006	<u>89,413</u>	<u>5,941</u>	<u>-</u>	<u>5,731</u>	<u>9,147</u>	110,232
At 1 August 2005	<u>89,777</u>	<u>6,755</u>	<u>-</u>	<u>2,128</u>	<u>8,381</u>	107,041

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. The adjustments to disposals on equipment relates to adjustments arising on the implementation of a Fixed Asset Register.

13. **Investments**

	Consolidated		University	
	2006	2005	2006	2005
	£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
Loan to Collegiate Library Services Ltd	-	-	1,730	1,730
Other investments	42	42	42	42
	42	42	17,537	17,537

Subsidiary Undertakings	Principal Activity	Country of Registration	Percentage of Ordinary Shares Held
3D Imaging Technology Ltd	Dormant	England and Wales	100
Collegiate Library Services Ltd	Provision of library services to the University	England and Wales	100
Collegiate Properties Ltd	Dormant	England and Wales	100
Collegiate Properties (2) Ltd	Contracting and property leasing	England and Wales	100
Collegiate Properties (3) Ltd	Equipment leasing	England and Wales	100
Hallam Biotechnology Ltd	Dormant	England and Wales	100
Hallam Immunotech Ltd	Dormant	England and Wales	100
Hallam Proteonics Ltd	Dormant	England and Wales	100
O&N Contracting Ltd	Property leasing	England and Wales	100
Sheffield Hallam Innovation and Enterprise Ltd	Dormant	England and Wales	100
Sheffield Hallam Property Company Ltd	Dormant	England and Wales	100
Sheffield Hallam University Enterprises Ltd	Non-property related trading activities	England and Wales	100
Virtual Learning Systems Ltd	Web-based learning services (e-learning)	England and Wales	100
Y&H Science Ltd	Science Training	England and Wales	25

The University also consolidates the Collegiate Charitable Trust. The Trust's financial statements are prepared to 31 July 2006.

14. Endowment Assets

	Consolidated and University	
	2006	2005
	£000	£000
At 1 August	606	564
Income for year	21	22
New Endowments	39	39
Transferred to income and Expenditure account (Note 6)	(117)	(19)
	<hr/>	<hr/>
At 31 July	549	606
	<hr/>	<hr/>
Representing		
Prize Funds	223	194
Other Funds	326	412
	<hr/>	<hr/>
	549	606
	<hr/>	<hr/>

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

15. Debtors

	Consolidated		University	
	2006	2005	2006	2005
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	5,989	4,978	5,191	3,707
Prepayments	1,164	956	1,416	1,226
Accrued income	2,912	3,598	4,097	4,699
Loans	103	68	103	68
Amounts owed by group undertakings	-	-	2,181	4,048
	<hr/>	<hr/>	<hr/>	<hr/>
	10,168	9,600	12,988	13,748
	<hr/>	<hr/>	<hr/>	<hr/>

16. Creditors: Amounts Falling Due Within One year

	Consolidated		University	
	2006	2005	2006	2005
	£000	£000	£000	As restated £000
Bank overdrafts	515	247	515	247
Mortgages and unsecured loans	2,680	2,680	2,680	2,680
Obligation under finance leases	-	-	1,018	1,370
Payments received on account	12,612	12,860	12,755	12,717
Trade creditors	5,534	5,512	5,533	5,511
Social security and other taxation payable	3,651	3,541	3,633	3,467
Accruals and deferred income	13,410	11,866	13,725	12,360
Amounts owed to group undertakings	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	38,402	36,706	39,859	38,352
	<hr/>	<hr/>	<hr/>	<hr/>

17. Creditors: Amounts Falling Due After More Than One Year

	Consolidated		University	
	2006	2005	2006	2005
	£000	£000	£000	£000
Loans repayable secured on residential and other property				
Between one and five years:				
Secured loans	10,720	10,720	10,720	10,720
Over five years:				
Secured loans	7,063	9,744	7,063	9,744
Obligations under finance leases				
Between one and five years:				
Equipment	-	-	1,309	2,326
Over five years:				
Equipment	-	-	-	-
Leasehold obligation to group undertakings	-	-	15,765	15,765
	17,783	20,464	34,857	38,555

Amounts repayable after more than one year in respect of bank loans outstanding at 31 July 2006 maybe analysed as follows:

Consolidated and University

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2006	Balance outstanding 2005
				£000	£000
Co-operative Bank	1997	2012	fixed	2,450	2,940
Barclays Bank	1999	2014	fixed	9,495	10,895
Barclays Bank	1999	2014	variable	5,838	6,629
				17,783	20,464

18. Provisions for Liabilities and Charges**Consolidated and University**

	Property related £000	Pensions £000	Restructuring £000	Total £000
At 1 August 2005	200	629	602	1,431
Created in year Income and Expenditure account	-	385	737	1,122
Utilised in year	(200)	(344)	(602)	(1,146)
Released in year	-	(2)	-	(2)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2006	-	668	737	1,405
	<hr/>	<hr/>	<hr/>	<hr/>

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.

19. Deferred Capital Grants

	Consolidated and University			
	Funding Councils £000	Other Grants £000	2006 Total £000	2005 Total £000
At 1 August				
Buildings	19,244	2,012	21,256	18,125
Equipment	1,638	-	1,638	1,615
	-----	-----	-----	-----
Total	20,882	2,012	22,894	19,740
	-----	-----	-----	-----
Cash received				
Buildings	2,242	(84)	2,158	4,792
Equipment	2,330	-	2,330	711
	-----	-----	-----	-----
Total	4,572	(84)	4,488	5,503
	-----	-----	-----	-----
Released to Income and Expenditure account				
Buildings	1,692	154	1,846	1,662
Equipment	1,072	-	1,072	668
	-----	-----	-----	-----
Total	2,764	154	2,918	2,350
	-----	-----	-----	-----
At 31 July				
Buildings	19,794	1,774	21,568	21,255
Equipment	2,896	-	2,896	1,638
	-----	-----	-----	-----
Total	22,690	1,774	24,464	22,894
	-----	-----	-----	-----

20. Revaluation Reserve

	Consolidated and University	
	2006 £000	2005 £000
Balance brought forward at 1 August	25,651	26,070
Release in respect of assets sold in year	(970)	-
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(396)	(419)
Adjustment on disposal	(793)	
	-----	-----
Balance at 31 July	23,492	25,651
	-----	-----

The revaluation reserve adjustment relates to the sale of one of the University's student residencies.

21. **Capital Reserve**

	Consolidated and University	
	2005	2005
	£000	£000
Balance brought forward at 1 August	774	803
Release to Income and Expenditure reserve	(29)	(29)
	<hr/>	<hr/>
Balance at 31 July	745	774
	<hr/>	<hr/>

22. Income and Expenditure Reserve

	Consolidated		University	
	2006	2005	2006	2005
				As restated
	£000	£000	£000	£000
At 1 August (2005 as previously stated)	18,116	44,571	12,773	40,116
Prior year adjustments				
- Adoption of FRS17	-	(22,219)	-	(22,219)
- 2004 gift aid payment approved in 2005	-	-	-	(493)
At 1 August (2005 restated)	<u>18,116</u>	<u>22,352</u>	<u>12,773</u>	<u>17,404</u>
Surplus as previously reported	7,431	2,857	6,909	4,020
Prior year adjustments				
- Adoption of FRS17 - operating costs	-	-	-	(1,627)
- Adoption of FRS17 - actuarial loss in respect of the pension scheme	(1,321)	(7,541)	(1,321)	(7,541)
- 2004 gift aid payment approved in 2005	-	-	-	493
- 2005 gift aid payment approved in 2006	-	-	-	(424)
Release from revaluation reserve	2,159	419	2,159	419
Release from capital reserve	29	29	29	29
	<u>26,414</u>	<u>18,116</u>	<u>20,549</u>	<u>12,773</u>
Balance represented by				
Pension reserve	(32,092)	(31,387)	(32,092)	(31,387)
Income and Expenditure Reserve	<u>58,506</u>	<u>49,503</u>	<u>52,641</u>	<u>44,160</u>
	<u>26,414</u>	<u>18,116</u>	<u>20,549</u>	<u>12,773</u>

23. Prior Adjustments

FRS 17

The prior year adjustment relates to the implementation of FRS17.

FRS 17 requires the assets of defined benefit pension schemes, such as the local government scheme, to be measured at market value at each balance sheet date, and the liabilities to be measured using a specific valuation method and to be discounted using a corporate bond rate. Any resulting share of the pension scheme surplus or deficit is recognised on the University balance sheet. Any resulting gains and losses are recognised in the statement of total recognised gains and losses rather than being recognised gradually in the income and expenditure account.

The adoption of FRS 17 has resulting in the following impact on the income and expenditure account and statement of total recognised gains and losses:

	Group £000	University £000
Analysis of prior year adjustment 17		
Adjustment to opening Income and Expenditure Account reserve at 1 August 2004	22,219	22,219
Adjustment to income and Expenditure Account for year ended 31 July 2005	1,627	1,627
Adjustment to Statement of Total Recognised Gains and Losses for the year ended 31 July 2005	7,541	7,541
	<hr/>	<hr/>
Total	31,387	31,387
	<hr/>	<hr/>

FRS21

FRS 21 requires payments of gift aid to be recorded in the Income and Expenditure Account in the year in which they are approved. As a result the Income and Expenditure Account has been amended to reflect the financial standard.

	Group £000	University £000
Analysis of prior year adjustment 21		
Adjustment to opening Income and Expenditure Account reserve at 1 August 2004	-	(493)
Adjustment to income and Expenditure Account for year ended 31 July 2005	-	-
2004 gift aid payment approved 2005	-	493
2005 gift aid payment approved 2006	-	(424)
	<hr/>	<hr/>
Total	-	(424)
	<hr/>	<hr/>

Income and expenditure reserve at 31 July 2005 as previously stated (Note 22)	49,503	44,584
Pension liability at 1 August 2004	(22,219)	(22,219)
Prior year adjustment		
- 2004 gift aid payment approved in 2005	-	(493)
Movement during 2004/2005		
- 2004 gift aid payment approved in 2005	-	493
- 2005 gift aid payment approved in 2006	-	(424)
Actuarial loss	(7,541)	(7,541)
Employer service cost	(4,105)	(4,105)
Employer contributions	3,340	3,340
Past service cost	(363)	(363)
Other finance costs	(499)	(499)
	<hr/>	<hr/>
Income and Expenditure Reserve at 31 July 2005 (restated)	18,116	12,773
	<hr/>	<hr/>

Summary of FRS 17 Pension Adjustment

	2006	2005
	£000	As restated £000
Asset Gain / (Loss)	6,307	10,806
Liability / Gain / (Loss)	(2,088)	(1,391)
Changes in assumptions underlying the present value of scheme liabilities	(5,540)	(16,959)
	<hr/>	<hr/>
Total actuarial loss recognised	(1,321)	(7,541)
	<hr/>	<hr/>
	2006	2005
	£000	As restated £000
(Deficit) on scheme at 1st August	(31,387)	-
Movement in year:		
Prior year adjustment - adoption of FRS 17	-	(22,219)
Current service costs	(5,552)	(4,105)
Contributions	3,873	3,340
Past service costs	2,568	(363)
Other finance (costs) / income	(273)	(499)
Actuarial loss	(1,321)	(7,541)
	<hr/>	<hr/>
(Deficit) on scheme at 31st July	(32,092)	(31,387)
	<hr/>	<hr/>

The following amounts were measured in accordance with the requirements of FRS 17:

	2006	2005	2004
	£000	£000	£000
Total fair value of assets	105,995	90,478	73,566
Present value of the scheme liabilities	(130,087)	(121,865)	(95,785)
	<hr/>	<hr/>	<hr/>
(Deficit) in the scheme - net pension liability	(32,092)	(31,387)	(22,219)
	<hr/>	<hr/>	<hr/>

Summary of FRS 17 Pension Adjustments

	2006 £000	2005 £000
Local Government Pension Scheme		
Employers Contributions		
Normal	3,562	3,068
Other	307	268
Benefits recharged during the year	4	4
	<hr/>	<hr/>
Total Employers Contributions	3,873	3,340
Employees Contributions	1,984	1,838
	<hr/>	<hr/>
Total Contributions	5,857	5,178
	<hr/>	<hr/>
Analysis of the amount charged to the Income and Expenditure Account		
Employer Service Cost (Net of Employee Contributions)		
Current Service Cost	(5,552)	(4,108)
Employer Contributions	3,873	3,340
	<hr/>	<hr/>
Total Employer Service Cost	(1,679)	(765)
Past Service Costs	2,568	(363)
	<hr/>	<hr/>
Total Operating Charge	889	(1,128)
	<hr/>	<hr/>
Analysis of Pension Finance Income / (Costs)		
Expected Return on Pension Scheme Assets	5,944	5,053
Interest on Pension Scheme Liabilities	(6,217)	(5,552)
	<hr/>	<hr/>
Pension Finance Income / (Costs)	(273)	(499)
	<hr/>	<hr/>

The experience gains and losses for the year ended 31 July 2006 were as follows:

	2006	2005
	£000	£000
Difference between the expected and actual return on scheme assets:		
Amount (£000)	6,307	10,806
Experience gains and losses on scheme liabilities:		
Amount (£000)	(7,628)	(18,347)
Total amount recognised in the Statement of Total Recognised Gains and Losses:		
Amount (£000)	(1,321)	(7,541)

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 60,000), 20 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.

The current situation on the claims against the University is that 13 claims are stayed pending the outcome of further test cases, 19 claims have been struck out and 2 claims are awaiting further information from the applicants. 1 case has been withdrawn and one case has been settled in full.

The following amounts at 31 July 2006 were measured in accordance with the requirements of FRS 17:

	31 July 2006 £000	31 July 2005 £000	31 July 2004 £000		
Total fair value of assets	105,995	90,478	73,566		
Present value of scheme liabilities	(138,087)	(121,865)	(95,785)		
(Deficit) in the scheme – Net pension (liability)	(32,092)	(31,387)	(22,219)		
	2006	2005	2004	2003	2002
History of Experience Gains of Losses	£000	£000	£000	£000	£000
Actual return less expected return on pension scheme assets	6,307	10,806	1,758	(1,759)	(13,601)
% of Scheme Assets	6.0%	11.9%	2.4%	2.7%	23%
Experience gains and losses arising on scheme liabilities	(7,628)	(18,347)	(1,816)	(7,788)	-
% of Scheme Liabilities	5.5%	15.0%	1.9%	9.1%	-
Total actuarial loss recognised	(1,321)	(7,541)	(58)	(9,547)	(13,601)

24. Pension Costs

Teachers' Pension Scheme (TPS)

The University participates in the Teachers' Pension 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	31.03.01
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	31.03.06

As part of the actuarial valuation, the Government Actuary undertakes a review of the level of employers' contributions. For the period from 1 April 2003 to 31 March 2004 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 2004 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	31.03.05
Investment returns per annum - past service	5.0%
Investment returns per annum - future service	6.0%
Salary scale increases per annum	3.7%
Pension increases per annum	2.7%
Market value of assets at date of last valuation	£21,740m
Next actuarial valuation is due	31.03.08
Expected completion by	31.03.09

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme has discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

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 2004.

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.

The total contributions made for the year ended 31 July 2006 was £5.857 m of which employers contributions totalled £3.873m and employees contributions totalled £1.984m. The agreed contribution rates for future years are 11.3% for employers and 6% for employees.

The actuary has assessed the financial position of the University's share of the scheme as at 31 July 2006. The major assumptions used by the actuary were:

	2006	2005	2004
Rate of increase in salaries	4.8%	4.5%	4.3%
Rate of increase in pensions in payment	3.0%	2.7%	2.8%
Discount rate	5.1%	5.0%	5.7%
Inflation assumption	3.0%	2.7%	2.8%
Proportion of employees opting to take a commuted lump sum	50.0%	-	-

Changes to the Local Government Pension Scheme (LGPS) under regulation 3 of the LGPS (Amendment) Regulations 2006 (Statutory Instrument 2006/966) permits employees retiring on or after 6 April 2006 to take an extra/[an increase in their] lump sum payment on retirement in exchange for a reduction in their future annual pension.

On advice from our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the University's retirement benefit liability as at 31 July 2006.

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:

	Long term rate of return expected at 31 July 2006	Value at 31 July 2005 £000	Long term rate of return expected at 31 July 2005	Value at 31 July 2004 £000
Equities	7.0%	68,261	7.5%	57,725
Government Bonds	4.40%	16,323	4.4%	15,291
Other Bonds	5.10%	7,844	5.0%	6,243
Property	6.00%	11,977	6.5%	9,862
Other	4.50%	1,590	4.75%	1,357
		105,995		90,478

25. Lease Obligations

	Consolidated		University	
	2006	2005	2006	2005
	£000	£000	£000	£000
The net finance lease obligations to which the University is committed are:				
Within one year	-	-	1,017	1,370
Between one and five years	-	-	1,309	2,326
Over five years	-	-	15,765	15,765
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	18,091	19,461
	<hr/>	<hr/>	<hr/>	<hr/>

Operating lease commitments for the financial year, on leases expiring:

Within one year	33	210	33	210
Between one and five years	213	123	213	123
Over five years	771	771	3,153	3,154
	<hr/>	<hr/>	<hr/>	<hr/>
	1,017	1,104	3,399	3,487
	<hr/>	<hr/>	<hr/>	<hr/>

26. Capital Commitments

	Consolidated		University	
	2006	2005	2006	2005
	£000	£000	£000	£000
Commitments contracted at 31 July	3,317	1,971	3,317	1,844
Authorised but not contracted at 31 July	12,771	4,389	12,771	4,389
	<hr/>	<hr/>	<hr/>	<hr/>
	16,088	6,360	16,088	6,233
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2006	2005
	£000	As restated £000
Operating surplus	7,431	2,857
Depreciation	9,631	10,799
Deferred capital grants released to income	(2,918)	(2,350)
Investment income	(1,687)	(1,626)
Interest payable	1,307	1,476
(Increase)/decrease in stocks	(36)	49
(Increase)/decrease in debtors	(568)	349
Increase in creditors	1,428	2,100
Increase/(decrease) in provisions	(26)	318
Profit on sale of fixed assets	(2,946)	-
FRS17 Pension liability	(616)	1,627
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	11,000	15,599
	<hr/>	<hr/>

28. Analysis of Changes in Consolidated Financing During the Year

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balances at 31 July 2004	5	25,825	25,830
	<hr/>	<hr/>	<hr/>
New leases / loans	-	-	-
Capital repayments	(5)	(2,680)	(2,685)
	<hr/>	<hr/>	<hr/>
Net amount (repaid) in year	(5)	(2,680)	(2,685)
	<hr/>	<hr/>	<hr/>
Balances at 31 July 2005	-	23,145	23,145
	<hr/>	<hr/>	<hr/>
New leases / loans	-	-	-
Capital repayments	-	(2,681)	(2,681)
	<hr/>	<hr/>	<hr/>
Net amount (repaid) in year	-	(2,681)	(2,681)
	<hr/>	<hr/>	<hr/>
Balances at 31 July 2006	-	20,464	20,464
	<hr/>	<hr/>	<hr/>

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

	2006 £000	2005 £000
Income from endowments	21	22
Income from short term investments	1,507	1,607
Interest paid	(1,307)	(1,476)
	-----	-----
	284	153
	-----	-----

30. **Capital Expenditure and Financial Investment**

	2006 £000	2005 £000
Tangible assets acquired	(15,304)	(15,721)
Receipts from sale of fixed assets	5,024	-
	-----	-----
	(10,280)	(15,721)
	-----	-----
Deferred capital grants received	4,488	5,504
Endowments received	39	39
	-----	-----
	4,527	5,543
	-----	-----
	(5,753)	(10,178)
	-----	-----

31. Analysis of Changes in Net Debt

	2005 Consolidated £000	Cash Flows £000	2006 Consolidated £000
Cash at bank and in hand	96	(318)	(222)
Endowment bank balance	606	57	549
	<hr/>	<hr/>	<hr/>
	702	(375)	327
Debt due over more than 1 year:			
Secured loans	(20,465)	2,682	(17,783)
Debt due less than 1 year:			
Secured loans	(2,680)	(1)	(2,681)
Obligations under finance leases			
Short term deposits	33,438	3,225	36,663
	<hr/>	<hr/>	<hr/>
	10,995	5,531	16,526
	<hr/>	<hr/>	<hr/>

32. Access Funds

	2006 £000	2005 £000
Funding Council Access grants	1,196	1,387
Interest earned	21	26
	<hr/>	<hr/>
	1,217	1,413
Disbursed to students	(1,122)	(1,125)
Grants carried forward and disbursed in following year	(95)	(288)
	<hr/>	<hr/>
	-	-
	<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. Training and Development Agency

	2006	2005
	£000	£000
Initial Teacher Training Bursaries		
Funds received	3,457	3,447
Disbursed to students	(3,017)	(3,053)
	<hr/>	<hr/>
Unspent funds to be recovered	440	394
	<hr/>	<hr/>
Secondary Shortage Subjects Scheme		
Funds received	498	561
Disbursed to students	(301)	(299)
	<hr/>	<hr/>
Funds carried forward to be disbursed in following year	197	262
	<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. Minority Ethnic Recruitment

	2006	2005
	£000	£000
Funding Council Grant		
Funds received	29	32
Disbursed to students	(25)	(32)
	<hr/>	<hr/>
Unspent funds to be recovered	4	-
	<hr/>	<hr/>

35. Library Scheme Contingent Liability

The University operates its library service through Collegiate Library Services Limited. In September 2006 Her Majesty's Revenue and Customs successfully challenged the University of Ulster on its arrangements for the delivery of learning resources resulting in additional VAT charges. Sheffield Hallam University is currently reviewing any possible impact of this tribunal on its own arrangements. At the date of these financial statements it is not possible to quantify the financial impact, if any, of this recent case.

36. 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 a certain number 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. The following transactions relate to professional partnerships or controlling interests for the period covered by the Financial Statements.

Professor Diana Green, Vice Chancellor and member of the Board of Governors, was a director of the Leadership Foundation for Higher Education (LUK) which received payments of £15,390.00 (2004/05 £19,355.00) from the University. Professor Green was also a director of Yorkshire Universities which received payments of £31,399.38 (2004/05 £13,546.27).

Mr Michael Longden, a Governor, was an associate director at Irwin Mitchell, Solicitors, which provided professional services for the University. All such services were completely unconnected with Mr Longden and were undertaken by a different part of the firm. Payments during the year in respect of such services amounted to £62,701.00 (2004/05 Nil).

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 2006**

Isadora Aiken OBE
 John Anderson (student nominee July 2005 – June 2007)
 Chris Chapman (Deputy Chair)
 Mohammed Dajani
 Dr Philip Drury
 Frank Eul
 Prof Diana Green (Vice-Chancellor)
 Nicholas Jeffrey (Chairman)
 Desmond Kavanagh
 Daniel Khan
 Lisa King (student nominee July 2006 to June 2007)
 John Lambert
 Pam Liversidge OBE
 Michael Longden
 Patrick Maddock
 Neil McKay CB (resigned 31 March 2006)
 James Newman
 Vicky Seddon
 Prof Jawed Siddiqi
 Marion Simon MBE
 Jo Swinhoe
 Phil Wood (student nominee July 2005 – June 2006)

FINANCE COMMITTEE

Chris Chapman
 Mohammed Dajani
 Frank Eul (Deputy Chairman)
 Prof Diana Green (Vice-Chancellor)
 Nicholas Jeffrey
 John Lambert
 Pam Liversidge (Chairman)
 Jo Swinhoe

EMPLOYMENT COMMITTEE

Chris Chapman (Deputy Chairman)
 Dr Philip Drury (from 4 April 2006)
 Professor Diana Green (Vice-Chancellor)
 Des Kavanagh
 John Lambert
 Pam Liversidge
 Michael Longden (from 4 April 2006)
 Neil McKay (until 31 March 2006)
 James Newman (until 1 April 2006)
 Marion Simon (Chairman)

NOMINATIONS COMMITTEE

Lorna Daly (from 10 March 2006)
Mohammed Dajani
Prof Diana Green (Vice Chancellor)
Nicholas Jeffrey (Chairman)
John Lambert
Pam Liversidge (Deputy Chairman)
Vicky Seddon
Marion Simon
Prof Sue Yeandle (until 31 December 2005)

REMUNERATION COMMITTEE

Chris Chapman
Nicholas Jeffrey (Chairman)
Pam Liversidge
James Newman (from 1 April 2006)
Marion Simon (from 14 February 2006)
Prof Diana Green (Vice Chancellor)

AUDIT COMMITTEE

Dr Philip Drury
Des Kavanagh
Daniel Khan
Neil McKay (Chairman until 31 March 2006)
James Newman (Chairman from 1 April 2006)
Nicola Rankin (external co-option)