

SHEFFIELD HALLAM UNIVERSITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2002

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SHEFFIELD HALLAM UNIVERSITY

BOARD OF GOVERNORS REPORT FOR THE YEAR ENDED 31 JULY 2002

The Governors of Sheffield Hallam University submit their annual report and audited accounts for the year ended 31 July 2002.

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

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.

Review of Developments

The New Chancellor

On 5 October 2001 Professor The Lord Winston was installed at the Millennium Galleries as the University's second Chancellor, succeeding Sir Bryan Nicholson. Sir Bryan was the University's founding Chancellor and received an honorary doctorate on the same occasion.

Lord Winston's scientific eminence through his pioneering medical work, his commitment to the public understanding of science which he demonstrates through his television programmes, and his public service as a member of the House of Lords make him an ideal choice for a University which seeks to combine academic excellence with social and economic engagement.

Lord Winston has been an active Chancellor in his first year. As well as presiding at many of the graduation ceremonies, he gave a keynote speech at the third Chancellor's Conference, 'Messages for Modernisation' in June 2002 and the following month gave the first in a series of lectures sponsored by the University's Academic Board to celebrate the 10th anniversary of Sheffield Hallam achieving university status. His lecture was entitled 'Laundering Genes: Where Next with Genetics' and discussed the need to harness the technology provided by genetic engineering to combat disease and improve the human condition.

The theme of the Chancellor's Conference was the challenge of modernising health and social care in the UK. Other keynote speakers at the conference were Neil McKay, Chief Executive of Leeds Teaching Hospitals and the Chief Executive of the NHS University, Professor Bob Fryer. Key messages from the conference were forwarded to the Secretary of State for Health, Alan Milburn.

Research Excellence

The results of the UK Research Assessment Exercise (RAE) were published in December 2001. The RAE involved panels covering 69 subject areas (units of assessment) considering a range of evidence presented by universities and awarding a grade of between 1 and 5* to each submission. Universities decided which units of assessment to enter and how many staff to include.

Sheffield Hallam made 19 submissions involving nearly 250 staff. The results demonstrated yet again that it is one of the leading post 1992 universities for research. In the Times Higher Education Supplement league table published shortly after the results were announced, the University was placed jointly with De Montfort as the most successful post 1992 university. This is in the context of a substantial improvement in quality across most universities.

The most notable successes were three grade 5 ratings in Art and Design, Materials and History and four grade 4 ratings in Biomedical Science, Town and Country Planning, Sport and Related Subjects and English Language and Literature. Grades of 4 and above mean that virtually all the researchers were judged to be of national excellence and a substantial number met standards of international excellence.

Widening Participation – Engaging with Schools and Colleges

The University is partnering local schools and colleges in a number of initiatives to encourage young people who might have thought that universities were 'not for them' to consider progressing to higher education.

16-19 Progression Agreement

In October 2001 the University signed an agreement with Sheffield College and six Sheffield schools with sixth forms which meant that the University would give additional support and guidance and special consideration to applicants from those institutions who met various social need criteria.

Mentoring

Working in collaboration with the Excellence Challenge scheme, the University is providing student mentors in seven local schools. They work with individual pupils to assist learning, raise their aspirations, develop their confidence and improve their awareness of higher education.

Evenings Out

Up to 150 pupils (aged 13 – 16), parents and staff come into the University from 6.30pm – 9.30pm. They take part in various activities designed to convince them that university life is stimulating, accessible and for them. Activities include a city campus tour, sessions with students on student life, a demonstration by one of Sheffield Hallam's Schools, refreshments and a local guest speaker talking about making the most of opportunities.

These sessions are arranged in conjunction with the Sheffield and Rotherham Excellence Challenge Co-ordinators and the North East Derbyshire Coalfields Education Action Zone Coordinator. Four 'Evening Outs' were held and fourteen have been planned for the following year.

Black Student Conference

The latest in this series of annual conferences held in January 2002 attracted 167 pupils from Sheffield and Rotherham. Entitled 'Choices and Voices' it gave young black and ethnic minority pupils the opportunity to learn from role models from a variety of professions. In a series of workshops pupils explored their own aspirations and the barriers to educational progression that they face.

Enterprise

Official Launch of the Enterprise Centre

The launch took place in November 2001. The aim of the Enterprise Centre is to make enterprise a distinguishing characteristic of life within the University, one that will enrich learning and add a dimension to research. Its remit includes research and development for clients, commercialisation of innovation and integrating enterprise in the curriculum.

Exchanging Ideas

Various events have been held to encourage the exchange of ideas between University staff and entrepreneurs. The series of '*Enterprise Forum*' events has attracted many guests, ranging from the Region's largest companies to entrepreneurial individuals and business support agencies. The fora provide the opportunity for views to be put to a panel of experts. Topics that have been addressed include, 'Entrepreneurs are created, not born', 'Regional Regeneration and the Role of Objective One' and 'Broadband: the Future'. Another series has been the '*Partners in Innovation*' events which are designed to bring together forward thinking industrialists with commercially minded University staff to enable partnerships to grow and to demonstrate our consultancy potential.

Enterprise Challenge

This business planning competition for staff and students is in its second year. Its aim is to stimulate and reward new business ventures. Over £25,000 worth of prizes are available in cash and legal, financial and IT support. It is sponsored by the National Westminster Bank, DLA, British Telecom and BDO Stoy Hayward. This year participation was extended to staff and students in institutions that are part of the University's Associate College Network.

Enabling Funding

'Spinning Out New Businesses from Research and Intellectual Property in South Yorkshire' is a joint project with Sheffield City Council and the University of Sheffield. The grant of £943,000 from Objective One funding is to support a three year programme to grow new businesses from the universities' research base. The funds will be available to buy in specialist skills and expertise to provide business development support for potential joint ventures and spin-out businesses.

Two Sheffield Hallam projects are being funded by the Higher Education Innovation Fund (HEIF). The *Embedding the Change* project has £534,000 over three years to develop and expand partnership networks with business and industry. It will enable the University to develop its *Enterprise Forum* and *Partnership in Innovation* schemes and expand its *Enterprise Challenge* business planning competition.

The *Knowledge Exchange* is a collaborative cultural change programme to facilitate improved understanding between business and universities through giving academics experience of working in industry and giving business people an insight into modern universities. This is a joint project with the University of Sheffield and has £1m over three years to support placements and other exchange activities.

Major Initiatives

The University is committed to excellence in learning and teaching, professional development and research, and to partnership with both the public and private sector to create regional and national wealth and enhance the quality of life. This is exemplified by the following three initiatives which started during the year.

Health

The two Sheffield universities in partnership with the South Yorkshire NHS Workforce Development Confederation have set up one of only four 'Leading Edge' sites in the country. The sites are funded by the Department of Health to lead the way in developing integrated learning across healthcare professions. The first stage is to analyse the current different curricula and this will lead to the development of common inter-professional learning in both clinical placements and taught modules. This integrated client and patient focused education will help to equip the NHS with staff appropriately skilled to support the Government's modernisation plans.

IT

A unique programme supported by Microsoft Ltd and the Learning and Skills Council is providing a significant enhancement of the region's IT skills. Staff from the University's IT Foundry, part of the School of Computing and Management Sciences, provide industry recognised Microsoft standard training to further education tutors in local schools and colleges in order to equip them with updated skills to train their own IT students. This is the first Microsoft Certified Administrator programme in Europe to be delivered through an educational institution.

Social Policy

The Centre for Regional Economic and Social Research (CRESR) has been awarded a contract by the Department of Transport, Local Government and the Regions to undertake an extensive evaluation of the New Deal for Communities (NDC) programme. The NDC is a key part of the Government's strategy to tackle deprivation in the UK's most disadvantaged areas. Over £1.9bn has been committed to 39 NDC partnerships across the country to address the five core themes of unemployment, health, education, crime and community safety, and housing and the environment. CRESR is leading an evaluation team of 17 universities and consultancies with expertise in neighbourhood renewal.

Honorary Doctorates

During the year the award of D.Univ was conferred on the following in recognition of their achievements:

Janet Barnes: Director of the Crafts Council

Deborah Bull CBE: Principal Dancer with the Royal Ballet

Roy Clarke: Television scriptwriter

Steve Cram MBE: Former athlete and Chair of the English Institute for Sport

Dr A G O. Crowther: Retired Medical Director of St Luke's Hospice

Audrey Hallam OBE: Former Deputy Chief Probation Officer for South Yorkshire

John Hoyland RA: Artist

Paul Jagger MBE: Regional Secretary of the TUC and retiring SHU Governor

Rabbi Julia Neuberger: Head of the Kings Fund

Fiona MacCarthy: Writer

Sir Robert Malpas CBE: Engineer

Sir Patrick Moore OBE CBE: Astronomer

Sir Bryan Nicholson, Retiring Sheffield Hallam University Chancellor

The Baroness Platt of Writtle CBE DL FEng: Member of the House of Lords Select Committee for Science and Technology

Alan Powell: Editor, The Sheffield Telegraph

Polly Vacher: Aviator

Financial Position

The University's Consolidated Income, Expenditure and Results for the year to 31 July 2002 are summarised as follows:

	2002 £000	2001 £000
Income	119,810	114,203
Expenditure	116,968	112,739
	<hr/>	<hr/>
Surplus on Continuing Operations	2,842	1,464
Surplus on Sale of Fixed Assets	1,209	-
	<hr/>	<hr/>
Surplus for the Year	4,051	1,464
	<hr/> <hr/>	<hr/> <hr/>

The University's financial position continues to improve with the 2001/02 results representing the University's fifth consecutive operating surplus and also the best financial performance since the University's inception in 1992. The operating surplus for the year of £2.84m represents just under 2.4% of operating income (2000/01 : 1.3%), whilst the overall surplus for the year, including that arising from the sale of fixed assets, of £4.05m was 3.3% of total income (2000/01 : 1.3%). The University's approved Financial Strategy includes a requirement to achieve an annual surplus of at least 3% of total income and it is therefore very pleasing to report that this requirement was satisfied in 2001/02 for the first time.

During the year, the development of the University's detailed Financial Strategy was completed and was approved by the Board of Governors in December 2001. The Strategy's purpose is to secure the financial liquidity of the University at the same time as accepting an appropriate level of risk consistent with facilitating the achievement of the University's aims. It sets the context for the development of financial forecasts and budgets and the parameters within which management decisions are to be made. By linking academic/operational planning with budgetary/financial planning through a resource need and allocation process, the Financial Strategy is itself linked with and underpins the University's Academic and other supporting strategies.

The Strategy includes six key financial performance indicators (KPI's) covering annual operating surplus, liquidity, long term borrowing, income spread, return on commercial work and expenditure spread. Governors have set targets for each of these KPI's and will monitor the University's performance against each going forward, reviewing the implications and proposing action as may be necessary.

The financial statements show increases in income from almost all sources, with total income increasing by £5.6m (4.9%) to £119.8m. As anticipated, the sector continues to see relatively modest increases in the level of public funding and 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 3.4%. 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 22.5% and 28.5% respectively, whilst income from Research Grants and Contracts has risen by 8.5% to just under £7.4m. This latter income stream has now grown by almost 60% over the last three years since the strategy was introduced.

Total Funds have risen from £70.5m to £75.2m and within that figure, the Income and Expenditure Reserve improved by £4.6m to £30.5m.

The University's ability to generate cash from its operating activities remains a critical element of its financial strategy and 2001/02 saw another strong performance in this area. £14.5m was generated (2000/01 : £12.0m) and this enabled the University to both invest £9.4m in additions to its fixed asset base and also increase current cash balances to £16.9m at 31 July 2002. The significant increase in cash balances has facilitated the continuing improvement in the University's Current Ratio (the ratio of current assets to current liabilities) to the extent that the University had net current assets (of £2.5m) at 31 July for the first time since 1995/96. 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 2002/03 and beyond are likely to 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 remain unchanged at £27.9m.

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 £13.53m (2000/01 : £12.31m) they generated a pre-tax profit of £1.43m (2000/01 : £1.47m).

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.

Workplace stress received a higher profile nationally because of new Health and Safety Executive (HSE) guidance to employers and a judgement by the Court of Appeal. The University's policies and practice have been reviewed against the guidance and work is in progress to compare the incidence of workplace stress in the University with that in similar organisations.

Sustainability

The University aims to minimise the environmental impact of its activities and promote greater environmental understanding through its curricula. Over the year the University achieved two significant reductions, a 5.3% reduction in the volume of water purchased and a 3% reduction in emissions of CO₂. Next year data will be developed which will enable the University to set and monitor targets in relation to waste going to landfill and recycled paper. A further aim for next year is to analyse paper usage and develop a policy for the efficient use of paper. In the summer of 2002 there will be a review of the impact of the policy approved in June 2001 which gave schools responsibility for the introduction of sustainability into the curriculum.

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 21st Century.'

As part of a review of its diversity policies and practices, the University set up working groups to ensure compliance with the Race Relations Amendment Act 2000 (RRAA) and the Special Educational Needs and Disability Act 2001 (SENDA). In April 2001 the Board of Governors approved a Race Equality Policy 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. Progress towards achieving the goals in the implementation plan will be reported to the Board annually. A detailed audit was undertaken by SKIL: National Bureau for Students with Disabilities to determine the extent to which the University already meets the challenges of the Quality Assurance Authority's Code of Practice on Students with Disabilities and that part of SENDA that became operative in September 2002. The audit demonstrated that there was much good practice and an action plan was agreed to address some deficiencies.

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.

The University is seeking to build a partnership approach with both trade union staff representatives and the University's staff overall. Under the direction of the Joint Consultative Committee, a consultation framework has been agreed with the recognised trade unions and a negotiations framework is ready for implementation.

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.

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. The University plan includes reviewing the ways in which the University consults and communicates with staff, especially where major changes are involved, and promoting the new leadership/management development programmes, some of which are already under way.

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 2002 trade creditors represented approximately forty seven days purchases, an increase of twelve days from the July 2001 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.

In line with the Turnbull Committee's guidance on internal control, HEFCE's policy on corporate governance requires universities to move towards a system of reviewing the entire system of internal control. The policy concentrates on a risk based approach, with the aim of integrating corporate governance into the overall management process. HEFCE's Accounts Direction to Higher Education Institutions for 2000/01 requires that all institutions should be in a position to make a full compliance statement covering all aspects of internal control as at the year ending 31 July 2003 and the University has undertaken development work this year to ensure that it will be able to make such a statement in next year's financial statements.

The development work was undertaken by a risk management group established to advise the Vice-Chancellor and the Board on appropriate procedures for risk management and their integration within the planning framework. It has overseen the creation of a risk management policy, the production of a corporate risk register and the development of a process for discussion of risk management, regular risk management reports and an annual review.

The main elements of the University's approach to risk management are:

- It engages in risk management because it is good business practice and brings identified benefits rather than merely to comply with external direction.
- Risk management is not about risk avoidance and can enable high risk activities to be undertaken because the risks have been understood and managed.
- Risk can never be eliminated but can be managed by analysing contributing factors and taking appropriate mitigating actions or improving levels of control.
- Risks are identified, acknowledged and managed by staff at all levels.
- Risk management is embedded across the University through the planning process which engages all levels of staff with management responsibilities.

The Corporate Risk Register includes nine high level corporate risks grouped into categories associated with: reputation, staffing, students, finance and business continuity. Within these categories each risk has been allocated a risk owner whose role is to lead on responses to the risks. Each of the high level risks is linked to relevant Sheffield Hallam strategic objectives. The Register will be reviewed on a regular basis to ensure that redundant risks are removed and emerging areas of risk are added.

In addition to the responsibilities of the high level risk owners and all managers through the planning process, explicit roles have been given to the Board of Governors, the Audit Committee, the University Secretary and the University's Executive Group.

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 2001/2002 sessions were provided on corporate governance and finance.

This report includes a statement showing key elements of the University's internal financial control system (page 13).

Summary of the University's Structure of Corporate Governance

The University's Board of Governors comprises lay and academic persons appointed under the Instrument of Government of the University, the majority of whom are non-executive. The roles of Chairman and Deputy Chairman of the Board of Governors are separate from the role of the University's Chief Executive and Vice-Chancellor. The matters specifically referred to the Board of Governors for decision are set out in the Articles of Government of the University 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 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 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.

Auditors

The Board of Governors appointed KPMG LLP to undertake the audit of the University for the year to 31 July 2002.

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

N Jeffrey
Deputy Chair of the Board of Governors
12 December 2002

D M Green
Vice-Chancellor

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

We have audited the financial statements on pages 16 to 43, 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 21 to 23.

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 read the other information contained in the Board of Governors' report 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 2002 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

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2002

	Note	2002 £000	2001 £000
INCOME			
Funding Council grants	2	62,408	60,278
Academic fees and support grants	3	33,967	30,720
Research grants and contracts	4	7,367	6,790
Other operating income	5	15,455	15,729
Endowment income and interest receivable	6	613	686
		<hr/>	<hr/>
Total income		119,810	114,203
		<hr/>	<hr/>
EXPENDITURE			
Staff costs	7	75,775	72,947
Depreciation	8	8,805	8,284
Other operating expenses	9	30,714	29,708
Interest payable	10	1,674	1,800
		<hr/>	<hr/>
Total expenditure		116,968	112,739
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and before tax		2,842	1,464
Surplus on disposal of fixed assets	11	1,209	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation and disposal of assets but before tax		4,051	1,464
Taxation		-	-
		<hr/>	<hr/>
Surplus after depreciation of assets at valuation, disposal of assets and tax		4,051	1,464
		<hr/>	<hr/>

All results are from continuing operations.

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED BALANCE SHEET

as at 31 July 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
FIXED ASSETS					
Tangible assets	12	100,791		100,825	
Investments	14	<u>42</u>	100,833	<u>42</u>	100,867
ENDOWMENT ASSET INVESTMENTS					
	15		523		240
CURRENT ASSETS					
Stocks and stores in hand		152		160	
Debtors	16	7,364		8,892	
Short term deposits		17,354		9,899	
Cash at bank and in hand		<u>570</u>		<u>505</u>	
		<u>25,440</u>		<u>19,456</u>	
CREDITORS - amounts falling due within one year					
	17	<u>22,982</u>		<u>20,991</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>2,458</u>		<u>(1,535)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			103,814		99,572
CREDITORS - amounts falling due after more than one year					
	18	27,900		27,900	
PROVISIONS FOR LIABILITIES AND CHARGES					
	19	<u>715</u>	<u>28,615</u>	<u>1,176</u>	<u>29,076</u>
TOTAL NET ASSETS			<u>75,199</u>		<u>70,496</u>
Represented by:-					
DEFERRED CAPITAL GRANTS					
	20		16,272		15,903
ENDOWMENTS					
Specific	15		523		240
RESERVES					
Revaluation reserve	21	27,866		28,467	
Income and expenditure	22	<u>30,538</u>	<u>58,404</u>	<u>25,886</u>	<u>54,353</u>
TOTAL FUNDS			<u>75,199</u>		<u>70,496</u>

The financial statements on pages 16 to 43 were approved on behalf of the Board of Governors on 12 December 2002.

N Jeffrey, Deputy Chair of the Board of Governors

D M Green, Vice-Chancellor

SHEFFIELD HALLAM UNIVERSITY

UNIVERSITY BALANCE SHEET

as at 31 July 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
FIXED ASSETS					
Tangible assets	13	95,316		95,803	
Investments	14	<u>17,537</u>	112,853	<u>17,537</u>	113,340
ENDOWMENT ASSET INVESTMENTS					
	15		523		240
CURRENT ASSETS					
Stocks and stores in hand		152		160	
Debtors	16	16,786		20,040	
Short term deposits		17,084		8,996	
Cash at bank and in hand		<u>505</u>		<u>456</u>	
		34,527		29,652	
CREDITORS - amounts falling due within one year					
	17	<u>25,551</u>		<u>25,179</u>	
NET CURRENT ASSETS					
Due within one year		7,537		2,830	
Due after more than one year	16	<u>1,439</u>	<u>8,976</u>	<u>1,643</u>	<u>4,473</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			122,352		118,053
CREDITORS - amounts falling due after more than one year					
	18	50,017		49,568	
PROVISIONS FOR LIABILITIES AND CHARGES					
	19	<u>715</u>	<u>50,732</u>	<u>1,176</u>	<u>50,744</u>
TOTAL NET ASSETS			<u>71,620</u>		<u>67,309</u>
Represented by:-					
DEFERRED CAPITAL GRANTS					
	20		16,272		15,903
ENDOWMENTS					
Specific	15		523		240
RESERVES					
Revaluation reserve	21	27,866		28,467	
Income and expenditure	22	<u>26,959</u>	<u>54,825</u>	<u>22,699</u>	<u>51,166</u>
TOTAL FUNDS			<u>71,620</u>		<u>67,309</u>

The financial statements on pages 16 to 43 were approved on behalf of the Board of Governors on 12 December 2002.

N Jeffrey, Deputy 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 2002

	Note	2002 £000	2001 £000
Surplus after depreciation of assets at valuation, disposal of assets and tax		4,051	1,464
New endowments	15	291	12
Endowment income retained for year	15	(8)	7
		<hr/>	<hr/>
Total recognised gains relating to the year		4,334	1,483
		<hr/>	<hr/>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

for the year ended 31 July 2002

	Note	2002 £000	2001 £000
Surplus after depreciation of assets at valuation, disposal of assets and tax		4,051	1,464
Difference between an historical cost depreciation charge/fixed asset writedown and the actual depreciation charge for the year calculated on the revalued amount	21	444	447
		<hr/>	<hr/>
Historical cost surplus after tax		4,495	1,911
		<hr/>	<hr/>

SHEFFIELD HALLAM UNIVERSITY
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2002

	Note	2002 £000	2001 £000
Cash inflow from operating activities	26	14,493	12,029
Return on investments and servicing of finance	28	(1,069)	(1,107)
Capital expenditure and financial investment	29	(5,135)	(7,222)
Cash inflow before use of liquid resources and financing		8,289	3,700
Management of liquid resources		(7,738)	(4,265)
Financing		(5)	(124)
Increase/(decrease) in cash		546	(689)
 Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		546	(689)
Increase in liquid resources		7,738	4,265
Repayment of debt		5	124
Change in net debt		8,289	3,700
Net debt at 1 August		(18,736)	(22,436)
Net debt at 31 July	30	(10,447)	(18,736)

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 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 in respect of which the University maintains controls at the minimum necessary level.

Recognition of Income

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

Foreign Currencies

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

Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets on the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

Land and Buildings

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

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.

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 23.

2. Funding Council Grants

	2002 £000	2001 £000
Higher Education Funding Council for England	55,413	53,481
Teacher Training Agency	5,374	5,225
Learning and Skills Council	52	134
Deferred capital grants released in year (Note 20)		
Buildings	1,011	1,099
Equipment	558	339
	<hr/>	<hr/>
	62,408	60,278
	<hr/>	<hr/>

3. **Academic Fees and Support Grants**

	2002 £000	2001 £000
Full-time UG home and EU students	14,998	14,646
Full-time PG home and EU students	1,897	1,709
Part-time home and EU students	4,930	4,470
Overseas students	6,079	4,961
Fees from NHS contracts	5,064	3,942
Other fees and support grants	999	992
	<hr/>	<hr/>
	33,967	30,720
	<hr/>	<hr/>

4. **Research Grants and Contracts**

	2002 £000	2001 £000
OST Research Councils	762	902
UK-based charities	311	483
UK central government bodies/local authorities, health & hospital authorities	2,938	1,599
UK industry, commerce and public corporations	844	1,182
EU government bodies	1,796	1,351
EU other	166	635
Other overseas	51	35
Other sources	499	603
	<hr/>	<hr/>
	7,367	6,790
	<hr/>	<hr/>

5. **Other Operating Income**

	2002 £000	2001 £000
Residences, catering and conferences	5,200	5,047
Other services rendered	6,398	6,440
Other income	3,857	4,242
	<hr/>	<hr/>
	15,455	15,729
	<hr/>	<hr/>

6. **Endowment Income and Interest Receivable**

	2002 £000	2001 £000
Transferred from specific endowments (Note 15)	24	43
Income from short term investments	589	643
	<hr/>	<hr/>
	613	686
	<hr/>	<hr/>

7. **Staff**

Staff Costs	2002 £000	2001 £000
Wages and salaries	66,070	63,686
Social Security costs	4,727	4,643
Other pension costs	4,785	4,335
Restructuring costs	193	283
	<hr/>	<hr/>
	75,775	72,947
	<hr/>	<hr/>

Emoluments of the Vice-Chancellor	2002 £000	2001 £000
Salary	123	117
Other benefits	1	-
	<hr/>	<hr/>
	124	117
Pension contributions	10	9
	<hr/>	<hr/>
	134	126
	<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.

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

	2002	2001
£50,000 - £59,999	19	17
£60,000 - £69,999	7	4
£70,000 - £79,999	-	1
£80,000 - £89,999	3	1
£90,000 - £99,999	1	1
£100,000 - £109,999	1	-

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

	2002	2001
School/Research Institute based	1,677	1,680
Academic support departments	287	272
Administration	547	534
Other	249	252
	<hr/>	<hr/>
	2,760	2,738
	<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**

	2002	2001
	£000	£000
The depreciation charge has been funded by:		
Deferred capital grants released (Note 20)	1,767	1,926
General income	6,594	5,911
Revaluation reserve released (Note 21)	444	447
	<hr/>	<hr/>
	8,805	8,284
	<hr/>	<hr/>

9. **Other Operating Expenses**

	2002	2001
	£000	£000
Residences, catering and conferences	1,684	1,977
Consumables and laboratory expenditure	4,222	4,386
Books and periodicals	1,438	1,349
Heat, light, water and power	1,077	1,090
Repairs and general maintenance	1,152	911
Grants to Sheffield Hallam University Union of Students	741	642
Rents	664	650
Auditors' remuneration - Audit	28	31
- Other services	54	12
Equipment operating lease rentals	328	448
Staff development, travel and other expenses	1,932	1,934
Restructuring costs	-	395
Student-related expenses	2,132	2,335
Printing and stationery	1,154	1,169
Postage and telephones	1,146	1,161
Advertising and marketing	1,346	1,825
Franchising/Payments to schools	1,875	2,046
Professional services	4,506	2,977
Other expenses	5,235	4,370
	<hr/>	<hr/>
	30,714	29,708
	<hr/>	<hr/>

10. **Interest Payable**

	2002	2001
	£000	£000
Loans not wholly repayable within five years	1,670	1,797
Finance leases	4	3
	<hr/>	<hr/>
	1,674	1,800
	<hr/>	<hr/>

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

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

The assets were recorded in the accounts at a value of £0.71m and realised on disposal a net surplus of £1.209m.

12. **Tangible Fixed Assets - Consolidated**

	<u>Land and Buildings</u>			<u>Assets in Course of Construction</u>	<u>Equipment</u>	<u>Total</u>
	<u>Freehold</u>	<u>Long Leasehold</u>	<u>Short Leasehold</u>			
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1 August 2001						
Valuation	34,305	-	-	-	-	34,305
Cost	85,261	136	2,701	-	43,455	131,553
Additions at cost	3,310	-	-	920	5,199	9,429
Disposals at cost	(361)	-	-	-	-	(361)
Disposals at valuation	(349)	-	-	-	-	(349)
At 31 July 2002						
Valuation	33,956	-	-	-	-	33,956
Cost	88,210	136	2,701	920	48,654	140,621
Depreciation						
At 1 August 2001	24,548	8	2,550	-	37,927	65,033
Charge for year	4,575	1	75	-	4,154	8,805
Eliminated in disposals	(52)	-	-	-	-	(52)
At 31 July 2002	29,071	9	2,625	-	42,081	73,786
Net Book Value						
At 31 July 2002	93,095	127	76	920	6,573	100,791
At 1 August 2001	95,018	128	151	-	5,528	100,825

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

13. **Tangible Fixed Assets - University**

	Land and Buildings			Assets in Course of Construction	Equipment	Total
	Freehold	Long Leasehold	Short Leasehold			
Cost or Valuation	£000	£000	£000	£000	£000	£000
At 1 August 2001						
Valuation	34,305	-	-	-	-	34,305
Cost	68,263	15,901	2,701	-	43,123	129,988
Additions at cost	3,310	-	-	920	5,178	9,408
Disposals at cost	(361)	-	-	-	-	(361)
Disposals at valuation	(349)	-	-	-	-	(349)
At 31 July 2002						
Valuation	33,956	-	-	-	-	33,956
Cost	71,212	15,901	2,701	920	48,301	139,035
Depreciation						
At 1 August 2001	22,003	6,312	2,550	-	37,625	68,490
Charge for year	4,236	789	75	-	4,137	9,237
Eliminated in disposals	(52)	-	-	-	-	(52)
At 31 July 2002	26,187	7,101	2,625	-	41,762	77,675
Net Book Value						
At 31 July 2002	78,981	8,800	76	920	6,539	95,316
At 1 August 2001	80,565	9,589	151	-	5,498	95,803

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

14. **Investments**

	Consolidated		University	
	2002	2001	2002	2001
	£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
	<hr/>	<hr/>	<hr/>	<hr/>
	42	42	17,537	17,537
	<hr/>	<hr/>	<hr/>	<hr/>

Subsidiary Undertakings

	Principal Activity	Country of Registration	Percentage of Ordinary Shares Held
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 University Enterprises Limited	Non-property related trading activities	England and Wales	100
Virtual Learning Systems Limited	Dormant	England and Wales	100

The University also consolidates the Collegiate Charitable Trust. The Trust's financial statements are prepared to 31 July 2002.

15. **Endowment Assets**

	Consolidated and University	
	2002	2001
	£000	£000
At 1 August	240	221
Income for year	16	50
New endowments	291	12
Transferred to Income and Expenditure account (Note 6)	(24)	(43)
	<hr/>	<hr/>
At 31 July	523	240
	<hr/>	<hr/>
Representing		
Prize funds	154	139
Other funds	369	101
	<hr/>	<hr/>
	523	240
	<hr/>	<hr/>

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

16. **Debtors**

	Consolidated		University	
	2002	2001	2002	2001
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	4,752	5,341	3,931	4,558
Amounts owed by group undertakings	-	-	7,315	8,982
Prepayments and accrued income	2,612	3,551	4,101	4,857
	<hr/>	<hr/>	<hr/>	<hr/>
	7,364	8,892	15,347	18,397
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts falling due after one year:				
Prepayments to group undertakings	-	-	1,439	1,643
	<hr/>	<hr/>	<hr/>	<hr/>
	7,364	8,892	16,786	20,040
	<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**

	Consolidated		University	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank overdrafts	980	1,461	980	833
Obligations under finance leases	14	19	1,603	1,242
Payments received on account	5,944	4,633	5,731	4,770
Trade creditors	3,994	2,844	3,427	2,525
Social security and other taxation payable	2,572	2,107	2,569	2,104
Accruals and deferred income	9,478	9,927	10,941	11,001
Amounts owed to group undertakings	-	-	300	2,704
	<hr/>	<hr/>	<hr/>	<hr/>
	22,982	20,991	25,551	25,179
	<hr/>	<hr/>	<hr/>	<hr/>

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

	Consolidated		University	
	2002	2001	2002	2001
	£000	£000	£000	£000
Loans repayable secured on residential and other property				
Between one and five years:				
Secured loans	9,627	7,638	9,627	7,638
Over five years:				
Secured loans	18,273	20,262	18,273	20,262
Unsecured loans repayable				
Between one and five years:				
Group undertakings	-	-	1,438	1,643
Obligations under finance leases				
Between one and five years:				
Equipment	-	-	4,474	4,001
Over five years:				
Equipment	-	-	440	259
Leasehold obligation to group undertakings	-	-	15,765	15,765
	<hr/>	<hr/>	<hr/>	<hr/>
	27,900	27,900	50,017	49,568
	<hr/>	<hr/>	<hr/>	<hr/>

19. **Provisions for Liabilities and Charges**

	Consolidated and University			
	Property related £000	Pensions £000	Restructuring £000	Total £000
At 1 August 2001	200	508	468	1,176
Utilised in year	-	(32)	(468)	(500)
Released in year	-	-	-	-
Income and Expenditure account	-	39	-	39
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2002	200	515	-	715
	<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.

20. **Deferred Capital Grants**

	Consolidated and University			
	Funding Councils £000	Other Grants £000	2002 Total £000	2001 Total £000
At 1 August				
Buildings	13,273	1,509	14,782	14,535
Equipment	1,021	100	1,121	1,372
	<hr/>	<hr/>	<hr/>	<hr/>
Total	14,294	1,609	15,903	15,907
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Received				
Buildings	987	-	987	1,498
Equipment	1,149	-	1,149	424
	<hr/>	<hr/>	<hr/>	<hr/>
Total	2,136	-	2,136	1,922
	<hr/>	<hr/>	<hr/>	<hr/>
Released to Income and Expenditure account				
Buildings	1,011	148	1,159	1,251
Equipment	558	50	608	675
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,569	198	1,767	1,926
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July				
Buildings	13,249	1,361	14,610	14,782
Equipment	1,612	50	1,662	1,121
	<hr/>	<hr/>	<hr/>	<hr/>
Total	14,861	1,411	16,272	15,903
	<hr/>	<hr/>	<hr/>	<hr/>

21. **Revaluation Reserve**

	Consolidated and University	
	2002 £000	2001 £000
Balance brought forward at 1 August	28,467	28,914
Release in respect of assets sold in year	(157)	-
Release to Income and Expenditure reserve equivalent to depreciation on revaluation	(444)	(447)
	<hr/>	<hr/>
Balance at 31 July	27,866	28,467
	<hr/>	<hr/>

22. **Income and Expenditure Reserve**

	Consolidated £000	University £000
Surplus after depreciation of assets at valuation, disposal of assets and tax	4,051	3,659
Release from revaluation reserve	601	601
	<hr/>	<hr/>
	4,652	4,260
Balance at 1 August 2001	25,886	22,699
	<hr/>	<hr/>
Balance at 31 July 2002	30,538	26,959
	<hr/>	<hr/>

23. **Pension Costs**

TPS/USS

The University participates in the Teachers' Pensions Scheme (TPS) and the Universities Superannuation Scheme (USS). Both are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the schemes are held in separately administered funds. It is not possible to identify each institution's share of the underlying assets and liabilities of the schemes and hence contributions to the schemes are accounted for as if they were defined contribution schemes, 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 schemes for the year.

The schemes are valued every five years for TPS, every three years for USS and by actuaries using the projected unit method. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	TPS	USS
Latest actuarial valuations	31.3.96	31.3.99
Excess of projected investment returns over salary increases per annum	2.0%	2.0%
Pension increases per annum	3.5%	2.5%
Market value of assets at date of last valuation	£61,710m	£18,870m
Proportion of the members' accrued benefits covered by the actuarial value of the assets.	94%	108%
Next actuarial valuation due	31.3.01	31.3.02

LGPS

The University participates in the Local Government Pension Scheme (LGPS), a defined benefits scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

The scheme 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 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
Excess of projected investment returns over salary increases per annum	2.5%
Pension increases per annum	4.0%
Market value of assets at date of last valuation	£2,357m
Proportion of the members' accrued benefits covered by the actuarial value of the assets.	90%
Next actuarial valuation due	31.3.04

The LGPS 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 2002. The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions in payment	2.5%	2.5%
Discount rate	6.0%	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:

	Long term rate of return expected at 31 July 2002	Value at 31 July 2002	Long term rate of return expected at 31 July 2001	Value at 31 July 2001
		£000		£000
Equities	8.0%	39,527	8.0%	41,140
Bond	6.0%	10,888	6.0%	14,238
Property	7.0%	6,745	7.0%	7,939
Other	4.0%	2,012	4.0%	2,297
		59,172		65,614

The following amounts at 31 July 2002 were measured in accordance with the requirements of FRS 17:

	31 July 2002 £000	31 July 2001 £000
Total fair value of assets	59,172	65,614
Present value of scheme liabilities	70,182	63,306
	-----	-----
(Deficit)/Surplus in the scheme – Net pension (liability) asset	(11,010)	2,308
	=====	=====

If the above amounts had been recognised in the financial statements, the Institution's net assets and general reserve at 31 July 2002 would be as follows:

	31 July 2002 £000	31 July 2001 £000
Net assets excluding pension asset	75,199	70,496
Pension (liability) asset	(11,010)	2,308
	-----	-----
Net assets including pension asset	64,189	72,804
	=====	=====
General reserve excluding pension asset	30,538	25,886
Pension (liability) reserve	(11,010)	2,308
	-----	-----
General reserve including pension asset	19,528	28,194
	=====	=====

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 2002;

	Year ended 31 July 2002	
	£000	£000
Analysis of amounts charged to income and expenditure account:		
Current service cost		(2,867)
Past service cost		(9)
Financing:		
- expected return on pension scheme assets	4,926	
- interest on expected scheme liabilities	(3,888)	

- net return		1,038

Year ended 31 July 2002
£000

Analysis of amounts recognised in statement of total recognised gains and losses:

Actual return less expected return on pension scheme assets	(13,601)
Experience gains and losses arising on scheme liabilities	-
Changes in assumptions underlying the present value of scheme liabilities	-
	<hr/>
Total actuarial loss recognised	(13,601)
	<hr/>

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

Surplus on scheme at 1 August 2001	2,308
Movement in year:	
- current service cost	(2,867)
- contributions	2,121
- past service costs	(9)
- other finance income	1,038
- actuarial loss	(13,601)
	<hr/>
Deficit on scheme at 31 July 2002	(11,010)
	<hr/>

The experience gains and losses for the year ended 31 July 2002 were as follows:

Difference between the expected and actual return on scheme assets:

Amount (£000)	(13,601)
Percentage of scheme assets	(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)	(13,601)
Percentage of the present value of the scheme liabilities	(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), 25 of which are against the University. Following a series of test cases, clarification was sought from the UK courts and the ECJ. The ECJ made a series of rulings in May 2000 which were subsequently referred to the House of Lords. In February 2001, the House of Lords reached its long-awaited decision, stating that

- (i) an application for membership must be made no later than 6 months after leaving employment,
- (ii) membership cannot be backdated before 8 April 1976, and
- (iii) missing contributions must be paid if the membership is to count.

The decision left a number of other issues still to be resolved. A directions hearing was held in November 2001 on these issues and a number of test cases were selected, which were heard in June and July 2002 to resolve these issues. The outcome of these test cases is still awaited and the vast majority of the claims lodged remain stayed until the test case issues have been resolved. A hearing on remedies is scheduled to take place in Autumn 2002.

It will, therefore, be some considerable time before the part-time staff pension claims are finally resolved.

24. Lease Obligations

	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
The net finance lease obligations to which the University is committed are:				
Within one year	14	19	1,603	1,242
Between one and five years	-	-	4,474	4,001
Over five years	-	-	16,205	16,024
	14	19	22,282	21,267
Operating lease commitments for the financial year, on leases expiring:				
Within one year	16	18	16	18
Between one and five years	333	493	333	493
Over five years	829	829	3,140	3,140
	1,178	1,340	3,489	3,651

25. **Capital Commitments**

	Consolidated		University	
	2002	2001	2002	2001
	£000	£000	£000	£000
Commitments contracted at 31 July	780	2,288	50	-
Authorised but not contracted at 31 July	19,281	2,850	19,281	2,850
	<u>20,061</u>	<u>5,138</u>	<u>19,331</u>	<u>2,850</u>

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

	2002	2001
	£000	£000
Operating surplus	4,051	1,464
Depreciation	8,805	8,284
Deferred capital grants released to income	(1,767)	(1,926)
Investment income	(613)	(686)
Interest payable	1,674	1,800
Decrease in stocks	8	28
Decrease in debtors	1,528	768
Increase in creditors	2,477	2,000
(Decrease)/increase in provisions	(461)	297
Profit on sale of fixed assets	(1,209)	-
	<u>14,493</u>	<u>12,029</u>

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

	Finance Leases £000	Mortgages & Loans £000	Total £000
Balances at 31 July 2000	143	27,900	28,043
New leases/loans	-	-	-
Capital repayments	(124)	-	(124)
Net amount (repaid)/acquired in year	(124)	-	(124)
Balances at 31 July 2001	19	27,900	27,919
New leases/loans	-	-	-
Capital repayments	(5)	-	(5)
Net amount (repaid)/acquired in year	(5)	-	(5)
Balances at 31 July 2002	14	27,900	27,914

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

	2002 £000	2001 £000
Income from endowments	16	50
Income from short term investments	589	643
Interest paid	(1,674)	(1,800)
	(1,069)	(1,107)

29. **Capital Expenditure and Financial Investment**

	2002 £000	2001 £000
Tangible assets acquired	(9,429)	(9,156)
Receipts from sale of fixed assets	1,867	-
	<hr/> (7,562) <hr/>	<hr/> (9,156) <hr/>
Deferred capital grants received	2,136	1,922
Endowments received	291	12
	<hr/> 2,427 <hr/>	<hr/> 1,934 <hr/>
	<hr/> (5,135) <hr/>	<hr/> (7,222) <hr/>

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

	2001 Consolidated £000	Cash Flows £000	2002 Consolidated £000
Cash at bank and in hand	(956)	546	(410)
Endowment bank balance	240	283	523
	<hr/> (716) <hr/>	<hr/> 829 <hr/>	<hr/> 113 <hr/>
Debt due over more than 1 year: Long term loans	(27,900)	-	(27,900)
Debt due under 1 year: Obligations under finance leases	(19)	5	(14)
Short term deposits	9,899	7,455	17,354
	<hr/> (18,736) <hr/>	<hr/> 8,289 <hr/>	<hr/> (10,447) <hr/>

31. <u>Access Funds</u>	2002 £000	2001 £000
Funding Council Access grants	1,684	1,678
Interest earned	14	29
	<hr/>	<hr/>
	1,698	1,707
Disbursed to students	(1,695)	(1,586)
Grants carried forward and disbursed in following year	(3)	(121)
	<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.

32. **Teacher Training Agency Support Funding**

	2002 £000	2001 £000
Initial Teacher Training Bursaries		
Funds received	2,628	1,804
Disbursed to students	(2,324)	(2,021)
	<hr/>	<hr/>
Unspent funds to be recovered/ (Additional payments to be funded)	304	(217)
	<hr/>	<hr/>
Secondary Shortage Subjects Scheme		
Funds received	362	316
Disbursed to students	(362)	(316)
	<hr/>	<hr/>
Unspent funds to be recovered/ (Additional payments to be funded)	-	-
	<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.

33. **Related Party Transactions**

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

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

Nonetheless the Governors consider it appropriate to disclose transactions where, for example, a parent company directorship or partner status in a professional firm is involved. The following transactions relate to professional partnerships or controlling interests for the period covered by the Financial Statements.

Mr Richard Gregory, Chair of the Board of Governors, was associated with Yorkshire Television which provided services for the University for payment of £1,122.

Mr Michael Renger, a Governor, was associated with Nabarro Nathanson, Solicitors, which provided services for the University for payment of £881.

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 2002

Independent Members (13):

Persons with relevant experience of Industry, Education, Commerce, the Professions and Art & Design

Isadora Aiken	Jan 2001 - Jul 2004
Pamela Gordon	Aug 1995 - Jul 2003
Sue Green	Aug 1997 - Jul 2003
Richard Gregory	Nov 1992 - Jul 2003
Cathy Hamlyn	Nov 1994 - Jul 2002
Nicholas Jeffrey	Aug 1995 - Jul 2003
Bob Kerlake	Aug 1998 - Jul 2002
Desmond Kavanagh	Aug 2001 - Jul 2005
Pam Liversidge	Aug 1994 - Jul 2006
Shahid Malik	Aug 1996 - Jul 2002
Neil McKay	Jan 2001 - Jul 2005
Michael Renger	Aug 2001 - Jul 2005
Marion Simon	Aug 2001 - Jul 2005

Co-opted Members (up to 7):

F Gary Burrell	Aug 2001 - Jul 2005
Christopher Chapman	Feb 2000 - Jul 2004
Mohammed Dajani	Jan 2001 - Jul 2004
Simon Holden	Jan 2001 - Jul 2004
Richard McGloin	Aug 2000 - Jul 2002
Hilary Spencer	Aug 1997 - Jul 2005
Quentin Thompson	Aug 1995 - Jul 2003

Vice Chancellor (Ex Officio):

Prof Diana Green

Two members of teaching staff nominated by the Academic Board:

Prof Sylvia Harvey	Aug 2001 - Jul 2003
Michael Hubbard	Aug 2001 - Jul 2003

Student Governors:

Mark Norman	Jul 2001 - Jun 2002
Paul Watson	Jul 2001 - Jun 2002

Total:

25

Clerk to the Board of Governors:

Ros Seyd