

The Robert Gordon University

Financial statements

For the year ended 31 July 2009

Scottish Charity Number SCO 13781

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Operating and Financial Review

Scope of the Financial Statements

The financial statements have been prepared on a consolidated basis and comply with the Statement of Recommended Practice (SORP) – Accounting for Further & Higher Education Institutions – and applicable accounting standards. The statements, therefore, include the relevant results of The Robert Gordon Industrial Training & Educational Trust (RGITET) joint venture, Univation Limited, The RGIT Educational Development Trust and Viscom (Aberdeen) Limited.

Operating Review

The Robert Gordon University enjoyed a successful year in 2008/9.

The University continued with the implementation of its strategy, 'A Clear Future' during the year. The overall strategic objective for the University is to be, consistently, one of the best modern Universities in the UK. To achieve this ambition the University will;

- Enrich the all-round experience of its students throughout their engagement with the University.
- Enhance the quality and relevance of its taught provision.
- Increase the diversification of its student population.
- Expand its provision of corporate programmes and life-long learning opportunities.
- Grow our internationally excellent research and knowledge exchange activities and reputation
- Secure its economic and environmental sustainability.

The University's focus on professional degree programmes, its widespread use of placement years and the close links it fosters with local and international business and commerce help to ensure Robert Gordon University graduates are 'industry ready'. This is reflected in University league tables with the University regularly appearing in the top 10 in the UK for its graduate employment record.

When compared to the prior year, student full time equivalent numbers increased by 2.6% from 9,609 to 9,855. This performance resulted in the preservation of the Scottish Funding Council's funding allocation. The major area of growth in student populations was in international students which, even allowing for the significant growth seen in this area over the last few years, grew again by 13% to 1,600 full time equivalents. Fee paying international students now account for 16.2% of the University's student population.

The University's research activities received a significant boost with the publication of the results of the 2008 Research Assessment Exercise (RAE 2008). The University was assessed as having an element of world leading research in 8 out of the 11 categories in which it made a submission. This moves the University significantly up the Scottish research league tables and places it as the best modern University in Scotland for research. This result has helped the University to fund a major realignment in its research activities. During the year, all research activities were reorganised into 3 Research Institutes. In addition, income from research grants and contracts increased by 30.9% over the prior year. The income growth, the RAE 2008 performance and the research activity restructure are expected to position the University for continued improvement in research performance.

The University completed its planned restructure during the year. In the prior year, the University made provision of around £1m for the costs of a voluntary redundancy scheme that formed a significant part of this restructuring exercise. The exercise was completed without need for further provisioning and it is believed that the University will be better placed to meet the future with renewed vigour and competitiveness as a result of the restructure.

Operating and Financial Review (continued)

Results for the Year

The Group's results for the year were:

	2008/09	2007/08
	Total £000	Total £000
Income	91,796	86,640
Expenditure	91,072	83,830
Surplus for the year	724	2,810

Total Income increased by £5.16m or 6%, to £91.8m.

Funding Council grants increased by £1.30m or 3.3%, to £40.90m. This represents an underlying increase in teaching and learning grants of 3.8% and an underlying decrease in research grants of 8.6%.

The increase in teaching grants is driven by an underlying increase in the teaching unit of resource of 2.7% for the year. This is driven upwards by the change in per capita funding of pre-registration nursing and midwifery and by further embedding of the funding for increased STSS contributions into the main teaching grant but is depressed slightly by the reduced numbers of students on the nursing and midwifery courses and by the continuing move to a higher tuition fee element of the gross teaching unit of resource.

The decrease in research grants is driven fundamentally by the University's performance at RAE 2001. For the last 3 years research funding for the University has been reducing. It is expected that this will reverse significantly following the University's outstanding performance in RAE 2008.

Tuition fees increased by £3.12m or 10.3%, to £33.45m. The main contributor to this was an increase in income from non-EU students and non-credit bearing courses of £3.08m or 22.7% to £16.63m. This reflected, in particular, the increase of 13% in international full time equivalent students resulting from the Group's continuing focus on international and corporate markets. Home/EU fees increased by £1.61m or 10.6% to £16.81m. This, in the main, reflects a continuation in the move to a higher fee element in the gross teaching unit of resource. Actual 2008/9 home/EU student numbers increased by just under 1% over 2007/8. These increases were offset by a reduction of £1.57m, to £nil, in fees received for education contracts following the change in funding of pre-registration nursing and midwifery from a ring-fenced contract basis to a controlled funding subject group.

Income from research grants and contracts increased by £0.97m or 30.9%, to £4.11m. This very encouraging result saw increased activity across most categories of funded projects, including research council and charity projects. It is expected that this performance will continue once the full impact of the University's performance in RAE 2008 is seen.

Other income increased by £0.56m or 5.5%, to £10.86m. Growth here was driven by improved membership and usage of the University's Sports Centre, high occupation levels for the University's residential accommodation and improved volumes in the University's catering business.

Endowment and investment income decreased by £0.81m to £2.4m as the historically low interest rate regime and stock market returns took their toll on the values realisable from the University's significant free cash and stock market investment balances. These balances have been built up by the University in preparation for investment in the proposed next phase of campus development.

Total expenditure increased by £7.24m or 8.6%, to £91.1m.

Staff costs increased during the year by £1.35m or 2.7%, to £51.76m. Underlying pay costs rose by 5% as a result of the effects of the final negotiated pay settlement and implementation of the Framework Agreement. Offsetting this rise is the inclusion of a provision for restructure in the 2007/8 pay costs which added 1.3% to pay costs for that year and a 1% reduction in total full time equivalent staffing levels in the current year.

Other operating expenses, excluding depreciation and interest, increased by £3.94m or 14.3%. Both years have been inflated by non-recurring expenditures. The 2008/9 and 2007/8 figures are inflated by £2.46m and £1.09m respectively in relation to the increased costs of providing enhanced retirement provision and the current year figure is inflated by £0.2m in respect of a provision for losses on contracts and by £0.38m in respect of unrealised losses on investments. In addition, current year costs have increased proportionately to underlying activity levels in research, accommodation, catering and other services rendered. Adjusting for all of these factors leaves an underlying increase in other operating costs of 6.9%.

The net group result for the year was a surplus of £0.72m.

Operating and Financial Review (continued)

Cash Flow

The Group generated a cash inflow from operating activities of £5.72m for the year, a reduction of £1.13m from the £6.85m generated during 2007/8. After accounting for investment income, taxation, capital expenditure and financial investments the group enjoyed net cash inflows, before use of liquid resources and financing costs, of £4.5m. The University increased its short term deposits by £0.19m to £30.19m at year end while debt levels were reduced by £0.8m to £11.8m.

Capital Projects

The group invested £6.92m in fixed assets during the year. These capital investments included £3.57m on the current phase of the campus development project, £2.2m on fixtures, fittings and equipment, £0.47m on land purchases and £0.68m on upgrading student accommodation stocks.

Treasury Management

The Group's financing and liquidity requirements are managed by the central treasury function of the Finance Department. Minimum liquidity levels are set by the Group's financial strategy and adherence to these is monitored by regular cash flow forecasting throughout the year. In addition, as part of the Group's planning processes, rolling five year financial forecasts are prepared and these include the group's estimated capital expenditure requirements. In this way both liquidity requirements and any future borrowing needs can be determined timeously.

Professional external managers manage the investment of the Group's free cash balances and their performance is monitored by an Investment Panel established by the Finance and General Purposes Committee of the Board of Governors.

The Group's foreign currency earnings form a small part of its overall revenues and hence overall exposure to exchange risk is low. It is not therefore appropriate to adopt formal strategies to reduce exposure to these risks although, on occasion, the group hedges significant one-off foreign currency receivables by purchasing forward contracts.

Financial Strategy

The University's financial strategy is focused on the primary objective of ensuring the long term sustainability of the University's operations. This objective is pursued by:

- Ensuring financial processes are robust and financial information accurate and timely.
- Observing strict and objective criteria for the allocation of scarce resources.
- Making best use of available resources through the observance of value for money criteria.
- Managing expenditure in accordance with approved budgets.
- Proactively managing the financial and other risks associated with decision making.

The University's Board of Governors, acting through its Finance and General Purposes Committee, reviewed and approved the financial strategy during the financial year.

Payment of Creditors

It is the University's policy to obtain the best terms for all business and there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to abide by specific payment terms. There was no interest paid under the Late Payments of Commercial Debts (Interest) Act.

During the year ended 31 July 2009, creditors were paid on average in 17.4 days (2008: 20.4 days).

Political Donations

No donations for political purposes were made during the year.

Operating and Financial Review (continued)

Employment of People with Disabilities

As a fundamental part of the Equity & Diversity Policy, the University wishes to encourage the employment of individuals with disabilities. 2% of the University's workforce is disabled. In keeping with recent developments in the statutory provisions governing employment of the disabled, the University seeks to optimise opportunities for those with disabilities and to influence those behaviours that affect employment decisions. It is, therefore, the policy of the University to develop and maintain measures to encourage the recruitment, development and retention of disabled individuals. In particular, the University will:

Regularly review and, where appropriate, adapt access and safety facilities throughout the University for disabled students and staff.

On request, make suitable arrangements to allow disabled individuals to attend an interview.

Give sympathetic consideration to individuals with mobility disabilities in the provision of car parking space.

Make every effort to retain or retrain employees who become disabled or whose disability becomes progressively worse. This can involve making alterations to working hours or responsibility, providing specialist equipment or re-deployment to alternative work.

Incorporate disability awareness into the University's programme of Equal Opportunities training, particularly targeting staff involved in the recruitment and selection process.

Ensure, so far as reasonably practicable, that the working environment does not deter disabled individuals from taking up an appointment.

Review and develop recruitment procedures to encourage applications from people with disabilities. Applications for employment will only be considered on the basis of suitability for the post concerned.

Employee Consultation, Negotiation and Communication

It is the policy of the University to encourage effective communication with employees directly and through trade unions which represent the interests of their members, whether recognised or not. The University has in place modern arrangements for local consultation, negotiation and internal communication, covering all matters which may affect its employees nationally or locally. These arrangements are based on a system of Partnership Agreements (including trade union recognition provision) and two Joint Negotiation & Consultation Groups (JNCGs), one for academic staff and the other for professional and support staff. Within this arrangement there is provision for Special Interest Groups (SIGs) where the University's trade union recognition conditions cannot be fully met, so that with or without formal trade union recognition, there is a forum for dialogue at all times.

The arrangements also include a participative approach to policy development through a variety of internal committees, project teams and short life working groups. Information regarding policies, procedures, pay and conditions of employment are widely available through 'roadshows', in paper form, information packs and on the web, recognising the requirement which prevails for a mixed mode of communication. All new employees receive comprehensive policy packs.

Constitution, Governance and Regulation

Although the University had its origins in 1909, the current Governing Body was constituted and incorporated by the Central Institutions (Scotland) Amendment Regulations 1981 and operated under The Robert Gordon University (Scotland) Order of Council 1993, which came into effect on 19 May 1993, until 4 October 2006. Following a review of its constitution, the Governing Body came to the conclusion that its constitution would benefit from modernisation and increased clarity. Application was made to the Scottish Executive and the Privy Council and permission to change the constitution granted. On 4 October 2006 a new order, The Robert Gordon University (Scotland) Order of Council 2006, was passed by the Scottish Executive and came into effect immediately.

The Board of Governors is, subject to the provisions of the above order, the executive governing body of the University. The University's corporate governance arrangements are set out on pages 9 to 10 and the members of the Board are set out on pages 7 to 8.

The University is an exempt charity within the meaning of the Charity and Trust Investment (Scotland) Act 2005. The University is registered with the Office of the Scottish Charity Regulator under number SCO 13781.

The University is regulated principally by the Scottish Funding Council under the terms of a financial memorandum.

Operating and Financial Review (continued)

Future Developments

The University will be moving forward to realise the objectives it has set out in 'A Clear Future'. This will involve it in a continuing review of its portfolio of provision; investing and disinvesting where appropriate, to ensure its range of offerings and services is aligned to future student demand. Its interactions with the corporate sector will continue to be at the forefront of developments. The outcome of the RAE 2008 will involve the University in refining and concentrating its investment in applied research and knowledge exchange and this will be reflected in new structural arrangements for the management of these activities.

Tight public sector funding settlements are expected to continue. In response, the University will be looking to ensure sustainability by diversifying its sustainable base of activities and by focusing on the value for money it can achieve from its human and physical resource base.

Operating and Financial Review (continued)

Chancellor of the University

Sir Ian Wood

Board of Governors

Governors who served during the year were as follows:

Dr Melfort A Campbell (Chair)	See below
Mrs Sheena N Anderson	Finance and General Purposes Committee, Nominations Committee (until 31 December 2008)
Mr Sandy Brownlee (Postgraduate Student officer until 31 August 2009)	Finance and General Purposes Committee
Mr Alasdair Craigie	Finance and General Purposes Committee
Ms Jennifer F Craw (appointed 1 January 2009)	Finance and General Purposes Committee, Nominations Committee
Mr Barney Crockett (until 31 December 2008)	Staff Governance Committee, Audit Committee (C)
Mrs Margaret C Donald (Vice-Chair from 1 January 2009).....	Staff Governance Committee, Nominations Committee
Mr Robert A Duncan	Audit Committee Finance and General Purposes Committee
Mrs Elizabeth Hancock	Staff Governance Committee, Nominations Committee
Mrs Marysia W Lewis (resigned September 2008)	Finance and General Purposes Committee, Nominations Committee
Mr William A McKimmie	Finance and General Purposes Committee (until 31 December 2008), Nominations Committee, Staff Governance Committee (from 1 January 2009)
Mr Ben Paton (Undergraduate Student Officer, appointed 1 September 2008)	Finance and General Purposes Committee
Professor R Michael Pittilo (Principal & Vice-Chancellor)	See below
Mr Gregory Poon (appointed 1 January 2009)	Staff Governance Committee
Mrs Gillie Reith (until 9 April 2009 (deceased)).....	Finance and General Purposes Committee, Staff Governance Committee
Mr James F Royan (until 31 December 2008)	Staff Governance Committee
Mr Mike Salter.....	Finance and General Purposes Committee
Professor Dennis Tourish (resigned July 2009)	Staff Governance Committee
Dr George E Watkins.....	Finance and General Purposes Committee (C)
Professor Jamie Weir.....	Audit Committee ((C) appointed 1 January 2009), Staff Governance Committee
Mrs Lesley M Wilson.....	Staff Governance Committee (C)
Ms Jennifer E Young (appointed 1 January 2009).....	Finance and General Purposes Committee, Audit Committee
Sir Stephen Young (resigned October 2008)	Audit Committee

(C) = Convener


Operating and Financial Review (continued)

The Chair of the Board of Governors and the Principal and Vice-Chancellor both serve ex officio on the Finance and General Purposes Committee, the Staff Governance Committee, the Nominations Committee and the Chair's Committee. The members of the Remuneration Committee are the Chair and Vice-Chair of the Board of Governors and the Conveners of each of the Finance and General Purposes Committee and the Staff Governance Committee.

Auditors

The University will be tendering for external audit services during the year.

Signed



Dr Melfort A Campbell
Chair of the Board of Governors

Statement of Corporate Governance and Internal Control

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998 and those set out in the Governance Code of Practice contained in the Guide for Members of Higher Education Governing Bodies in the UK issued by the Committee of University Chairmen in November 2004. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The University's Governing Body is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body established a Working Group on Governance in order to review its processes, its effectiveness and its compliance with various aspects of good practice. As part of this process the Governing Body has compared its existing practices with those recommended in the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks. The Governing Body confirms that, to the extent that relevant statutory provisions so permit, its practices reflect the Good Practice Benchmarks.

The University's Governing Body meets formally four times a year and has several committees, including a Finance and General Purposes Committee, a Nominations Committee, a Remuneration Committee, an Audit Committee, and a Staff Governance Committee. All of these Committees are formally constituted with terms of reference and they comprise mainly lay members of the Governing Body, one of whom is the chair. They each meet at least three times a year and more frequently if required. The standing committees of the Governing Body have in place an agreed system of evaluation whereby committee members rank the performance and effectiveness of the committee in accordance with its specific terms of reference. The committees' self-evaluation is reported to the Governing Body for consideration and comment.

The Finance and General Purposes Committee, *inter alia*, recommends to the Governing Body the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The Nominations Committee considers nominations for vacancies in the Governing Body membership.

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal and Vice-Chancellor.

The Audit Committee, which is comprised of not less than three lay governors and at least one and not more than two members who are external to the University, meets at least four times a year, with the University's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

In respect of its strategic and development responsibilities, the Governing Body receives recommendations and advice from the University's Strategic Planning and Resources Group (SPARG), comprising the Principal and Vice-Chancellor, his Vice-Principals and Executive Directors and the Deans of Faculty, Dean of Students and Dean of Teaching and Learning. The University has adopted an updated strategic plan which was approved by the Governing Body in September 2007 and refreshed in November 2009. The risk assessment and performance management processes implemented by the University focus on matters which are relevant to the achievement of that strategy. The University has developed and agreed a series of Critical Success Factors and Key Performance Indicators to help it measure performance related to its strategic objectives. The SPARG monitors and reviews the performance of the University in accordance with these criteria and reports regularly on progress to the Governing Body.

The SPARG receives reports on performance across a range of key activities and considers possible control issues and risk indicators brought to its attention by early warning mechanisms which are embedded within operational units and reinforced by risk awareness training. It also receives regular reports from the health and safety monitoring function. In addition, the SPARG and the Audit Committee receive regular reports from the internal auditors which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The Governing Body's agenda includes a regular item for consideration of risk and control and it receives reports thereon from the SPARG and the Audit Committee as appropriate. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2009 meeting, and in accordance with Turnbull guidance issued by the Financial Reporting Council, the Governing Body carried out the annual internal control assessment for the year ended 31 July 2009 by considering documentation from the SPARG and taking account of events since 31 July 2009.

Statement of Corporate Governance and Internal Control (continued)

The Governing Body is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, that it has been in place for the year ended 31 July 2009 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group.

Signed



Dr Melfort A Campbell
Chairman of the Board of Governors

Statement of the Primary Responsibilities of the Governing Body

Following formal approval of the Robert Gordon University (Scotland) Order of Council 2006 the Board of Governors was required to adopt and publish a statement of primary responsibilities, which is as follows;

'This Statement is based on the Model Statement contained in the Governance Code of Practice published by the Committee of University Chairmen, adapted to reflect the functions and duties that the Board derives from its Statutory Instrument.

The Board is the governing body of the University. The Board has ultimate responsibility for the affairs of the University with the exception of academic standards which are the responsibility of the Academic Council. The Board is responsible for reviewing the work of the University taking such steps as it thinks proper for ensuring that the University's objects are achieved. The objects being to:-

- (a) provide education and learning of all types;
- (b) provide facilities for and encourage and undertake study in research;
- (c) encourage the advancement, development and dissemination of knowledge; and
- (d) encourage and provide facilities for design, development, consultancy and testing.

Consistent with the University's Statutory Instrument, the primary responsibilities of the University Board are as follows:-

- (i) To oversee the University's activities, determine its mission and future direction, foster an environment in which the University's objects are achieved and provide strategic input on all material policy or other matters affecting the University. This will include the approval and review of the University's long-term and strategic plans, including key performance indicators, and for ensuring that these meet the interests of the University's stakeholders. The Board will also approve an annual Business Plan [University Implementation Plan (UIP)], Budget, Financial Forecasts and Financial Statements for the University.
- (ii) To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
- (iii) To appoint new members of the Board of Governors.
- (iv) To appoint a Principal and Vice-Chancellor as the chief academic and executive officer of the University and to put in place suitable arrangements for monitoring his/her performance.
- (v) To delegate authority to the Principal and Vice-Chancellor for the academic, corporate, financial, estate and personnel management of the University and to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal and Vice-Chancellor.
- (vi) To appoint all members of the SPARG, a Secretary to the Board and other office holders to have such powers as the Board may see fit.
- (vii) To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interests.
- (viii) To establish processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
- (ix) To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life, i.e.

Selflessness - Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.

Integrity - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Statement of the Primary Responsibilities of the Governing Body (continued)

Objectivity - In carrying out the public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership - Holders of public office should promote and support these principles by leadership and example.

- (x) To safeguard the good name and values of the institution.
- (xi) To employ staff and other contractors and regulate their employment.
- (xii) To appoint a Chancellor as the titular Head of the University.
- (xiii) To set up within the University such Departments, Schools, Faculties and other units of organisation and delegate to them such functions, duties and powers as it sees fit.
- (xiv) To appoint and regulate Committees of the Governors, and where appropriate, others.
- (xv) To make regulations, byelaws and standing orders for the exercise of the functions and duties of the Board acting on behalf of the University.
- (xvi) To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name.
- (xvii) To make such provision as it thinks fit for the general welfare of students, in consultation with Academic Council.
- (xviii) To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University.
- (xix) To ensure that the University's Statutory Instrument is followed at all times and that appropriate advice is available to enable this to happen.'

It is the Governing Body's responsibility to prepare annual financial statements in accordance with the Accounts Direction issued by the Scottish Funding Council, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Independent Auditors' Report to the Governors of The Robert Gordon University

Independent auditors' report to the Governors of the Robert Gordon University

We have audited the financial statements of Robert Gordon University for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Surpluses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Governing body and auditors

The Governing Body's responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Scottish Funding Council, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom Law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Body's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the University Governing Body in accordance with the financial memorandum with the Scottish Funding Council and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Further and Higher Education (Scotland) Act 2005 governing the University and where appropriate with the financial memorandum with the Scottish Funding Council.

We also report to you if, in our opinion, the institution 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.

In addition we report to you if, in our opinion, the University has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Operating and Financial Review, the Corporate Governance Statement and the Statement of the Primary Responsibilities of the Governing Body.

We also review the Statement of Internal Control (included as part of the Corporate Governance Statement) and comment if the statement is inconsistent with our knowledge of the University and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Financial Memorandum issued by the Scottish Funding Council. 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 Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the university, and group's circumstances, consistently applied and adequately disclosed.

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

Independent Auditors' Report to the Governors of The Robert Gordon University (continued)

Opinion

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the university and the group as at 31 July 2009, and of the group's income and expenditure, recognised gains and losses, and statement of cash flows for the year then ended;
- ii. the financial statements have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and with United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the university have been applied only for the purposes for which they were received; and
- iv. in all material respects, income has been applied in accordance with the Further and Higher Education (Scotland) Act 2005 and, where appropriate, with the Financial Memorandum dated January 2006 with the Scottish Funding Council.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Glasgow
Date 17 December 2009

The maintenance and integrity of the Robert Gordon University's website is the responsibility of the Governing Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Principal Accounting Policies & Estimation Techniques

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment and fixed asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice – Accounting for Further & Higher Education Institutions (SORP) – and applicable accounting standards.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its subsidiary undertaking, Univision Limited, and its quasi subsidiary, The RGIT Educational Development Trust. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal.

The group has a joint venture interest in The Robert Gordon Industrial Training & Educational Trust of which it is the sole beneficiary. It accounts for its interest in the joint venture using the gross equity method of accounting whereby the value of the investment in the joint venture is adjusted in each period to reflect the group's share of the results of the joint venture.

The consolidated income and expenditure account also includes the group's share of the profits or losses and tax of Viscom (Aberdeen) Limited, an associated undertaking, and the consolidated balance sheet similarly includes the investment in Viscom (Aberdeen) Limited, valued at the group's share of the underlying net assets. Associated undertakings are those in which the group has a significant, but not dominant, influence over their commercial and financial policy decisions.

Recognition of income

Revenue grants are credited to income in the year in which they are received. Tuition fees are credited to income on a receivable basis. Income from specific endowments and donations, and research grants and contracts are included to the extent of the related expenditure incurred during the year. All income from investments 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.

Pension costs

Retirement benefits for employees of the University are provided by the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme; however, as the schemes are multi-employer schemes they are treated as defined contribution schemes for the purpose of FRS17 disclosures.

The contributions are determined by qualified actuaries on the basis of triennial valuations, using the projected unit method. Pension costs are charged to the income and expenditure account over the period during which the University derives benefit from the employees' services.

Accounting for Charitable Donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Charitable donations which are expendable with no restrictions placed on the University by the donor on the application of the donation are recognised in the income and expenditure account during the year of receipt.

Statement of Principal Accounting Policies & Estimation Techniques (continued)

Endowment Funds

Where charitable donations are restricted to a particular objective specified by the donor or where the capital element must be maintained, these are accounted for as an endowment on the balance sheet. There are three main types:

Unrestricted Permanent Endowment – the donor prescribes that the capital element of the donation must be maintained but the income earned thereon is expendable with no restriction placed on its application by the donor.

Restricted Permanent Endowment – the capital fund is maintained and the income thereon must be applied to a purpose specified by the donor.

Restricted Expendable Endowments – there is no requirement to maintain the capital element but the income received is only expendable against the objectives specified by the donor.

Where donations must be applied to the purchase and / or construction of tangible fixed assets then these are recognised as a deferred capital grant on the balance sheet.

Tangible Fixed assets

Land and buildings

Land and Buildings are stated at valuation. Additions during the year are stated at cost. The basis of valuation is depreciated replacement cost except for assets which are surplus to the University's requirements which are valued on the basis of Open Market Value. Land is held feuhold and is not depreciated. Buildings are depreciated over their expected useful lives of 5-50 years on a straight line basis. Leasehold property is depreciated over the life of the lease.

Where improvements to buildings are made with the aid of specific grants the costs are capitalised and depreciated on a straight line basis. The related grants are treated as deferred capital grants and released to income over the estimated useful life of the improvements. Buildings in the course of construction are not depreciated until construction is complete.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

Equipment

Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of between three and five years.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

Fixtures and Fittings

Fixtures and fittings are stated at purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixtures and fittings on a straight line basis over the expected useful economic lives of the assets concerned. The principal expected useful lives for this purpose are between five and fifteen years.

Leases

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

Assets held for leasing under operating leases are included in tangible assets at original cost less depreciation.

Leasing agreements that transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and

Statement of Principal Accounting Policies & Estimation Techniques (continued)

the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Investments

Investments in joint ventures are accounted for using the gross equity method as described under basis of consolidation above. Endowment asset investments and other long-term investments are included in the balance sheet at market value.

Current asset investments are included at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation status

The University is a recognised body within the meaning of Section 2 of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 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 within 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 to exclusively charitable purposes.

The University receives no similar exemption in respect of Value Added Tax.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- On the basis of all available evidence deferred tax assets are recognised only to the extent that the Board of Governors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions for restructuring

Provision is made for the estimated costs which will be incurred as a result of decisions made by the Governing Body concerning premature retirement before the balance sheet date.

An annual contribution representing interest is credited to the provision and the costs of enhanced pensions are charged against the provision which is revalued actuarially on an annual basis.

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 as cash.

Liquid assets comprise assets which are readily disposable. They include term deposits, government securities and equities held as part of the University's investment and treasury management activities. They exclude assets held as fixed and endowment asset investments.

Statement of Principal Accounting Policies & Estimation Techniques (continued)

Estimation techniques

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for provisions for doubtful debts and provisions for liabilities and charges.

Consolidated Income and Expenditure Account

Year ended 31 July 2009

	Notes	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
INCOME			
Funding Council Grants	1	40,901	39,597
Tuition Fees and Education Contracts	2	33,446	30,323
Research Grants & Contracts	3	4,113	3,142
Other Income	4	10,857	10,295
Endowment and Investment Income	5	2,403	3,210
Total Income		91,720	86,567
Less: Share of income from joint venture		(34)	(32)
Net Income		91,686	86,535
EXPENDITURE			
Staff costs	6	51,761	50,415
Other operating expenses	8	31,518	27,575
Depreciation	12	6,245	4,986
Interest Payable	7	603	650
Total Expenditure	8	90,127	83,626
Share of operating profit in joint venture	13	30	36
Share of operating profit of associates	13	80	69
SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT VALUATION AND EXCEPTIONAL ITEMS BEFORE TAX		1,669	3,014
Taxation	9	(945)	(204)
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION EXCEPTIONAL ITEMS AND TAX		724	2,810
Deficit for the year transferred to accumulated income endowment funds	23	(85)	(36)
Surplus for the year retained within general reserves		809	2,846

Income and expenditure for the joint venture represents discontinued operations.

Statement of Group Historical Cost Surpluses and Deficits

Year ended 31 July 2009

		Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus on continuing operations before taxation		1,669	3,014
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	24	639	104
Realisation of property revaluation gains of previous years	24	0	3,103
Historical cost surplus for the period before taxation		2,308	6,221
Historical cost surplus for the period after taxation		1,363	6,017

Statement of Group Total Recognised Gains and Losses

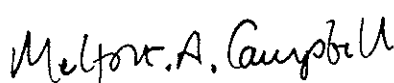
Year ended 31 July 2009

	Notes	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus on continuing operations		809	2,846
Unrealised surplus on revaluation of fixed assets	24	0	25,677
Unrealised deficit on revaluation of investments	24	(980)	(2,053)
Released on disposal of investments	24	(311)	(755)
Endowments (withdrawn) / added	23	(98)	23
Depreciation of endowment asset investments	23	(85)	(208)
New endowments	23	134	81
Total recognised (losses) / gains relating to the year		(531)	25,611
Reconciliation			
Opening reserves and endowments		158,490	132,879
Total recognised (losses) / gains for the year		(531)	25,611
Closing reserves and endowments		157,959	158,490

Balance Sheets at 31 July 2009

	Notes	Year ended 31 July 2009 Group £000	University £000	Year ended 31 July 2008 Group £000	University £000
Fixed Assets					
Tangible assets	12	159,034	158,975	158,528	158,439
Investments	14	17,568	11,009	18,770	12,128
Investment in joint venture	15	557	557	527	527
		177,159	170,541	177,825	171,094
Endowment assets	16	1,260	1,260	1,309	1,309
Current Assets					
Stocks		7	7	12	12
Debtors	17	4,775	9,320	5,029	8,605
Investments	18	30,190	30,190	30,006	30,006
Cash at Bank and in Hand		5,877	4,035	2,407	958
		40,849	43,552	37,454	39,581
Less : Creditors – amounts falling due within one year	19	17,351	20,138	19,854	22,078
Net current assets		23,498	23,414	17,600	17,503
Total assets less current liabilities		201,917	195,215	196,734	189,906
Less : Creditors – amounts falling due after more than one year	20	11,520	11,520	11,804	11,804
Less : Provision for liabilities and charges	21	9,883	9,883	7,834	7,834
NET ASSETS		180,514	173,812	177,096	170,268
Deferred capital grants	22	22,555	22,555	18,606	18,606
Endowments					
Expendable		140	140	104	104
Permanent		1,120	1,120	1,205	1,205
	23	1,260	1,260	1,309	1,309
Reserves					
Income & Expenditure Account		76,585	69,883	75,137	68,309
Revaluation Reserve		80,114	80,114	82,044	82,044
	24	156,699	149,997	157,181	150,353
TOTAL FUNDS		180,514	173,812	177,096	170,268

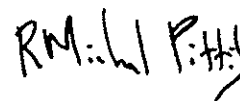
The financial statements on pages 19 to 37 were approved by the Governing Body on 17 December 2009 and were signed on its behalf by:



M A Campbell
Chairman



M D McCall
Director of Finance



R M Pittilo
Principal

Group Cash Flow Statement Year Ended 31 July 2009

	Notes	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	5,718	6,846
Returns on investment and servicing of finance			
Income from endowments		44	55
Interest received		1,209	1,248
Investment Income		1,150	1,907
Interest paid		(603)	(650)
		<u>1,800</u>	<u>2,560</u>
Dividends from associated company		0	50
Taxation	9	(945)	(204)
Capital expenditure and financial investment			
Land and building additions		(4,618)	(9,036)
Purchase of equipment and fixtures and fittings		(2,298)	(2,664)
Disposal of fixed assets		207	4,872
Deferred capital grant received		4,942	5,456
Purchase of fixed asset investments		(2,494)	(4,883)
Disposal of fixed asset investments		2,016	3,134
New Endowments		134	81
Endowment asset additions		(118)	(210)
Endowment asset disposals		170	183
Realisation of investment in joint venture		0	0
		<u>(2,059)</u>	<u>(3,067)</u>
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		4,514	6,185
Management of liquid resources	30	(184)	(8,374)
Financing	30	(772)	(678)
INCREASE / (DECREASE) IN CASH		<u>3,558</u>	<u>(2,867)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
		Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
INCREASE / (DECREASE) IN CASH IN THE PERIOD		3,558	(2,867)
Change in Short term Deposits		184	8,374
Change in Debt		772	678
CHANGE IN NET FUNDS		<u>4,514</u>	<u>6,185</u>
Net Funds at Beginning of the Year		20,021	13,836
NET FUNDS AT END OF YEAR	30	<u>24,535</u>	<u>20,021</u>

Notes to the Accounts

1 FUNDING COUNCIL GRANTS	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
SFC recurrent teaching grant	37,304	35,447
SFC research grant	2,166	2,369
Other SFC grants	321	602
Funding for increased STSS contributions	193	384
Release of deferred capital grants (Note 22)	917	795
	40,901	39,597
2 TUITION FEES AND EDUCATION CONTRACTS	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
UK and EU fees	16,813	15,198
Non-EU fees	14,917	11,957
Non-credit bearing course fees	1,716	1,597
Education Contracts	0	1,571
	33,446	30,323
3 RESEARCH GRANTS AND CONTRACTS	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Research Councils	397	257
UK Based Charities	249	192
European Commission	40	218
Other grants and contracts	3,427	2,475
Total grant and contract income	4,113	3,142
4 OTHER INCOME	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Residences & Catering	5,822	4,947
Other Services Rendered – University	4,071	3,579
Other Services Rendered – Subsidiaries	121	122
Other Income	767	1,574
Releases from deferred capital grants	76	73
	10,857	10,295
5 ENDOWMENT AND INVESTMENT INCOME	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Income from permanent endowments	44	55
Investment income	1,150	1,907
Interest receivable	1,209	1,248
	2,403	3,210

Notes to the Accounts (continued)

6 STAFF COSTS

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Staff costs:		
Wages & Salaries	42,397	41,539
Social Security Costs	3,408	3,351
Other Pension Costs	5,956	5,525
	51,761	50,415

Analysed as:

- Staff on permanent contracts	44,820	42,685
- Staff on temporary contracts	6,941	7,730
	51,761	50,415

Emoluments of the Principal:

		£
Salary	186,250	175,000
Benefits in kind	1,639	1,474
Pension contributions	20,437	16,785
	208,326	193,259

Remuneration of other higher paid staff, excluding employers pension and national insurance contributions:

		No.
£70,000 to £79,999	14	12
£80,000 to £89,999	7	2
£90,000 to £99,999	3	1
£100,000 to £109,999	3	2
£110,000 to £119,999	1	2
£120,000 to £129,999	2	0
	30	19

Average Staff Numbers by Major Category:

		No.
Academic departments	641	633
Academic services	132	141
Central management and support	162	156
Premises	140	147
Residences and catering	11	14
Research grants and contracts	81	84
Other income generating activities	85	89
	1,252	1,264

Analysed as:

- Staff on permanent contracts	1,127	1,141
- Staff on temporary contracts	125	123
	1,252	1,264

None of the members of the Governing Body received remuneration from the University for acting as Board members (2008: none).

Notes to the Accounts (continued)

7 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Loans repayable wholly or partly in more than 5 years	600	643
On finance leases	3	7
	603	650

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Dep'n £000	Other Op Expenses £000	Interest Payable £000	Total Year ended 31 July 2009 £000	Total Year ended 31 July 2008 £000
Academic Departments	31,399	882	7,565	299	40,145	37,812
Academic services	4,588	720	2,781	0	8,089	8,162
Central Management and Support	7,998	340	3,883	0	12,221	11,959
Premises	3,197	3,363	4,397	0	10,957	9,702
Residences and Catering	511	545	5,077	186	6,319	5,221
Research Grants and Contracts *	2,396	0	1,280	0	3,676	3,631
Other Services Rendered	1,672	395	2,680	118	4,865	4,186
Other Expenses	0	0	3,855	0	3,855	2,953
	51,761	6,245	31,518	603	90,127	83,626

* Includes £375k for the Research Development Initiative

Other operating expenses include:

Provision for premature retirement compensation	2,462	1,091
Grants to Student Association	478	336
Auditors' Remuneration – external audit ex vat*	39	37
Auditors' Remuneration – internal audit ex vat**	31	26
Auditors' Remuneration– other services – external & internal audit ex vat	8	32

* Included £30k in respect of The Robert Gordon University (2008: £27k ex vat)

** Relates entirely to The Robert Gordon University

Comparison of other operating expenses with the previous year is as follows:

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Academic Departments	7,565	6,165
Academic Services	2,781	2,864
Central Management & Support	3,883	4,229
Premises	4,397	3,824
Residences & Catering	5,077	4,198
Research Grants & Contracts	1,280	1,083
Other Services Rendered	2,680	2,259
Other Expenses	3,855	2,953
	31,518	27,575

9 TAXATION

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
UK Corporation Tax at 20% (2008: 20%) payable on the profits of Viscom (Aberdeen) Limited	16	14
Overseas withholding taxes not recoverable in Univation Ltd	929	190
	945	204

Notes to the Accounts (continued)

10 EXCEPTIONAL ITEMS

There were no exceptional items during the year.

11 INTANGIBLE ASSETS

The group does not hold any intangible assets.

12 TANGIBLE FIXED ASSETS	Heritable Land and Buildings £000	Leasehold Land and Buildings £000	Fixtures, Fittings and Equipment £000	Assets in Course of Construction £000	Total £000
Group					
Cost and valuation:					
At 1 August 2008	148,199	147	16,968	1,198	166,512
Additions at cost	465	0	2,068	4,383	6,916
Disposals at cost	0	0	(18)	(165)	(183)
Transfers to other category	572	0	203	(775)	0
Revaluation	0	0	0	0	0
At 31 July 2009	149,236	147	19,221	4,641	173,245
Depreciation:					
At 1 August 2008	0	83	7,901	0	7,984
Charge for year	3,447	15	2,783	0	6,245
Eliminated in respect of disposals	0	0	(18)	0	(18)
Transfers to other category	0	0	0	0	0
Revaluation	0	0	0	0	0
At 31 July 2009	3,447	98	10,666	0	14,211
Net Book Value:					
At 31 July 2009	145,789	49	8,555	4,641	159,034
At 31 July 2008	148,199	64	9,067	1,198	158,528
University					
Cost and Valuation:					
At 1 August 2008	148,199	0	16,819	1,198	166,216
Additions at cost	465	0	2,059	4,383	6,907
Disposals at cost	0	0	(6)	(165)	(171)
Transfers to other category	572	0	203	(775)	0
Revaluation	0	0	0	0	0
At 31 July 2009	149,236	0	19,075	4,641	172,952
Depreciation:					
At 1 August 2008	0	0	7,777	0	7,777
Charge for year	3,447	0	2,759	0	6,206
Eliminated in respect of disposals	0	0	(6)	0	(6)
Transfers to other category	0	0	0	0	0
Revaluation	0	0	0	0	0
At 31 July 2009	3,447	0	10,530	0	13,977
Net Book Value:					
At 31 July 2009	145,789	0	8,545	4,641	158,975
At 31 July 2008	148,199	0	9,042	1,198	158,439

Notes to the Accounts (continued)

Land and buildings are stated at valuation at 31 July 2008, the basis of valuation is depreciated replacement cost and was carried out by F G Burnett, Chartered Surveyors, Aberdeen.

Heritable property included assets with a cost of £2,987k (2008: £2,987k) and accumulated depreciation of £361k (2008: £289k) which are leased out under operating leases.

Equipment includes assets with a cost of £209k (2008: £209k) and accumulated depreciation of £163k (2008: £163k) which are leased on finance leases.

A sale agreement for the Technical building has been signed and in accordance with the University policy for valuation of surplus property the building was revalued to the agreed selling price of £5,000k.

Land and buildings with a net book value of £60,246k (2008: £49,311k) have been financed by exchequer funds. Should these assets be sold, the University may be liable, under the terms of the Financial memorandum with the Funding Council, to surrender the proceeds.

The only assets which are held at a value are heritable land and buildings, had they not been valued they would have been included at the following amounts:

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group	University	Group	University
	£000	£000	£000	£000
Cost	90,895	90,895	90,095	90,095
Aggregate depreciation based on cost	(24,835)	(24,835)	(21,959)	(21,959)
Net book value based on cost	66,060	66,060	68,136	68,136

The depreciation charge has been funded by:	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Deferred Capital Grants released	993	868
Revaluation reserve released	639	104
General income	4,613	4,014
	6,245	4,986

13 SHARE OF OPERATING PROFIT OF JOINT VENTURE AND ASSOCIATE

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
The Robert Gordon Industrial Training and Educational Trust (50%) (2008: 50%)	30	36
Viscom (Aberdeen) Limited (33%) (2008: 33%)	80	69

Notes to the Accounts (continued)

14 FIXED ASSET INVESTMENTS

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
Subsidiary Undertakings (see note 34)				
Univation Ltd – Share capital at cost	0	100	0	100
Associated Undertakings (see note 34)				
Viscom (Aberdeen) Ltd – Share capital at cost	0	60	0	60
Viscom (Aberdeen) Ltd – Share of net assets	164	0	100	0
	<u>164</u>	<u>60</u>	<u>100</u>	<u>60</u>
Listed investments at market value				
Fixed Interest Stocks at market value	4,169	2,127	5,353	2,681
Equities at market value	13,199	8,686	13,271	9,241
	<u>17,368</u>	<u>10,813</u>	<u>18,624</u>	<u>11,922</u>
Other				
CVCP Properties PLC – Cost of investment	29	29	29	29
Spin out companies at cost	7	7	17	17
	<u>36</u>	<u>36</u>	<u>46</u>	<u>46</u>
Net book value at 31 July	<u>17,568</u>	<u>11,009</u>	<u>18,770</u>	<u>12,128</u>

The University owns 0.7% of the share capital of CVCP Properties plc.

As part of its commercialisation activity the University provides start up investment for spin out companies.

The movement in listed investments during the year was as follows:

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
At 1 August	18,624	11,922	19,336	13,010
Additions	2,504	2,291	4,880	1,569
Disposal	(2,016)	(1,950)	(3,134)	(1,270)
Realised investment loss taken to investment income	(388)	(94)	(405)	9
Impairment of fixed asset investments	(376)	(376)	0	0
Unrealised investment loss taken to revaluation reserve	(980)	(980)	(2,053)	(1,396)
Net book value at 31 July	<u>17,368</u>	<u>10,813</u>	<u>18,624</u>	<u>11,922</u>

15 INVESTMENT IN JOINT VENTURE

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Share of gross assets	599	569
Share of gross liabilities	(42)	(42)
Net Assets	<u>557</u>	<u>527</u>

The Robert Gordon Industrial & Educational Training Trust (RGITET) is a joint venture between the University and the training interests of the oil and gas and supporting industries. The assets of the company were sold in a previous financial year and part of the proceeds have now been distributed to be invested by both RGU and Offshore Training Foundation, the industry's nominated beneficiary, in oil and gas training. A balance of funds remains in the company to cover any warranties which were provided to the purchaser of the assets. The University regards these as contingent liabilities and, to date, no formal claims have been made on these warranties.

Notes to the Accounts (continued)

16 ENDOWMENT ASSETS (GROUP AND UNIVERSITY)

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
At valuation:		
Balance at 1 August	1,309	1,413
Additions	118	210
Disposals	(170)	(183)
Depreciation on revaluation	(85)	(208)
Net income	88	77
Balance at 31 July	1,260	1,309
Represented by:		
Fixed Interest Stocks	190	257
Equities	798	868
Cash	272	184
Total	1,260	1,309
Fixed Interest Stock & Equities at Cost	1,045	1,097

17 DEBTORS

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
Due within one year:				
Trade debtors	1,125	1,040	1,744	1,259
European funding	102	102	42	42
Debts from students	1,124	1,124	1,039	1,039
VAT Recoverable	45	3,988	66	3,738
Amounts owed by RMCC Ltd	2	2	4	4
Amounts owed by Univation Limited	0	463	0	413
Amounts owed by RGIT Educational Development Trust	0	628	0	453
Amounts owed by Viscom (Aberdeen) Ltd	7	7	31	31
Prepayments and accrued income	2,370	1,966	2,103	1,626
	4,775	9,320	5,029	8,605

18 CURRENT ASSET INVESTMENTS

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
Bank deposits at cost	30,190	30,190	30,006	30,006
	30,190	30,190	30,006	30,006

Notes to the Accounts (continued)

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
Social Security & Other Taxation Payable	1,977	1,977	1,835	1,835
Creditors	4,588	4,502	6,055	5,812
Accruals	5,000	4,633	5,011	4,476
Deferred Income	4,388	3,641	5,181	4,246
Vat Payable	600	600	1,000	1,000
Loans (note 20a)	759	759	722	722
Finance Leases (Note 20b)	39	39	50	50
Amounts owed to Univation Ltd	0	3,987	0	3,937
Amounts owed to Viscom (Aberdeen) Ltd	0	0	0	0
	17,351	20,138	19,854	22,078

20 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
Loans (note 20a)	11,001	11,001	11,760	11,760
Finance leases (note 20b)	5	5	44	44
Other Creditors	514	514	0	0
	11,520	11,520	11,804	11,804

a) Bank Loans and Overdrafts

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
Bank loans and overdrafts are repayable as follows:				
In one year or less	759	759	722	722
Between one and two years	797	797	759	759
Between two and five years	2,637	2,637	2,510	2,510
In five years or more	7,567	7,567	8,491	8,491
	11,760	11,760	12,482	12,482

Details of loans repayable in more than one year as follows:

£13.9m secured loan with interest at 4.94% repayable in quarterly instalments with a final payment date of 24/3/2021

	11,760	11,760	12,482	12,482
Total	11,760	11,760	12,482	12,482
Amounts due within one year	(759)	(759)	(722)	(722)
Repayable in more than one year	11,001	11,001	11,760	11,760

Notes to the Accounts (continued)

b) Finance Leases

	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
Net finance lease obligations which the institute are committed to are:				
In one year or less	39	39	50	50
Between one and two years	5	5	39	39
Between two and five years	0	0	5	5
Total	44	44	94	94
Amounts due within one year	(39)	(39)	(50)	(50)
Repayable in more than one year	5	5	44	44

21 PROVISION FOR LIABILITIES (GROUP AND UNIVERSITY)

Premature Retirement Compensation £000

At 1 August 2008	7,834
Expenditure in the period	(513)
Additional provision required in year	100
Revaluation adjustment current year	627
Revaluation adjustment prior year	1,601
Interest charged	234
At 31 July 2009	9,883

A valuation of the existing pension provision was carried out by Mercer Human Resource Consulting Limited, an independent firm of actuaries, at 31 July 2009. The prior year revaluation adjustment represents the effect on prior year liabilities of using revised mortality tables.

22 DEFERRED CAPITAL GRANTS

	Funding Council £000	Other Grants £000	Group Total £000
At 1 August 2008	16,731	1,875	18,606
Cash Received	4,942	0	4,942
Released to income and expenditure account	(917)	(76)	(993)
At 31 July 2009	20,756	1,799	22,555

Notes to the Accounts (continued)

23 ENDOWMENTS (GROUP AND UNIVERSITY)	Permanent Endowments	Expendable Endowments	Total Year ended 31 July 2009	Total Year ended 31 July 2008
	£000	£000	£000	£000
At 1 August	1,205	104	1,309	1,413
New Endowments	4	130	134	81
Net Additions	(13)	0	(13)	59
Depreciation of endowment asset				
Investments	(85)	0	(85)	(208)
Income for year	43	1	44	55
Expenditure for year	(34)	(95)	(129)	(91)
At 31 July	1,120	140	1,260	1,309
Representing:				
Fellowships and scholarships funds	324	95	419	415
Prizes Funds	94	20	114	126
Chairs and Lectureships funds	17	0	17	18
Other Funds	685	25	710	750
Total	1,120	140	1,260	1,309
24 RESERVES				
a) Revaluation Reserve	Year ended 31 July 2009	Year ended 31 July 2008		
	Group	University	Group	University
	£000	£000	£000	£000
Fixed assets				
At 1 August	79,329	79,329	56,859	56,859
Revaluation in year			25,677	25,677
Transfer to general reserve in respect of disposals	0	0	(3,103)	(3,103)
Transfer from revaluation reserve to general reserve in respect of depreciation of revalued assets	(639)	(639)	(104)	(104)
At 31 July	78,690	78,690	79,329	79,329
Investments				
At 1 August	2,715	2,715	5,523	4,484
Revaluation in year	(980)	(980)	(2,053)	(1,396)
Released on disposal of investments	(311)	(311)	(755)	(373)
At 31 July	1,424	1,424	2,715	2,715
Total	80,114	80,114	82,044	82,044

Notes to the Accounts (continued)

b) General Reserve	Year ended 31 July 2009		Year ended 31 July 2008	
	Group £000	University £000	Group £000	University £000
At 1 August	75,137	68,309	69,084	62,407
Surplus for the year	809	905	2,846	2,659
Revaluation of share of joint venture	0	30	0	36
Realisation on sale of revalued assets	0	0	3,103	3,103
Release from revaluation reserve	639	639	104	104
At 31 July	76,585	69,883	75,137	68,309

25 RECONCILIATION OF SURPLUS BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Surplus after depreciation of tangible fixed assets at valuation and before tax	1,669	3,014
Depreciation	6,245	4,986
Deferred capital grants released to income	(993)	(868)
Net donated income retained in specific endowments	(98)	23
Net endowment income	85	36
Interest payable	603	650
Decrease in stocks	5	0
Increase in debtors	254	(391)
(Decrease) / increase in creditors < 1 yr	(2,529)	2,122
Increase in creditors > 1 yr	514	0
Increase in provisions	2,049	921
Interest and dividend receivable	(2,403)	(3,210)
Share of profit of associates after taxation	(64)	(55)
(Profit) / Loss on disposal of fixed assets	(42)	4
Impairment of fixed asset investments	376	0
Share of profit of joint venture	(30)	(36)
Loss on disposal of fixed assets investments	388	405
Release of revaluation reserve on disposal of fixed asset investments	(311)	(755)
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,718	6,846

26 CAPITAL AND OTHER COMMITMENTS

At the end of the year the following amounts remain outstanding as committed and contracted expenditure:

	Committed £000	Contracted £000
Design Costs	1,131	2,119
Major construction works	0	499
Other Works	838	606
	1,969	3,224

At 31 July 2009 the group had annual commitments under non-cancellable operating leases as follows:

	Year ended 31 July 2009 £000	Year ended 31 July 2008 £000
Land and Buildings		
Between one and five years	3,841	3,765
After five years	12,259	13,064
Plant and Equipment		
Between one and five years	8	8

Notes to the Accounts (continued)

27 CONTINGENT LIABILITIES

In the normal course of business, the University has provided warranties (which expire on the 31st August 2009) to the purchaser of the assets of RGIT Montrose Limited. The University regards these as contingent liabilities and, to date, no formal claims have been made under these warranties.

28 POST BALANCE SHEET EVENTS

There were no reportable post balance sheet events.

29 AMOUNTS DISBURSED AS AGENT (GROUP AND UNIVERSITY)

	Childcare Fund £000	Full Time Discretionary Fund £000	Part Time Discretionary Fund £000	Total Year ended 31 July 2009	Total Year ended 31 July 2008
Balance brought forward	8	14	0	22	23
Allocation received in year	117	383	52	552	539
Expenditure	(49)	(493)	(21)	(563)	(540)
Virements	(66)	97	(31)	0	0
Excess of Income over Expenditure					
Carried Forward	10	1	0	11	22

30 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2008 £000	Cash Flow £000	At 31 July 2009 £000
Cash at bank and in hand	2,407	3,470	5,877
Endowment assets	184	88	272
	<u>2,591</u>	<u>3,558</u>	<u>6,149</u>
Current asset investments	30,006	184	30,190
Finance leases due within one year	(50)	11	(39)
Finance leases after one year	(44)	39	(5)
Loans due within one year	(722)	(37)	(759)
Loans due after one year	(11,760)	759	(11,001)
	<u>20,021</u>	<u>4,514</u>	<u>24,535</u>

Notes to the Accounts (continued)

31 CASH FLOW RELATING TO EXCEPTIONAL ITEMS

There were no exceptional items reported for the year.

32 DISCLOSURE OF THIRD PARTY TRANSACTIONS

In previous years Viscom (Aberdeen) Limited paid fees to one of its shareholders, The Robert Gordon University, for the provision of staff for its activities. All staff were transferred from The Robert Gordon University to Viscom (Aberdeen) Limited on the 31st July 2008. In the year to 31st July 2009 no further charges were made (2008: £283,316). During the year ended 31 July 2009 the company traded, in the normal course of business, with The Robert Gordon University. The amounts involved are not considered material to either party.

At 31 July 2009, Viscom (Aberdeen) Limited had a net balance owing to The Robert Gordon University amounting to £6,954 (2008: £31,365) representing amounts due in relation to transactions of the nature disclosed above.

The consolidated financial statements consolidate the financial statements of Univation Limited and the University's quasi subsidiary, The RGIT Educational Development Trust. The related party transactions with the subsidiary and quasi subsidiary, because they are 100% owned, have not been disclosed (in accordance with FRS 8).

Due to the nature of the University's operations and the composition of the Governing Body (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

33 PENSION SCHEMES

Scottish Teachers' Superannuation Scheme

Under the definitions set out in Financial Reporting Standard 17 "Retirement Benefits" (FRS 17), the Scottish Teachers' Superannuation Scheme is a multi-employer defined benefit pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS17 and has accounted for its contributions as if it were a defined contribution scheme.

A full actuarial valuation was carried out at 31 March 2005. Employer contributions were payable to the STSS at a rate of 7.15% of pensionable pay with effect from 1 April 2002, 7.4% from 1 April 2003 and 12.5% from 1 October 2003. Employer contribution rates are reviewed every 5 years following a scheme valuation by the Government Actuary. Contribution rates were increased on 1 April 2009 from 13.5% to 14.9%. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme. Employees currently pay contributions at a rate of 6.4% of pensionable pay.

Latest actuarial valuation 31 March 2005

Financial assumptions at 31 March 2008

Rate of return (discount rate) 5.3%

Rate of return in excess of:

Earnings increases 1.0%

Pension increases 2.5%

The total STSS pension cost for the University for the year was £2,943k (2008: £2,739k) and at 31 July 2009 £266k was outstanding.

Aberdeen City Council Pension Fund

The University participates in the Local Government Pension Scheme in respect of professional and support staff. The Local Government Pension Scheme is a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are in a separate trustee-administered fund.

Scheme contributions are set at a common level for the scheme as a whole and do not reflect the characteristics of the workforces of individual employers within the scheme. As a consequence, it is not possible to identify each employer's share of the underlying assets and liabilities on a reasonable and consistent basis. Hence contributions to

Notes to the Accounts (continued)

the scheme are accounted for as if it were a defined contribution scheme. The cost recognised in the income and expenditure account is equal to the contributions payable to the scheme for the year.

The latest valuation was carried out as at 31 March 2008, contribution rates that were certified for the University at that date were:

April 2009 to March 2010 19.1% of pensionable pay
April 2010 to March 2011 19.2% of pensionable pay
April 2011 to March 2012 19.3% of pensionable pay

Contributions paid by employees from 1st April 2009 are based on salary bands ranging from 5.5% to 10.8% of pensionable pay.

The total Aberdeen City Council Pension Fund cost for the University for the year was £3,013k (2007: £2,786k) and at 31 July 2009 £267k was outstanding.

34 SUBSIDIARY UNDERTAKINGS

In accordance with FRS5, The RGIT Educational Development Trust is treated as a quasi subsidiary.

The University owns 100% of the issued share capital of £100,000 £1 ordinary shares of Univation Limited, a company registered in Scotland, whose principal activities are the provision of short courses, training and consultancy services in engineering, management, health and design.

The University owns 33% of the issued share capital of 1,000 £1 ordinary shares of Viscom (Aberdeen) Limited, a company registered in Scotland whose principal activity is the production and supply of helicopter safety briefing films.