

Robert Gordon University

**Financial statements
For the year ended 31 July 2010**

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

Robert Gordon University (RGU) enjoyed a successful year in 2009/10.

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.
- Focus and concentrate its research and knowledge transfer activities.
- 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 RGU 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 2.5% from 9,855 to 10,104. This performance included the preservation of the Scottish Funding Council's funding allocation. However, within this overall growth, international student numbers actually dropped for the first time in many years. Full time equivalent international student numbers fell from 1600 in 2008/9 to 1452 in the current year. The University is currently developing its collaborations and partnerships in this area to try to ensure that international student numbers increase once again in the near future.

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 into which it submitted. This has moved the University significantly up the Scottish research league tables and places it as the best modern University in Scotland for research. This development helped the University to fund a major realignment in its research activities. During 2008/9 all research activities were reorganised into 3 Research Institutes. In addition, income from research grants and contracts increased by 30.9% in 2008/9. Whilst research incomes were down slightly for 2009/10 research activity looks to have stabilised at the new, higher, post RAE 2008 volumes. The University's new research structures have now had time to bed in and further growth is expected in research over the coming years.

Results for the Year

The Group's results for the year were:

	2009/10	2008/09
	Total £000	Total £000
Income	94,407	91,796
Expenditure	90,616	91,072
Surplus for the year	3,791	724

Total Income increased by £2.61m or 2.8% to £94.41m.

Funding Council grants received were substantially flat over the prior year. Within this total teaching grants fell by 3.3% to £36.1m while research grants increased by 52.5% to £3.3m.

Operating and Financial Review (continued)

The decrease in teaching grants is driven partly by the reduced numbers of students on the nursing and midwifery courses, partly by the continuing move to a higher tuition fee element of the gross funded unit of resource per student and partly by the absence of funding for increased STSS contributions which has now been fully embedded into the main teaching grant. This overall reduction is partially offset by an underlying inflationary increase in the teaching unit of resource of 2.0% for the year

The increase in research grants is driven fundamentally by the University's outstanding performance at RAE 2008. All three of the University's Research Institutes benefited from this significantly increased core funding and it is expected that this will generate further growth in the University's research activities over the coming years.

Tuition fees increased by £0.93m or 2.9%, to £33.64m.

Home/EU fees increased by £2.0m, or 13.3%, to £17.04m. This partly reflects a continuation in the move to a higher fee element in the gross Funding Council teaching unit of resource but is also caused by an increase in Home/EU students of approximately 5% over 2008/9.

Increasing competition and the world-wide economic recession hit international student markets badly with the result that international student numbers were 9% down on 2008/9 on a full time equivalent basis. Allowing for the offsetting effect of international fee increases, overall income in this category of University activity was down by £1.1m or 6% over 2008/9. The University continues to focus on international markets and is currently pursuing collaborations with its international partners, Hobsons and Navitas, in an attempt to ensure it can enjoy future growth in international student participation.

Income from research grants and contracts has decreased by £0.16m or 3.9% to £3.95m. This is an encouraging result nevertheless as, on the back of last year's 30% increase, it provides the University with evidence that research activities have stabilised at the higher post RAE 2008 levels.

Other income increased by £1.31m or 11.3% to £12.91m. Growth here was driven by high occupation levels and increased volumes in the University's residential accommodation business.

Endowment and investment income has increased by £0.42m to £2.82m. Although interest incomes were down as the historically low interest rate regime took its full year toll, this was more than offset by improved market returns on University investments and endowments as stock market performance picked up considerably over 2008/9.

Total expenditure decreased by £0.45m to £90.62m.

Staff costs increased during the year by £1.16m or 2.2% to £52.92m. This comprised the combined effects of basic pay awards, incremental progression, social security costs and pension contributions. Offsetting this rise is a reduction in total full time equivalent staffing levels in the current year. Underlying pay costs rose by around 3.5% for the year.

Other operating expenses, excluding depreciation and interest, decreased by £2.36m or 7.5%. The prior year operating expense total is inflated by non-recurring costs of around £2m in relation to enhanced retirement provision. Adjusting for these non-recurring costs leaves an underlying increase in other operating costs of approximately 1.5%.

The net group result for the year was a surplus of £3.79m.

Cash Flow

The group generated a cash inflow from operating activities of £4.81m for the year, a reduction of £0.91m from the £5.72m generated during 2008/9. 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 £0.77m. The group's short term deposits reduced by £5.91m to £24.28m at year end, with a corresponding increase in cash, while debt levels were reduced by £0.8m to £11m.

Capital Projects

The group invested £8.38m in fixed assets during the year. These capital investments included £5.31m on the current phase of the campus development project, £1.52m on fixtures, fittings and equipment, £0.41m on property purchases, £0.46m on upgrading student accommodation stocks and £0.68m on numerous smaller projects.

Treasury Management

The Group's financing and liquidity requirements are managed by the University's central treasury function. 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.

Operating and Financial Review (continued)

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 2010, creditors were paid on average in 19.7 days (2009: 17.4 days).

Political Donations

No donations for political purposes were made during the year.

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. 3.78% of the University's workforce is 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.

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 Equity & Diversity awareness particularly targeting staff involved in the recruitment and selection process and those in student facing roles.

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.

Operating and Financial Review (continued)

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 it 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 8 to 9 and the members of the Board are set out on pages 6 to 7.

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 a financial memorandum.

Future Developments

The University will be moving forward to realise 'A Clear Future'. This will involve it in driving through the current restructuring exercise; investing and disinvesting where appropriate, to ensure its portfolio of offerings 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 has involved the University in refining and concentrating its investment in applied research and knowledge transfer. The University's new Research Institutes will be focussed on the management and growth of these significant activities.

Tight public sector funding settlements are expected to continue so 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 1 August 2009 to 31 July 2010 were as follows:

Dr Melfort A Campbell (Chair)	See below
Mrs Sheena N Anderson.....	Finance and General Purposes Committee
Mr Sandy Brownlee (Postgraduate Student - Term of Office ended on 31 August 2009)	Finance and General Purposes Committee
Mr Alasdair Craigie	Finance and General Purposes Committee
Ms Jennifer F Craw	Finance and General Purposes Committee, Nominations Committee
Mrs Margaret C Donald (Vice-Chair - 1 January 2009 – 31 December 2009) (Term of Office ended on 31 December 2009)	Staff Governance Committee, Nominations Committee
Mr Robert A Duncan	Audit Committee, Finance and General Purposes Committee
Mr James Dunphy (appointed 1 January 2010)	Staff Governance Committee
Mrs Elizabeth Hancock.....	Staff Governance Committee, Nominations Committee
Professor John Harper (Acting Principal and Vice-Chancellor) (from February 2010)	See below
Mrs Susan M Lawrie (appointed 1 January 2010)	Finance and General Purposes Committee Staff Governance Committee
Mr William A McKimmie	Nominations Committee, Staff Governance Committee
Mr Victor Meme (Undergraduate Student - Term of Office from December 2009 until 31 August 2010)	Finance and General Purposes Committee
Mr Peter D Nicholson (appointed 1 January 2010)	Audit Committee, Staff Governance Committee
Mr Ben Paton (Undergraduate Student – Term of Office ended on 31 August 2010)	Finance and General Purposes Committee
Professor R Michael Pittilo (Principal and Vice-Chancellor until February 2010 (deceased))	See below
Mr Gregory Poon	Staff Governance Committee
Mr Mike Salter (Vice-Chair from 1 January 2010)	Finance and General Purposes Committee, Nominations Committee, Remuneration Committee
Dr George E Watkins.....	Finance and General Purposes Committee (C)
Professor Jamie Weir.....	Audit Committee (C), Staff Governance Committee
Mrs Lesley M Wilson.....	Staff Governance Committee (C)
Ms Jennifer E Young	Finance and General Purposes Committee, 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

PricewaterhouseCoopers LLP were appointed as external auditors to the University for 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 2010 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 2010 by considering documentation from the SPARG and taking account of events since 31 July 2010.

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 2010 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 Robert Gordon University

Independent auditors' report to the Governors of Robert Gordon University

We have audited the financial statements of Robert Gordon University Group for the year ended 31 July 2010 which comprise the Consolidated Income and Expenditure Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Surpluses, the Statement of Principal Accounting Policies and Estimation Techniques and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

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 Further and Higher Education Funding Council, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Governing 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 Further and Higher Education 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, the Accounts Direction issued by the Scottish Further and Higher Education Funding Council and with United Kingdom Generally Accepted Accounting Practice.

We report to you whether in our opinion, income from the Scottish Further and Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the institution, have been applied in all material respects only 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 and, where appropriate, with the financial memorandum with the Scottish Further and Higher Education Funding Council.

We also report to you if, in our opinion, the information given in the Operating and Financial Review is not consistent with those financial statements, if the institution has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and Financial Statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. This information comprises only the Operating and Financial Review and the Corporate Governance Statement.

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 institution 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 Further and Higher Education 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 Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the university's 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 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 2010, 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, the Accounts Direction issued by the Scottish Further and Higher Education Funding Council and with United Kingdom Generally Accepted Accounting Practice;
- iii. in all material respects, income from the Scottish Further and Higher Education 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 Further and Higher Education Funding Council.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Glasgow

Date: 16 December 2010

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, Univation 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 Trust was wound up during the year.

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. The group disposed of its interest in Viscom (Aberdeen) Limited during the year. 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 feehold 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 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.

Statement of Principal Accounting Policies & Estimation Techniques (continued)

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.

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.

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 & Expenditure Account

Year Ended 31 July 2010

	Notes	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
INCOME			
Funding Council Grants	1	41,008	40,901
Tuition Fees and Education Contracts	2	33,637	32,703
Research Grants & Contracts	3	3,951	4,113
Other Income	4	12,905	11,600
Endowment and Investment Income	5	2,823	2,403
Total Income		94,324	91,720
Less: Share of income from joint venture		(3)	(34)
Net Income		94,321	91,686
EXPENDITURE			
Staff costs	6	52,916	51,761
Other operating expenses	8	29,967	31,518
Depreciation	9	6,431	6,245
Interest Payable	7	564	603
Total Expenditure	8	89,878	90,127
Share of operating profit in joint venture	10	37	30
Share of operating profit of associate	10	49	80
SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT VALUATION AND BEFORE TAX		4,529	1,669
Taxation	11	(738)	(945)
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND TAX		3,791	724
Deficit for the year transferred to accumulated income endowment funds	23	(132)	(85)
Surplus for the year retained within general reserves		3,923	809

Income and expenditure for the joint venture represents discontinued operations.

Statement of Group Historical Cost Surpluses and Deficits

Year ended 31 July 2010

		Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Surplus on continuing operations before taxation	Notes	4,529	1,669
Difference between historical cost depreciation and the actual charge for the period calculated on the Revalued amount	24	662	639
Realisation of property revaluation gains of previous years	24	80	0
Historical cost surplus for the period before taxation		<u>5,271</u>	<u>2,308</u>
Historical cost surplus for the period after taxation		<u>4,533</u>	<u>1,363</u>

Statement of Group Total Recognised Gains and Losses

Year Ended 31 July 2010

	Notes	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Surplus on continuing operations		3,923	809
Disposal of investment in associate	24	(60)	0
Unrealised surplus on revaluation of fixed assets	24	12,284	0
Unrealised surplus / (deficit) on revaluation of investments	24	2,161	(980)
Released on disposal of investments	24	(847)	(311)
Endowments withdrawn	23	(129)	(98)
Appreciation / (depreciation) of endowment asset investments	23	71	(85)
New endowments	23	131	134
Total recognised gains / (losses) relating to the year		17,534	(531)
Reconciliation			
Opening reserves and endowments		157,961	158,492
Total recognised gains / (losses) for the year		17,534	(531)
Closing reserves and endowments		175,495	157,961

Balance Sheets at 31 July 2010

	Notes	Year ended 31 July 2010 Group £000	University £000	Year ended 31 July 2009 Group £000	University £000
Fixed Assets					
Tangible Assets	9	172,449	172,413	159,034	158,975
Investments	12	21,540	13,675	17,568	11,009
Investment in joint venture	13	0	0	557	557
		<u>193,989</u>	<u>186,088</u>	<u>177,159</u>	<u>170,541</u>
Endowment assets	16	<u>1,333</u>	<u>1,333</u>	<u>1,260</u>	<u>1,260</u>
Current Assets					
Stocks		9	9	7	7
Debtors	17	6,733	9,888	4,775	9,320
Investments	18	24,277	24,277	30,190	30,190
Cash at Bank and in Hand		11,828	11,359	5,877	4,035
		<u>42,847</u>	<u>45,533</u>	<u>40,849</u>	<u>43,552</u>
Less : Creditors - amounts falling due within one year	19	<u>17,015</u>	<u>19,326</u>	<u>17,349</u>	<u>20,136</u>
Net current assets		<u>25,832</u>	<u>26,207</u>	<u>23,500</u>	<u>23,416</u>
Total assets less current liabilities		<u>221,154</u>	<u>213,628</u>	<u>201,919</u>	<u>195,217</u>
Less : Creditors - amounts falling due after more than one year	20	<u>10,623</u>	<u>10,623</u>	<u>11,520</u>	<u>11,520</u>
Less : Provision for liabilities and charges	21	<u>9,808</u>	<u>9,808</u>	<u>9,883</u>	<u>9,883</u>
NET ASSETS		<u>200,723</u>	<u>193,197</u>	<u>180,516</u>	<u>173,814</u>
Deferred capital grants	22	<u>25,228</u>	<u>25,228</u>	<u>22,555</u>	<u>22,555</u>
Endowments					
Expendable		128	128	140	140
Permanent		1,205	1,205	1,120	1,120
	23	<u>1,333</u>	<u>1,333</u>	<u>1,260</u>	<u>1,260</u>
Reserves					
Income & Expenditure Account		81,190	74,329	76,585	69,883
Revaluation Reserve		92,972	92,307	80,116	80,116
	24	<u>174,162</u>	<u>166,636</u>	<u>156,701</u>	<u>149,999</u>
TOTAL FUNDS		<u>200,723</u>	<u>193,197</u>	<u>180,516</u>	<u>173,814</u>

The financial statements on pages 17 to 35 were approved by the Governing Body on 16th December 2010 and were signed on its behalf by:

Melfor A. Campbell

M A Campbell
Chairman

M D McCall

M D McCall
Director of Finance

J Harper

J Harper
Acting Principal

Group Cash Flow Statement

Year Ended 31 July 2010

	Notes	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	<u>4,805</u>	<u>5,718</u>
Returns on investment and servicing of finance			
Income from endowments		41	44
Interest received		467	1,209
Investment Income		2,315	1,150
Interest paid		(564)	(603)
		<u>2,259</u>	<u>1,800</u>
Dividends from associated company		<u>120</u>	<u>0</u>
Taxation	11	<u>(738)</u>	<u>(945)</u>
Capital expenditure and financial investment			
Land and building additions		(6,471)	(4,618)
Purchase of equipment and fixtures and fittings		(1,904)	(2,298)
Disposal of fixed assets		0	207
Deferred capital grant received		3,760	4,942
Purchase of fixed asset investments		(7,124)	(2,494)
Disposal of fixed asset investments		5,149	2,016
New Endowments		131	134
Endowment asset additions		(153)	(118)
Endowment asset disposals		81	170
Proceeds on sale of associate		257	0
Repayment of share of reserves in joint venture		594	0
		<u>(5,680)</u>	<u>(2,059)</u>
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		766	4,514
Management of liquid resources	30	5,913	(184)
Financing	30	(798)	(772)
INCREASE IN CASH		<u><u>5,881</u></u>	<u><u>3,558</u></u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		Year ended 31 July 2010 £000	Year ended 31 July 2010 £000
INCREASE IN CASH IN THE PERIOD		5,881	3,558
Change in Short term Deposits		(5,913)	184
Change in Debt		798	772
CHANGE IN NET FUNDS		<u>766</u>	<u>4,514</u>
Net Funds at Beginning of the Year		24,535	20,021
NET FUNDS AT END OF YEAR	30	<u><u>25,301</u></u>	<u><u>24,535</u></u>

Notes to the Accounts

1 FUNDING COUNCIL GRANTS

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
SFC recurrent teaching grant	36,069	37,304
SFC research grant	3,304	2,166
Other SFC grants	623	321
Funding for increased STSS contributions	0	193
Release of deferred capital grants (Note 22)	1,012	917
	41,008	40,901

2 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
UK and EU fees	17,043	15,040
Non-EU fees	15,447	15,947
Non-credit bearing course fees	1,147	1,716
	33,637	32,703

3 RESEARCH GRANTS AND CONTRACTS

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Research Councils	291	397
UK based charities	227	249
European Commission	69	40
Other grants and contracts	3,364	3,427
Total grant and contract income	3,951	4,113

4 OTHER INCOME

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Residences & Catering	6,662	5,822
Other Services Rendered - University	4,020	4,071
Other Services Rendered - Subsidiaries	136	121
Other Income	2,012	1,510
Releases from deferred capital grants	75	76
	12,905	11,600

5 ENDOWMENT AND INVESTMENT INCOME

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Income from permanent endowments	41	44
Investment income	2,315	1,150
Interest receivable	467	1,209
	2,823	2,403

Notes to the Accounts (Continued)

6 STAFF COSTS

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Staff costs:		
Wages & Salaries	43,052	42,397
Social Security Costs	3,442	3,408
Other Pension Costs	6,422	5,956
	52,916	51,761

Analysed as:

- Staff on permanent contracts	46,344	44,820
- Staff on temporary contracts	6,572	6,941
	52,916	51,761

Emoluments of the Principal :

	£	£
Salary	192,551	186,250
Benefits in kind	1,674	1,639
Pension contributions	28,349	20,437
	222,574	208,326

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

	No.	No.
£70,000 - £79,999	22	14
£80,000 - £89,999	8	7
£90,000 - £99,999	1	3
£100,000-£109,999	3	3
£110,000-£119,999	0	1
£120,000-£129,999	0	2
£130,000-£139,999	1	0
	35	30

Average Staff Numbers by Major Category:

	No.	No.
Academic departments	658	641
Academic services	130	132
Central management and support	161	162
Premises	139	140
Residences and catering	5	11
Research grants and contracts	55	81
Other income generating activities	71	85
	1,219	1,252

Analysed as:

- Staff on permanent contracts	1,107	1,127
- Staff on temporary contracts	112	125
	1,219	1,252

None of the members of the Governing body received remuneration from the University for acting as Board members (2009: none).

Compensation for loss of office payable to a senior post-holder was £30k (2009:Nil). The compensation paid was in accordance with standard University policies.

Notes to the Accounts (Continued)

7 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Loans repayable wholly or partly in more than 5 years	563	600
On finance leases	1	3
	<u>564</u>	<u>603</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Dep'n £000	Other Op Expenses £000	Interest Payable £000	Total Year ended 31 July 2010 £000	Total Year ended 31 July 2009 £000
Academic Departments	32,193	1,012	7,036	283	40,524	40,145
Academic Services	5,043	807	2,726	0	8,576	8,089
Central Management & Support	7,903	250	4,063	0	12,216	12,221
Premises	3,157	3,411	3,817	0	10,385	10,957
Residences & Catering	501	557	6,079	168	7,305	6,319
Research Grants & Contracts	2,331	4	1,206	0	3,541	3,676
Other Services Rendered	1,788	390	2,697	113	4,988	4,865
Other Expenses	0	0	2,343	0	2,343	3,855
	<u>52,916</u>	<u>6,431</u>	<u>29,967</u>	<u>564</u>	<u>89,878</u>	<u>90,127</u>

Other operating expenses include:

Provision for premature retirement compensation	449	2,462
Grants to Student Association	504	478
Auditors' Remuneration-external audit ex vat *	46	39
Auditors' Remuneration-internal audit ex vat **	26	31
Auditors' Remuneration-other services - external & internal audit ex vat	<u>4</u>	<u>8</u>

* Included £33k ex vat in respect of the Robert Gordon University (2009: £30k 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 2010 £000	Year ended 31 July 2009 £000
Academic Departments	7,036	7,565
Academic Services	2,726	2,781
Central Management & Support	4,063	3,883
Premises	3,817	4,397
Residences & Catering	6,079	5,077
Research Grants & Contracts	1,206	1,280
Other Services Rendered	2,697	2,680
Other Expenses	<u>2,343</u>	<u>3,855</u>
	<u>29,967</u>	<u>31,518</u>

Notes to the Accounts (Continued)

9 TANGIBLE FIXED ASSETS

	Heritable Land and Buildings	Leasehold Land and Buildings	Fixtures, Fittings and Equipment	Assets in Course of Construction	Total
GROUP	£000	£000	£000	£000	£000
Cost and valuation:					
At 1 August 2008	149,236	147	19,221	4,641	173,245
Additions at cost	1,424	2	1,515	5,434	8,375
Disposals at cost	(16)	(13)	(549)	0	(578)
Impairment of fixed assets	(850)	0	0	0	(850)
Transfers to other category	424	0	54	(478)	0
Revaluation	5,421	0	0	0	5,421
At 31 July 2010	155,639	136	20,241	9,597	185,613
Depreciation:					
At 1 August 2008	3,447	98	10,666	0	14,211
Charge for year	3,469	17	2,945	0	6,431
Eliminated in respect of disposals	(16)	(13)	(549)	0	(578)
Impairment of fixed assets	(37)	0	0	0	(37)
Revaluation	(6,863)	0	0	0	(6,863)
At 31 July 2010	0	102	13,062	0	13,164
Net Book Value at 31 July 2010	155,639	34	7,179	9,597	172,449
Net Book Value At 31 July 2009	145,789	49	8,555	4,641	159,034

UNIVERSITY

Cost and valuation:

At 1 August 2008	149,236	0	19,075	4,641	172,952
Additions at cost	1,424	0	1,512	5,434	8,370
Disposals at cost	(16)	0	(530)	0	(546)
Impairment of fixed assets	(850)	0	0	0	(850)
Transfers to other category	424	0	54	(478)	0
Revaluation	5,421	0	0	0	5,421
At 31 July 2010	155,639	0	20,111	9,597	185,347
Depreciation:					
At 1 August 2008	3,447	0	10,530	0	13,977
Charge for year	3,469	0	2,934	0	6,403
Eliminated in respect of disposals	(16)	0	(530)	0	(546)
Impairment of fixed assets	(37)	0	0	0	(37)
Revaluation	(6,863)	0	0	0	(6,863)
At 31 July 2010	0	0	12,934	0	12,934
Net Book Value at 31 July 2010	155,639	0	7,177	9,597	172,413
Net Book Value At 31 July 2009	145,789	0	8,545	4,641	158,975

Notes to the Accounts (Continued)

Heritable property included assets with a cost of £2,067k (2009: £2,987k) and accumulated depreciation of £246k (2009: £361k) which are leased out under operating leases.

Equipment included assets with a cost of £209k (2009: £209k) and accumulated depreciation of £209k (2009: £209k) 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 £58,607k (2009: £60,246k) 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.

Land and buildings are stated at valuation at 31 July 2010, the basis of valuation is depreciated replacement cost and was carried out by FG Burnett, Chartered Surveyors, Aberdeen. Had they not been revalued they would have been stated at:

Original cost of revalued assets	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Cost	89,024	89,024	90,895	90,895
Aggregate depreciation based on cost	(23,619)	(23,619)	(24,835)	(24,835)
Net book value based on cost	65,405	65,405	66,060	66,060

The depreciation charge has been funded by:	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Deferred Capital Grants released	1,087	993
Revaluation reserve released	662	639
General income	4,682	4,613
	6,431	6,245

10 SHARE OF OPERATING PROFIT OF JOINT VENTURE AND ASSOCIATE

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
The Robert Gordon Industrial Training and Educational Trust : 50% (2009 : 50%)	37	30
Viscom (Aberdeen) Limited : 33% (2009 : 33%)	49	80

11 TAXATION

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
UK Corporation Tax at 20 % (2009: 20%) on profits of Viscom Aberdeen Ltd	10	16
Overseas withholding taxes not recoverable in Univation Ltd	728	929
	738	945

Notes to the Accounts (Continued)

12 FIXED ASSET INVESTMENTS	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£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	0	0	60
Viscom (Aberdeen) Ltd - Share of net assets	0	0	164	0
	0	0	164	60
Listed Investments at market value				
Fixed Interest Stocks at market value	11,570	7,150	4,169	2,127
Equities at market value	9,777	6,232	13,199	8,686
	21,347	13,382	17,368	10,813
Other				
CVCP Properties PLC - Cost of investment	29	29	29	29
Spin out companies at cost	164	164	7	7
	193	193	36	36
Net book value at 31 July	21,540	13,675	17,568	11,009

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 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
At 1 August	17,368	10,813	18,624	11,922
Additions	6,967	5,157	2,504	2,291
Disposal	(5,983)	(4,863)	(2,016)	(1,950)
Realised gain/(loss) taken to investment income	834	779	(388)	(94)
Impairment of fixed asset investments	0	0	(376)	(376)
Unrealised gain/(loss) to revaluation reserve	2,161	1,496	(980)	(980)
Net book value at 31 July	21,347	13,382	17,368	10,813

13 INVESTMENT IN JOINT VENTURE

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Share of gross assets	0	599
Share of gross liabilities	0	(42)
Net Assets	0	557

Following the expiry of all contingent liabilities the reserves of The Robert Gordon Industrial Training and Educational Trust were distributed and the trust has now been wound up.

Notes to the Accounts (Continued)

14 EXCEPTIONAL ITEMS

There were no exceptional items during the year.

15 INTANGIBLE ASSETS

The Group does not hold any intangible assets.

16 ENDOWMENT ASSETS (GROUP AND UNIVERSITY)

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
At valuation:		
Balance at 1 August	1,260	1,309
Additions	153	118
Disposals	(81)	(170)
Appreciation / (depreciation) on revaluation	71	(85)
(Decrease) / increase in cash balances	(70)	88
Balance at 31 July	1,333	1,260
Represented by:		
Fixed Interest Stocks	257	190
Equities	874	798
Cash	202	272
Total	1,333	1,260
Fixed Interest Stock & Equities at Cost	1,117	1,045

17 DEBTORS

	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Due within one year:				
Trade Debtors	3052	1,561	1,125	1,040
European funding	130	130	102	102
Debts from Students	986	986	1,124	1,124
VAT Recoverable	69	3,682	45	3,988
Amounts owed by RMCC Ltd	0	0	2	2
Amounts owed by Univision Limited	0	523	0	463
Amounts owed by RGIT Educational Dev Trust	0	628	0	628
Amounts owed by Viscom (Aberdeen) Ltd	0	0	7	7
Prepayments and accrued income	2496	2,378	2,370	1,966
	6,733	9,888	4,775	9,320

18 CURRENT ASSET INVESTMENTS

	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Bank deposits at cost	24,277	24,277	30,190	30,190
	24,277	24,277	30,190	30,190

Notes to the Accounts (Continued)

19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Social Security & Other Taxation Payable	2,015	2,015	1,977	1,977
Creditors	4,955	4,897	4,588	4,502
Accruals	5,608	4,707	5,000	4,633
Deferred Income	3,385	2,969	4,386	3,639
Vat Payable	250	250	600	600
Loans (Note 20a)	797	797	759	759
Finance Leases (Note 20b)	5	5	39	39
Amounts owed to Univation Ltd	0	3,686	0	3,987
	17,015	19,326	17,349	20,136

20 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Loans (Note 20a)	10,204	10,204	11,001	11,001
Finance Leases (Note 20b)	0	0	5	5
Other Creditors	419	419	514	514
	10,623	10,623	11,520	11,520

a) Bank Loans and Overdrafts	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Bank loans and overdrafts are repayable as follows :				
In one year or less	797	797	759	759
Between one and two years	834	834	797	797
between two and five years	2,773	2,773	2,637	2,637
In five years or more	6,597	6,597	7,567	7,567
	11,001	11,001	11,760	11,760

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

£13.9m secured loan with interest at 4.94% repayable in quarterly instalments

with a final payment date on 24/3/2021

	11,001	11,001	11,760	11,760
Total	11,001	11,001	11,760	11,760
Amounts due within one year	(797)	(797)	(759)	(759)
Repayable in more than one year	10,204	10,204	11,001	11,001

Notes to the Accounts (Continued)

b) Finance Leases

	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Net finance lease obligations to which the University is committed are:				
In one year or less	5	5	39	39
Between one and two years	0	0	5	5
Total	5	5	44	44
Amounts due within one year	(5)	(5)	(39)	(39)
Repayable in more than one year	0	0	5	5

21 PROVISION FOR LIABILITIES (GROUP AND UNIVERSITY)

	Year ended 31 July 2010	Year ended 31 July 2009
	£000	£000
Premature Retirement Compensation		
At 1 August	9,883	7,834
Expenditure in the period	(527)	(513)
Additional provision required in year	3	100
Revaluation adjustment	254	2,228
Interest charged	195	234
At 31 July	9,808	9,883

A valuation of the existing pension provision was carried out by Mercer Human Resource Consulting Ltd, an independent firm of actuaries at 31 July 2010.

22 DEFERRED CAPITAL GRANTS

	Funding Council	Other Grants	Group Total
	£000	£000	£000
At 1 August 2009	20,756	1,799	22,555
Cash Received	3,760	0	3,760
Released to income & expenditure account	(1,012)	(75)	(1,087)
At 31 July 2010	23,504	1,724	25,228

Notes to the Accounts (Continued)

23 ENDOWMENTS (GROUP AND UNIVERSITY)	Permanent Endowments	Expendable Endowments	Total Year ended 31 July 2010	Total Year ended 31 July 2009
	£000	£000	£000	£000
At 1 August	1,120	140	1,260	1,309
New endowments	0	131	131	134
Net additions / (disposals)	3	0	3	(13)
Appreciation / (depreciation) of endowment asset	71	0	71	(85)
Income for year	40	1	41	44
Expenditure for year	(29)	(144)	(173)	(129)
At 31 July	1,205	128	1,333	1,260

Representing:

Fellowships & Scholarships Funds	350	90	440	419
Prizes Funds	103	18	121	114
Chairs and Lectureships Funds	19	0	19	17
Other Funds	733	20	753	710
Total	1,205	128	1,333	1,260

24 RESERVES

a) Revaluation Reserve

	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
Fixed assets				
At 1 August	78,692	78,692	79,331	79,331
Revaluation in year	12,284	12,284	0	0
Release on impairment of revalued asset	(80)	(80)	0	0
Transfer from revaluation reserve to general reserve in respect of depreciation of revalued assets	(662)	(662)	(639)	(639)
At 31 July	90,234	90,234	78,692	78,692

Investments

At 1 August	1,424	1,424	2,715	2,715
Revaluation in year	2,161	1,496	(980)	(980)
Released on disposal of investments	(847)	(847)	(311)	(311)
At 31 July	2,738	2,073	1,424	1,424
Total	92,972	92,307	80,116	80,116

Notes to the Accounts (Continued)

b) General Reserve	Year ended 31 July 2010		Year ended 31 July 2009	
	Group	University	Group	University
	£000	£000	£000	£000
At 1 August	76,585	69,883	75,137	68,309
Surplus for the year	3,923	3,704	809	905
Revaluation of share of joint venture	0	0	0	30
Disposal of investment in associate	(60)	0	0	0
Revaluation element of asset impairment	80	80	0	0
Release from revaluation reserve	662	662	639	639
At 31 July	81,190	74,329	76,585	69,883

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

	Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Surplus after depreciation of tangible fixed assets at valuation and before tax	4,529	1,669
Depreciation	6,431	6,245
Deferred capital grants released to income	(1,087)	(993)
Net donated income retained in specific endowments	(129)	(98)
Net endowment income	132	85
Interest payable	564	603
(Increase) / decrease in stocks	(2)	5
(Increase) / decrease in debtors	(1,958)	254
Decrease in creditors < 1 Yr	(338)	(2,529)
(Decrease) / increase in creditors > 1 Yr	(97)	514
(Decrease) / increase in provisions	(75)	2,049
Interest and dividend receivable	(2,823)	(2,403)
Share of profit of associates after taxation	(39)	(64)
Loss / (profit) on disposal of fixed assets	0	(42)
Impairment of tangible fixed assets	813	0
Impairment of fixed asset investments	0	376
Share of profit of joint venture	(37)	(30)
Profit on disposal of associate	(232)	0
Loss on disposal of fixed asset investments	0	388
Release of revaluation reserve on disposal of fixed asset investments	(847)	(311)
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,805	5,718

Notes to the Accounts (Continued)

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	0	1,001
Major construction works	2,233	1,597
Other Works	0	579
	2,233	3,177

At 31 July 2010 the group had annual commitments under non-cancellable operating leases as follows:

		Year ended 31 July 2010 £000	Year ended 31 July 2009 £000
Land and Buildings	Between one and five years	3,917	3,841
	After five years	11,448	12,259
Plant and Equipment	Between one and five years	6	8

27 CONTINGENT LIABILITIES

The Robert Gordon University had no contingent liabilities at the balance sheet date.

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 2010 £000	Total Year ended 31 July 2009 £000
Balance brought forward	10	1	0	11	22
Allocation received in year	117	381	38	536	552
Expenditure	(72)	(419)	(36)	(527)	(563)
Virements	(52)	52	0	0	0
Excess of Income over					
Expenditure carried forward	3	15	2	20	11

Notes to the Accounts (Continued)

30 ANALYSIS OF CHANGES IN NET FUNDS	At 1 August 2009 £'000	Cash Flow £'000	At 31 July 2010 £'000
Cash at bank and in hand	5,877	5,951	11,828
Endowment assets	<u>272</u>	<u>(70)</u>	<u>202</u>
	6,149	5,881	12,030
Current asset investments	30,190	(5,913)	24,277
Finance leases due within one year	(39)	34	(5)
Finance leases after one year	(5)	5	0
Loans due within one year	(759)	(38)	(797)
Loans due after one year	<u>(11,001)</u>	<u>797</u>	<u>(10,204)</u>
	<u>24,535</u>	<u>766</u>	<u>25,301</u>

31 CASH FLOW RELATING TO EXCEPTIONAL ITEMS

There were no exceptional items reported for the year.

32 DISCLOSURE OF THIRD PARTY TRANSACTIONS

The Robert Gordon University sold its shares in Viscom (Aberdeen) Limited on the 31st May 2010. Up to that date the company traded, in the normal course of business, with The Robert Gordon University. The amounts involved are not considered material to either party.

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 these entities, 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 contribution rates are reviewed every 5 years and following the 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.

Notes to the Accounts (Continued)

33 PENSION SCHEMES (cont)

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 £3,181k (2009: £2,943k) and at 31 July 2010 £267k 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 held 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 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 11.1% of pensionable pay.

The total Aberdeen City Council Pension Fund cost for the University for the year was £3,241k (2009: £3,013) and at 31 July 2010 £275k 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 disposed of its shares in Viscom (Aberdeen) Limited during the year.