



**ROBERT GORDON
UNIVERSITY • ABERDEEN**

FINANCIAL STATEMENTS

for the year ended 31 July 2011

Robert Gordon University

**Financial statements
For the year ended 31 July 2011**

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 principal activities of the University are to provide education and learning of all types, provide facilities for and encourage and undertake study and research, encourage the advancement, development and dissemination of knowledge and encourage and provide facilities for design, development, consultancy and testing.

In relation to the 2010/11 financial year the University Group (the group) included two wholly owned entities as follows:

- Univation Limited whose principal activities are the provision of education, training and related consultancy services.
- RGIT Educational Development Trust whose principal activities are to benefit, support and promote the educational, training and other aims and purposes of Robert Gordon University.

The group enjoyed a successful year in 2010/11.

While continuing with the implementation of its strategy, 'A Clear Future', during the year the University began a process to refresh that strategy. This exercise is expected to produce an updated strategy document, or series of strategy positions, sometime during the 2011/12 financial year. The overall strategic objective for the University continues to aim to be, consistently, one of the best modern Universities in the UK. To achieve this ambition the University continues to;

- 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 20 in the UK for its graduate employment record, and in national student satisfaction surveys, where the University also performs strongly.

When compared to the prior year, student full time equivalent numbers dropped by around 3% to just under 10,000. This performance included the achievement of funded student number targets, resulting in the preservation of the Scottish Funding Council's funding allocation. Following the drop in international student numbers last year, from some 1600 FTE in 2008/9 to around 1450 FTE in 2009/10, international student numbers steadied this year at just below the 1400 FTE level. Downward pressure is, unfortunately, expected to continue as worldwide economic turbulence and the new UK Border Agency regulations on incoming international students may dampen education exports.

During the year, the University finalised agreements with Navitas Limited for the establishment of the Navitas International College on the University's Garthdee campus. Navitas is an industry leader in pre-university and university pathway programmes. The first students are to enrol onto college programmes during academic year 2011/12 and it is expected that this initiative will improve pathways into the University for international students generally and, importantly, grow international undergraduate and postgraduate recruitment to the University.

Worldwide recession has also impacted the University's corporate programmes. Whilst this is a common occurrence during economic downturns, training and development budgets are often among the first to 'feel the pinch', the University has taken the opportunity to integrate the activities of its commercial training subsidiary, Univation Limited, more closely into its own academic operations. Univation will, however, continue to be the University's commercial arm and it is hoped that this restructure will position the group well for the coming upturn.

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. The resultant, significantly increased, core research funding helped the University to fund a major realignment in its research activities. Substantially all research activities are now reorganised into 3 Research Institutes. Income from research grants and contracts now looks to have stabilised at around 30% more than pre RAE 2008 levels.

Operating and Financial Review (continued)

Results for the Year

The group's results for the year were:

	2010/11	2009/10
	Total £000	Total £000
Income	93,017	94,407
Expenditure	89,456	90,616
Surplus for the year	3,561	3,791

Total income decreased by £1.4m or 1.5% to £93m.

Funding Council grants received increased by 1.3% over the prior year to £41.5m. Within this total, teaching grants increased by 1.6% to £36.7m while research grants were substantially flat over the previous year.

The increase in teaching grants is driven mainly by the increase in the teaching unit of resource, which for the 2010/11 year rose by just under 1%. The University's capacity reduction in Nursing and Midwifery completed in 2009/10, with the result that actual student Nursing and Midwifery numbers increased during 2010/11 for the first time in several years.

Tuition fees decreased by £1.1m or 3.3%, to £32.5m.

Home/EU fees increased by £0.6m, or 3.6%, to £17.7m. This reflects a continuation in the move to a higher fee element in the gross Funding Council teaching unit of resource. Actual Home/EU student numbers fell slightly during the year.

Non-EU fees have decreased by 11.3% to £13.7m for the 2010/11 financial year. Whilst self funded international student numbers are down slightly incomes derived therefrom are marginally up in the year. This is reflective of underlying price increases. Unfortunately, the University has been hit by significant perturbations in its international corporate markets following the cancellation or significant delay of two of its major international contracts in Venezuela and Algeria. This has caused the relevant revenues of Univation Limited, the University's wholly owned commercial subsidiary, to fall by almost £1.8m for 2010/11.

Income from research grants and contracts for the year was flat compared to 2009/10, at around £4m. In the circumstances of reducing public funding and other recessionary pressures on research activities this is an encouraging result. It provides the University with further evidence that research activities have stabilised at the higher post RAE 2008 levels.

Other income increased by £0.2m or 1.2% to £13.1m. Income levels here were maintained by continuing high occupation levels and slightly increased volumes in the University's residential accommodation business.

Endowment and investment income has decreased this year by 30.8%, or £0.87m, to £1.95m. Although deposit interest incomes were slightly up on last year, this was more than offset by reduced investment returns which were badly affected by the market downturns experienced during the year.

Total expenditure decreased by £1.16m to £89.46m.

Staff costs increased during the year by £1.1m or 2.1% to £54m. This total is inflated by around £1.3m, being the non-recurring costs incurred by the University as a consequence of a staff voluntary severance and early retirement scheme. Basic pay awards and incremental progression increased the total pay cost by around 2% in the year. The full savings achieved by the University as a result of undertaking this scheme will be realised by the end of the 2011/12 financial year.

Other operating expenses, excluding depreciation and interest, decreased by £2.5m, or 8.4%, to £27.45m. Approximately half of this decrease is associated with the reduced level of activities in Univation Limited. Much of the remainder is caused by prior year costs, including the non recurring writing down of the Nursery building, a write off in excess of £800k. There still remains an overall modest reduction in operating costs and this is reflective of tight budgetary control and judicious funds management by budget holders throughout the University.

The net group result for the year was a surplus of £3.56m.

Cash Flow

The group generated a cash inflow from operating activities of £9.02m for the year, an increase of £4.21m from the £4.81m generated during 2009/10. 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 £8.31m. The group's short term deposits increased by £13.42m to £37.7m at year end, while cash balances halved to £5.92m. Debt levels were reduced by £0.8m to £10.2m.

Operating and Financial Review (continued)

Capital Projects

The group invested £11.04m in fixed assets during the year. These capital investments included £7.73m on the current phase of the campus development project, £1.67m on fixtures, fittings and equipment, £1.22m on the Navitas Building, and £0.42m 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 on a timely basis.

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.

Subsequent to the year end, the group completed contracts on a £25m debt package. This has been entered into to ensure the current campus development project is fully funded. The project has a forecast cost of £88m and the remaining funds of £63m are being financed from a combination of the group's own cash reserves, proceeds from asset sales and capital grants from funders. The debt has a 5 year capital repayment holiday at the front end with repayments over the following 25 years. The debt will be re-priced every 7 years with options on both sides. The floating rate debt has been fixed by way of a linked swap which ensures that the group pays a fixed interest rate for the first 14 years of the deal, up until the second re-pricing point.

The campus development project is currently on budget and on time with a date of entry to the new teaching and learning facilities situated on the Garthdee campus estimated to be summer 2013.

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 2011, creditors were paid on average in 19.8 days (2010: 19.7 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. 3.06% 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.

Operating and Financial Review (continued)

- 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.

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 a Joint Negotiation & Consultation Group (JNCG).

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 are provided with a comprehensive on-line and face to face induction which includes provision of information on University policies and procedures.

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 Trustee 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 redefine its strategy for the future. A series of 'foresight exercises' will comprise part of this activity. Outputs, including a series of new strategic policy papers, are expected during the 2011/12 financial year.

As mentioned earlier, the University has restructured its relationship with its commercial subsidiary, Univation Limited. This is part of a wider strategic focus on the University's business interaction activities. A deepening and broadening of the University's ties with local, national and global business is expected to be central to future success.

Tight public sector funding settlements are forecast to continue. The University undertook a voluntary severance and early retirement scheme during the year to help to ensure it remains well placed to respond to future demands. As ever, the University will be looking to ensure sustainability by diversifying its sustainable base of activities and by continuing to focus on the value for money it can achieve from its human and physical resource base.

The new campus buildings at Garthdee are expected to be ready for entry in the summer of 2013. Work has commenced and is currently on time and in budget. The completion of this major undertaking will mark the start of a new phase for the University where improved facilities will drive up the quality of our teaching, learning and research, making the University a stronger, more efficient and effective organisation for students, staff and other stakeholders alike.

Operating and Financial Review (continued)

Chancellor of the University

Sir Ian Wood

Board of Governors

Governors who served during the year 1 August 2010 to 31 July 2011 were as follows:

Dr Melfort A Campbell (Chair until 31 December 2010 when Term of Office ended)	See below
Mrs Sheena N Anderson.....	Finance and General Purposes Committee ((C) from 1 January 2011)
Mr Alasdair Craigie	Finance and General Purposes Committee
Ms Jennifer F Craw	Finance and General Purposes Committee, Nominations Committee
Mr Robert A Duncan	Audit Committee, Finance and General Purposes Committee
Mr James Dunphy	Staff Governance Committee, Nominations Committee
Mrs Elizabeth Hancock (Term of Office ended 31 December 2010)	Nominations Committee, Staff Governance Committee,
Professor John Harper (Acting Principal and Vice-Chancellor from February 2010 until March 2011)	See below
Mrs Susan M Lawrie	Finance and General Purposes Committee, Staff Governance Committee
Mr William A McKimmie (Term of Office ended 31 December 2010)	Nominations Committee, Staff Governance Committee
Mr Ross Murchison (Undergraduate Student – Term of Office from 1 September 2010 until 31 August 2011)	Finance and General Purposes Committee
Mr Peter D Nicholson	Audit Committee, Staff Governance Committee
Mr Gregory Poon	Staff Governance Committee ((C) from 1 January 2011)
Professor Ken Russell (Appointed 1 January 2011).....	Staff Governance Committee
Mr Mike Salter (Vice-Chair from 1 January 2010 until 31 December 2010), (Chair from 1 January 2011)	See below
Mr Tim S Stevenson (Appointed 1 January 2011)	Finance and General Purposes Committee
Mr David Strachan (Appointed 1 January 2011).....	Staff Governance Committee
Professor Ferdinand von Prondzynski (Principal and Vice-Chancellor) (Appointed March 2011) .	See Below
Dr George E Watkins (Vice-Chair from 1 January 2011 until 31 December 2011)	Finance and General Purposes Committee ((C) until 31 December 2010), Nominations Committee
Professor Jamie Weir.....	Audit Committee (C), Nominations Committee, Staff Governance Committee
Mrs Lesley M Wilson (Term of Office ended 31 December 2010)	Staff Governance Committee (C)
Mr Christopher Woods (Postgraduate Student – Term of Office from 1 September 2010 until 31 August 2011)	Finance and General Purposes committee
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



M Salter
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 Financial Reporting Council 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 and updated in March 2009. 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, the Deputy Principal and Vice-Chancellor, the Vice-Principals, Executive Directors and the Deans. The University adopted an updated strategic plan which was approved by the Governing Body in September 2007 and refreshed in November 2009 and is currently undertaking a new strategic review. 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 2011 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 2011 by considering documentation from the SPARG and taking account of events since 31 July 2011.

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 2011 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



M Salter
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 on a going concern basis 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 Governing Body of The Robert Gordon University

We have audited the financial statements of the Robert Gordon University Group for the year ended 31 July 2011 which comprise the Group Income and Expenditure Account, the Group and University Balance Sheets, the Group Cash Flow Statement the Statement of Group Total Recognised Gains and Losses, the Statement of Group Historical Cost Surpluses and Deficits, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the governing body and auditors

As explained more fully in the Statement of the Primary Responsibilities of the Governing Body set out on page 10, the governing body (who are also charitable trustees for the purposes of charity law) are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the governing body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governing body; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent institutions' affairs as at 31 July 2011 and of the Group's income and expenditure and Group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice (SORP) on Accounting in Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept by the parent institution; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

15 December 2011

PricewaterhouseCoopers LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

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. Any profits or losses on intra Group transactions have been eliminated on consolidation. All investments in subsidiaries are eliminated on consolidation.

The Group had a joint venture interest in The Robert Gordon Industrial Training & Educational Trust of which it was the sole beneficiary. It accounted for its interest in the joint venture using the gross equity method of accounting whereby the value of the investment in the joint venture was adjusted in each period to reflect the Group's share of the results of the joint venture. The Trust was wound up during 2009/10.

The Group had an interest in Viscom (Aberdeen) Ltd which it disposed of during 2009/10. 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. Income is deferred on grants and contracts where cash has been received in advance of work being undertaken. Income is accrued on grants and contracts where work has been undertaken but not yet invoiced.

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 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, the Corporation Tax Act 2010 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.

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 2011

	Notes	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
INCOME			
Funding Council Grants	1	41,530	41,008
Tuition Fees and Education Contracts	2	32,512	33,637
Research Grants & Contracts	3	3,906	3,951
Other Income	4	13,116	12,905
Endowment and Investment Income	5	1,953	2,823
Total Income		93,017	94,324
Less: Share of income from joint venture		0	(3)
Net Income		93,017	94,321
EXPENDITURE			
Staff costs	6	54,040	52,916
Other operating expenses	8	27,452	29,967
Depreciation	9	7,194	6,431
Interest Payable	7	528	564
Total Expenditure	8	89,214	89,878
Share of operating profit in joint venture	10	0	37
Share of operating profit of associate	10	0	49
SURPLUS AFTER DEPRECIATION OF TANGIBLE FIXED ASSETS AT VALUATION AND BEFORE TAX		3,803	4,529
Taxation	11	(242)	(738)
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND TAX		3,561	3,791
Deficit for the year transferred to accumulated income endowment funds	23	(183)	(132)
Surplus for the year retained within general reserves		3,744	3,923

All income and expenditure is in relation to continuing operations

Statement of Group Historical Cost Surpluses and Deficits

Year ended 31 July 2011

		Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Surplus on continuing operations before taxation	Notes	3,803	4,529
Difference between historical cost depreciation and the actual charge for the period calculated on the Revalued amount	24	1,316	662
Realisation of property revaluation gains of previous years	24	0	80
Historical cost surplus for the period before taxation		<u>5,119</u>	<u>5,271</u>
Historical cost surplus for the period after taxation		<u>4,877</u>	<u>4,533</u>

Statement of Group Total Recognised Gains and Losses Year Ended 31 July 2011

	Notes	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Surplus on continuing operations		3,744	3,923
Disposal of investment in associate	24	0	(60)
Unrealised surplus on revaluation of fixed assets	24	0	12,284
Unrealised surplus on revaluation of investments	24	1,030	2,161
Released on disposal of investments	24	(617)	(847)
Endowments withdrawn	23	(119)	(129)
Appreciation of endowment asset investments	23	127	71
New endowments	23	218	131
Total recognised gains relating to the year		<u>4,383</u>	<u>17,534</u>
Reconciliation			
Opening reserves and endowments		175,495	157,961
Total recognised gains for the year		4,383	17,534
Closing reserves and endowments		<u>179,878</u>	<u>175,495</u>

Balance Sheets at 31 July 2011

	Notes	Year ended 31 July 2011		Year ended 31 July 2010	
		Group £000	University £000	Group £000	University £000
Fixed Assets					
Tangible Assets	9	176,273	176,273	172,449	172,413
Investments	12	14,953	8,388	21,540	13,675
		<u>191,226</u>	<u>184,661</u>	<u>193,989</u>	<u>186,088</u>
Endowment assets	16	<u>1,559</u>	<u>1,559</u>	<u>1,333</u>	<u>1,333</u>
Current Assets					
Stocks		8	8	9	9
Debtors	17	4,856	8,052	6,733	9,888
Investments	18	37,699	37,699	24,277	24,277
Cash at Bank and in Hand		5,924	4,166	11,828	11,359
		<u>48,487</u>	<u>49,925</u>	<u>42,847</u>	<u>45,533</u>
Less: Creditors - amounts falling due within one year	19	<u>16,714</u>	<u>19,642</u>	<u>17,015</u>	<u>19,326</u>
Net current assets		<u>31,773</u>	<u>30,283</u>	<u>25,832</u>	<u>26,207</u>
Total assets less current liabilities		<u>224,558</u>	<u>216,503</u>	<u>221,154</u>	<u>213,628</u>
Less: Creditors - amounts falling due after more than one year	20	<u>9,580</u>	<u>9,580</u>	<u>10,623</u>	<u>10,623</u>
Less: Provision for liabilities and charges	21	<u>9,475</u>	<u>9,475</u>	<u>9,808</u>	<u>9,808</u>
NET ASSETS		<u>205,503</u>	<u>197,448</u>	<u>200,723</u>	<u>193,197</u>
Deferred capital grants	22	<u>25,625</u>	<u>25,625</u>	<u>25,228</u>	<u>25,228</u>
Endowments					
Expendable		0	0	128	128
Permanent	23	1,559	1,559	1,205	1,205
		<u>1,559</u>	<u>1,559</u>	<u>1,333</u>	<u>1,333</u>
Reserves					
Income & Expenditure Account		86,250	79,275	81,190	74,329
Revaluation Reserve		92,069	90,989	92,972	92,307
	24	<u>178,319</u>	<u>170,264</u>	<u>174,162</u>	<u>166,636</u>
TOTAL FUNDS		<u>205,503</u>	<u>197,448</u>	<u>200,723</u>	<u>193,197</u>

The financial statements on pages 17 to 35 were approved by the Governing Body on 15th December 2011 and were signed on its behalf by:



M Salter
Chairman



M D McCall
Director of Finance



F von Prondzynski
Principal

Group Cash Flow Statement Year Ended 31 July 2011

	Notes	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	<u>9,016</u>	<u>4,805</u>
Returns on investment and servicing of finance			
Income from endowments		45	41
Interest received		586	467
Investment Income		1,322	2,315
Interest paid		<u>(528)</u>	<u>(564)</u>
		<u>1,425</u>	<u>2,259</u>
Dividends from associated company		<u>0</u>	<u>120</u>
Taxation	11	<u>(242)</u>	<u>(738)</u>
Capital expenditure and financial investment			
Land and building additions		(8,930)	(6,471)
Purchase of equipment and fixtures and fittings		(2,108)	(1,904)
Deferred capital grant received		1,423	3,760
Purchase of fixed asset investments		(813)	(7,124)
Disposal of fixed asset investments		8,431	5,149
New Endowments		218	131
Endowment asset additions		(358)	(153)
Endowment asset disposals		252	81
Proceeds on sale of associate		0	257
Repayment of share of reserves in joint venture		<u>0</u>	<u>594</u>
		<u>(1,885)</u>	<u>(5,680)</u>
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		8,314	766
Management of liquid resources	30	(13,422)	5,913
Financing	30	(802)	(798)
(DECREASE) / INCREASE IN CASH		<u><u>(5,910)</u></u>	<u><u>5,881</u></u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		Year ended	Year ended
		31 July 2011	31 July 2010
		£000	£000
(DECREASE) / INCREASE IN CASH IN THE PERIOD		(5,910)	5,881
Change in Short term Deposits		13,422	(5,913)
Change in Debt		802	798
CHANGE IN NET FUNDS		<u>8,314</u>	<u>766</u>
Net Funds at Beginning of the Year		25,301	24,535
NET FUNDS AT END OF YEAR	30	<u><u>33,615</u></u>	<u><u>25,301</u></u>

Notes to the Accounts

1 FUNDING COUNCIL GRANTS	Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
SFC recurrent teaching grant	36,660	36,069
SFC recurrent research grant	3,012	3,304
SFC non-recurrent research grant	641	355
Other SFC grants	267	268
Release of deferred capital grants (Note 22)	950	1,012
	<u>41,530</u>	<u>41,008</u>
2 TUITION FEES AND EDUCATION CONTRACTS		
UK and EU fees	17,656	17,043
Non-EU fees	13,700	15,447
Non-credit bearing course fees	1,156	1,147
	<u>32,512</u>	<u>33,637</u>
3 RESEARCH GRANTS AND CONTRACTS		
Research Councils	286	291
UK based charities	115	227
European Commission	94	69
Other grants and contracts	3,411	3,364
Total grant and contract income	<u>3,906</u>	<u>3,951</u>
4 OTHER INCOME		
Residences & Catering	7,071	6,662
Other Services Rendered - University	4,035	4,020
Other Services Rendered - Subsidiaries	272	136
Other Income	1,662	2,012
Releases from deferred capital grants	76	75
	<u>13,116</u>	<u>12,905</u>
5 ENDOWMENT AND INVESTMENT INCOME		
Income from permanent endowments	45	41
Investment income	1,322	2,315
Interest receivable	586	467
	<u>1,953</u>	<u>2,823</u>

Notes to the Accounts (Continued)

6 GROUP STAFF COSTS

	Year ended 31 July 2011	Year ended 31 July 2010
Staff costs	£000	£000
Wages & Salaries	44,264	43,052
Social Security Costs	3,473	3,442
Other Pension Costs	6,303	6,422
	<u>54,040</u>	<u>52,916</u>

Analysed as

Staff on permanent contracts	47,771	46,344
Staff on temporary contracts	6,269	6,572
	<u>54,040</u>	<u>52,916</u>

Emoluments of the Principal

	£	£
Salary	191,701	192,551
Benefits in kind	2,015	1,674
Pension contributions	28,564	28,349
	<u>222,280</u>	<u>222,574</u>

(These emoluments relate to Professor J Harper as Acting Principal until 20th March 2011 and Professor F von Prondzynski from 21st March 2011)

Remuneration of other higher paid staff

	No.	No.
£70,000 - £79,999	16	20
£80,000 - £89,999	7	8
£90,000 - £99,999	1	1
£100,000-£109,999	1	3
£110,000-£119,999	2	0
£130,000-£139,999	1	1
	<u>28</u>	<u>33</u>

Average Staff Numbers by Major Category

Academic departments	639	658
Academic services	127	130
Central management and support	156	161
Premises	137	139
Residences and catering	4	5
Research grants and contracts	57	55
Other income generating activities	70	71
	<u>1,190</u>	<u>1,219</u>

Analysed as

Staff on permanent contracts	1,034	1,107
Staff on temporary contracts	156	112
	<u>1,190</u>	<u>1,219</u>

None of the members of the Governing body received remuneration from the University for acting as Board members (2010: none). There was no compensation paid to senior post holders (2010: £30k).

Notes to the Accounts (Continued)

7 INTEREST AND OTHER FINANCE COSTS	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Loans repayable wholly or partly in more than 5 years	528	563
On finance leases	0	1
	<u>528</u>	<u>564</u>

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs £000	Other Op Dep'n Expenses £000	Interest Payable £000	Total Year ended 31 July 2011 £000	Total Year ended 31 July 2010 £000	
Academic Departments	33,063	1,029	6,365	268	40,725	40,524
Academic Services	5,191	824	2,396	0	8,411	8,576
Central Management & Support	7,838	261	3,554	0	11,653	12,216
Premises	3,003	4,044	4,327	0	11,374	10,385
Residences & Catering	460	596	5,701	148	6,905	7,305
Research Grants & Contracts	2,648	34	1,351	0	4,033	3,541
Other Services Rendered	1,837	406	2,186	109	4,538	4,988
Other Expenses	0	0	1,572	3	1,575	2,343
	<u>54,040</u>	<u>7,194</u>	<u>27,452</u>	<u>528</u>	<u>89,214</u>	<u>89,878</u>

Other operating expenses include:

Provision for premature retirement compensation	215	449
Grants to Student Association	348	504
Auditors' Remuneration-external audit ex vat *	47	46
Auditors' Remuneration-internal audit ex vat **	31	26
Auditors' Remuneration-other services - external & internal audit ex vat	0	4

* Included £34k ex vat in respect of the Robert Gordon University (2010: £33k 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 2011	Year ended 31 July 2010
	£000	£000
Academic Departments	6,365	7,036
Academic Services	2,396	2,726
Central Management & Support	3,554	4,063
Premises	4,327	3,817
Residences & Catering	5,701	6,079
Research Grants & Contracts	1,351	1,206
Other Services Rendered	2,186	2,697
Other Expenses	1,572	2,343
	<u>27,452</u>	<u>29,967</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 2010	155,639	136	20,241	9,597	185,613
Additions at cost	925	0	1,673	8,440	11,038
Disposals at cost	0	(136)	(944)	0	(1,080)
Impairment of fixed assets	0	0	0	0	0
Transfers to other category	1,398	0	386	(1,784)	0
Revaluation	0	0	0	0	0
At 31 July 2011	157,962	0	21,356	16,253	195,571
Depreciation:					
At 1 August 2010	0	102	13,062	0	13,164
Charge for year	4,158	15	3,021	0	7,194
Eliminated in respect of disposals	0	(117)	(943)	0	(1,060)
Impairment of fixed assets	0	0	0	0	0
Revaluation	0	0	0	0	0
At 31 July 2011	4,158	0	15,140	0	19,298
Net Book Value at 31 July 2011	153,804	0	6,216	16,253	176,273
Net Book Value At 31 July 2010	155,639	34	7,179	9,597	172,449
UNIVERSITY					
Cost and valuation:					
At 1 August 2010	155,639	0	20,111	9,597	185,347
Additions at cost	925	0	1,673	8,440	11,038
Disposals at cost	0	0	(814)	0	(814)
Impairment of fixed assets	0	0	0	0	0
Transfers to other category	1,398	0	386	(1,784)	0
Revaluation	0	0	0	0	0
At 31 July 2011	157,962	0	21,356	16,253	195,571
Depreciation:					
At 1 August 2010	0	0	12,934	0	12,934
Charge for year	4,158	0	3,020	0	7,178
Eliminated in respect of disposals	0	0	(814)	0	(814)
Impairment of fixed assets	0	0	0	0	0
Revaluation	0	0	0	0	0
At 31 July 2011	4,158	0	15,140	0	19,298
Net Book Value at 31 July 2011	153,804	0	6,216	16,253	176,273
Net Book Value At 31 July 2010	155,639	0	7,177	9,597	172,413

Notes to the Accounts (Continued)

Heritable property included assets with a cost of £3,528k (2010: £2,067k) and accumulated depreciation of £314k (2010: £246k) which are leased out under operating leases.

Equipment included assets with a cost of £65k (2010: £209k) and accumulated depreciation of £65k (2010: £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 £62,217k (2010: £58,607k) 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 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
Cost	89,024	89,024	89,024	89,024
Aggregate depreciation based on cost	<u>(26,431)</u>	<u>(26,431)</u>	<u>(23,619)</u>	<u>(23,619)</u>
Net book value based on cost	<u>62,593</u>	<u>62,593</u>	<u>65,405</u>	<u>65,405</u>

The depreciation charge has been funded by	Year ended	Year ended
	31 July 2011	31 July 2010
	£000	£000
Deferred Capital Grants released	1,026	1,087
Revaluation reserve released	1,316	662
General income	<u>4,852</u>	<u>4,682</u>
	<u>7,194</u>	<u>6,431</u>

10 SHARE OF OPERATING PROFIT OF JOINT VENTURE AND ASSOCIATE	Year ended	Year ended
	31 July 2011	31 July 2010
	£000	£000
The Robert Gordon Industrial Training and Educational Trust : Nil (2010 : 50%)	<u>0</u>	<u>37</u>
Viscom (Aberdeen) Limited : Nil (2010 : 33%)	<u>0</u>	<u>49</u>

11 TAXATION

UK Corporation Tax nil (2010: 20%) on profits of Viscom Aberdeen Ltd	0	10
Overseas withholding taxes not recoverable in Univation Ltd	<u>242</u>	<u>728</u>
	<u>242</u>	<u>738</u>

Notes to the Accounts (Continued)

12 FIXED ASSET INVESTMENTS	Year ended 31 July 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
Subsidiary Undertakings (see note 34)				
Univation Ltd - Share capital at cost	<u>0</u>	<u>100</u>	<u>0</u>	<u>100</u>
Listed Investments at market value				
Fixed Interest Stocks at market value	5,434	2,837	11,570	7,150
Equities at market value	<u>9,325</u>	<u>5,257</u>	<u>9,777</u>	<u>6,232</u>
	<u>14,759</u>	<u>8,094</u>	<u>21,347</u>	<u>13,382</u>
Other				
CVCP Properties PLC - Cost of investment	29	29	29	29
Spin out companies at cost	<u>165</u>	<u>165</u>	<u>164</u>	<u>164</u>
	<u>194</u>	<u>194</u>	<u>193</u>	<u>193</u>
Net book value at 31 July	<u>14,953</u>	<u>8,388</u>	<u>21,540</u>	<u>13,675</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 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
At 1 August	21,348	13,383	17,368	10,813
Additions	812	805	6,967	5,157
Disposal	(8,932)	(6,976)	(5,983)	(4,863)
Realised gain/(loss) taken to investment income	501	267	834	779
Unrealised gain/(loss) to revaluation reserve	<u>1,030</u>	<u>615</u>	<u>2,161</u>	<u>1,496</u>
Net book value at 31 July	<u>14,759</u>	<u>8,094</u>	<u>21,347</u>	<u>13,382</u>

13 INVESTMENT IN JOINT VENTURE

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 and the University holds no other joint venture investments.

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 2011	Year ended 31 July 2010
		£000	£000
At valuation:			
Balance at 1 August		1,333	1,260
Additions		358	153
Disposals		(252)	(81)
Appreciation / (depreciation) on revaluation		127	71
(Decrease) / increase in cash balances		(7)	(70)
Balance at 31 July		<u><u>1,559</u></u>	<u><u>1,333</u></u>
Represented by:			
	Fixed Interest Stocks	289	257
	Equities	1,074	874
	Cash	196	202
Total		<u><u>1,559</u></u>	<u><u>1,333</u></u>
Fixed Interest Stock & Equities at Cost		<u><u>1,224</u></u>	<u><u>1,117</u></u>

17 DEBTORS	Year ended 31 July 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
Due within one year:				
Trade Debtors	1942	985	3,052	1,561
European funding	67	67	130	130
Debts from Students	979	979	986	986
VAT Recoverable	0	3,682	69	3,682
Amounts owed by Univation Limited	0	532	0	523
Amounts owed by RGIT Educational Dev Trust	0	0	0	628
Prepayments and accrued income	1868	1,807	2,496	2,378
	<u><u>4,856</u></u>	<u><u>8,052</u></u>	<u><u>6,733</u></u>	<u><u>9,888</u></u>

18 CURRENT ASSET INVESTMENTS	Year ended 31 July 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
Bank deposits at cost	37,699	37,699	24,277	24,277
	<u><u>37,699</u></u>	<u><u>37,699</u></u>	<u><u>24,277</u></u>	<u><u>24,277</u></u>

Notes to the Accounts (Continued)

19 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	Year ended 31 July 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
Social Security & Other Taxation Payable	1,927	1,927	2,015	2,015
Creditors	4,955	4,930	4,955	4,897
Accruals	3,781	3,516	5,608	4,707
Deferred Income	4,967	4,503	3,385	2,969
Vat Payable	250	250	250	250
Loans (Note 20a)	834	834	797	797
Finance Leases (Note 20b)	0	0	5	5
Amounts owed to Univation Ltd	0	3,682	0	3,686
	<u>16,714</u>	<u>19,642</u>	<u>17,015</u>	<u>19,326</u>

20 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

Loans (Note 20a)	9,370	9,370	10,204	10,204
Finance Leases (Note 20b)	0	0	0	0
Other Creditors	210	210	419	419
	<u>9,580</u>	<u>9,580</u>	<u>10,623</u>	<u>10,623</u>

a) Bank Loans and Overdrafts

Bank loans and overdrafts are repayable as follows

In one year or less	834	834	797	797
Between one and two years	880	880	834	834
between two and five years	2,909	2,909	2,773	2,773
In five years or more	5,581	5,581	6,597	6,597
	<u>10,204</u>	<u>10,204</u>	<u>11,001</u>	<u>11,001</u>

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

	10,204	10,204	11,001	11,001
Total	<u>10,204</u>	<u>10,204</u>	<u>11,001</u>	<u>11,001</u>
Amounts due within one year	(834)	(834)	(797)	(797)
Repayable in more than one year	<u>9,370</u>	<u>9,370</u>	<u>10,204</u>	<u>10,204</u>

Notes to the Accounts (Continued)

b) Finance Leases	Year ended 31 July 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
Net finance lease obligations to which the University is committed are:				
In one year or less	0	0	5	5
Between one and two years	0	0	0	0
Total	<u>0</u>	<u>0</u>	<u>5</u>	<u>5</u>
Amounts due within one year	0	0	(5)	(5)
Repayable in more than one year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

21 PROVISION FOR LIABILITIES (GROUP AND UNIVERSITY)

Premature Retirement Compensation	Year ended	Year ended
	31 July 2011	31 July 2010
	£000	£000
At 1 August	9,808	9,883
Expenditure in the period	(547)	(527)
Additional provision required in year	0	3
Revaluation adjustment	21	254
Interest charged	193	195
At 31 July	<u>9,475</u>	<u>9,808</u>

A valuation of the existing pension provision was carried out by Mercer Human Resource Consulting Ltd, an independent firm of actuaries at 31 July 2011.

22 DEFERRED CAPITAL GRANTS	Funding	Other	Group
	Council	Grants	Total
	£000	£000	£000
At 1 August 2010	23,504	1,724	25,228
Cash Received	1,423	0	1,423
Released to income & expenditure account	(950)	(76)	(1,026)
At 31 July 2010	<u>23,977</u>	<u>1,648</u>	<u>25,625</u>

Notes to the Accounts (Continued)

23 ENDOWMENTS (GROUP AND UNIVERSITY)	Permanent	Expendable	Total	Total
	Endowments	Endowments	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000	£000	£000
At 1 August	1,205	128	1,333	1,260
New endowments	0	218	218	131
Net additions	64	0	64	3
Appreciation of endowment assets	127	0	127	71
Income for year	45	0	45	41
Expenditure for year	(21)	(207)	(228)	(173)
At 31 July	1,420	139	1,559	1,333

Representing:

Fellowships & Scholarships Funds	416	99	515	440
Prizes Funds	122	15	137	121
Chairs and Lectureships Funds	22	0	22	19
Other Funds	860	25	885	753
Total	1,420	139	1,559	1,333

24 RESERVES

a) Revaluation Reserve

	Year ended 31 July 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
Fixed assets				
At 1 August	90,234	90,234	78,692	78,692
Revaluation in year	0	0	12,284	12,284
Release on impairment of revalued asset	0	0	(80)	(80)
Transfer from revaluation reserve to general reserve in respect of depreciation of revalued assets	(1,316)	(1,316)	(662)	(662)
At 31 July	88,918	88,918	90,234	90,234

Investments

At 1 August	2,738	2,073	1,424	1,424
Revaluation in year	1,030	615	2,161	1,496
Released on disposal of investments	(617)	(617)	(847)	(847)
At 31 July	3,151	2,071	2,738	2,073
Total	92,069	90,989	92,972	92,307

Notes to the Accounts (Continued)

b) General Reserve	Year ended 31 July 2011		Year ended 31 July 2010	
	Group	University	Group	University
	£000	£000	£000	£000
At 1 August	81,190	74,329	76,585	69,883
Surplus for the year	3,744	3,630	3,923	3,704
Disposal of investment in associate	0	0	(60)	0
Revaluation element of asset impairment	0	0	80	80
Release from revaluation reserve	1,316	1,316	662	662
At 31 July	86,250	79,275	81,190	74,329

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

	Year ended 31 July 2011	Year ended 31 July 2010
	£000	£000
Surplus after depreciation of tangible fixed assets at valuation and before tax	3,803	4,529
Depreciation	7,194	6,431
Deferred capital grants released to income	(1,026)	(1,087)
Net donated income retained in specific endowments	(119)	(129)
Net endowment income	183	132
Interest payable	528	564
Decrease / (Increase) in stocks	1	(2)
Decrease / (Increase) in debtors	1,877	(1,958)
Decrease in creditors < 1 Yr	(333)	(338)
Increase / (Decrease) in creditors > 1 Yr	(209)	(97)
(Decrease) in provisions	(333)	(75)
Interest and dividend receivable	(1,953)	(2,823)
Share of profit of associates after taxation	0	(39)
Loss on disposal of fixed assets	20	0
Impairment of tangible fixed assets	0	813
Share of profit of joint venture	0	(37)
Profit on disposal of associate	0	(232)
Release of revaluation reserve on disposal of fixed asset investments	(617)	(847)
NET CASH INFLOW FROM OPERATING ACTIVITIES	9,016	4,805

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	500	2,310
Major construction works	10,596	55,746
Other Works	1,279	1,223
	<u>12,375</u>	<u>59,279</u>

At 31 July 2011 the group had annual commitments under non-cancellable operating leases as follows:		Year ended 31 July 2011 £000	Year ended 31 July 2010 £000
Land and Buildings	Between one and five years	3,223	3,917
	After five years	<u>10,539</u>	<u>11,448</u>
Plant and Equipment	Between one and five years	<u>0</u>	<u>6</u>

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	Discretionary Fund £000	Total Year ended 31 July 2011 £000	Total Year ended 31 July 2010 £000
Balance brought forward	3	17	20	11
Allocation received in year	170	452	622	536
Expenditure	(109)	(520)	(629)	(527)
Virements	(55)	55	0	0
Excess of Income over				
Expenditure carried forward	<u>9</u>	<u>4</u>	<u>13</u>	<u>20</u>

Notes to the Accounts (Continued)

30 ANALYSIS OF CHANGES IN NET FUNDS	At 1 August	Cash	At 31 July
	2010	Flow	2011
	£'000	£'000	£'000
Cash at bank and in hand	11,828	(5,904)	5,924
Endowment assets	<u>202</u>	<u>(6)</u>	<u>196</u>
	12,030	(5,910)	6,120
Current asset investments	24,277	13,422	37,699
Finance leases due within one year	(5)	5	0
Finance leases after one year	0	0	0
Loans due within one year	(797)	(37)	(834)
Loans due after one year	<u>(10,204)</u>	<u>834</u>	<u>(9,370)</u>
	<u>25,301</u>	<u>8,314</u>	<u>33,615</u>

31 CASH FLOW RELATING TO EXCEPTIONAL ITEMS

There were no exceptional items reported for the year.

32 DISCLOSURE OF THIRD PARTY TRANSACTIONS

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 £3,164k (2010: £3,181k) and at 31 July 2011 £256k 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 2011 however the results of that valuation have not yet been published and until such time contribution rates are based on the previous valuation at 31 March 2008.

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 2010 are based on salary bands ranging from 5.5% to 11.2% of pensionable pay.

The total Aberdeen City Council Pension Fund cost for the University for the year was £3,139k (2010: £3,241) and at 31 July 2011 £249k 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.