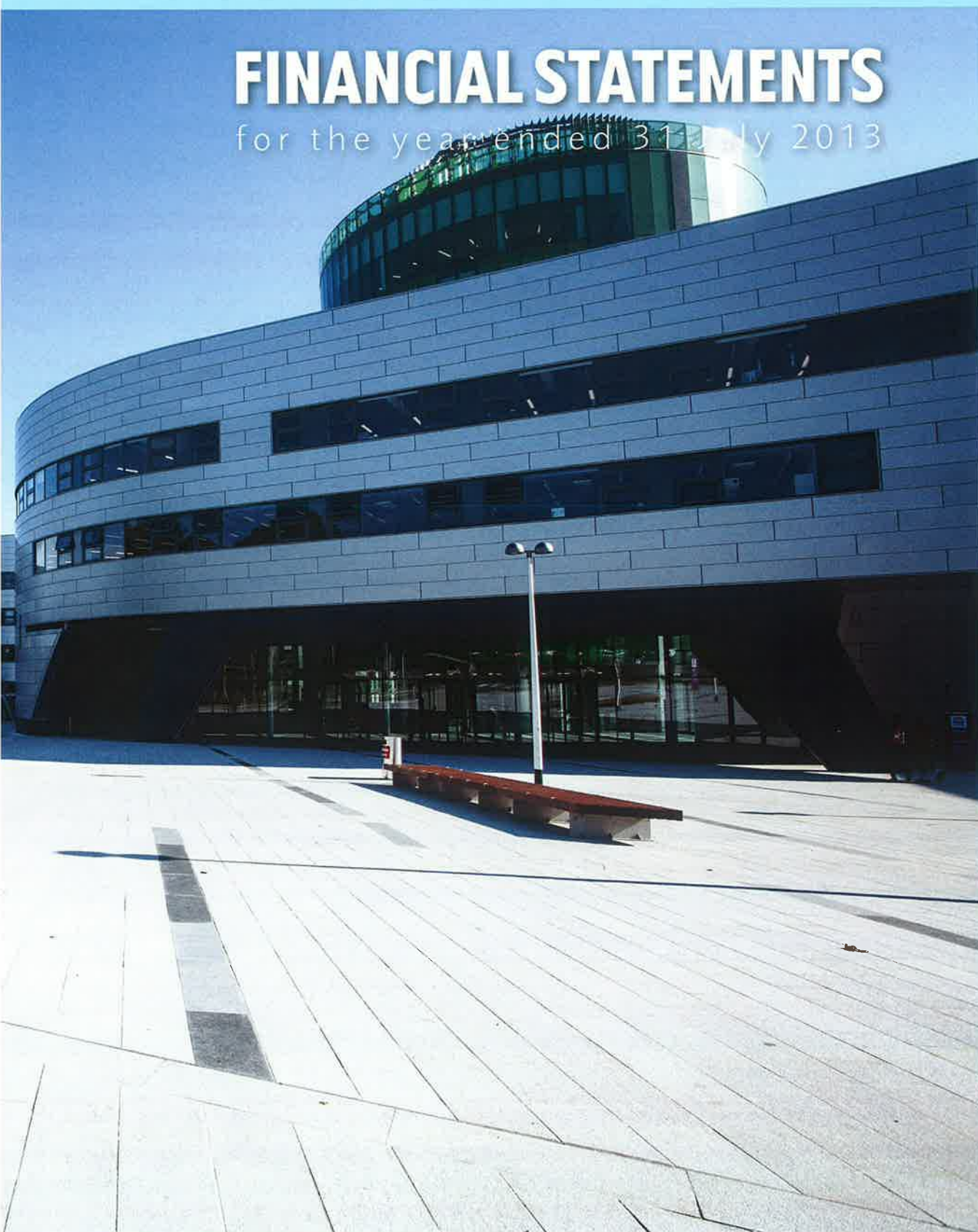




**ROBERT GORDON
UNIVERSITY ABERDEEN**

FINANCIAL STATEMENTS

for the year ended 31 July 2013



Robert Gordon University

**Financial statements
For the year ended 31 July 2013**

Scottish Charity Number SC 013781

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Operating and Financial Review

Operating Review

Constitution, governance and regulation

Although the university had its origins in 1909, it was re-incorporated in 2006 by the Robert Gordon University (Establishment)(Scotland) Order made by the Scottish Ministers under the Further and Higher Education (Scotland) Act 1992. At the same time, following a review of its constitution, its new governance arrangements were prescribed by the Privy Council in the Robert Gordon University (Scotland) Order of Council 2006, which established the Board as the governing body of the university.

The university's corporate governance arrangements are set out on pages 10 to 11 and members of the Board, known as Governors, are listed on pages 8 to 9.

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.

Principal activities

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.

Vision

RGU aspires to be recognised, in Scotland and beyond, as a distinctive university leading and shaping the debate on the future of higher education and placing students at the centre of the education it offers. It will be known for the impact of its teaching, scholarship and translational research, the employability of its graduates, its influence in the region and nation, its growing global profile and its strong interdisciplinary focus on a small number of key questions and issues of concern to the local and global community. It will achieve its goals in partnership with academic, voluntary, public and business organisations that share its ideals and aspirations.

Strategy

The university's vision is focused on developing a global reputation in key areas of focused specialisms, and through these to achieve high value growth. It believes that there is a growing demand, both at home and abroad, for the teaching, research, specialist advice and other products and services it offers. Over the coming years it will be seeking to orient itself to satisfy these demands and in so doing grow the size of university operations, and their profitability, significantly. This growth will include major investment in, and growth of, its research operations, specifically in certain key areas of strategic focus and in areas where this research will have a high impact, thereby supporting local and regional economic and social development.

In order to achieve its vision, RGU has committed itself to a set of key strategic objectives under the banner of 'A Clear Future: for a leading university in a new era'. These are as follows;

Teaching and learning: inspire all individuals to achieve their maximum potential and excel in the world of tomorrow.

Extending access to learning: enable individuals to achieve their ambitions throughout life whatever their circumstances.

Student experience: support students and graduates to enjoy and prosper within a vibrant university community.

Research: be recognised for our contribution to the growth of innovation through advancing internationally excellent translational research in our areas of strategic focus.

Commercialisation: harness our intellectual and physical assets so they generate value to the economy and are profitable to the university.

The regional community: contribute to and be an active leader in the development of the regional community.

Partnerships: secure strategic partnerships with a small number of globally recognised universities and companies that will support the university's key ambitions.

Our university: empower staff and students to develop a strong and engaged community.

Alongside this developing strategy, the university ensured that certain of its principal enabling strategies, information technology, human resource and finance, were revisited and revised to ensure full ongoing alignment with university strategy.

It also laid out clearly the major contribution it will receive from philanthropic giving. Philanthropy is expected to be a significant contributor to strategy implementation.

The university has begun work to set out and publish its strategic priorities in the areas of oil and gas, health and wellbeing, arts and the creative industries, big data, the employability of graduates and RGU and the region.

Implementation of the strategy will be achieved with the help of an annual strategic implementation plan. Progress will be monitored using a range of key performance indicators (KPI's).

Operating and Financial Review (continued)

Teaching and learning

During the year under review the quality of the university's taught portfolio and of its student experience received formal recognition by the Quality Assurance Agency for Higher Education (QAA). QAA's enhancement led institutional review of the university concluded that 'there can be confidence in the University's current and likely future management of the academic standards of its awards and the quality of the student learning experience it offers'.

The QAA's report provided a strong endorsement of the university's approach, practices and achievements in respect of academic standards and quality. In particular, the report highlighted thirteen areas of positive practice including student representation, student engagement in learning, the learning environment, support for learning, employability, internal review processes and institutional commitment to quality enhancement.

The university's focus on professional degree programmes, with many of these programmes being accredited or approved by the relevant professional or statutory regulatory bodies, 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.

The university also performed strongly in the most recent National Student Survey. It received an 87% overall satisfaction rating from this extensive survey. It was one of only three Scottish institutions that were deemed to have substantially outperformed relevant benchmarks. The university was ranked joint fifth in Scotland in terms of overall student satisfaction.

Student full time equivalent numbers were comparable to prior year at just in excess of 10,000. These totals comprise just over 7,700 FTE studying at undergraduate level and around 2,300 FTE at postgraduate level.

This performance included the achievement of funded student number targets, resulting in the preservation of the Scottish Funding Council's funding allocation. Over the period, moreover, the university was awarded 205 FTE in additional funded places, 60 FTE backdated to 2011/12, to allow it to move forward more effectively with articulation programmes and to develop areas of the under and postgraduate portfolio.

In relation to the university's arrangements for funded students, its articulation agreements, with Aberdeen College in particular, continued to grow and develop during the year. Over 300 students, in excess of the targets set with the Scottish Funding Council, articulated onto the university's undergraduate programmes during the year under review.

Fee paying student numbers were marginally down on prior year at just under 2,300 FTE. Within this total international student numbers were also slightly down this year at just under the 1,400 FTE level.

The university continued to develop its arrangements with Navitas Limited for the growth of the RGU International College on the university's Garthdee campus. Navitas is an industry leader in pre-university and university pathway programmes. The first students enrolled onto college programmes during 2011/12 and significant growth in student numbers has been enjoyed over the year under review. Currently the college has around 120 students enrolled, the great majority of whom will eventually progress to enrolment on the university's own undergraduate or postgraduate programmes. Further growth in student numbers here is expected over the next few years.

As part of the new commercialisation strategy the university commenced an investigation into the commercial potential of transnational education during the year. It is currently developing several strands of work in this area with a view to growing international presence, with appropriate international partners, in key regions throughout the world.

The university's commercialisation strategy is to be partly delivered by Univation Limited, its commercial training subsidiary. The university recently completed the integration of the activities of Univation more closely into its own academic operations. Univation's results for the year under review were greatly improved with revenues up by around 40% on prior year. More importantly, the commercial pipeline is showing signs of healthy recovery. The university sees this recovery as an indicator that its commercialisation strategy is beginning to bear fruit.

Research and knowledge exchange

The university's research activities performed well in difficult circumstances during the year.

The loss of a major research project in the area of diet and nutrition resulted in research incomes and volumes being down on last year but the latest evidence available relating to research project applications and awards suggest the trend is now likely to move upwards.

The university invested significantly in its preparations for the Research Excellence Framework 2014 (REF 2014) during the year. It believes it has positioned itself well to benefit from this process over the next year.

Part of the university's new strategy is to develop significant research expertise in the specialist areas of Oil and Gas and of Remote Healthcare. The initial developments of these major long term projects were successfully undertaken during the year under review.

Operating and Financial Review (continued)

The university estate

The university's estate was significantly improved during the year under review by the successful finalisation of the construction project to build a 24,000 square metre teaching, learning and research facility on the Garthdee campus. This facility will be brought into use during 2013/14.

It is a key objective of the university's ongoing estate strategy that all teaching and research activities are consolidated onto the Garthdee campus. With the successful completion of the new, Riverside East, facility this objective has been accomplished.

As a consequence, the university is in the process of selling surplus properties; its St Andrew Street property and the Clarke and Student Association buildings located in Schoolhill. Subsequent to the balance sheet date, moreover, the university completed with Robert Gordon College on the sale of the Technical building in Schoolhill.

The university fully expects that the new single campus will greatly aid the development of cross faculty and other academic teaching and research collaborations. The university also expects that having the ability to conduct all of its academic activities on the one campus will lead to significant cost efficiencies in the future, not least in the lower maintenance, repair and utilities costs that it expects to be associated with the newer property portfolio.

The university is now actively pursuing the next phases of the estates strategy.

Risk Management

Sound risk management is essential to the efficiency of university operations.

Risk management is embedded within the institutional planning process whereby faculties, schools, research institutes and departments assess risk as part of the annual planning process. This process involves both the scoring of risks, according to likelihood and impact, and a requirement to assess the effectiveness of existing mitigating actions and the need for further improvement actions.

The strategic planning and resources group considers these risks and, together with its own understanding of the risks facing the university, develops a high level strategic risk register to describe, monitor and manage the major risks facing the university.

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 with applicable accounting standards. The statements, therefore, include the relevant results of Univation Limited, UVPS Environmental Solutions Limited and The RGIT Educational Development Trust.

Results for the year

The group's results for the year were:

	2012/13 Total £000	2011/12 Total £000
Income	95,495	88,669
Expenditure	91,396	86,660
Surplus for the year	4,099	2,009

Total income increased by £6.8m or 7.7% to £95.5m.

Funding Council grants received increased by 13% over the prior year to £43.1m. Within this total, teaching grants increased by 15.6% to £38.6m while research grants, at £3.2m, were down by 7% over the previous year.

The significant increase in teaching grants was an impact felt sector-wide in Scotland; the Higher Education budget settlement was corrected in the 2012/13 year to negate any significant ongoing effects of the much reduced settlement of 2011/12.

Tuition fees were increased in relation to prior year, being up by £1.6m, or 5%, to £33.7m.

UK and EU fees totalled £18.6m. This represents an increase of £0.8m or 4.4% over 2011/12. Underlying student numbers here were marginally up on 2011/12. Non-EU fees have increased by £0.7m, up by 5.1%, to £13.8m for the 2012/13 financial year. Underlying international student numbers were marginally down on 2011/12.

Operating and Financial Review (continued)

Income from research grants and contracts for the year was down by £0.8m, or 23.9% compared to 2011/12. This continuing downturn remains primarily a consequence of the significant reduction in research contract volumes from one of the university's major research initiatives, in diet and weight control.

Other income increased by £0.8m or 6.1% to £14.8m. Income levels were maintained by continuing high occupation levels and slightly increased volumes in the University's residential accommodation business.

Endowment and investment income has increased this year by 15.9%, or £0.2m, to £1.4m.

Total expenditure increased by £4.7m to £91.4m.

Annual staff costs increased during the year by £1.9m or 3.8% to £53.3m. Around half of this increase is caused by slightly increased average staff full time equivalents, which were up by just under 2% for the year. The remaining 1.9% broadly reflects the combined effects of both consolidated and non-consolidated pay awards in the year.

Other operating expenses, excluding depreciation and interest, increased by £3.3m, or 12.6%, to £29.6m. The major contributors to this increased expenditure were as follows;

- Premises costs increased by £0.7m as a result of £0.3m increase in long term maintenance costs and £0.4m increase in utilities.
- An additional £0.55m spent on IT equipment; as part of the relocation of all academic and research activities to the Garthdee campus.
- An additional pension provision of £0.5m; this was required to provide for the enhanced pension entitlements to former employees who had, in previous retirement or redundancy schemes become eligible for early retirement.
- Movement in the provision for write offs and asset impairments of £0.35m over the previous year.

The net group result for the year was a surplus of £4.1m.

Cash flows

The group generated a cash inflow from operating activities of £8.1m for the year, a decrease of £2.9m from the £11.0m generated during the previous year. After accounting for investment income, taxation, capital expenditure and financial investments the group suffered net cash outflows, before use of liquid resources and financing costs, of £17.4m. This large outflow was generating primarily as a consequence of the ongoing major investment on the Garthdee campus. Over the last 2 years this investment has resulted in cash outflows of around £69m. Funding has come from own cash generated from operations £19m, bank debt £15m and depletion of liquid resources £35m.

The group's short term deposits were reduced by £6.3m to £2.8m at year end. Cash balances increased in the year by £3.8m to £9.1m. Group debt levels had increased by £15m to £25.2m by the end of the year.

Capital projects

The group invested £28m in fixed assets during the year. These capital investments included approximately £25.1m on the current phase of the campus development project.

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.

During the prior year, 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 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 contract includes two significant financial covenants with which the university must comply; debt service cover and net asset cover. Neither covenant was breached during the year under review and current financial forecasts indicate that no breaches are expected in future years.

Operating and Financial Review (continued)

The campus development project is currently on budget and on time. The new Riverside East building is now in full use as a teaching and research facility with the first students experiencing it in September 2013. £15m of the £25m debt package has been drawn down to part fund Riverside East construction.

Year end position of the group

The group's balance sheet remained strong at the year end. Net assets increased from £177.4m to £180.1m. Net current assets remained tight but positive, moving down from £1.4m at the previous year end to £1.2m at 31 July 2013.

Finance strategy

The university's finance strategy has been revisited to ensure it is aligned to overall university strategic aims and objectives. Finance strategy responds to these aims and objectives by articulating how financial risks will be managed, how the financial consequences of decisions will be assessed and how financial resources will be allocated in support of the strategic aims of the university.

The university's revised financial strategy remains focused on the primary objective of ensuring the long term sustainability of the university's operations. This objective is pursued by ensuring;

Financial operations are undertaken in accordance with financial regulations and policies with due regard being paid to financial and other business risks and the management of these risks.

Faculties, schools and departments are funded on a basis that is both fair and transparent, and is aligned to Institutional strategy.

The financial performance of our faculties, schools and departments is managed actively with regular monitoring and review and appropriate use of key performance indicators.

Our balance sheet remains strong and flexible and that, therefore, our ability to maintain liquidity and generate cash is sustained and improved.

We invest wisely in the physical and intellectual asset base of the Institution.

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 2013, creditors were paid on average in 20.9 days (2012: 19.0 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. 3.7% (2012 3.1%) 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.

Operating and Financial Review (continued)

- 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.

Future developments

Tight public sector funding settlements are forecast to continue. The university will ensure that it delivers this public responsibility with improved efficiency and effectiveness to ensure that the effects of any cuts in the real value of public resources received are not allowed to undermine the quality of the products offered. In the light of this tight fiscal future the university will also focus strongly on its non-government funded activities.

The university will continue to move forward with its commercialisation strategy. Commercialisation in the areas of oil and gas, health and well being and big data are all likely to see considerable progress over the next period.

The university's international footprint, through the development of its activities in transnational education, is also likely to see significant movement over the period. Indeed, it is hoped that the combined developments in transnational education and the growing partnership with Navitas will help to ensure the university's international activities are not adversely affected by both the existing and ongoing UKBA strictures and the increasingly competitive environment for higher education across the globe.

Preparations for the REF 2014 are practically complete and the university will be expecting to perform well in this exercise thereby helping to ensure the future sustainability of its research activities.

In relation to the university estate, the immediate future will require the bedding down of the new Riverside East facility. Subsequent to the balance sheet date, staff and students are utilising this facility and early signs are that it will fully meet the needs of both staff and students. In addition to this new facility, the next phase of the campus development will see significant progress over the next few years. The next construction phase, involving the construction of a new facility for the Scott Sutherland School of Architecture and the Build Environment, is out to tender currently.

The university is currently looking at its accommodation strategy with a view to ensuring this is adapted to ensure a fit with the new Garthdee campus. This is likely to require significantly more student accommodation on campus. This matter is likely to see considerable progress over the coming period.

Operating and Financial Review (continued)

Chancellor of the University

Sir Ian Wood

Board of Governors

Governors who served during the period 1 August 2012 to 19 December 2013 were as follows:

Mr Syed Asim	(Postgraduate Student: Term of Office; 1 August 2013 – 31 July 2014) Finance and General Purposes Committee
Ms Francisca Chiedu	(Postgraduate Student: Term of Office; 1 January 2013 – 31 July 2013) Finance and General Purposes Committee
Mr Mike J L Salter [Chair]	(Term of Office ends 31 December 2013), See below
Mr David A Brew	Audit Committee
Ms Adeline M A Christy	Finance and General Purposes Committee
Mr Alasdair S Craigie	Finance and General Purposes Committee
Ms Jennifer F Craw	(Vice-Chair from 1 January 2013) Finance and General Purposes Committee (C), Nominations Committee
Mr James M Dunphy	(Term of office ends 31 December 2013) Staff Governance Committee, Nominations Committee
Mrs Susan M Lawrie	(Term of office ends 31 December 2013) Finance and General Purposes Committee, Staff Governance Committee
Mr Callum Martin	(Undergraduate Student: Term of Office; 1 August 2012 – 31 July 2013) Finance and General Purposes Committee
Mr Steven Mills	(Undergraduate Student: Term of Office; 1 August 2013 – 31 July 2014) Finance and General Purposes Committee
Mr Kerry Nanakumo	(Postgraduate Student: Term of Office 1 August 2012 – 31 July 2013) Finance and General Purposes Committee
Mr Peter D Nicholson	Audit Committee, Staff Governance Committee
Mr Gregory Poon	(Term of Office ends 31 December 2013), Staff Governance Committee(C)
Mr Roger Ramshaw	(Appointed 1 January 2013) Finance and General Purposes Committee
Professor Ken D Russell	Staff Governance Committee
Mr Tim S Stevenson	Finance and General Purposes Committee
Mr David G Strachan	Staff Governance Committee
Professor Ferdinand von Prondzynski (Principal and Vice-Chancellor)	See Below
Dr George E Watkins	(Term of office ended 31 December 2012) Finance and General Purposes Committee, Nominations Committee
Professor Jamie Weir	Audit Committee, Nominations Committee, Staff Governance Committee
Ms Jennifer E Young	Finance and General Purposes Committee, Audit Committee (C)

(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.

Attendance at Board of Governors and Standing Committee Meetings (1 August 2012 to 31 July 2013)

Member	Board of Governors (4 in year)	Audit Committee (5 in year)	Finance and General Purposes Committee (4 in year)	Staff Governance Committee (3 in year)	Nominations Committee (2 in year)	Remuneration Committee (1 in year)
Mr D Brew	4/4	5/5				
Ms F Chiedu	2/2		1/2			
Ms A Christy	2/4		4/4			
Mr A Craigie	3/4		2/4			
Ms J Crow	4/4		4/4		2/2	1/1
Mr J Dunphy	3/4			3/3	2/2	
Ms S Lawrie	3/4		4/4	3/3		
Mr C Martin	4/4		4/4			
Mr K Nanakumo	2/2		2/2			
Mr P Nicholson	2/4	4/5		3/3		
Mr G Poon	3/4			3/3		1/1
Mr R Ramshaw	2/2		1/2			
Mr K Russell	4/4			3/3		
Mr M Salter	4/4		2/4	1/3	2/2	1/1
Mr T Stevenson	2/4		3/4			
Mr D Strachan	4/4			2/3	1/1	
Prof F von Prondzynski	4/4		4/4	1/3	2/2	1/1
Dr G Watkins	1/2		1/2		0/1	0/1
Prof J Weir	4/4	5/5		3/3	2/2	
Ms J Young	3/4	4/5	1/2			

Auditor

KPMG were appointed as external auditor to the university.

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's governance framework and processes follow the principles of the Financial Reporting Council's UK Corporate Code (2010) insofar as they apply to the University sector and of the Turnbull Committee guidance. 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 CUC Guide for Members of Higher Education Governing Bodies in the UK 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 has also started to give consideration to meeting the requirements of the Scottish Code of Good HE Governance and considers it is well placed to achieve this during 2013/14.

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.

A Nominations Committee makes recommendations to the Board of Governors concerning the appointment and re-appointment of Independent Governors. The Committee also makes recommendations to the Board of Governors on the appointment of Office Bearers and Committee memberships. The membership of the Nominations Committee includes at least one and not more than two members who are external to the university. Vacancies for Independent Governors are advertised in the press and the Public Appointments website as well as widely communicated internally.

The Remuneration Committee determines the remuneration of the senior management of the university, including the Principal and Vice-Chancellor. Senior management are remunerated according to a system of non incremental pay bands which have previously been approved by the committee.

The committee receives a report from the Executive Director for Human Resources, on behalf of the Principal, which covers market positioning, benchmarking information and recommendations regarding any changes to senior manager pay bands that are deemed to be required.

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. The audit committee ensures the continuing independence and objectivity of the external auditors by regularly monitoring and assessing their performance and by arranging regular private meetings between the external auditor and committee members in the absence of university senior management.

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, *A Clear Future for a leading university in a new era* which was approved by the Governing Body in December 2012. 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 number of Key Performance Indicators to help the Governing Body measure the performance of the university in relation to its strategic aims. The SPARG monitors and reviews the performance of the university in accordance with these Key Performance Indicators, supplemented with a wider range of performance indicators, and reports annually on progress to the Governing Body.

Statement of Corporate Governance and Internal Control (continued)

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 2013 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 2013 by considering documentation from the SPARG and taking account of events since 31 July 2013.

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 2013 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 Corporate Governance 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 [Strategic Implementation Plan (SIP)], 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 one or more Vice-Principal(s), 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 act solely in terms of the public interest.

Integrity - Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity - Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability - Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness - Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

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

Honesty – Holders of public office should be truthful.

Leadership – Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

- (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 auditor's report to the Board of Governors of the Robert Gordon University

We have audited the Group and University financial statements ("the financial statements") of The Robert Gordon University for the year ended 31 July 2013 which comprise the Group Income and Expenditure Account, the Statement of Group Historical Cost Surpluses and Deficits, the Statement of Group Total Recognised Gains and Losses, the Balance Sheets, the Group cash Flow Statement, the Statement of Principal Accounting Policies & Estimation Techniques 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).

This report is made solely to the Board of Governors of the Robert Gordon University, as a body, in accordance with paragraph 12 of the Universities (Scotland) Act 1966 and, in the Board of Governors' role as charity trustees, 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). Our audit work has been undertaken so that we might state to the Board of Governors of the Robert Gordon University those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors of the Robert Gordon University, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors of Robert Gordon University and auditor

As explained more fully in the Statement of Primary Responsibilities of the Governing Body set out on pages 12 to 13, the Board of Governors of the Robert Gordon University is responsible for the preparation of the financial statements which give a true and fair view. We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the 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 (APB's) Ethical Standards for Auditors.

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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors of the Robert Gordon University; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements for the year ended 31 July 2013 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 university's affairs as at 31 July 2013 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum.

Independent auditor's report to the Board of Governors of the Robert Gordon University (continued)

Matters on which, under the terms of our engagement, 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) and the terms of our engagement require us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- adequate and proper accounting records have not been kept; or
- the 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.



Stephen Reid

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

37 Albyn Place

Aberdeen

AB10 1JB

19 December 2013

Statement of Accounting policies and 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 the Charities and Trustee Investment (Scotland) Act 2005, Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice (SORP): Accounting for Further & Higher Education Institutions (2007), and applicable accounting standards. They conform to guidance published by the Scottish Funding Council.

The financial statements continue to be prepared on a going concern basis as the Board of Governors considers that the university has adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University, its subsidiary undertakings, Univision Limited and UVPS Environmental Solutions 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 consolidated financial statements do not include the results of Robert Gordon University Student Association as it is a separately constituted organisation in which the University has no financial interest, control or significant influence over policy decisions.

Recognition of income

Revenue grants are credited to income for the year to which they relate. Tuition fees are credited to income over the period to which they relate and are stated net of discounts. Any fees waived by the university are included as expenditure and not deducted from income.

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. Any resulting exchange differences are taken to the income and expenditure account in the year.

Pension costs

Retirement benefits for employees of the university are provided by the Scottish Teachers' Superannuation Scheme (STSS) and the North East Scotland Pension Fund (NESPF). All schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the university. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

The STSS scheme is a multi-employer defined benefit scheme, however, the university is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. Accordingly, contributions to this scheme are included in expenditure in the period in which they are payable.

In respect of NESPF, pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between the income and expenditure account and, in the statement of total recognised gains and losses, actuarial gains and losses.

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 Accounting policies and 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.

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.

Statement of Accounting policies and estimation techniques (continued)

Stocks

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

Taxation status

The university is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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 exclusively to charitable purposes. The university's subsidiary company is liable to corporation tax. The charge for taxation is based on the taxable profit or loss for the year after the cost of any Gift Aid payment payable to the university.

The university receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

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 which create a legal or constructive obligation 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.

Provisions – general

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Agency arrangements

Funds the University receives and disburses as a paying agent on behalf of a funding body or other body, where the University is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure account.

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.

Group Income & Expenditure Account

	Notes	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
INCOME			
Funding Body Grants	1	43,099	38,138
Tuition Fees and Education Contracts	2	33,733	32,136
Research Grants & Contracts	3	2,442	3,211
Other Income	4	14,842	13,994
Endowment and Investment Income	5	1,379	1,190
Total Income		95,495	88,669
EXPENDITURE			
Staff costs	6	53,286	51,358
Other operating expenses	8	29,563	26,263
Depreciation	9	6,906	7,004
Interest and other finance costs	7	1,061	1,563
Total Expenditure	8	90,816	86,188
Surplus after depreciation of tangible fixed assets at valuation and before tax		4,679	2,481
Taxation	10	(580)	(472)
Surplus after depreciation of assets at valuation and tax		4,099	2,009
(Surplus) / deficit for the year transferred to accumulated income from endowment funds	21	(7)	219
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES		4,092	2,228
All income and expenditure is in relation to continuing operations			

Statement of Group Historical Cost Surpluses and Deficits

		Year Ended 31 July 2013 £000	Year Ended 31 July 2012 £000
Surplus on continuing operations before taxation	Notes	4,679	2,481
Difference between historical cost depreciation and the actual charge for the period calculated on the Revalued amount	22	1,825	1,355
Historical cost surplus for the period before taxation		<u>6,504</u>	<u>3,836</u>
Historical cost surplus for the period after taxation		<u>5,924</u>	<u>3,364</u>

Statement of Group Total Recognised Gains and Losses

	Notes	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Surplus on continuing operations		4,092	2,228
Unrealised surplus on revaluation of investments	22	1,697	124
Released on disposal of investments	22	(618)	0
Deficit on revaluation of fixed assets	22	(9,481)	0
Subsidiary reserves on consolidation	22	0	(72)
Subsidiary share premium on consolidation	22	0	27
Increase / (decrease) in Endowments	21	108	(269)
Appreciation of endowment asset investments	21	101	22
New endowments	21	0	204
Actuarial gain / (loss) in respect of pension scheme	31	6,940	(95)
Total recognised (losses) / gains relating to the year		2,839	2,169
Reconciliation			
Opening reserves and endowments		151,426	149,257
Total recognised gains for the year		2,839	2,169
Closing reserves and endowments		154,265	151,426

Balance Sheets

		31 July 2013		31 July 2012	
	Notes	Group £000	University £000	Group £000	University £000
Fixed Assets					
Tangible Assets	9	222,242	222,242	210,989	210,989
Investments	11	15,059	7,891	15,387	9,007
		<u>237,301</u>	<u>230,133</u>	<u>226,376</u>	<u>219,996</u>
Endowment Assets	14	<u>1,725</u>	<u>1,725</u>	<u>1,516</u>	<u>1,516</u>
Current Assets					
Stocks	9	9	9	11	11
Debtors	15	5,136	5,725	4,981	7,453
Investments	16	2,750	2,750	9,029	9,029
Cash at Bank and in Hand		9,133	7,594	5,274	2,024
		<u>17,028</u>	<u>16,078</u>	<u>19,295</u>	<u>18,517</u>
Creditors - amounts falling due within one year	17	<u>(15,791)</u>	<u>(15,111)</u>	<u>(17,899)</u>	<u>(17,376)</u>
Net current assets		<u>1,237</u>	<u>967</u>	<u>1,396</u>	<u>1,141</u>
Total assets less current liabilities		240,263	232,825	229,288	222,653
Creditors - amounts falling due after more than one year	18	<u>(25,205)</u>	<u>(25,205)</u>	<u>(10,414)</u>	<u>(10,414)</u>
Provision for liabilities	19	<u>(9,655)</u>	<u>(9,655)</u>	<u>(9,353)</u>	<u>(9,353)</u>
Net assets excluding pension liability		<u>205,403</u>	<u>197,965</u>	<u>209,521</u>	<u>202,886</u>
Net Pension Liability	31	<u>(25,311)</u>	<u>(25,311)</u>	<u>(32,073)</u>	<u>(32,073)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>180,092</u>	<u>172,654</u>	<u>177,448</u>	<u>170,813</u>
Deferred Capital Grants	20	<u>25,827</u>	<u>25,827</u>	<u>26,022</u>	<u>26,022</u>
Endowments					
Expendable	115	115	115	128	128
Permanent	21	1,610	1,610	1,388	1,388
		<u>1,725</u>	<u>1,725</u>	<u>1,516</u>	<u>1,516</u>
Reserves					
Income & expenditure account excl pension reserve		97,240	91,758	91,145	85,577
Pension Reserve		<u>(25,311)</u>	<u>(25,311)</u>	<u>(32,073)</u>	<u>(32,073)</u>
Income & expenditure account inc pension reserve		71,929	66,447	59,072	53,504
Revaluation Reserve	22	80,611	78,655	90,838	89,771
		<u>152,540</u>	<u>145,102</u>	<u>149,910</u>	<u>143,275</u>
TOTAL FUNDS		<u>180,092</u>	<u>172,654</u>	<u>177,448</u>	<u>170,813</u>

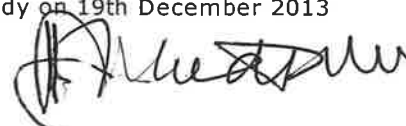
The financial statements on pages 19 to 39 were approved by the Governing Body on 19th December 2013 and were signed on its behalf by:



M Salter
Chairman



M D McCall
Director of Finance



F von Prondzynski
Principal

Group Cash Flow Statement

	Notes	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	<u>8,051</u>	<u>10,983</u>
Returns on investment and servicing of finance			
Income from endowments		138	45
Interest received		195	360
Investment Income		1,046	785
Interest paid		<u>(994)</u>	<u>(600)</u>
		<u>385</u>	<u>590</u>
Taxation	10	<u>(580)</u>	<u>(472)</u>
Capital expenditure and financial investment			
Land and building additions		(24,255)	(40,740)
Purchase of equipment and fixtures and fittings		(3,753)	(984)
Deferred capital grant received		815	1,388
Purchase of fixed asset investments		(476)	(479)
Disposal of fixed asset investments		2,501	169
Subsidiary reserves on consolidation		0	(72)
Subsidiary share premium on consolidation		0	27
New Endowments		0	204
Endowment asset additions		(552)	(289)
Endowment asset disposals		<u>423</u>	<u>353</u>
		<u>(25,297)</u>	<u>(40,423)</u>
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>(17,441)</u>	<u>(29,322)</u>
Management of liquid resources	28	6,279	28,670
Financing	28	15,000	1
INCREASE /(DECREASE) IN CASH IN YEAR		<u><u>3,838</u></u>	<u><u>(651)</u></u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
INCREASE /(DECREASE) IN CASH IN YEAR		3,838	(651)
Change in liquid resources		(6,279)	(28,670)
Change in debt		(15,000)	(1)
CHANGE IN NET FUNDS		<u>(17,441)</u>	<u>(29,322)</u>
Net Funds at Beginning of the Year		4,293	33,615
NET FUNDS AT END OF YEAR	28	<u><u>(13,148)</u></u>	<u><u>4,293</u></u>

Notes to the Accounts

1 FUNDING BODY GRANTS

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
SFC recurrent teaching grant	38,622	33,412
SFC recurrent research grant	2,578	2,829
SFC non-recurrent research grant	626	617
Other SFC grants	337	365
Release of deferred capital grants (Note 20)	936	915
	43,099	38,138

2 TUITION FEES AND EDUCATION CONTRACTS

UK and EU fees	18,182	17,810
RUK fees	411	0
Non-EU fees	13,812	13,147
Non-credit bearing course fees	1,328	1,179
	33,733	32,136

3 RESEARCH GRANTS AND CONTRACTS

Research Councils	408	333
UK based charities	212	109
European Commission	187	296
Other grants and contracts	1,635	2,473
	2,442	3,211

4 OTHER INCOME

Residences & Catering	7,954	7,573
Other Services Rendered - University	4,741	4,172
Other Services Rendered - Subsidiaries	337	160
Other Income	1,736	2,013
Releases from deferred capital grants (Note 20)	74	76
	14,842	13,994

5 ENDOWMENT AND INVESTMENT INCOME

Income from permanent endowments	138	45
Investment income	1,046	785
Interest receivable	195	360
	1,379	1,190

Notes to the Accounts (Continued)

6 GROUP STAFF COSTS

	Year ended 31 July 2013	Year ended 31 July 2012
Staff costs	£000	£000
Wages & Salaries	43,355	41,819
Social Security Costs	3,630	3,439
Other Pension Costs	6,301	6,100
	53,286	51,358
Analysed as: Staff on permanent contracts	47,590	45,916
Staff on temporary contracts	5,696	5,442
	53,286	51,358

Emoluments of the Principal

	£	£
Salary	222,760	220,000
Benefits in kind	2,251	1,607
Pension contributions	32,780	32,780
	257,791	254,387

Remuneration of other higher paid staff

	Number	Number
£70,000 - £79,999	20	21
£80,000 - £89,999	9	7
£90,000 - £99,999	2	1
£100,000-£109,999	1	1
£110,000-£119,999	2	2
£120,000-£129,999	1	0
£130,000-£139,999	0	1
£140,000-£149,999	1	0
£150,000-£159,999	0	1
£160,000-£169,999	1	0
	37	34

Average Staff Numbers by Major Category

Academic departments	654	611
Academic services	131	129
Central management and support	155	153
Premises	125	127
Residences and catering	4	4
Research grants and contracts	40	59
Other income generating activities	45	50
	1,154	1,133
Analysed as: Staff on permanent contracts	1,015	1,012
Staff on temporary contracts	139	121
	1,154	1,133

None of the members of the Governing body received remuneration from the University for acting as Board members (2012: none). There was no compensation paid to senior post holders (2012: none).

Notes to the Accounts (Continued)

7 INTEREST AND OTHER FINANCE COSTS

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Loans repayable wholly or partly in more than 5 years	994	600
On finance leases	0	0
Net charge on pension scheme	67	963
	1,061	1,563

8 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Other Op Expenses	Dep'n £000	Interest Payable £000	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Academic Departments	33,285	5,329	677	784	40,075	* 38,045
Academic Services	5,329	2,868	783	0	8,980	8,330
Central Management & Support	7,943	3,515	216	0	11,674	11,234
Premises	2,814	5,644	3,995	0	12,453	11,800
Residences & Catering	523	6,141	533	104	7,301	6,946
Research Grants & Contracts	1,928	581	46	0	2,555	3,374
Other Services Rendered	1,464	3,017	656	103	5,240	* 5,004
Other Expenses	0	2,468	0	70	2,538	1,455
	53,286	29,563	6,906	1,061	90,816	86,188

* Prior year restated following reallocation of consolidation adjustment of £1,010k which is now accounted for as an academic department cost

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

	£000	£000
Academic Departments	5,329	* 5,147
Academic Services	2,868	2,596
Central Management & Support	3,515	3,473
Premises	5,644	4,934
Residences & Catering	6,141	5,803
Research Grants & Contracts	581	996
Other Services Rendered	3,017	* 2,830
Other Expenses	2,468	484
	29,563	26,263

Other operating expenses include:

Provision for premature retirement compensation	865	387
Grants to Student Association	423	338
Auditors' Remuneration - external audit ex vat **	45	48
Auditors' Remuneration - internal audit ex vat ***	28	26
Auditors' Remuneration - other services - external & internal audit ex vat	49	8

** includes £34k ex vat in respect of the Robert Gordon University (2012: £36k ex vat)

*** relates entirely to the Robert Gordon University

Notes to the Accounts (Continued)

9 TANGIBLE ASSETS	Heritable Land and Buildings	Fixtures, Fittings and Equipment	Assets in Course of Construction	Total
GROUP & UNIVERSITY	£000	£000	£000	£000
Cost and valuation:				
At 1 August 2012	160,539	22,311	54,369	237,219
Additions at cost	888	1,999	25,121	28,008
Disposals at cost	(53)	(2,849)	0	(2,902)
Impairment of fixed assets	(247)	0	0	(247)
Transfers to other category	398	492	(890)	0
Revaluation	(22,309)	0	0	(22,309)
At 31 July 2013	139,216	21,953	78,600	239,769
Accumulated depreciation:				
At 1 August 2012	8,378	17,852	0	26,230
Charge for year	4,538	2,368	0	6,906
Eliminated in respect of disposals	(6)	(2,775)	0	(2,781)
Impairment of fixed assets	158	(158)	0	0
Revaluation	(12,828)	0	0	(12,828)
At 31 July 2013	240	17,287	0	17,527
Net Book Value at 31 July 2013	138,976	4,666	78,600	222,242
Net Book Value At 31 July 2012	152,161	4,459	54,369	210,989

Heritable property includes assets with a cost of £5,941k (2012: £6,003k) and accumulated depreciation of £896k (2012: £426k) which are leased out under operating leases.

Equipment includes assets with a cost of £65k (2012: £65k) and accumulated depreciation of £65k (2012: £65k) 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. Negotiations are underway for the sale of other properties which are surplus to requirements and these have been revalued to an estimated selling price of £8,500k.

Land and buildings with a net book value of £42,520k (2012: £60,014k) 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.

Notes to the Accounts (Continued)

9 TANGIBLE ASSETS (Continued)

Within heritable land and buildings leased properties are shown at cost less accumulated depreciation, all other land and buildings are stated at valuation. The basis of valuation is depreciated replacement cost or estimated selling price at 31 July 2013 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	31 July 2013		31 July 2012	
	Group £000	University £000	Group £000	University £000
Cost	93,158	93,158	87,028	87,028
Aggregate depreciation based on cost	(31,952)	(31,952)	(29,011)	(29,011)
Net book value based on cost	61,206	61,206	58,017	58,017

The depreciation charge has been funded by:

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Deferred Capital Grants released	1,010	991
Revaluation reserve released	1,825	1,355
General income	4,071	4,658
Depreciation Charge	6,906	7,004

10 TAXATION

Overseas withholding taxes not recoverable in Univation Limited	580	472
	580	472

Notes to the Accounts (Continued)

11 FIXED ASSET INVESTMENTS

GROUP	Subsidiary Companies £'000	Listed Investments £'000	Spinouts & Other £'000	Total £'000
At 1 August 2012	0	14,917	470	15,387
Additions	0	306	170	476
Disposals	0	(2,500)	0	(2,500)
Realised gain taken to investment income	0	(1)	0	(1)
Unrealised gain to revaluation reserve	0	1,697	0	1,697
At 31 July 2013	0	14,419	640	15,059
UNIVERSITY	Subsidiary Companies £'000	Listed Investments £'000	Spinouts & Other £'000	Total £'000
At 1 August 2012	104	8,433	470	9,007
Additions	0	181	170	351
Disposals	0	(2,500)	0	(2,500)
Realised gain taken to investment income	0	225	0	225
Unrealised gain to revaluation reserve	0	808	0	808
At 31 July 2013	104	7,147	640	7,891
Other fixed asset investments consist of:				Group £'000
CVCP Properties PLC				29
Gas2 Limited				435
Counterweight Ltd				44
RGU Ventures Investment Fund				132
Total				640

Notes to the Accounts (Continued)

12 EXCEPTIONAL ITEMS There were no exceptional items during the year.

13 INTANGIBLE ASSETS The Group does not hold any intangible assets.

14 ENDOWMENT ASSETS (GROUP AND UNIVERSITY)		Year ended 31 July 2013	Year ended 31 July 2012
		£000	£000
At valuation:			
Balance at 1 August		1,516	1,559
Additions		552	289
Disposals		(423)	(353)
Appreciation on revaluation		101	22
Decrease in cash balances		(21)	(1)
Balance at 31 July		1,725	1,516
Represented by:			
Fixed Interest Stocks		325	312
Equities		1,226	1,009
Cash		174	195
Total		1,725	1,516
Fixed Interest Stock & Equities at Cost		1,287	1,161

15 DEBTORS	31 July 2013		31 July 2012	
	Group	University	Group	University
	£000	£000	£000	£000
Trade Debtors	2,251	1,157	1,293	761
European funding	16	16	84	84
Debts from Students	686	686	789	789
VAT Recoverable	8	0	8	0
Amounts owed by Univation Limited	0	1,695	0	1,391
Amounts owed by UVPS Limited	0	54	12	66
Amounts owed by RGIT EDT	0	0	0	2,050
Prepayments and accrued income	2,175	2,117	2,795	2,312
	5,136	5,725	4,981	7,453

16 CURRENT ASSET INVESTMENTS

Bank deposits	2,750	2,750	9,029	9,029
	2,750	2,750	9,029	9,029

Notes to the Accounts (Continued)

17 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	31 July 2013		31 July 2012	
	Group	University	Group	University
	£000	£000	£000	£000
Social Security & Other Taxation Payable	1,884	1,884	1,798	1,798
Creditors	5,245	5,245	4,516	4,516
Accruals	4,850	4,006	7,526	7,122
Deferred Income	3,758	3,649	3,962	3,843
Vat Payable	54	54	97	97
Loans (Note 18a)	0	0	0	0
Amounts owed to Univation Limited	0	273	0	0
	15,791	15,111	17,899	17,376

18 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

Loans (Note 18b)	25,205	25,205	10,205	10,205
Other Creditors	0	0	209	209
	25,205	25,205	10,414	10,414

Bank loans and overdrafts are repayable as follows:

In one year or less	0	0	0	0
Between one and two years	0	0	0	0
between two and five years	2,017	2,017	135	135
In five years or more	23,188	23,188	10,070	10,070
	25,205	25,205	10,205	10,205
a) Amounts due within one year	0	0	0	0
b) Repayable in more than one year	25,205	25,205	10,205	10,205

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

£10.2m unsecured loan with interest at 6.06% repayable in quarterly instalments commencing December 2016 with a final payment date on 30/9/2041.

£15.0m unsecured loan with interest at 5.5725% repayable in quarterly instalments commencing December 2016 with a final payment date on 30/9/2041.

Notes to the Accounts (Continued)

19 PROVISION FOR LIABILITIES (GROUP AND UNIVERSITY)

	Year ended 31 July 2013	Year ended 31 July 2012
	£000	£000
Premature Retirement Compensation		
At 1 August	9,353	9,475
Expenditure in the period	(563)	(589)
Additional provision required in year	58	80
Revaluation adjustment	669	220
Interest charged	138	167
At 31 July	9,655	9,353

A valuation of the existing pension provision was carried out by Mercer Human Resource Consulting Limited, an independent firm of actuaries, at 31 July 2013.

20 DEFERRED CAPITAL GRANTS

	Funding Council £000	Other Grants £000	Group Total £000
At 1 August 2012	24,450	1,572	26,022
Cash Received	815	0	815
Released to income & expenditure account	(936)	(74)	(1,010)
At 31 July 2013	24,329	1,498	25,827

21 ENDOWMENTS (GROUP & UNIVERSITY)

	Permanent Endowments £000	Expendable Endowments £000	Total Year ended 31 July 2013 £000	Total Year ended 31 July 2012 £000
At 1 August	1,388	128	1,516	1,559
New endowments	0	0	0	204
Net additions	101	0	101	(50)
Appreciation of endowment assets	101	0	101	22
Income for year	47	91	138	45
Expenditure for year	(27)	(104)	(131)	(264)
At 31 July	1,610	115	1,725	1,516

Representing:

Fellowships & Scholarships Funds	484	76	560	504
Prizes Funds	141	15	156	136
Chairs and Lectureships Funds	27	0	27	22
Other Funds	958	24	982	854
Total	1,610	115	1,725	1,516

Notes to the Accounts (Continued)

22 RESERVES

a) Revaluation Reserve

	Year ended 31 July 2013		Year ended 31 July 2012	
	Group	University	Group	University
	£000	£000	£000	£000
Fixed assets				
At 1 August	87,563	87,563	88,918	88,918
Deficit on revaluation	(9,481)	(9,481)	0	0
Transfer from revaluation reserve to general reserve in respect of depreciation of revalued assets	(1,825)	(1,825)	(1,355)	(1,355)
At 31 July	<u>76,257</u>	<u>76,257</u>	<u>87,563</u>	<u>87,563</u>
Investments				
At 1 August	3,275	2,208	3,151	2,071
Revaluation in year	1,697	808	124	137
Released on disposal of investments	(618)	(618)	0	0
At 31 July	<u>4,354</u>	<u>2,398</u>	<u>3,275</u>	<u>2,208</u>
Total	<u>80,611</u>	<u>78,655</u>	<u>90,838</u>	<u>89,771</u>

b) General Reserve

At 1 August	91,145	85,577	86,250	79,275
Surplus for the year	4,092	4,178	2,228	3,590
Subsidiary reserves on consolidation	0	0	(72)	0
Subsidiary share premium on consolidation	0	0	27	0
Release from revaluation reserve	1,825	1,825	1,355	1,355
Pension deficit	178	178	1,357	1,357
At 31 July	<u>97,240</u>	<u>91,758</u>	<u>91,145</u>	<u>85,577</u>

c) Pension Reserve

At 1 August	(32,073)	(32,073)	(30,621)	(30,621)
Actuarial gain / (loss)	6,940	6,940	(95)	(95)
Deficit retained within reserves	(178)	(178)	(1,357)	(1,357)
At 31 July	<u>(25,311)</u>	<u>(25,311)</u>	<u>(32,073)</u>	<u>(32,073)</u>

Notes to the Accounts (Continued)

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

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Surplus after depreciation of tangible fixed assets at valuation and before tax	4,679	2,481
Depreciation	6,906	7,004
Deferred capital grants released to income	(1,010)	(991)
Net donated income retained in specific endowments	108	(269)
Net endowment (income) / expenditure	(7)	219
Interest payable	1,061	1,563
Decrease / (increase) in stocks	2	(3)
Increase in debtors	(155)	(125)
(Decrease) / increase in creditors < 1 Yr	(2,108)	2,019
Decrease in creditors > 1 Yr (excluding loan movements)	(209)	(1)
Increase / (decrease) in provisions	302	(122)
Interest and dividend receivable	(1,379)	(1,190)
Loss on disposal of fixed assets	121	4
Impairment of fixed assets	247	0
Release of revaluation reserve on disposal of fixed asset investments	(618)	0
Pension costs less contributions payable	111	394
NET CASH INFLOW FROM OPERATING ACTIVITIES	8,051	10,983

24 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	670	1,092
Major construction works	19,675	1,909
Other Works	619	566
	20,964	3,567

Contracted expenditure represents orders raised whilst committed expenditure represents the balance of expenditure in addition to contracted expenditure required to complete the projects.

At 31 July 2013 the group had annual commitments under non-cancellable operating leases as follows:

	31 July 2013 £000	31 July 2012 £000
Land and Buildings		
Within one year	796	781
Between two and five years	3,347	3,281
After five years	8,833	9,695
	12,976	13,757

Notes to the Accounts (Continued)

25 CONTINGENT LIABILITIES

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

26 POST BALANCE SHEET EVENTS

The sale of the Technical Building to Robert Gordon's College was completed in November 2013 in accordance with agreed contract terms.

27 AMOUNTS DISBURSED AS AGENT (GROUP AND UNIVERSITY)	Childcare	Discretionary	Total	Total
	Fund	Fund	Year ended	Year ended
	£000	£000	31 July 2013	31 July 2012
Balance brought forward	2	2	4	13
Allocation received in year	170	440	610	633
Expenditure	(50)	(564)	(614)	(642)
Virements	(122)	122	0	0
Excess of Income over				
Expenditure carried forward	0	0	0	4

28 ANALYSIS OF CHANGES IN NET FUNDS	At 1 August	Cash	At 31 July
	2012	Flow	2013
	£'000	£'000	£'000
Cash at bank and in hand	5,274	3,859	9,133
Endowment assets	195	(21)	174
	5,469	3,838	9,307
Current asset investments	9,029	(6,279)	2,750
Loans due within one year	0	0	0
Loans due after one year	(10,205)	(15,000)	(25,205)
	4,293	(17,441)	(13,148)

29 CASH FLOW RELATING TO EXCEPTIONAL ITEMS

There were no exceptional items reported for the year.

30 DISCLOSURE OF THIRD PARTY TRANSACTIONS

The consolidated financial statements consolidate the financial statements of Univation Limited, UVPS Environmental Solutions 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.

Notes to the Accounts (Continued)

31 PENSION SCHEMES

1) 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 FRS 17 and has accounted for its contributions as if it were a defined contribution scheme.

A full actuarial valuation was carried out at 31 March 2009. Employer contribution rates are reviewed every 5 years and following the scheme valuation by the Government Actuary contribution rates from 1 April 2009 were set at 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 pay contributions based on salary bands ranging from 6.4% to 11.2 % of pensionable pay.

Latest actuarial valuation 31 March 2009

Financial assumptions at 31 March 2012

Rate of return (discount rate) 4.85%

Rate of return in excess of:
Earnings increases 0.6%
Pension increases 2.8%

The total STSS pension cost for the University for the year was £3,188k (2012: £3,098k) and at 31 July 2013 £267k was outstanding (2012: £259k).

2) North East Scotland 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.

The latest valuation was carried out as at 31 March 2011 and as a result of that valuation the rate payable by the University from 1st April 2012 was confirmed at 19.3%.

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
April 2012 to March 2015 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. There was no change to this rate following the latest valuation.

Under the definitions set out in FRS 17, The total North East Scotland Pension Fund is a defined benefit scheme. Accordingly, the University has implemented the accounting standard "FRS 17:Accounting for retirement benefits" to determine the University's net pension liability.

Financial assumptions used by the actuary for FRS 17 at end of accounting period	Year ended 31 July 2013	Year ended 31 July 2012
	%	%
Rate of CPI inflation	2.4	2.1
Rate of increase in salaries	4.2	3.9
Rate of increase in pensions	2.4	2.1
Discount rate	4.5	4.3

Mortality assumptions include sufficient allowance for future improvements in mortality rates.

Notes to the Accounts (Continued)

31 PENSION SCHEMES (cont)

2) North East Scotland Pension Fund (cont)

Assumed life expectations on retirement at age 65		2013 Years	2012 Years
Retiring today	Males	22.4	22.3
	Females	25.4	25.3
Retiring in 20 years	Males	24.7	24.6
	Females	27.8	27.7

Analysis of scheme assets	Rate of return on assets		Asset split by category	
	2013 %	2012 %	2013 %	2012 %
Equities	7.0	7.0	81.0	81.0
Government bonds	3.3	2.5	6.0	6.7
Other bonds	4.3	3.4	2.0	3.6
Property	5.7	6.0	5.0	6.7
Cash/liquidity	0.5	0.5	2.0	2.0
Other	7.0	7.0	4.0	0.0
Expenses deductions	0.2	0.2		

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Analysis of the amount shown in the balance sheet		
Total market value of assets	85,646	70,385
Present value of scheme liabilities	(110,957)	(102,458)
Net pension liability	(25,311)	(32,073)

Analysis of the amount charged to staff costs within operating surplus		
Current service cost	3,217	3,463
Curtailments	68	54
Total operating charge	3,285	3,517

Past service gain charged to operating expenses	0	16
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Analysis of amount charged to interest payable		
Expected return on pension scheme assets	4,379	4,176
Interest on pension scheme liabilities	(4,446)	(5,139)
Net charge	(67)	(963)

Notes to the Accounts (Continued)

31 PENSION SCHEMES (cont)

	Restated	
2) North East Scotland Pension Fund (cont)	Year ended	Year ended
	31 July 2013	31 July 2012
	£'000	£'000
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Experience (losses) / gains on liabilities	(2,102)	3,182
Changes in assumptions underlying the present value of liabilities	0	(2,348)
Total actuarial (losses) / gains on liabilities	(2,102)	834
Actual return less expected return on scheme assets	9,042	(929)
Actuarial gain / (loss) recognised in STRGL	6,940	(95)
Movement in deficit in the year		
Deficit in scheme at beginning of year	(32,073)	(30,621)
Movement in year:		
Current service cost	(3,217)	(3,463)
Past service cost	0	(16)
Contributions	3,174	3,139
Net charge on assets	(67)	(963)
Actuarial gain / (loss)	6,940	(95)
Curtailments	(68)	(54)
Deficit in scheme at year end	(25,311)	(32,073)
Analysis of the movement in the present value of scheme liabilities		
At beginning of year	102,458	95,849
Current service cost	3,217	3,463
Past service cost	0	16
Interest cost	4,446	5,139
Contributions by scheme participants	1,068	1,065
Actuarial losses / (gains) on scheme liabilities	2,102	(834)
Curtailments	68	54
Net benefits paid	(2,402)	(2,294)
At end of year	110,957	102,458
Analysis of movement in the market value of scheme assets		
At beginning of year	70,385	65,228
Expected return on scheme assets	4,379	4,176
Actuarial gains / (losses) on scheme assets	9,042	(929)
Contributions by the employer	3,174	3,139
Contributions by scheme participants	1,068	1,065
Net benefits paid	(2,402)	(2,294)
At end of year	85,646	70,385

Notes to the Accounts (Continued)

31 PENSION SCHEMES (cont)

2) North East Scotland Pension Fund (cont)

History of experience gains and losses	2013 £000	2012 £000	2011 £000	2010 £000
Difference between the expected and actual return scheme assets:				
Amount	9,042	(929)	3,922	5,020
Percentage of scheme assets	10.6%	1.3%	6.0%	9.0%
Experience gains / (losses) on scheme liabilities				
Amount	0	3,182	0	0
Percentage of scheme liabilities	0.0%	3.1%	0.0%	0.0%
Total amount recognised in STRGL				
Amount	6,940	(95)	(3,334)	(43)
Percentage of scheme liabilities	6.3%	0.1%	3.5%	0.1%

The expected return on assets represents the allowance made, calculated at the start of the accounting year for the anticipated investment return to be earned on the assets during the year.

The cumulative amount of actuarial gain recognised in the statement of total recognised gains and losses is £6,845k (2012: £95k loss)

Defined benefit scheme assets do not include any of the institutions own financial instruments, or any property occupied by the University.

The estimate for the employer contribution for the defined benefit scheme for the year 2013/14 is £3,173k

The actual return on scheme assets in the year was £13,422k (2012: £839k)

32 SUBSIDIARY UNDERTAKINGS

In accordance with FRS 5, The RGIT Educational Development Trust is treated as a quasi subsidiary.

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

The University owns 100% of the issued share capital of 908 £1 ordinary shares of UVPS Environmental Solutions Limited, a company registered in Scotland, whose principal activities are the provision of environmental products and consultancy services to the industrial, health and domestic sectors.