



ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

Scottish Charity Number SC 013781



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OPERATING & FINANCIAL REVIEW

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.

OPERATING REVIEW

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.

The university's academic activities are organised into 3 faculties:

- **THE ABERDEEN BUSINESS SCHOOL:** comprising departments of Accounting and Finance; Communication, Marketing & Media; Information Management; Law and Management.
- **THE FACULTY OF DESIGN AND TECHNOLOGY:** comprising the Schools of Art; Architecture and the Built Environment; Computing and Digital Media; and Engineering.
- **THE FACULTY OF HEALTH AND SOCIAL CARE:** comprising the Schools of Applied Social Studies; Health Sciences; Nursing & Midwifery; and Pharmacy & Life Sciences.

VISION

The university's vision statement is:

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.

The university will enter the global university rankings, diversify and secure its income and resources, and enter into close collaborative agreements with key strategic partners.

RGU will be a model university of the future and will shape its own culture, practice and organisation accordingly.

STRATEGY

The university developed a new strategy, A Clear Future for a leading university in a new era during the 2012/13 academic session.

The university's key strategic objective is to develop a university with a new and innovative business model; with high value, knowledge-intensive outputs with direct translational value; with a reputation as the highest quality provider of professionally relevant education and training; with a strong focus on impact in all activities; with recognition for leadership both locally and globally; all of which in a distinctively profitable operation. RGU will be recognised as setting the pace for a new model 21st century university.

STRATEGY IMPLEMENTATION

The university's strategic objectives can be captured in four categories as follows;

- LEARNING AND TEACHING, THE STUDENT EXPERIENCE AND EXTENDING ACCESS:** The university will seek to inspire all individuals to achieve their maximum potential and excel in the world of tomorrow; it will seek to enable individuals to achieve their ambitions throughout life whatever their circumstances and it will support students and graduates to enjoy and prosper within a vibrant learning community. The university will also seek to harness the intellectual and physical teaching and learning assets so they generate value to the economy and are profitable to the university.
- RESEARCH AND KNOWLEDGE EXCHANGE:** The university will be recognised for our contribution to the growth of innovation through advancing internationally excellent translational research in our areas of strategic focus. It will also seek to harness the intellectual and physical research and knowledge exchange assets so they generate value to the economy and are profitable to the university.
- THE REGIONAL COMMUNITY:** The university will contribute to, and be an active leader in, the development of the regional community, alongside its increasing international profile and role.
- SUSTAINING THE UNIVERSITY:** The university will empower staff, students and alumni to develop a strong and engaged university community.

As part of its strategy the university has identified six areas of strategic focus. These areas have emerged from a foresighting exercise that the university has undertaken which examined existing areas of strength and the demand for the university's teaching, learning, research and other services. The university has during the course of the 2014/15 academic session launched these strategic statements and will during the course of the 2015/16 academic session continue their implementation:

OIL AND GAS: the university has been working with the region's key economic sector for decades. As part of its continued commitment to the oil and gas industry in the North East of Scotland, the university has taken the decision to invest £3 million in the recently formed Institute of Oil and Gas that will recruit key roles to examine key issues facing the industry. This investment will be match funded by a significant philanthropic donation.

HEALTH AND WELLBEING: the university is one of Scotland's largest providers of health and social care education. The university already offers a range of occupational health services to organisations through RGU Wellness and is at advanced stages of developing a Centre for Remote and Rural Health.

ARTS AND CREATIVE INDUSTRIES: in recent years the university has increased its portfolio of courses supporting the development of the creative industries. The university has recently developed its support to the regional creative economy primarily through work aligned to plans to establish a Centre for Northern Culture and Design.

SMART DATA: the university has a track record of internationally excellent research in the field of big data. Through its Centre for SMART Data, the university hosts one of the hubs of the Scottish Government funded Big Data Innovation Centre. The Centre will develop the university's applied research in the field of big data to meet the oil and gas industry's demand and an investment of around £3 million has been approved over the next few years to grow computational capacity and recruit additional staff.

EMPLOYABILITY: the university has a strong reputation for the relevance of its curriculum and a strong tradition of placements in its courses, together these contribute to the high employability of the university's graduates. The employability plus strategic statement contains a series of actions which recognise that in order to maintain its position at the top of university league tables for employability further enhancements can be made to the support we provide students.

RGU AND ITS REGION: the university has worked for decades with a number of key partners and organisations across the region to develop and deliver its own services but also to assist the development of these partner organisations. The strategic statement will provide the university with a framework to develop and enhance relationships with key regional organisations in the areas of the economy, health & social wellbeing, cultural provision and debate & discussion.



The university's undergraduate provision is typified through its professional relevance, with strong employer engagement in curriculum development, work placements and through industry external examiners.



LEARNING AND TEACHING, STUDENT EXPERIENCE AND EXTENDING ACCESS

The university provides a wide variety of courses at undergraduate and postgraduate level across the full range of its disciplines.

The university's undergraduate provision is typified through its professional relevance, with strong employer engagement in curriculum development, work placements and through industry external examiners. The university's postgraduate provision is aimed either at graduates from general degrees now wishing to gain a professional specialisation or those already working in professions wishing to develop a particular area of expertise. This strong engagement with industry is reflected in the university's continuing strong graduate employability and through the extensive range of professional accreditations the university's portfolio enjoys. During the course of the 2014/15 academic session, the university continued to develop and enhance its academic course portfolio through:

- Continuing to develop its partnership with North East Scotland College to sustain and increase the numbers of individuals accessing the university's courses direct into second or third year of degree courses from courses within the College.
- Developing the range of targeted support to prospective students from groups with traditional low participation rates.
- Developing its provision of masters courses to support the oil and gas industry and developing a number of partnerships with commercial organisations to deliver specific training packages and courses. To this end a major investment is planned for the 2015/16 year to upgrade and expand that part of the university's portfolio that is considered relevant to the Oil and Gas industry. It is expected that bringing this portfolio together and aligning its quality and modes of delivery to industry needs will allow more students to benefit from the university's teaching and learning programmes.
- Ensuring its two key annual processes, course appraisal and portfolio analysis, continue to allow for the consideration of key metrics at course level and identify actions to enhance the relevance of the curriculum and the learning experience offered to students.

STUDENT NUMBERS

The university enrolled over 13,900 students during the year. This was equal to approximately 10,250 full time equivalent students (FTEs). These FTEs were distributed as follows.

Education	Student				Total
	Scottish	RUK	EU	Non EU	
Undergraduate	6,450	280	900	620	8,250
Taught Postgraduate	600	200	210	800	1,810
Research Postgraduate	60	10	20	100	190
Total	7,110	490	1,130	1,520	10,250

These numbers are very similar to prior year. The university continued to meet its student number target set by the Scottish Government. However, full-time postgraduate international student numbers declined during the year.

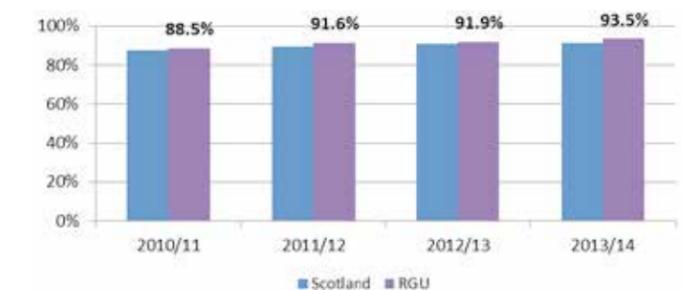
STUDENT SUCCESS

As one of its key performance indicators, the university measures the success, or progression, rate of Scottish undergraduate domiciled students.

TARGET: over the period to the 2018/19 academic session the university's performance is targeted to exceed the Scottish average and improve in line with the targets set in the Outcome Agreement with the SFC.

The most recent data available for this measure are for 2013/14. The university's actual success rate for Scottish domiciled undergraduate entrants returning to study in year 2 (i.e. 2013/14) is 93.5%. This is an increase from the 2012/13 proportion (91.9%) and is above the Scottish sector average of 91.3%. The university has, therefore, exceeded its target for 2013/14 for this KPI. The university also uses the internally generated Student Achievement Rates (SARs) as a proxy for measuring in-year performance against this indicator. The results of the 2014/15 SARs give the university an average performance of 92%. The university considers this performance to be excellent.

SUCCESS RATE OF SCOTTISH-DOMICILED UNDERGRADUATE STUDENTS

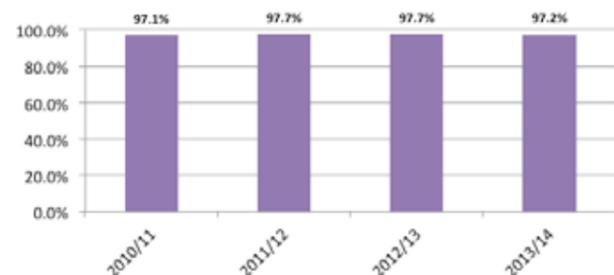


GRADUATE EMPLOYABILITY

The continuing high level of employability of its graduates is one of the university's most important objectives. The university uses the destination of leavers in higher education survey (DLHE) as one of its key performance indicators in this area. The latest available survey, for the 2013/14 academic year, reports on the employment status of graduates six months after graduation.

TARGET: over the period to the 2018/19 academic session the university is targeting maintenance of its current performance in the UK and Scottish rankings.

HESA EMPLOYABILITY PERFORMANCE INDICATOR



The published results of the 2013/14 DLHE return confirmed that 97.2% of RGU graduates in 2013/14 are in employment and/or further study. This figure represents a small downward fluctuation of 0.5% from the 2012/13 figure of 97.7%. Nevertheless, the university has retained its position of being top in Scotland for this measure and it also continues to be the top performing non-specialist publicly funded institution in the UK. Additionally, the university's graduate employability rate (i.e. graduates in graduate level jobs), as used in league tables such as The Times Good University Guide, has risen from 80.5% in 2012/13 to 83.1% in 2013/14.

Not wishing to 'stand on its laurels' in this area of excellent performance, during the 2014/15 academic year work was continued on certain specific employability initiatives:

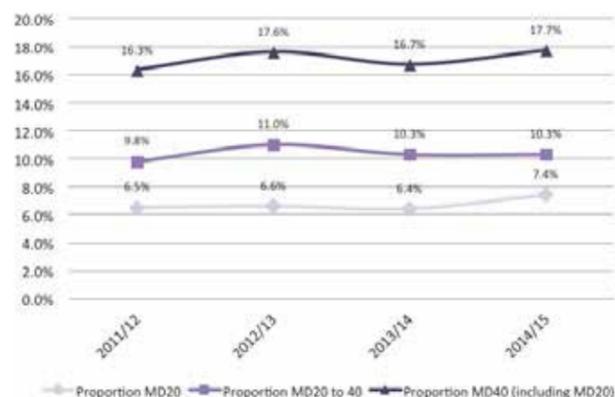
- **TALENT EXCHANGE:** during the 2014/15 academic year, Talent Exchange generated 125 additional student work related experiences with a further 62 in the referral stage. The vast majority of the businesses involved have never worked with the university before. The 2015/16 academic year sees the focus continue on implementation and on sustainability.
- **MY CAREERS TOOLKIT:** the online Toolkit aims at assisting students develop and refine their articulation of work-relevant skills and attributes; work to enhance the toolkit will continue during 2015/16 focusing on increasing the engagement of students through pro-active promotion led by academic staff through the inclusion of elements of the Toolkit within courses.

EXTENDING ACCESS

Extending access to learning is also important for the university. The university already enjoys a 'best in class' articulation relationship with the North East Scotland College, with more and more students enrolled on one of the many college/university unified pathway programmes. In addition to this the extending access objective also specifically involves extending access to Scottish students from protected characteristic groups, including those living in economic deprivation.

TARGET: Over the period to the 2018/19 academic session the university's performance in this area will meet the targets specified within the university's Outcome Agreement. For 2014/15 this represents an MD40 target of 17.5%.

PROPORTION OF MD20 & MD40 STUDENTS

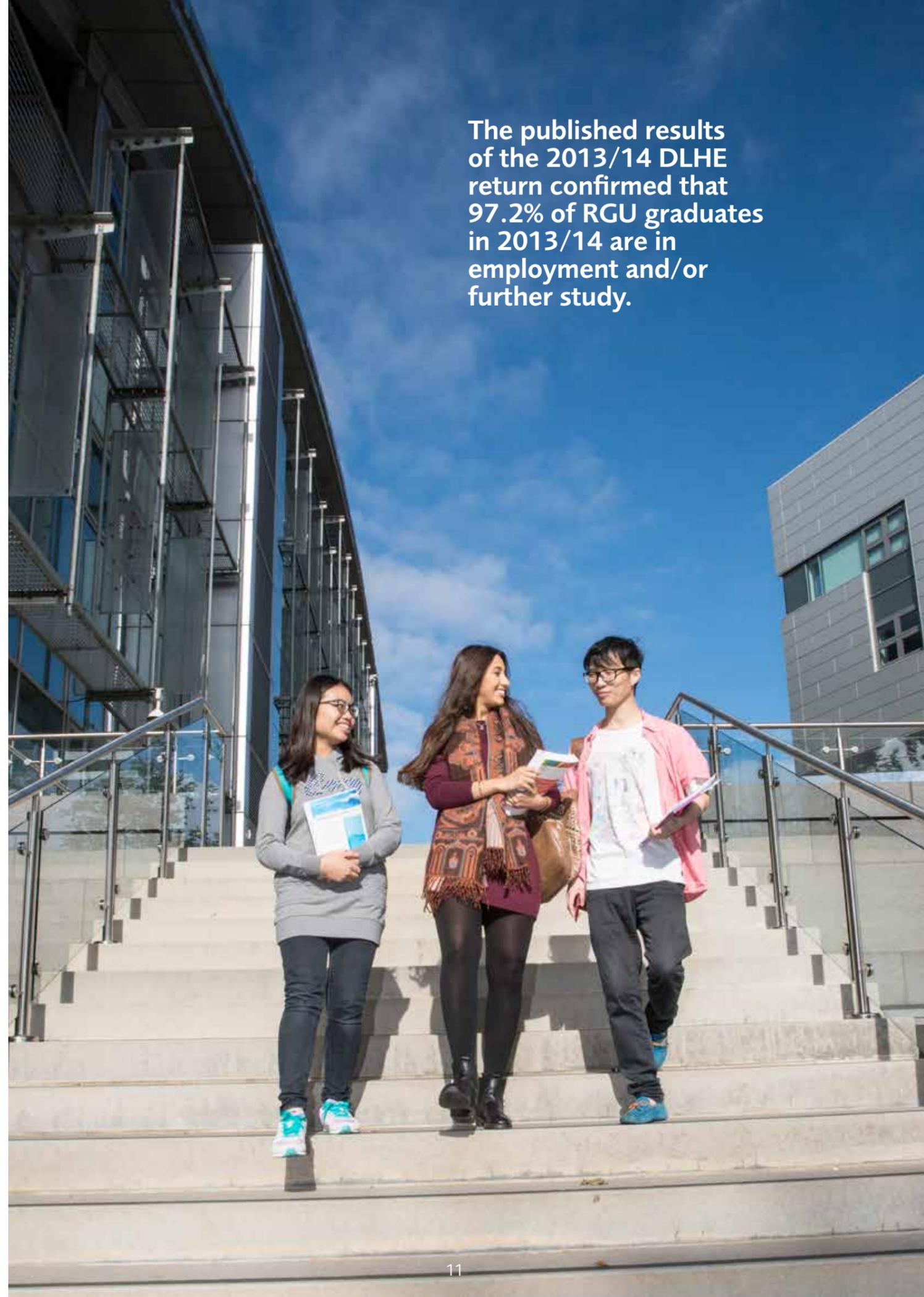


The university has met its targets for the proportion of Scottish domiciled undergraduate entrants from the 20% and 40% most deprived postcodes (MD20 and MD40). This is a significant achievement and is testament to the university's clear strategic commitment to widening access and to the commitment and work of academic staff working in tandem with the Centre for Student Access.

This positive outcome has been the result of substantial work done by the university's wider access team in partnership with external stakeholders and academic staff. External stakeholders are involved through the work done by the Regional Coherence Hub. Key to this has been the establishment of stronger links with Aberdeen City Council and, in particular, the identification of partner schools with which the University works to improve access to higher education. Specific initiatives included:

- **OUTREACH ACTIVITIES** - delivered with schools and communities, under the banner of ACCESS RGU, include engagement in schools and on-campus with prospective students and the provision of advice and guidance for applicants and enrolling students.
- **S5/S6 ACCESS PROGRAMMES** - delivered primarily via a menu of interactive workshops tailored to school needs, the university has built on its local development of the SFC-supported Access to Creative Education Scotland (ACES) programme, expanding the model to a range of subject areas. These programmes offer a blend of practical subject focussed activities, alongside support sessions delivered by student advisors.

The published results of the 2013/14 DLHE return confirmed that 97.2% of RGU graduates in 2013/14 are in employment and/or further study.



Specific initiatives included: expansion of the university's associate student scheme to young people within the Senior Phase - From an initial cohort of 25 in 2012/13, the university supported 140 young people in 2014/15.

- **EXPANSION OF THE UNIVERSITY'S ASSOCIATE STUDENT SCHEME** to young people within the Senior Phase - From an initial cohort of 25 in 2012/13, the university supported 140 young people in 2014/15, expanding the programmes to six subject areas. This will take participation to approximately 16% of Senior Phase pupils across the university's partner schools.
- **CONTEXTUALISED ADMISSIONS** applied to MD40 applications as well as MD20 applications and all courses considered late applications from applicants from an MD20 or MD40 background.

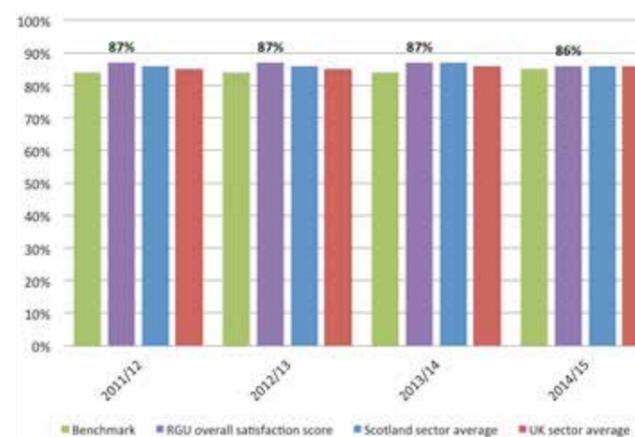
STUDENT EXPERIENCE

The quality of the student experience is critical for the university. Overall student satisfaction is measured through the National Student Survey (NSS). This UK-wide survey is open to all final year undergraduate students to complete. The latest results relate to students who were in their final year in 2014/15.

TARGET: The university is targeting that, by 2018/19 it will increase its performance to at least a 90% satisfaction rating within the survey.

The results of the 2015 NSS (for the academic year 2014/15) were published in August 2015. These show that the overall satisfaction rate for RGU has fallen 1% to 86%. This does mean however that the university remains over its benchmark of 85%. Further analysis of the results of the 2014/15 survey level is underway and the outcome of this work will be discussed by university management during 2015/16.

OVERALL STUDENT SATISFACTION



RISK ASSESSMENT

The most significant challenge the university has faced is the decline in international on campus students enrolling on its courses. This is reflected in the high level risk register including a major risk around commercialisation; that commercial activities, including attracting fee paying students, does not help ensure the future sustainability of the university. A wide range of actions to improve the recruitment position were instigated in 2014/15 to influence positively the 2016/17 recruitment cycle.

These included:

- Identification of specific courses that recruit well and the focus of additional specific marketing interventions to boost applications
- Review of curricula in specific areas to ensure that content appeals to potential markets
- The system of overseas agent incentives has been reviewed and recommended changes implemented
- The internal process of capturing non-international student enquiries has been reviewed and a new system has been implemented. This should allow better communication with enquirers and an increase of conversion from enquiry to application.

It is recognised that the downturn in the regional economy and the long term challenges that face the oil and gas sector in the UK Continental Shelf may result in significant employment challenges for graduates from many of the university's courses. Work on initiatives to combat this risk, including those outlined above, will continue throughout 2015/16.

RESEARCH AND KNOWLEDGE EXCHANGE

The university did not perform to expectations in the REF 2014. Although it improved its overall quality profile, other institutions also improved, some more significantly. Moreover, the university's volume of high quality research did not increase over that submitted to the 2008 exercise. Many other institutions did achieve increases in the volume of their quality research. The university did not manage to overcome the effects of the loss of one of its major suite of research projects in the diet and nutrition area.

As a response to the REF 2014 the university has begun the following initiatives:

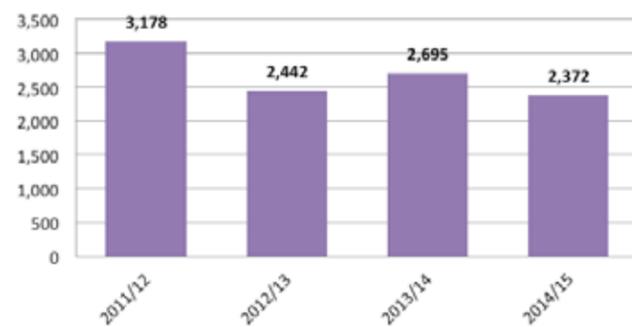
- Reviewed the university's research strategy and identified key areas, under the leadership of a recently appointed Vice Principal Research, aligned to the university's recently established Institute for Oil and Gas and Centre for SMART Data both of which have significant opportunities for application within the oil and gas industry and associated supply chain within the region.
- Reorganised the way in which research is managed within the university. The university's three Research Institutes have been disbanded and individual Schools have developed individual research plans aligned to an appropriate unit of assessment with key targets around research income levels, publications and PhD students.
- Provided additional support to develop research proposals to European Funding opportunities, particularly the Horizon 2020 fund. This additional support has seen both an increase in the volume and value of research applications submitted to these funds and a modest increase in the value of successful awards which will translate into research income in future years.

The university's performance in research is measured in two ways, to reflect the two dimensions of quality and quantity. The university's research income as reported in the financial statements is used as a measure for quantity whilst the quality of the university's research is measured by citations.

RESEARCH INCOME

TARGET: The university is targeting very significant growth in its research incomes over the coming years and, to this end, has begun major investments in this area.

RESEARCH INCOME (£'000S)



Despite an increase in the value of proposals during the year, there has been a decline in research income during 2014/15. Some of this decline has been caused by delays to the commencement of several projects meaning planned research activity was not undertaken till 2015/16. The university expects that its new initiatives outlined above will see research income volumes grow from the 2015/16 year onwards.

RESEARCH QUALITY

Research quality is largely measured through the Research Excellence Framework, but annually the university uses citation rates to monitor the quality of its research outputs over the previous five year period.

TARGET: by the 2018/19 academic session the university will have increased its citation count, as measured by its published outputs through the Web of Science database, by an average of 10% annually.

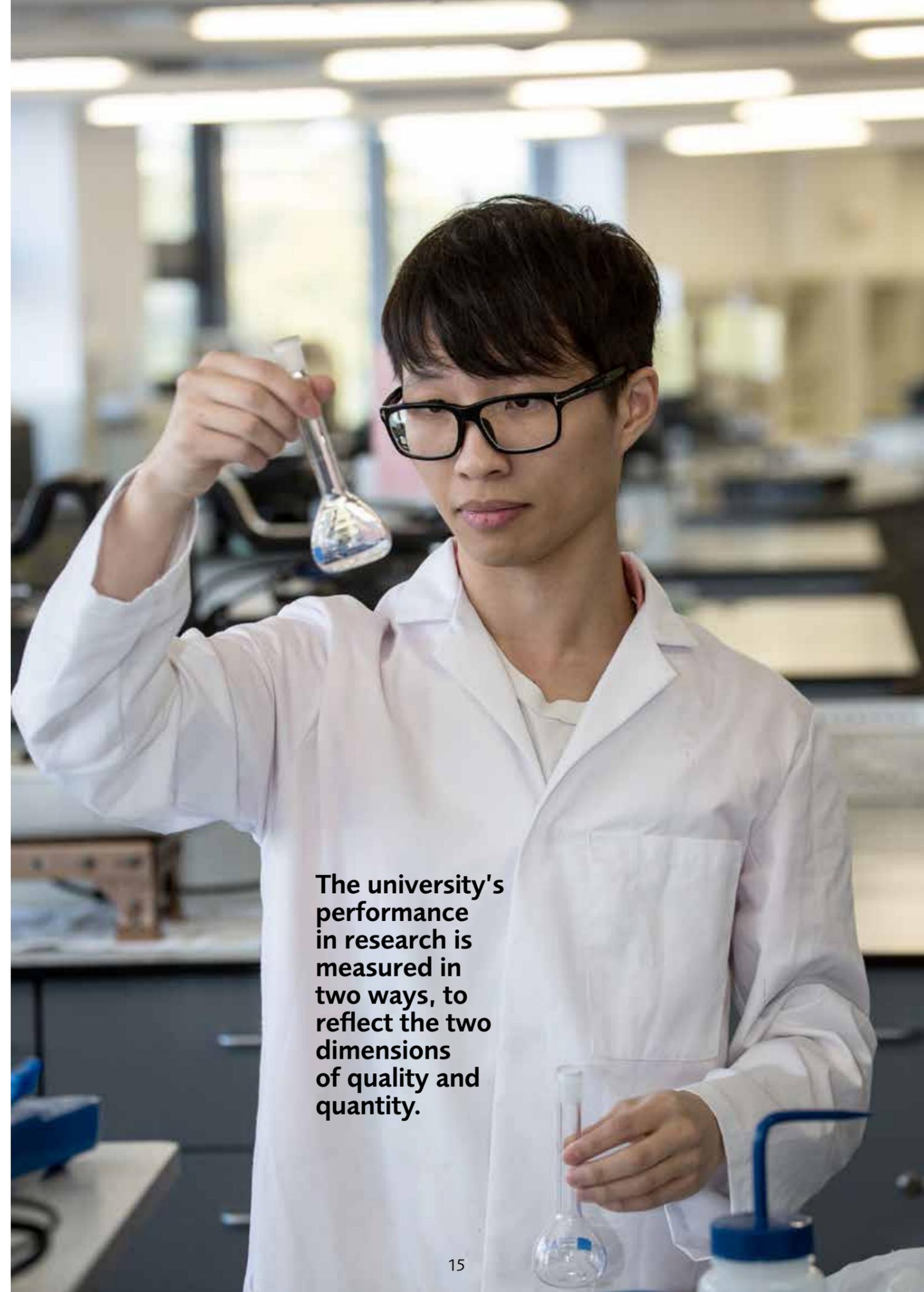
CITATION NUMBERS



The university has exceeded the target of 10% growth from the 2013/14 figure, reaching in excess of a 30% increase in citations recorded on Web of Science. Despite an increasing citation rate from the university's research outputs, the university's publication levels remain relatively low and as a consequence as part of the development of School research plans clear targets around output levels will be developed.

RISK ASSESSMENT

It is one of the university's current high risks that 'the university is unable to significantly grow the research agenda'. It is clear that reversing the decline in research volumes is central not just to the university's research agenda but to its other strategic agendas. Senior management will be focused on delivering the planned investment in this area over the next period. These planned investments include major growth in both oil and gas and smart data research.



The university's performance in research is measured in two ways, to reflect the two dimensions of quality and quantity.

During the course of 2014/15 the university has made a particular contribution to the region through once again playing a key role in developing and delivering the Aberdeen Youth Games.



REGIONAL COMMUNITY

The university recognises that it has a key role within the region to promote and stimulate discussion and debate around issues affecting the region as well as enhancing the quality of life of those that live, work, visit and study in the region. The university's ambitions in this regard are captured in the RGU and the Region strategic statement.

The university's contribution to the region can be summarised through:

- The provision of student placements, graduates and research and commercial projects that contribute to the economic development of the region;
- The significant contribution to the health and wellbeing of the region through the activities of the Faculty of Health and Social Care;
- The major contribution to the cultural life of the region, in particular through the exhibitions and activities of Gray's School of Art and Scott Sutherland School of Architecture; and
- Tackling social inequalities in the region, most notably through the widening of access to the university's curriculum to individuals from all backgrounds.

During the course of 2014/15 the university has made a particular contribution to the region through:

- Once again playing a key role in developing and delivering the Aberdeen Youth Games;
- Curating the first ever Look Again visual arts and design festival which aims to showcase the excellence of the region's artistic expression;
- Being recognised within the region for its approach to engaging youth through Streetsport and the Extreme Art School;
- Delivering another year of professorial lectures as well as a series of debates and discussions all of which are open to the public.

The performance of the university in meeting its strategic commitment to the regional community is measured by how fully it is able to shape debate and decisions on issues affecting the region annually. In previous years the university has:

- Contributed significantly to the debate around the city centre redevelopment in Aberdeen following the abandonment of proposals to redevelop Union Terrace Gardens, which has led to the university's continuing engagement in the development of the City Centre Masterplan which has recently been published.
- Contributed to the debate around cultural regeneration across the North-East of Scotland following the failure of the city's bid to become a UK City of Culture, this has led to the university's continuing engagement in the development of a new Culture Plan for the City which will be launched in 2016.

Over the course of 2014/15 the university has engaged in the development of a major economic summit for the region which will look at the opportunities for growth within the region as well as international inward investment to the region. This summit took place at the university in November 2015.

RISK ASSESSMENT

A significant risk for the university, as well as the region, is the declining revenues from the UK Continental Shelf which may affect the ability of the university's graduates to gain employment within the region. More generally, the university's economic summit aims to assist the region develop renewed strategies to create economic growth.

SUSTAINING THE UNIVERSITY

The university seeks to ensure that it provides an enjoyable and safe working environment. To do this it looks to ensure that its employees are committed to both the University and its objectives and that the university's financial sustainability is assured.

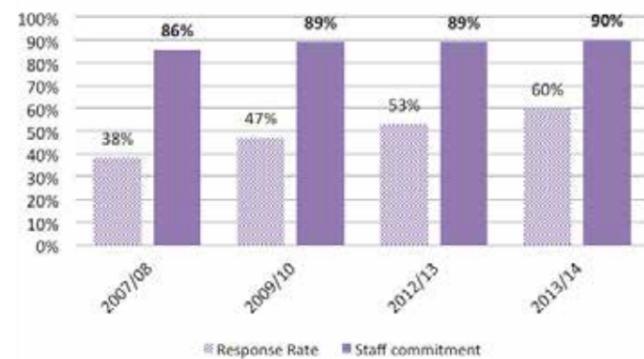
EMPLOYEE COMMITMENT

Biennially the university undertakes an employee commitment survey. This measure records the response to the statement 'I feel committed to the university as an organisation'.

TARGET: over the period to the 2018/19 academic session the university will have maintained the current levels of staff commitment with a 60% return rate on the survey.

The most recent 2013/14 survey received a 60% response rate. Overall the results were positive and broadly aligned with results from previous surveys – commitment by staff to both the university and their role remains very strong and, generally, staff feel able to manage their workload. Overall, staff agreed that the consolidation of all academic activities to the Garthdee campus was having a positive impact.

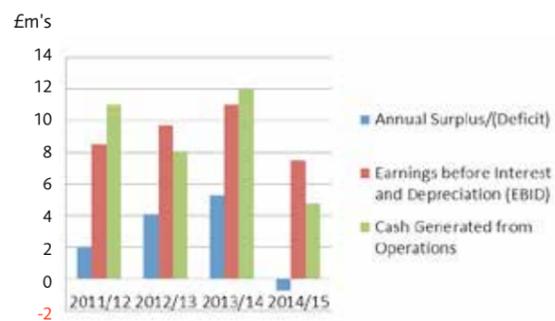
EMPLOYEE COMMITMENT



FINANCIAL PERFORMANCE

The university measures financial sustainability using three key metrics, surplus, earnings before interest and depreciation (EBID) and cash generated from operations.

FINANCIAL PERFORMANCE BY ACADEMIC YEAR



Until 2013/14 the University was making satisfactory progress towards its financial targets, with growing surpluses and strongly positive cash generation. The 2014/15 deficit and the corresponding reduction in both EBID and cash generated from operations will be the focus of much senior management attention as growth is sought again in research and fee paying student volumes.

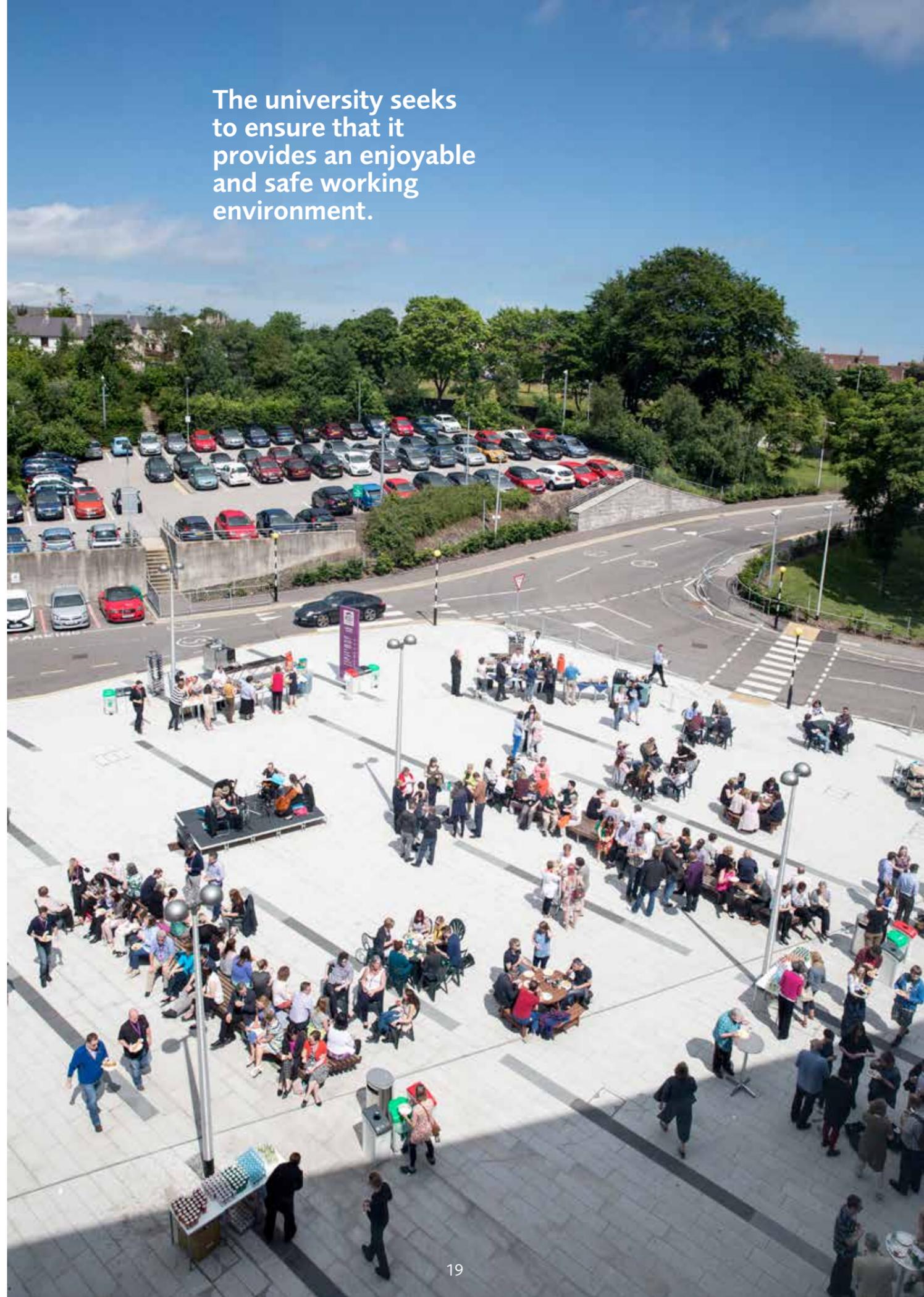
RISK ASSESSMENT

All the university's major risk areas are relevant to financial performance. However, the two critical risks that must be managed effectively are those around commercialisation and research.

The university's commercial activities, in particular the current fall in fee paying student numbers, must return to growth soon. The university's research volumes must also return to growth soon. University management are focused on these two areas and expect to see signs of a turnaround in both over the next 12 months.

It is clear that the university must return to growth or make significant cost and efficiency savings if it is to return to a situation where it is generating satisfactory surpluses and cash in the medium term.

The university seeks to ensure that it provides an enjoyable and safe working environment.





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

CORPORATE MATTERS

CONSTITUTION, GOVERNANCE AND REGULATION

Although Robert Gordon 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 33 to 35 and members of the Board, known as Governors, are listed on pages 30 to 32.

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.

ENABLING STRATEGIES

In order to achieve its strategy the university has developed a series of enabling strategies.

FINANCE STRATEGY

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

HUMAN RESOURCES STRATEGY

The university's human resources enabling strategy recognises the university requires a workforce which can demonstrate speed and agility and to achieve this, the university needs to recruit, develop and retain people with the right skills, knowledge and attributes. The enabling strategy will aim to foster a culture where everyone feels engaged, empowered and recognised for their contribution. The strategy contains four priorities: (i) people; (ii) roles; (iii) recognition; and (iv) culture.

ESTATES STRATEGY

The university's estates enabling strategy recognises the need for estates to facilitate the achievement of the core objectives of the university. It has three priorities: the current estate, the estates environment and the future estate.

INFORMATION TECHNOLOGY STRATEGY

The university's IT enabling strategy anticipates that changes to consumer technology will provide opportunities for teaching and learning, new communication tools will directly assist across a whole range of priorities, including research and partnerships, and new approaches to IT infrastructure will assist the university to respond to commercialisation opportunities and other areas of growth. Good governance will also be important to ensure that achieving these aims is not put at risk by a growing spectrum of cyber security risks. The strategy identifies four priority areas: (i) embracing the consumerisation of technology (ii) enhancing the learning environments and provision of information (iii) improve efficiency and environmental footprint of IT Infrastructure (iv) managing risk, security and compliance.

RISK MANAGEMENT

In recent years the university has revised its approach to the management of risk, moving the responsibility for the identification and monitoring of risks from its committee system to operational units: faculties, schools, research institutes and the professional support departments. These risks are identified and monitored as part of the annual planning process operated by the university. During the 2014/15 academic session this high-level risk register contained five risks:

1. Commercialisation: commercialisation activities do not increase the funds available to the institution to ensure its future sustainability.
2. Student numbers: inability to recruit SFC funded students in a manner that maximises efficiency.
3. Capability and capacity: inability to develop capability and capacity of staff to respond to the university's step-change activities.
4. Physical infrastructure: inability to support the university's step-change activities with the appropriate physical infrastructure, i.e. estates and IT.
5. Research: inability to significantly grow research agenda.

The university's high-level risk register is monitored regularly by senior management and reports on the management of risk are provided to the Board of Governors through the Audit Committee half way through and at the end of the academic session. School and departmental risk registers are monitored by senior management at the mid-year and end-of-year planning meetings which are held on a Faculty-by-faculty basis and with all the support departments. At each review period, the risk scoring and the risk itself are reviewed along with consideration of the effectiveness and implementation of the planned improvement actions.

ESTATE DEVELOPMENT

It is a key objective of the university's ongoing estate strategy that all teaching and research activities are consolidated onto the Garthdee campus beside the River Dee, on the south side of Aberdeen. With the successful completion of the new Sir Ian Wood Building this objective has been accomplished.

As a consequence, the university is in the process of selling surplus properties located in the city centre; both the St Andrew Street and the Technical building were sold in previous years, with the former realising gross sale proceeds of £5.5m and the latter £5m. The Clarke and Student Association buildings, located in Schoolhill, are in the process of being sold and whilst this sale is contingent on gaining the appropriate planning permissions, and this has taken longer than the university originally expected, contracts are nevertheless expected to be exchanged during the coming year.

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 and has completed the construction of new teaching and research facilities immediately to the east of, and as an extension of the Sir Ian Wood Building. Since the year end these premises have become the new home for the staff and students of the Scott Sutherland School of Architecture and the Built Environment.

OUTCOME AGREEMENT

Each year the university agrees an Outcome Agreement with the SFC which contains a series of targets performance against which is monitored by the Board of Governors. The Outcome Agreement covers a three-year rolling period; the first such agreement commenced in 2014/15 and contained targets in relation to widening access, student success, satisfaction and employability, research and commercial engagement. This Outcome Agreement will be re-developed in dialogue with the SFC on an annual basis covering a new three-year period.

ENVIRONMENTAL ISSUES AND SUSTAINABILITY

The University recognises that in pursuing its educational and research objectives, it has a responsibility to protect and nurture the environment. By exercising proper control over its activities, the University will promote the use of sustainable resources and discourage wasteful or damaging practices. The University will seek to manage its operations in ways that are environmentally sustainable, socially acceptable and economically viable. In doing so, the University will seek to undertake business in accordance with the following principles.

It will;

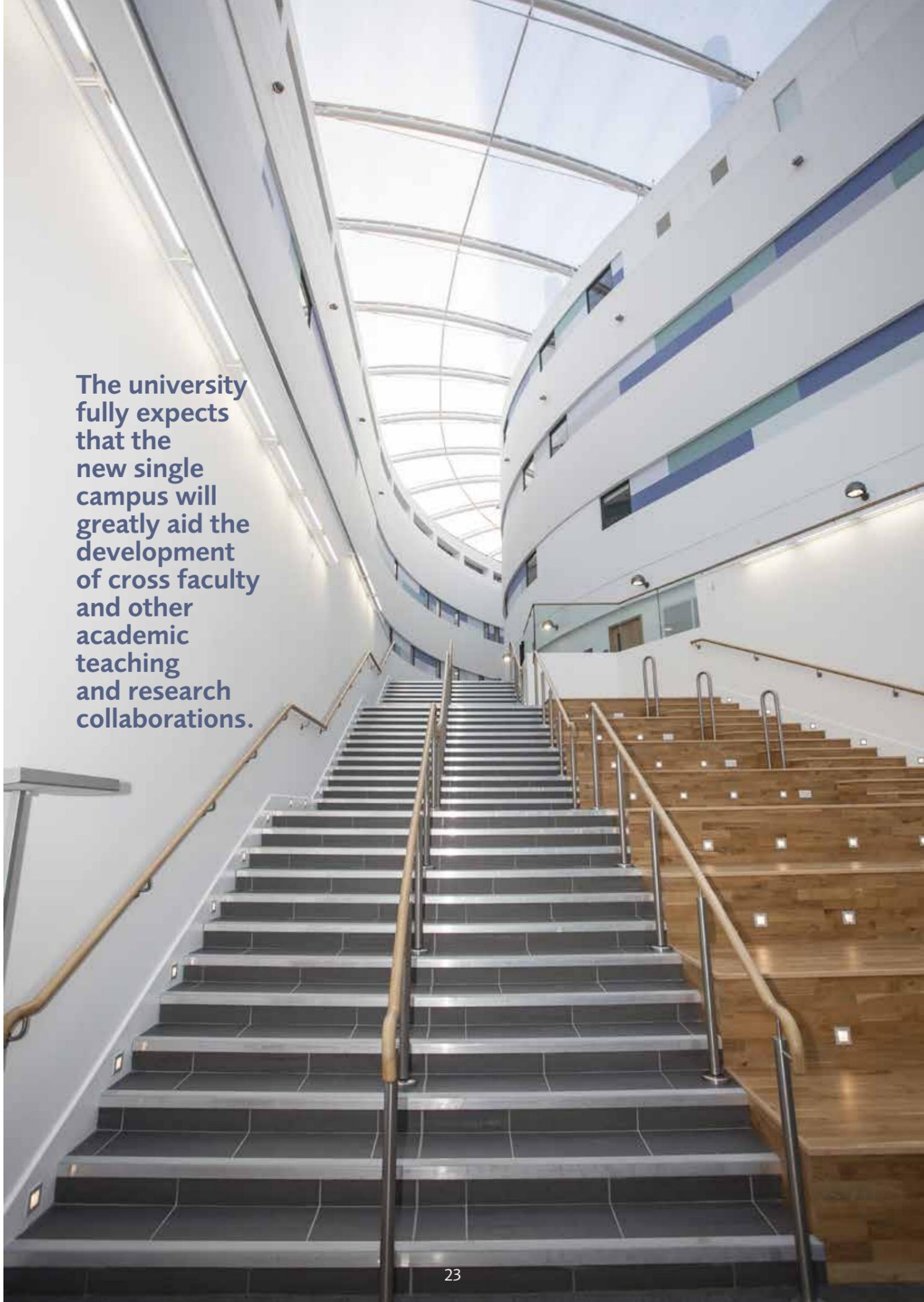
- comply with the requirements of relevant legislation as a minimum benchmark and strive to exceed requirements in key areas of energy, water and waste management;
- promote sound environmental management policies and practices throughout the University;
- seek to minimise any adverse environmental impact of any new University development;
- maintain the University's estate in an environmentally sensitive way;
- seek to minimise the adverse environmental impact of the decommissioning and disposal of University assets.

The RGU Sustainability Advisory Group was formed in order to progress environmental and sustainability issues within the University. To date a carbon footprint has been assessed, energy reduction measures have been introduced (new, energy efficient buildings replacing older structures, energy leakage projects being undertaken throughout the University), a green travel policy is being pursued including providing incentives to car share and much improved waste recycling percentages are being obtained.

EQUALITY AND DIVERSITY

It is the policy of the University to promote equality and diversity in employment, student and external interaction, and to eradicate discrimination on unlawful or unfair grounds. Robert Gordon University strives towards creating a working, learning and social atmosphere which is inclusive, harmonious and respectful of diversity. The university, in common with other public bodies in Scotland, has published a series of Equality Outcomes which are aligned to the university's strategic aims. During the course of the 2014/15 academic session, the university reported, as obliged by the Equality Act, its progress towards achieving these outcomes. The university will achieve these outcomes by:

- Embracing a positive attitude towards the promotion of equality on the basis of age; culture; disability; gender reassignment; pregnancy and maternity; race; religion and belief; sex and sexual orientation to ensure all reach their full potential;
- Being prepared to understand that fairness and equality of opportunity is not always about treating people similarly, but can sometimes mean treating people differently;
- Acknowledging and celebrating the breadth of experiences and perspectives that people from diverse backgrounds bring to the life of the university; and
- Seeking to eliminate discrimination and prejudice by ensuring people treat each other with respect.



The university fully expects that the new single campus will greatly aid the development of cross faculty and other academic teaching and research collaborations.

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.

EMPLOYMENT OF PEOPLE WITH DISABILITIES

As a fundamental part of the Equality & Diversity Policy, the university wishes to encourage the employment of individuals with disabilities. 4.91% (2014; 4.25%) 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 Equality & Diversity awareness particularly targeting staff involved in the recruitment and selection process and those in student facing roles.
- Ensure, so far as reasonably practicable, that the working environment does not deter disabled individuals from taking up an appointment.
- Review and develop recruitment procedures to encourage applications from people with disabilities. Applications for employment will only be considered on the basis of suitability for the post concerned.

EMPLOYEE CONSULTATION, NEGOTIATION AND COMMUNICATION

It is the policy of the university to encourage effective communication with employees directly and through trade unions which represent the interests of their members, whether recognised or not. The University has in place modern arrangements for local consultation, negotiation and internal communication, covering all matters which may affect its employees nationally or locally. These arrangements are based on a system of Partnership Agreements (including trade union recognition provision) and a Joint Negotiation & Consultation Group.

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 and services consumed by our students. In recognition 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. Major strategic initiatives have been commenced in Oil and Gas with the opening of the University's Institute of Oil and Gas and in Health and Wellbeing with the commencement of the RGU: Wellness initiative. Other major strategic initiatives are planned to be commenced during the coming year, with the new Centre for Smart Data being approved during the year under review.

The university has experienced a very challenging start to 2015/16. Fee paying student numbers fell again for the first semester intake in September and October 2015 and strategic investments are developing more slowly than planned for. The university is taking a number of corrective actions to mitigate the effects of these.

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 and The RGIT Educational Development Trust.

RESULTS FOR THE YEAR

The group's results for the year were:

	2014/15	2013/14
	£000	£000
Income	100,519	103,329
Expenditure	101,184	97,993
(Deficit)/Surplus for the year	(665)	5,336

Total income decreased by £2.8m or 2.7% to £100.5m.

Funding Council grants received decreased by 2.4% over the prior year to £44.1m. However, adjusting for the significant prior year release of deferred capital grants, underlying grants increased by 1.4%. Within this total, teaching grants increased by less than 1% to £39.3m.

Tuition fees decreased in relation to prior year, by £1.3m, or 3.4%, to £36.3m.

UK and EU fees totalled £20.7m. This represents an increase of £0.4m or 1.9% over 2013/14. Underlying student numbers here were fairly static over prior year.

Non-EU fees have decreased by £1.1m, down by 7.1%, to £14.5m for the 2014/15 financial year. Underlying international full time postgraduate student numbers, which fell slightly in the prior year, continued to fall during 2014/15.

Income from research grants and contracts for the year was down by £0.3m, or 12.0%, to £2.4m.

Other income increased by £0.5m or 2.6% to £17.0m. The major reason for this increase is the continuing growth of the University's catering business, which is benefiting from the consolidation of teaching and research activities onto the Garthdee campus.

Endowment and investment income decreased in the year from £1.3m in 2013/14 to £0.8m.

Total expenditure increased by 3.2% or £3.2m to £101.2m.

Annual staff costs increased during the year by £2.0m or 3.7% to £57.3m. Part of this increase is caused by slightly increased average staff full time equivalents, with the remaining increase broadly reflecting the combined effects of both consolidated and non-consolidated pay awards in the year.

Other operating expenses, excluding depreciation and interest, increased by £1.3m, or 4.0%, to £34.0m. The major contributor to this increased expenditure was the increased costs of the growing catering business.

The group's depreciation charge for the year increased from £8.6m to £8.9m.

The net group result for the year was a deficit of £0.7m. (2014: Surplus of £5.3m).

CASH FLOWS

The group generated a cash inflow from operating activities of £4.8m for the year, a decrease of £7.2m from the £12.0m generated during the previous year. After accounting for investment income, taxation, capital expenditure and financial investments the group experienced net cash outflows, before use of liquid resources and financing costs, of £9.4m (2013/14: net cash inflows of £9.4m). This significant outflow results both from the deficit suffered for the year and the completion of phase 2 of the group's campus development programme. Phase 2 will be brought into use during the academic year 2015/16.

The group's short term deposits decreased during the year by £8.0m to £13.0m. Cash balances decreased during the year by £1.4m to £3.9m. Group debt levels stayed constant at £30.2m.

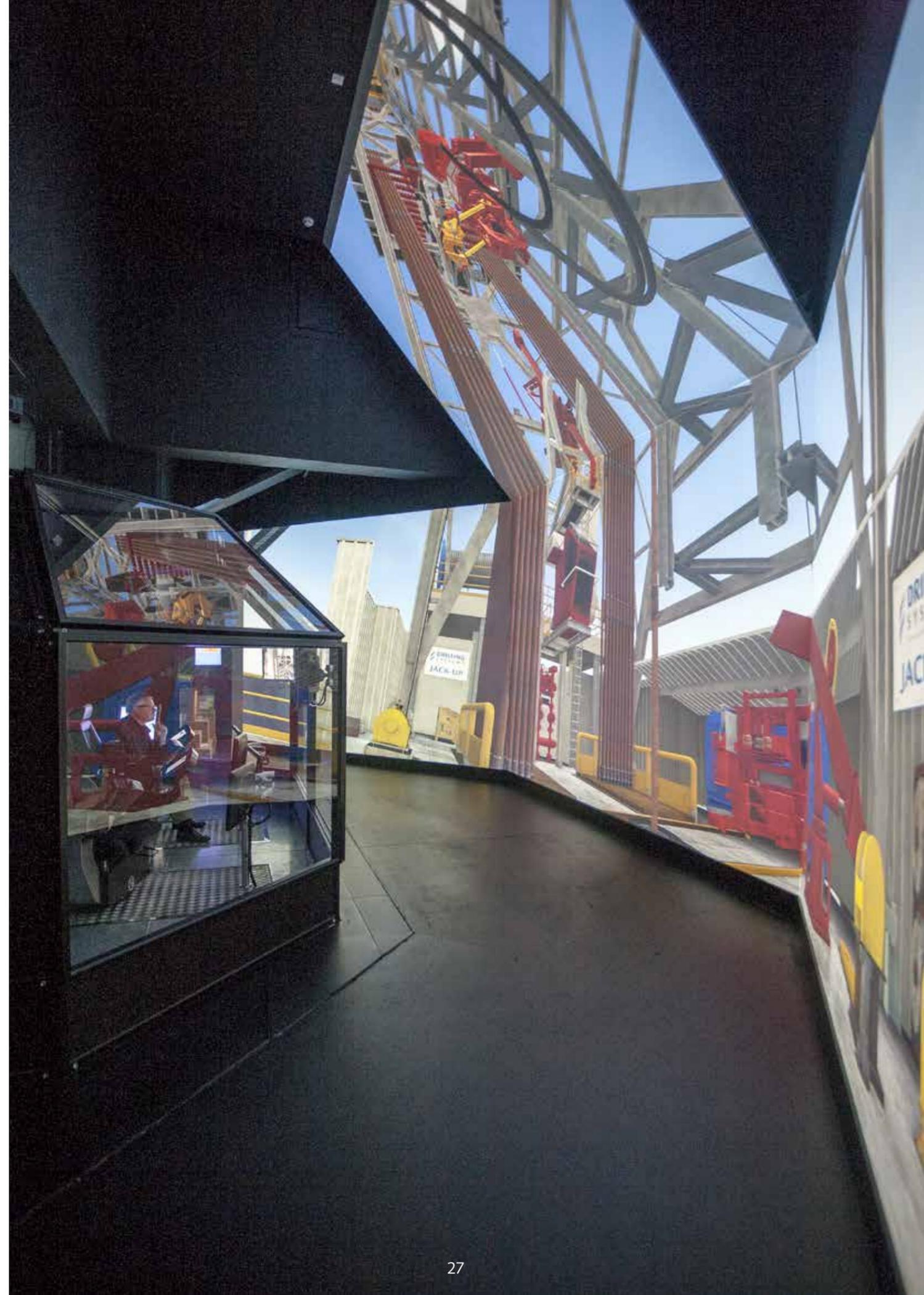
CAPITAL PROJECTS

The group invested £14.6m in fixed assets during the year.

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 ten 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.

In 2011/12 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. Current financial forecasts indicate that no breaches are expected in future years.

The campus development project is currently on budget and on time. The new Sir Ian Wood building is now in full use as a teaching and research facility with the first students experiencing it in September 2013. £20m of the £25m debt package has been drawn down to part fund the Garthdee campus development.

YEAR-END POSITION OF THE GROUP

The group's balance sheet remained strong at the year end. Net assets reduced slightly from £181.7m to £180.1m. As forecast, liquidity tightened during the year. Net current assets moved from £14.1m to £8.0m and the current asset ratio fell, from 1.83 to 1.56.

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 2015, creditors were paid on average in 14 days (2013: 17 days).

POLITICAL DONATIONS

No donations for political purposes were made during the year.

The campus development project is currently on budget and on time. The new Sir Ian Wood building is now in full use as a teaching and research facility with the first students experiencing it in September 2013.



CHANCELLOR OF THE UNIVERSITY

Sir Ian Wood

BOARD OF GOVERNORS

Governors who served during the period 1 August 2014 to the date of this report were as follows:

Mr David A Brew	Audit Committee
Ms Adeline M A Christy.....	Finance and General Purposes Committee, Nominations Committee, Remuneration Committee (from 1.1.15)
Mr Alasdair S Craigie	(Term of office ended 31 December 2014) Finance and General Purposes Committee
Ms Jennifer F Crow [Chair].....	See below
Mr Mike Fleming	
Mr Paul Greene.....	(Undergraduate Student Governor: Term of Office; 1 August 2014 – 31 July 2015) Finance and General Purposes Committee, Nominations Committee
Ms Sylvia Halkerston.....	(Appointed 1 January 2015), Staff Governance Committee, Remuneration Committee (C)
Ms Lucy Jack.....	Finance and General Purposes Committee, Staff Governance Committee
Mr Hugh Little	(Appointed 1 January 2015), Finance and General Purposes Committee, Audit Committee
Mr David McClean	(Appointed 1 January 2015), Staff Governance Committee, Nominations Committee
Mr Ken Milroy.....	Staff Governance Committee, Audit Committee
Mr Peter D Nicholson (Term of Office ended 31 December 2014),	Staff Governance Committee (C) Remuneration Committee (C)
Mr Edward Pollock.....	(Undergraduate Student Governor: Term of Office; 1 August 2015 – 31 July 2016) Finance and General Purposes Committee, Nominations Committee
Mr Roger Ramshaw [Vice-Chair from 1 January 2015].....	Finance and General Purposes Committee, Nominations Committee
Mr Douglas Robertson	Staff Governance Committee
Professor Ken D Russell	(Term of office ended 31 December 2014), Staff Governance Committee, Nominations Committee
Mr Tim S Stevenson.....	Finance and General Purposes Committee (C)
Mr David G Strachan	Staff Governance Committee (C) from 1 January 2015, Nominations Committee
Professor Ferdinand von Prondzynski (Principal and Vice-Chancellor)	See Below
Professor Jamie Weir.....	(Term of Office ended 31 December 2014) Finance and General Purposes Committee, Nominations Committee, Remuneration Committee, Staff Governance Committee
Mr Hamish Wilson	(Appointed 1 January 2015), Staff Governance Committee
Ms Jennifer E Young.....	Audit Committee (C)

(C) = Convener

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 Chair also serves on the Remuneration Committee.

FOOTNOTE:

There are also a number of external Committee representatives on Board Committees:-

Mr Hugh Little (2014) Mr Mike Salter and Professor Jamie Weir (2015) (External members on Audit Committee)

Ms Sylvia Halkerston (2014), Mr Peter Nicholson (2015) (External members on Nominations Committee)

Ms Sylvia Halkerston (2014), Mr Peter Nicholson (2015) (External members on Remuneration Committee)

Attendance at Board of Governors, Standing Committees and Working Group on Governance Meetings (1 August 2014 to 31 July 2015)

Board Members	Board of Governors	Audit Committee (4 in year)	Finance and General Purposes Committee (4 in year)	Staff Governance Committee (3 in year)	Nominations Committee (2 in year)	Remuneration Committee (2 in year)	Working Group on Governance (1 in year)	Board Strategy Workshop (2 in year)
Mr D Brew, <i>Independent Governor</i>	2/4	3/4						1/2
Ms A Christy, <i>Independent Governor</i>	3/4		2/4		1/2			2/2
Mr A Craigie, <i>Independent Governor</i>	2/2		2/2					1/1
Ms J Crow, <i>Independent Governor</i>	4/4		3/4	3/3	2/2	2/2	1/1	2/2
Mr C Ekechukwu, <i>Postgraduate Student Governor</i>	3/3		1/3					1/1
Mr M Fleming, <i>Independent Governor</i>	4/4							1/2
Mr Paul Green, <i>Undergraduate Student Governor</i>	3/4		0/4		1/2			1/1
Mrs Sylvia Halkerston, <i>Independent Governor</i>	1/2			1/1		1/2		0/1
Ms L Jack, <i>Staff elected</i>	3/4		4/4	3/3				2/2
Mr H Little, <i>Independent Governor</i>	1/2	2/2	2/2					0/1
Mr D McClean, <i>Academic Council elected</i>	2/2			0/1	1/1			1/1
Mr K Milroy, <i>Independent Governor</i>	4/4	2/2	2/2	0/2				2/2
Mr P Nicholson, <i>Independent Governor</i>	2/2			2/2	1/1	2/2	1/1	0/1
Mr R Ramshaw, <i>Independent Governor</i>	4/4		4/4		1/1			2/2
Mr D Robertson, <i>Staff elected</i>	4/4			2/3				1/2
Professor Ken Russell, <i>Academic Council elected</i>	2/2				1/1			1/1
Mr T Stevenson, <i>Independent Governor</i>	4/4		3/4				1/1	2/2
Mr D Strachan, <i>Independent Governor</i>	4/4			3/3	2/2			2/2
Prof F von Prondzynski, <i>Principal</i>	4/4		4/4	3/3	1/2	2/2	1/1	2/2
Professor Jamie Weir, <i>Independent Governor</i>	2/2		1/2	1/2	0/1		1/1	0/1
Dr Hamish Wilson, <i>Independent Governor</i>	2/2			0/1				1/1
Ms J Young, <i>Independent Governor</i>	1/4	3/4						1/2

External Committee Members	Audit Committee (4 in year)	Nominations Committee (1 in year)	Remuneration Committee (2 in year)
Ms Sylvia Halkerston		0/1	1/2
Mr Hugh Little	2/2		
Mr Mike Salter	3/4		
Professor Jamie Weir	1/2		

AUDITOR

KPMG LLP were reappointed as external auditors to the university.

Signed



J Crow
Chair of the Board of Governors

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The University is committed to achieving the highest possible standards of corporate governance relevant to the higher education sector. This summary has been drafted to comply with the principles of the Scottish Code of Good HE Governance (published July 2013).

The university's Board of Governors 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. It has an approved Statement of Primary Responsibilities (see below). This is reviewed annually, together with a mapping document, to provide reassurance on how these responsibilities are achieved.

The Board of Governors has 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 Board of Governors has compared its existing practices with those recommended in the Scottish Code of Good HE Governance. The Board of Governors confirms that, to the extent that relevant statutory provisions so permit, its practices reflect the principles contained within the Scottish Code.

The university's Board of Governors meets formally four times a year in addition to holding two half day Board Strategy Workshops, the latter normally involving senior management. The Board has several key 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 a majority of independent members of the Board of Governors, one of whom is the Convener. The meetings and attendance data for 2014/15 is summarised on pages 31 to 32.

The Board and its standing Committees have in place an agreed system of evaluation whereby Board and committee members rank the performance and effectiveness of the committee in accordance with its specific remit. This process is conducted on an annual basis. The university has adopted a "portfolio" approach in 2014/15 to ensuring externally facilitated review in accordance with Principle 16 of the Scottish Code. This has included a PwC internal audit of Corporate Governance, notably focussing on the Board's Statement of Primary Responsibilities. KPMG also review, as part of the external audit, compliance of the university's governance arrangements with the Scottish Code. In addition there was externally facilitated input in the two half day Board Strategy Workshops conducted in 2014/15. These

Workshops focussed on ensuring strategic clarity and implementation of strategy and the Business Plan. As reported last year, the Board introduced a new office bearing position (Board Intermediary) and an annual process was introduced to appraise the Chair's performance and conduct the annual meeting as recommended in the Scottish Code.

The Finance and General Purposes Committee advises the Board of Governors on policy, strategy and planning in relation to all estates and financial matters. It considers the annual Financial Statements and Financial Forecasts and recommends these to the Board of Governors for approval. It oversees the system of financial control and administration and, as appropriate, makes recommendations thereon to the Board of Governors. It recommends to the Board of Governors the university's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The 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 and also a staff and student governor. In 2014/15, the Committee oversaw a recruitment campaign in respect of independent governors and a Chair Elect and made recommendations on the planned recruitment process to the Board of Governors. Vacancies were widely advertised, internally and externally, in the press and via various relevant organisations; the closing date for applications was 31 August 2015. The role descriptor for the Chair was reviewed as part of this process and an amendment made to increase the number of days involved from approximately 25 to 35 days a year. As indicated in the last annual report, the Board is committed to working towards 40% of its membership being women by 2018; the current gender balance is 33% (4 out of 12 independent governors). The Board's Skills Matrix was reviewed and further developed; this would be used by the Nominations Committee in considering Board appointments and has been published on the website.

The Remuneration Committee determines the remuneration of the senior management of the university, including the Principal and Vice-Chancellor. Senior management is 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 (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 Board recently conducted a major review of the Remuneration Committee's scope, policies and procedures as part of the review of the Scottish Code. The Remuneration Committee

membership has also been amended in accordance with that proposed in the Scottish Code. Arrangements for the appointment and appraisal of the Principal have also been reviewed and updated in order to better comply with the principles of the Scottish Code.

The Audit Committee, which is comprised of not less than three independent 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 reviews and monitors the university's approach to the management of financial and non-financial risk. In addition, it 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. As part of the Committee's Calendar of Business separate private meetings are held with the Committee members and the internal and external auditors on an annual basis.

The Audit Committee ensures the continuing independence and objectivity of the external auditors by regularly monitoring and assessing their performance and the nature and value of non-audit services provided. Regular private meetings between the external auditor and committee members in the absence of university senior management are arranged. The Board receives an annual report from the Audit Committee expressing its opinion on "the adequacy and effectiveness of the institution's risk management, control and governance arrangements; and arrangements for promoting economy, efficiency and effectiveness (VFM)".

The Staff Governance Committee, which is comprised of not less than three independent governors and all three staff governors, is to ensure that the University has a clear human resource strategy that has synergies with other strategies and is appropriate, realistic and achievable. The Committee also has a governance role in reviewing achievements against plans, whilst ensuring that the strategy and plans can respond effectively to changing internal and external environments.

In respect of its strategic and development responsibilities, the Board of Governors received 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, the Director of Finance and the Deans. During 2014/15 the Principal reviewed the senior management committee structure and new arrangements are in place from 2015/16 with an Executive, Senior Management Group

and Operations Management Group playing a key role in advising the Principal on strategic and resourcing matters. The university continued to develop a Business Plan and Risk Register in support of the implementation, of the university's strategic plan, A Clear Future for a leading university in a new era. The Business Plan and Risk Register was formally approved by the Board of Governors at its meeting on 25 June 2015. The Board also receives reports on the implementation of the annual University Operating Plan which was used by SPARG to monitor strategy implementation at an operational level. The risk assessment and performance management processes implemented by the university focus on matters which are relevant to the achievement of the strategy. As indicated earlier, the university has developed and agreed a number of Key Performance Indicators to help the Board of Governors measure the performance of the university in relation to its strategic aims. The Board is advised on performance on this respect via the Annual Report and Financial Statements. There is regular reporting to the Board on progress with the Business Plan and Risk Register and University Operating Plan. The Board is also actively involved in approving the University's Outcome Agreement and monitoring its progress.

During 2014/15, the Board considered a number of specific policy and strategy matters including a review of the Policy and Procedure on Disclosures in the Public Interest (Whistleblowing), the approval of a revised Fraud Policy, consideration of a revised Contracts Policy and Procedure, a number of HR related policies/strategies (including of a Rewards Strategy, Senior Manager Pay Policy (including professorial pay) and a Staff Gainshare Scheme), revisions to the Financial Regulations, and approval of a revised Estates Strategy.

As part of its normal business the Board endorses annually the report to the Scottish Funding Council on Institution-Led Review of Quality, the Student Association Annual Report and Budget which includes compliance with the Code of Practice and therefore the Education Act 1994 and the annual Health and Safety report.

Arrangements are made for the induction of new Board members (three new Board members joined the Board on 1 January 2015). Board members, and in particular new Board members, are encouraged to attend the Leadership Foundation's event "Being an Effective Governor (Scotland)" each autumn and any other relevant current events as part of the Governor Development Programme. Five Board members attended the "Being an Effective Governor" event on Friday 14 November 2014. (three independent, one staff and one student governor).

The Working Group on Governance reviews training/development need on an annual basis. This session, it was agreed that a bespoke event on Charities Law/Guidance be organised and led by the University Solicitor to which all Board members were invited. The annual Board Evaluation of Effectiveness questionnaire requests feedback on development needs which may inform future events.

There has been a suggestion that, with the recent publication of resources by the Equality Challenge Unit, some developmental activity may be organised around this theme during Session 2015/16. A member of the university's Board of Governors attended the Equality Challenge Unit's launch event on 30 June 2015. The university ensures that Board members are made aware of relevant briefing documents, for example, the "Getting to Grips Guides" produced by the Leadership Foundation. The Procurement guide in particular was drawn to the attention of members of the Audit and Finance and General Purposes Committees during 2014/15. The Board also undertakes a number of Board "visits" during the year or receives presentations on strategic issues. In 2014/15 there was a presentation on the Institute for Oil and Gas and Smart Data Technologies. Board members also receive the weekly staff/student news bulletin and a media summary.

Board members are required to declare any relevant interests on appointment and this data is reviewed on an annual basis. Declarations of Interest are made publicly available on the university's website. Individual Board members are also asked to declare any interests in relation to Board and Committee agenda business on a routine basis.

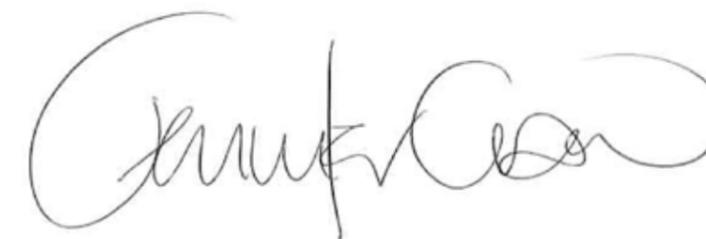
The Minutes of the Meetings of the Board of Governors and meeting agendas are published on the website. Papers for meetings of the Board of Governors are made available to staff and students on the university's intranet. Some paperwork is not published in the event it is considered commercially sensitive or if personal data is provided.

The Board of Governors considers that the university has adequate resources to continue in operational existence for the foreseeable future.

CONCLUSION

Overall the Board is of the view that it has in place a robust set of governance arrangements and procedures to fulfil its responsibilities.

Signed



J Crow

Chair 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, 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 a Deputy Principal, 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

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 GOVERNING BODY OF THE ROBERT GORDON UNIVERSITY

We have audited the Group and University financial statements of The Robert Gordon University for the year ended 31 July 2015 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 Group and University Balance Sheets, the Group cash Flow Statement, the Statement of Principal Accounting Policies & Estimation Techniques and the related Notes to the Accounts. 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 36 to 37, 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 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 2015 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 MATTER 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.

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.



David Derbyshire

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
37 Albyn Place

Aberdeen

AB10 1JB

17 December 2015

STATEMENT OF PRINCIPAL 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, Univation 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 or RGU Foundation as both are separately constituted organisations in which the University has no financial interest, control or significant influence over policy decisions.

RECOGNITION OF INCOME

Revenue grants, including Funding Council block 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.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and are included as income and expenditure to the extent of the completion of the grant or service concerned. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account on an accruals basis when the goods or services are supplied or the terms of the contract have been satisfied.

Endowments and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the terms of the endowment is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

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). Both 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.

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.

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.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The University will be required to present its financial statements under FRS 102 for the year ended 31 July 2016. FRS 102 is a single set of accounting standards developed by the UK Financial Reporting Council ("FRC") and replaces current UK Generally Accepted Accounting Practice. A revised SORP for Accounting for Further and Higher Education, consistent with the requirements of FRS 102, was published in March 2014 and will also be effective for the year ended 31 July 2016. The University is currently finalising the potential impact of financial reporting under FRS 102 and the revised SORP and evaluating the accounting policies choices available.

GROUP INCOME & EXPENDITURE ACCOUNT

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
INCOME			
Funding Body Grants	1	44,104	45,175
Tuition Fees and Education Contracts	2	36,296	37,577
Research Grants & Contracts	3	2,372	2,695
Other Income	4	16,971	16,535
Endowment and Investment Income	5	776	1,347
Total Income		<u>100,519</u>	<u>103,329</u>
EXPENDITURE			
Staff costs	6	57,283	55,265
Other operating expenses	8	33,956	32,675
Depreciation	9	8,895	8,566
Interest and other finance costs	7	916	967
Total Expenditure	8	<u>101,050</u>	<u>97,473</u>
(Deficit) / Surplus after depreciation of tangible fixed assets at valuation and before tax		<u>(531)</u>	<u>5,856</u>
Taxation	10	(134)	(520)
(Deficit) / Surplus after depreciation of assets at valuation and tax		<u>(665)</u>	<u>5,336</u>
Surplus for the year transferred to accumulated income from endowment funds	21	(76)	(41)
(DEFICIT) / SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES		<u>(741)</u>	<u>5,295</u>

STATEMENT OF GROUP HISTORICAL COST SURPLUSES & DEFICITS

	Note	Year Ended 31 July 2015 £000	Year Ended 31 July 2014 £000
(Deficit) / Surplus on continuing operations before taxation		(531)	5,856
Release on disposal of fixed assets	22	0	4,833
Difference between historical cost depreciation and the actual charge for the period calculated on the Revalued amount	22	1,997	1,142
Historical cost surplus for the period before taxation		<u>1,466</u>	<u>11,831</u>
Historical cost surplus for the period after taxation		<u>1,332</u>	<u>11,311</u>

STATEMENT OF GROUP TOTAL RECOGNISED GAINS & LOSSES

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Surplus on continuing operations		(741)	5,295
Unrealised surplus / (deficit) on revaluation of investments	22	440	(135)
Released on disposal of investments	22	(12)	(392)
Increase in Endowments	21	76	134
Appreciation of endowment asset investments	21	42	(74)
Actuarial loss in respect of pension scheme	31	(1,906)	(1,714)
Total recognised (losses) / gains relating to the year		(2,101)	3,114
Reconciliation			
Opening reserves and endowments		157,379	154,265
Total recognised gains for the year		(2,101)	3,114
Closing reserves and endowments		155,278	157,379

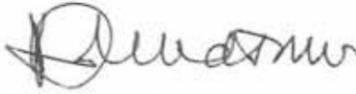
BALANCE SHEETS

Notes	31 July 2015		31 July 2014	
	Group £000	University £000	Group £000	University £000
Fixed Assets				
Tangible Assets	9	224,064	224,064	218,406
Investments	11	13,766	7,318	13,477
		237,830	231,382	231,883
Endowment Assets	14	1,903	1,903	1,785
Current Assets				
Stocks		11	11	10
Debtors	15	5,369	6,183	4,842
Investments	16	13,043	13,043	21,024
Cash at Bank and in Hand		3,883	1,503	5,301
		22,306	20,740	31,177
Creditors - amounts falling due within one year	17	(14,330)	(14,050)	(17,079)
Net current assets		7,976	6,690	14,098
Total assets less current liabilities		247,709	239,975	247,766
Creditors - amounts falling due after more than one year	18	(30,222)	(30,222)	(30,230)
Provision for liabilities	19	(8,885)	(8,885)	(8,999)
Net assets excluding pension liability		208,602	200,868	208,537
Net Pension Liability	31	(28,486)	(28,486)	(26,825)
NET ASSETS INCLUDING PENSION LIABILITY		180,116	172,382	181,712
Deferred Capital Grants	20	24,838	24,838	24,333
Endowments				
Expendable		116	116	119
Permanent		1,787	1,787	1,666
	21	1,903	1,903	1,785
Reserves				
Income & expenditure account excl pension reserve		109,321	103,291	108,310
Pension Reserve		(28,486)	(28,486)	(26,825)
Income & expenditure account inc pension reserve		80,835	74,805	81,485
Revaluation Reserve	22	72,540	70,836	74,109
		153,375	145,641	155,594
TOTAL FUNDS		180,116	172,382	181,712

The financial statements on pages 40 to 64 were approved by the Governing Body on 17th December 2015 and were signed on its behalf by:


J Crow
Chair of the Board of Governors


M D McCall
Director of Finance


F von Prondzynski
Principal

GROUP CASH FLOW STATEMENT

	Notes	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	<u>4,848</u>	<u>11,973</u>
Returns on investment and servicing of finance			
Income from endowments		257	243
Interest received		263	176
Investment Income		256	928
Interest paid		<u>(1,458)</u>	<u>(1,378)</u>
		<u>(682)</u>	<u>(31)</u>
Taxation	10	<u>(134)</u>	<u>(520)</u>
Capital expenditure and financial investment			
Land and building additions		(11,555)	(11,261)
Purchase of equipment and fixtures and fittings		(2,998)	(3,718)
Fixed asset disposal proceeds		0	10,500
Deferred capital grant received		1,490	1,153
Purchase of fixed asset investments		(342)	(319)
Disposal of fixed asset investments		58	1,767
Endowment asset additions		(731)	(543)
Endowment asset disposals		690	439
		<u>(13,388)</u>	<u>(1,982)</u>
NET CASH (OUTFLOW) / INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(9,356)	9,440
Management of liquid resources	28	7,981	(18,274)
Financing	28	(8)	5,033
DECREASE IN CASH IN YEAR		<u>(1,383)</u>	<u>(3,801)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
DECREASE IN CASH IN YEAR		(1,383)	(3,801)
Change in liquid resources		(7,981)	18,274
Change in debt		8	(5,033)
CHANGE IN NET FUNDS		<u>(9,356)</u>	<u>9,440</u>
Net Funds at Beginning of the Year		(3,708)	(13,148)
NET FUNDS AT END OF YEAR	28	<u>(13,064)</u>	<u>(3,708)</u>

NOTES TO THE ACCOUNTS

1 FUNDING BODY GRANTS

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
SFC recurrent teaching grant	39,253	38,993
SFC recurrent research grant	2,903	2,828
SFC non-recurrent research grant	236	504
Other SFC grants	840	314
Release of deferred capital grants (Note 20)	872	2,536
	<u>44,104</u>	<u>45,175</u>

2 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Scotland and EU fees	18,689	18,568
RUK fees	2,034	1,772
Non-EU fees	14,505	15,614
Non-credit bearing course fees	1,068	1,623
	<u>36,296</u>	<u>37,577</u>

3 RESEARCH GRANTS AND CONTRACTS

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Research Councils	388	535
UK based charities	146	174
European Commission	224	306
Other grants and contracts	1,614	1,680
	<u>2,372</u>	<u>2,695</u>

4 OTHER INCOME

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Residences & Catering	10,051	9,261
Other Services Rendered - University	4,380	4,850
Other Services Rendered - Subsidiaries	179	60
Other Income	2,248	2,253
Releases from deferred capital grants (Note 20)	113	111
	<u>16,971</u>	<u>16,535</u>

5 ENDOWMENT AND INVESTMENT INCOME

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Income from permanent endowments	257	243
Investment income	256	928
Interest receivable	263	176
	<u>776</u>	<u>1,347</u>

NOTES TO THE ACCOUNTS (CONTINUED)

6 GROUP STAFF COSTS	Year ended 31 July 2015	Year ended 31 July 2014
Staff costs	£000	£000
Wages & Salaries	46,356	44,770
Social Security Costs	3,769	3,721
Other Pension Costs	7,158	6,774
	57,283	55,265
Analysed as: Staff on permanent contracts	51,143	49,463
Staff on temporary contracts	6,140	5,802
	57,283	55,265
Remuneration of the Principal	£	£
Salary	231,410	224,992
Benefits in kind	2,469	2,397
Pension contributions	34,108	33,439
	267,987	260,828
Emoluments of other higher paid staff	Number	Number
£70,000 - £79,999	24	22
£80,000 - £89,999	8	8
£90,000 - £99,999	3	4
£100,000 - £109,999	1	0
£110,000 - £119,999	3	3
£150,000 - £159,999	1	1
£200,000 - £209,999	1	0
	41	38
Average Staff Numbers by Major Category		
Academic departments	711	679
Academic services	142	132
Central management and support	148	153
Premises	133	124
Residences and catering	4	4
Research grants and contracts	22	26
Other income generating activities	54	53
	1,214	1,171
Analysed as: Staff on permanent contracts	1,069	1,034
Staff on temporary contracts	145	137
	1,214	1,171

None of the members of the Governing body received remuneration from the University for acting as Board members (2014: none). There was no compensation paid for loss of office to senior post holders (2014:none).

NOTES TO THE ACCOUNTS (CONTINUED)

7 INTEREST AND OTHER FINANCE COSTS	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000
Loans repayable wholly or partly in more than 5 years	1,457	1,376
On finance leases	1	2
Net charge on pension scheme	(542)	(411)
	916	967
8 ANALYSIS OF EXPENDITURE BY ACTIVITY	Total Year ended 31 July 2015	Total Year ended 31 July 2014
	£000	£000
	Staff Costs £000	Other Op Expenses £000
	Dep'n £000	Interest Payable £000
Academic Departments	37,016	6,768
Academic Services	5,807	3,484
Central Management & Support	7,545	4,307
Premises	3,129	5,340
Residences & Catering	732	8,949
Research Grants & Contracts	1,336	799
Other Services Rendered	1,718	2,989
Other Expenses	0	1,320
	57,283	33,956
	8,895	916
	101,050	97,473

Comparison of other operating expenses with the previous

year is as follows:	£000	£000
Academic Departments	6,768	7,144
Academic Services	3,484	3,219
Central Management & Support	4,307	4,016
Premises	5,340	5,807
Residences & Catering	8,949	7,688
Research Grants & Contracts	799	972
Other Services Rendered	2,989	3,407
Other Expenses	1,320	422
	33,956	32,675

Other operating expenses include:

Provision for premature retirement compensation	458	(98)
Grants to Student Association	548	445
Auditors' Remuneration - external audit (ex vat)		
- Audit of University financial statements	35	34
- Audit of subsidiary company financial statements	11	11
- Non audit services	29	63
Auditors' Remuneration - internal audit (ex vat)		
- University internal audit programme	50	34

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 2014	210,042	28,970	5,056	244,068
Additions at cost	616	1,936	12,001	14,553
Disposals at cost	0	(267)	0	(267)
Transfers to other category	70	1,061	(1,131)	0
At 31 July 2015	210,728	31,700	15,926	258,354
Accumulated depreciation:				
At 1 August 2014	5,994	19,668	0	25,662
Charge for year	6,068	2,827	0	8,895
Eliminated in respect of disposals	0	(267)	0	(267)
At 31 July 2015	12,062	22,228	0	34,290
Net Book Value at 31 July 2015	198,666	9,472	15,926	224,064
Net Book Value At 31 July 2014	204,048	9,302	5,056	218,406

Heritable property includes assets with a cost of £7,531k (2014: £7,531k) and accumulated depreciation of £435k (2014: £Nil) which are leased out under operating leases.

Negotiations are underway for the sale of other city centre properties which are surplus to requirements and these have been revalued to an estimated selling price of £3,500k.

Land and buildings with a net book value of £31,808k (2014: £31,344k) 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 with a net book value of £1,667k (2014: £1,712K) are shown at cost less accumulated depreciation. All other land and buildings are stated at valuation unless completed after the latest valuation date. The Riverside East building was completed after this date and is shown at cost less accumulated depreciation. The basis of valuation is depreciated replacement cost or estimated selling price. The latest valuation at 31 July 2013 was carried out by FG Burnett, Chartered Surveyors, Aberdeen. Had freehold heritable land and buildings not been revalued they would have been stated at:

Original cost of revalued assets	31 July 2015		31 July 2014	
	Group £000	University £000	Group £000	University £000
Cost	85,775	85,775	85,775	85,775
Aggregate depreciation based on cost	(34,389)	(34,389)	(32,094)	(32,094)
Net book value based on cost	51,386	51,386	53,681	53,681

The depreciation charge has been funded by:

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Deferred Capital Grants released	985	2,647
Revaluation reserve released	1,997	1,142
General income	5,913	4,777
Depreciation Charge	8,895	8,566

10 TAXATION

Overseas withholding taxes not recoverable in Univation Limited	134	520
	134	520

NOTES TO THE ACCOUNTS (CONTINUED)**11 FIXED ASSET INVESTMENTS**

GROUP	Subsidiary Companies £'000	Listed Investments £'000	Spinouts & Other £'000	Total £'000
At 1 August 2014	0	12,846	631	13,477
Additions	0	295	47	342
Disposals	0	(58)	0	(58)
Provision against fixed asset investment	0	0	(435)	(435)
Unrealised gain to revaluation reserve	0	440	0	440
At 31 July 2015	0	13,523	243	13,766
UNIVERSITY	Subsidiary Companies £'000	Listed Investments £'000	Spinouts & Other £'000	Total £'000
At 1 August 2014	104	6,365	631	7,100
Additions	0	136	47	183
Disposals	0	0	0	0
Provision against fixed asset investment	0	0	(435)	(435)
Unrealised gain to revaluation reserve	0	470	0	470
At 31 July 2015	104	6,971	243	7,318
Group other fixed asset investments consist of:		Year ended 31 July 2015 £000		Year ended 31 July 2014 £000
CVCP Properties PLC		29		29
Gas2 Limited		0		435
RGU Ventures Investment Fund		214		167
Total		243		631

Full provision has been recorded against the Group's equity investment in Gas2 Limited following assesment of the financial position of the company at the balance sheet date.

NOTES TO THE ACCOUNTS (CONTINUED)

12 EXCEPTIONAL ITEMS There were no exceptional items during the year (2014: Nil).

13 INTANGIBLE ASSETS The Group does not hold any intangible assets (2014: Nil).

14 ENDOWMENT ASSETS (GROUP AND UNIVERSITY)

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
At valuation:		
Balance at 1 August	1,785	1,725
Additions	731	543
Disposals	(690)	(439)
Increase / (decrease) on revaluation	42	(75)
Increase in cash balances	35	31
Balance at 31 July	1,903	1,785
Represented by:		
Fixed Interest Stocks	339	304
Equities	1,324	1,276
Cash	240	205
Total	1,903	1,785
Fixed Interest Stock & Equities at Cost	1,433	1,392

15 DEBTORS

	31 July 2015		31 July 2014	
	Group £000	University £000	Group £000	University £000
Trade Debtors	753	594	1,682	1,017
Debts from Students	1,053	1,053	679	679
VAT Recoverable	8	0	8	0
Amounts owed by Univation Limited	0	927	0	1,818
Amounts owed by UVPS Limited	0	54	0	54
Prepayments and accrued income	3,555	3,555	2,473	2,344
	5,369	6,183	4,842	5,912

16 CURRENT ASSET INVESTMENTS

Bank deposits	13,043	13,043	21,024	20,273
	13,043	13,043	21,024	20,273

NOTES TO THE ACCOUNTS (CONTINUED)

17 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	31 July 2015		31 July 2014	
	Group	University	Group	University
	£000	£000	£000	£000
Social Security & Other Taxation Payable	2,112	2,112	3,147	3,147
Trade Creditors	4,081	4,081	5,010	5,010
Accruals	4,078	4,035	4,168	4,128
Deferred Income	4,051	3,805	4,746	3,635
Finance Lease (Note 18a)	8	8	8	8
Amounts owed to Univation Limited	0	9	0	0
	14,330	14,050	17,079	15,928

18 CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

Loans (Note 18b)	30,205	30,205	30,205	30,205
Finance Leases (Note 18b)	17	17	25	25
	30,222	30,222	30,230	30,230

Bank loans and finance leases are repayable as follows:

In one year or less	8	8	8	8
Between one and two years	1,217	1,217	17	17
between two and five years	3,633	3,633	3,633	3,633
In five years or more	25,372	25,372	26,580	26,580
	30,230	30,230	30,238	30,238

a) Amounts due within one year	8	8	8	8
b) Repayable in more than one year	30,222	30,222	30,230	30,230

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

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

£20.0m unsecured loan with interest at 5.4425% (loan & swap agreement) 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)**

Premature Retirement Compensation	Year ended	Year ended
	31 July 2015	31 July 2014
	£000	£000
At 1 August	8,999	9,655
Expenditure in the period	(572)	(558)
Additional provision required in year	0	0
Revaluation adjustment	326	(260)
Interest charged	132	162
At 31 July	8,885	8,999

A valuation of the existing pension provision was carried out by Mercer Human Resource Consulting Limited, an independent firm of actuaries, at 31 July 2015.

20 DEFERRED CAPITAL GRANTS

	Funding Council £000	Other Grants £000	Group Total £000
At 1 August 2014	22,946	1,387	24,333
Cash Received	1,045	445	1,490
Released to income & expenditure account	(872)	(113)	(985)
At 31 July 2015	23,119	1,719	24,838

21 ENDOWMENTS**(GROUP & UNIVERSITY)**

	Permanent Endowments £000	Expendable Endowments £000	Total	Total
			Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
At 1 August	1,666	119	1,785	1,725
New endowments	0	0	0	0
Net additions	0	0	0	93
Increase / (decrease) of endowments	42	0	42	(74)
Income for year	97	160	257	243
Expenditure for year	(18)	(163)	(181)	(202)
At 31 July	1,787	116	1,903	1,785

Representing:

Fellowships & Scholarships Funds	541	74	615	574
Prizes Funds	159	22	181	175
Chairs and Lectureships Funds	30	0	30	28
Other Funds	1,057	20	1,077	1,008
Total	1,787	116	1,903	1,785

NOTES TO THE ACCOUNTS (CONTINUED)**22 RESERVES**

a) Revaluation Reserve	Year ended 31 July 2015		Year ended 31 July 2014	
	Group £000	University £000	Group £000	University £000
Fixed assets				
At 1 August	70,282	70,282	76,257	76,257
Released on disposal of fixed assets	0	0	(4,833)	(4,833)
Transfer from revaluation reserve to general reserve in respect of depreciation of revalued assets	(1,997)	(1,997)	(1,142)	(1,142)
At 31 July	<u>68,285</u>	<u>68,285</u>	<u>70,282</u>	<u>70,282</u>
Investments				
At 1 August	3,827	2,093	4,354	2,398
Revaluation in year	440	470	(135)	87
Released on disposal of investments	(12)	(12)	(392)	(392)
At 31 July	<u>4,255</u>	<u>2,551</u>	<u>3,827</u>	<u>2,093</u>
Total	<u>72,540</u>	<u>70,836</u>	<u>74,109</u>	<u>72,375</u>
b) General Reserve				
At 1 August	108,310	102,416	97,240	91,758
(Deficit) / Surplus for the year	(741)	(877)	5,295	4,883
Release from revaluation reserve	1,997	1,997	5,975	5,975
Pension scheme net charge for year	(245)	(245)	(200)	(200)
At 31 July	<u>109,321</u>	<u>103,291</u>	<u>108,310</u>	<u>102,416</u>
c) Pension Reserve				
At 1 August	(26,825)	(26,825)	(25,311)	(25,311)
Actuarial loss	(1,906)	(1,906)	(1,714)	(1,714)
Net pension charge included in staff costs	(297)	(297)	(211)	(211)
Net pension charge included in interest payable	542	542	411	411
At 31 July	<u>(28,486)</u>	<u>(28,486)</u>	<u>(26,825)</u>	<u>(26,825)</u>

NOTES TO THE ACCOUNTS (CONTINUED)**23 RECONCILIATION OF SURPLUS BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Year ended 31 July 2015 £000	Year ended 31 July 2014 £000
Surplus after depreciation of tangible fixed assets at valuation and before tax	(531)	5,856
Depreciation	8,895	8,566
Deferred capital grants released to income	(985)	(2,647)
Net donated income retained in specific endowments	76	134
Net endowment income	(76)	(41)
Interest payable	916	967
Increase in stocks	(1)	(1)
(Increase) / decrease in debtors	(527)	294
(Decrease) / increase in creditors < 1 Yr (excluding finance leases)	(2,749)	1,280
Decrease in provisions	(114)	(656)
Interest and dividend receivable	(776)	(1,347)
Loss on disposal of fixed assets	0	(251)
Provision against fixed asset investment	435	0
Release of revaluation reserve on disposal of fixed asset investments	(12)	(392)
Pension costs less contributions payable	297	211
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>4,848</u>	<u>11,973</u>

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
Major construction works	983	726
Other Works	167	152
	<u>1,150</u>	<u>878</u>

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 2015 the group had annual commitments under non-cancellable operating leases as follows:	31 July 2015 £000	31 July 2014 £000
Land and Buildings		
Within one year	828	812
Between two and five years	3,483	3,417
After five years	7,056	7,696
	<u>11,367</u>	<u>11,925</u>

NOTES TO THE ACCOUNTS (CONTINUED)

25 CONTINGENT LIABILITIES

The Robert Gordon University had no contingent liabilities at the balance sheet date (2014: Nil).

26 POST BALANCE SHEET EVENTS

In August and September 2015, the assets of The RGIT Educational Trust (the "Trust") were transferred to the University via a donation of £7.4m. The Trust is consolidated as part of the University group accounts and hence this transfer will only impact the University balance sheet in 2015/16. The Trust in the process of being formally wound up.

27 AMOUNTS DISBURSED AS AGENT (GROUP AND UNIVERSITY)	Childcare	Discretionary	Total	Total
	Fund	Fund	Year ended 31 July 2015	Year ended 31 July 2014
	£000	£000	£000	£000
Balance brought forward	0	0	0	0
Allocation received in year	150	463	613	634
Expenditure	(117)	(486)	(603)	(634)
Virements	(30)	30	0	0
Excess of Income over Expenditure carried forward	3	7	10	0

28 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2014	Cash Flow	At 31 July 2015
	£'000	£'000	£'000
Cash at bank and in hand	5,301	(1,418)	3,883
Endowment assets	205	35	240
	5,506	(1,383)	4,123
Current asset investments	21,024	(7,981)	13,043
Loans due within one year	(8)	0	(8)
Loans due after one year	(30,230)	8	(30,222)
	(3,708)	(9,356)	(13,064)

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

The Robert Gordon University participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

The Robert Gordon University has no liability for other employers obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances as The Robert Gordon University is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 April 2015 will be 14.9% of pensionable pay. This will increase to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2014 were £346.3 million. The Robert Gordon University level of participation in the scheme is 0.97% based on the proportion of employer contributions paid in 2013-14.

The total STSS pension cost for the University for the year was £3,511k (2014: £3,376k) and at 31 July 2015 £293k was outstanding (2014: £286k).

2) North East Scotland Pension Fund

The University participates in the Local Government Pension Scheme in respect of professional and support staff and is able to identify its share of the underlying assets and liabilities. 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 2014 and as a result of that valuation the rate payable by the University from 1st April 2015 was confirmed at 19.3%.

April 2015 to March 2016 19.3% of pensionable pay
April 2016 to March 2017 19.3% of pensionable pay
April 2017 to March 2018 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.

IAS 19 requires that the discount rate is determined by reference to high quality corporate bonds in the UK that match the estimated term of the pension obligations. This year, we have assumed that 'high quality' corporate bonds are those which at least one rating agency considers to be at least AA (or equivalent). In previous years, we had required that the majority of the rating agencies rated a bond as AA for us to consider it a high quality corporate bond. This represents a change in the basis of estimation applied in prior periods, and had the impact of decreasing the Defined Benefit Obligation by around £2 million at 31 July 2014.

NOTES TO THE ACCOUNTS (CONTINUED)**31 PENSION SCHEMES (cont)****2) North East Scotland Pension Fund (cont)**

Financial assumptions used by the actuary for FRS 17 at end of accounting period	Year ended 31 July 2015	Year ended 31 July 2014
	%	%
Rate of CPI inflation	2.2	2.3
Rate of increase in salaries	3.7	4.1
Rate of increase in pensions	2.2	2.3
Discount rate	3.8	4.3

Assumed life expectations on retirement at age 65	2015 Yrs	2014 Yrs
Retiring today		
Males	22.1	22.5
Females	24.7	25.5
Retiring in 20 years		
Males	24.3	24.8
Females	27.5	27.9

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

Analysis of scheme assets	Rate of return on assets		Asset split by category	
	2015	2014	2015	2014
	%	%	%	%
Equities	6.5	7.0	78.6	78.8
Government bonds	2.5	3.2	8.9	6.3
Other bonds	3.6	4.1	2.1	2.0
Property	6.1	6.2	6.9	5.5
Cash/liquidity	0.5	0.5	3.3	3.2
Other	6.5	7.0	0.2	4.2
Expenses deductions	0.3	0.3		

Analysis of the amount shown in the balance sheet	Year ended 31 July 2015	Year ended 31 July 2014
	£'000	£'000
Total market value of assets	104,002	93,141
Present value of scheme liabilities	(132,488)	(119,966)
Net pension liability	(28,486)	(26,825)

Analysis of the amount charged to staff costs within operating surplus	Year ended 31 July 2015	Year ended 31 July 2014
Current service cost	4,012	3,678
Total operating charge	4,012	3,678

Analysis of amount charged to interest payable	Year ended 31 July 2015	Year ended 31 July 2014
Expected return on pension scheme assets	5,751	5,442
Interest on pension scheme liabilities	(5,209)	(5,031)
Net charge	542	411

NOTES TO THE ACCOUNTS (CONTINUED)**31 PENSION SCHEMES (cont)****2) North East Scotland Pension Fund (cont)**

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	Year ended 31 July 2015	Year ended 31 July 2014
	£'000	£'000
Experience losses on liabilities	(5,009)	(2,275)
Changes in assumptions underlying the present value of liabilities	0	0
Total actuarial losses on liabilities	(5,009)	(2,275)
Actual return less expected return on scheme assets	3,103	561
Actuarial loss recognised in STRGL	(1,906)	(1,714)

Movement in deficit in the year	Year ended 31 July 2015	Year ended 31 July 2014
Deficit in scheme at beginning of year	(26,825)	(25,311)
Movement in year:		
Current service cost	(4,012)	(3,678)
Contributions	3,715	3,467
Net charge on assets	542	411
Actuarial loss	(1,906)	(1,714)
Deficit in scheme at year end	(28,486)	(26,825)

Analysis of the movement in the present value of scheme liabilities	Year ended 31 July 2015	Year ended 31 July 2014
At beginning of year	119,966	110,957
Current service cost	4,012	3,678
Interest on pension liabilities	5,209	5,031
Contributions by scheme participants	1,240	1,158
Actuarial losses on scheme liabilities	5,009	2,275
Benefits / transfers paid	(2,948)	(3,133)
At end of year	132,488	119,966

Analysis of movement in the market value of scheme assets	Year ended 31 July 2015	Year ended 31 July 2014
At beginning of year	93,141	85,646
Expected return on scheme assets	5,751	5,442
Actuarial gains on scheme assets	3,103	561
Contributions by the employer	3,715	3,467
Contributions by scheme participants	1,240	1,158
Net benefits paid	(2,948)	(3,133)
At end of year	104,002	93,141

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS (CONTINUED)

31 PENSION SCHEMES (cont)

2) North East Scotland Pension Fund (cont)

History of experience gains and losses	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Difference between the expected and actual return scheme assets:					
Amount	3,103	561	9,042	(929)	3,922
Percentage of scheme assets	3.0%	0.6%	10.6%	1.3%	6.0%
Experience gains on scheme liabilities					
Amount	1,720	0	0	3,182	0
Percentage of scheme liabilities	1.3%	0.0%	0.0%	3.1%	0.0%
Total amount recognised in STRGL					
Amount	(1,906)	(1,714)	6,940	(95)	(3,334)
Percentage of scheme liabilities	1.4%	1.4%	6.3%	0.1%	3.5%

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 £3,225k (2014: £5,131k gain).

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 2015/16 is £3,715k .

The actual return on scheme assets in the year was £8,840k (2014: £6,004k) .

32 SUBSIDIARY UNDERTAKINGS

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



ROBERT GORDON
UNIVERSITY ABERDEEN





ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

Scottish Charity Number SC 013781