







ROBERT GORDON UNIVERSITY ABERDEEN

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016

Scottish Charity Number SC 013781

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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

STRATEGIC REPORT

OPERATING REVIEW

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

The university is facing ongoing challenges with tight public funding settlements, with its research performance and with decreasing numbers of fee paying students. As a vigorous response to these challenges university management has undertaken a wide ranging change programme during the year.

Subsequent to the year end a substantially new executive team was put in place to lead the university back to its growth path.

An institution wide voluntary severance scheme was introduced for all staff. During the year under review this was successful in reducing annual staffing costs by around £5m.

The university began an academic restructure during the year. This was completed subsequent to the balance sheet date. The university's academic activities are now organised into 12 schools (previously 3 faculties). These are:

- Art • Architecture and the Built Environment
- Computing and Digital Media • Engineering
- Applied Social Studies • Health Sciences
- Nursing and Midwifery • Pharmacy and Life Sciences
- Law • Creative and Cultural Business
- Aberdeen Business School • The Graduate School

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 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.

During 2016/17 the university will be revisiting and refreshing its strategy.

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 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. These are;

- Oil and gas • Health and wellbeing
- Arts and creative industries • Smart data
- Employability • RGU and its region

The university has launched these strategic statements and is currently implementing them.

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 2015/16 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.
- Ensuring its two key annual processes, course appraisal and portfolio analysis, continue to allow for the consideration of key metrics at course level and assesses continued viability of these courses whilst identifying actions to enhance the relevance of the curriculum and the learning experience offered to students.

STUDENT NUMBERS

The university enrolled over 13,600 students during the year, a reduction of around 300 on prior year. This was equal to approximately 10,083 full time equivalent students (FTEs), a reduction of around 170 FTE compared to prior year. These FTEs were distributed as follows.

	Student				
Education	Scottish	RUK	EU	Non EU	Total
Undergraduate	6,463	258	914	713	8,348
Taught Postgraduate	550	169	170	688	1,577
Research Postgraduate	55	10	15	78	158
Total	7,068	437	1,099	1,479	10,083

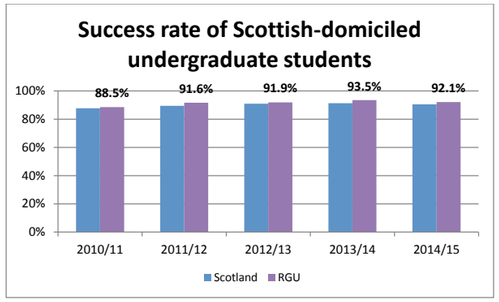
The university continued to meet its student number target set by the Scottish Government. However, full-time taught postgraduate international student numbers declined by around 112 FTE during the year.

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.

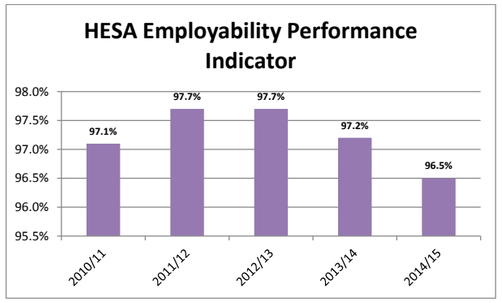
The most recent data published in 2015/16 indicates that this target has been exceeded. The university's score for 2014/15 entrants is well above the Scottish sector average of 90.5%. Whilst retention rates can vary between years this sustained success is evidence of the university's continual enhancement of its retention related activity.



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 2014/15 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.



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.

The published results of the 2014/15 DLHE return confirmed that 96.5% of RGU students who graduated in 2014/15 were in employment and/or further study six months after their graduation. This figure represents a downward fluctuation of 0.7% from the 2013/14 figure of 97.2%. This downward trend is allied closely to the downturn in the regional economy due to the worldwide slump in the oil and gas sector and its significant impact within the Aberdeen City and Shire region. This has affected the university's graduates significantly because graduates from many different disciplines have traditionally gained employment within this sector.

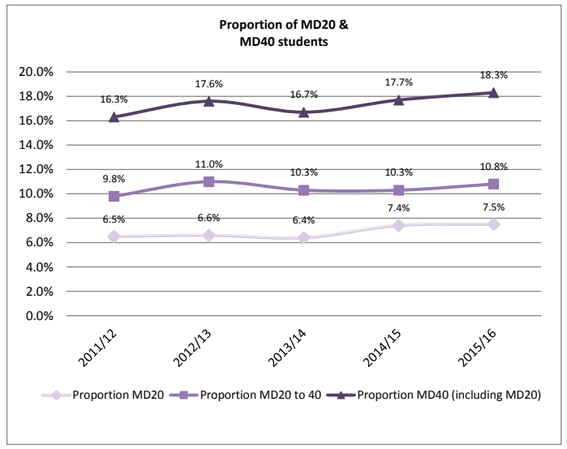
During the 2015/16 academic year work was continued on certain specific employability initiatives:

- **Talent Exchange:** over the last three academic years, Talent Exchange generated over 300 additional student work related experiences. The vast majority of the businesses involved have never worked with the university before. The 2016/17 academic year will see a focus on ensuring the sustainability of this valuable SFC funded initiative.
- **My Careers Toolkit:** the online Toolkit has been further enhanced and aims at assisting students develop and refine their articulation of work-relevant skills and attributes.

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 2015/16 this represents an MD40 target of 18.2%.



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.

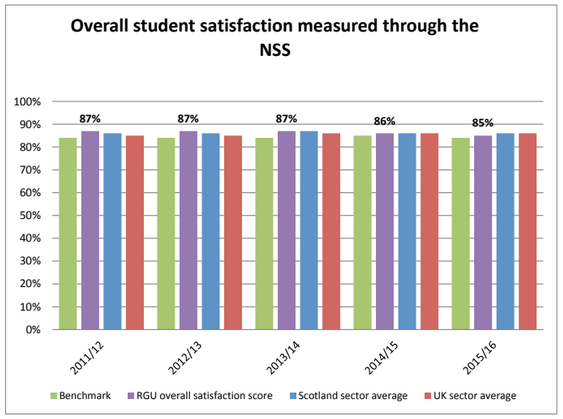
Substantial work has been done by the university's wider access team in partnership with external stakeholders and academic staff. External stakeholders are involved through the work done by the Regional Coherence Hub. Key to this has been the establishment of stronger links with Aberdeen City Council 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.
- 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 2015/16.

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 2016 NSS (for the academic year 2015/16) were published in August 2016. These show that the overall satisfaction rate for RGU has fallen a further 1% to 85%. This does mean, however, that the university remains over its benchmark, which has also fallen by 1%, to 84%. Further analysis of the results of the 2015/16 survey is underway and the outcome of this work will be acted upon by individual Schools and relevant course teams during 2016/17.

RISK ASSESSMENT

The risk register during the course of the 2015/16 academic session articulated significant challenges to the university's teaching and learning provision, namely:

- **Public funding:** The university experiences a decline in public funding.
- **Commercialisation:** The university faces challenge in finding customers in the economic climate.
- **Employability:** The local market for graduates shrinks, particularly in the oil and gas sector, resulting in significant damage to one of the university's USPs.

These risks remain on the risk register for the 2016/17 academic session. A wide range of actions to improve the recruitment position were instigated in 2015/16 to influence positively the 2016/17 recruitment cycle. These actions included the appointment of new senior staff within the Student Recruitment department and a reviewed fees and scholarship structure. Actions to enhance the way in which the university engages with its final year students and recent alumni to aid graduate level employability have already commenced.

The quality of the student experience is critical for the university.

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

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.

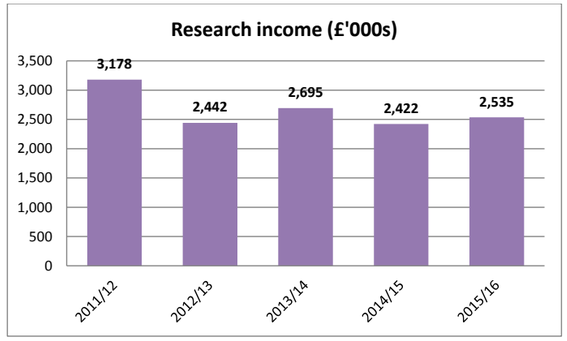
As a response to the REF 2014 the university has undertaken the following activities in 2015/16:

- The revised research strategy has resulted in a reorganisation of 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.
- Developed and implemented for the start of the 2016/17 academic session a new Graduate School that will co-ordinate and support the PhD student experience and an anticipated medium- to long-term increase in the annual number of PhD graduations.

The university's research income as reported in the financial statements is used as a measure for both the quality and quantity of the university's research.

RESEARCH INCOME

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



2015/16 saw a modest increase in research incomes. The university expects that new initiatives will see research income volumes continue to grow during 2016/17.

RISK ASSESSMENT

During the 2015/16 academic session, the university's high-level risk register included a risk that "The university's external research reputation undermines its attempt to deliver its strategy in all areas of teaching, learning and research". Research is an area that remains on the university's risk register in 2016/17. 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 following actions over the next year:

- Target research opportunities leading to an increase number of high quality applications;
- Re-profiled staff in Schools with revised time for teaching and research;
- Implementation of a single Graduate School;
- Proactive approach to identifying calls for European funding (where opportunities still exist); and
- Additional workshops to support the development of research proposals.

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 who 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 2015/16 the university has made a particular contribution to the region through:

- Contributing extensively to the development and implementation of the Aberdeen City and Shire Region Deal particularly around in the key sectors of energy and food and drink;
- Organising and hosting in November 2015 a major economic summit for the region which looked at the opportunities for growth within the region as well as international inward investment to the region;
- Once again playing a lead role in developing and delivering the Aberdeen Youth Games and the city's Look Again visual arts and design festival;
- 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 2017.

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 engagement in the City Region Deal aims to assist the region develop renewed strategies to create economic growth.

Once again playing a lead role in developing and delivering the Aberdeen Youth Games and the city's Look Again visual arts and design festival.

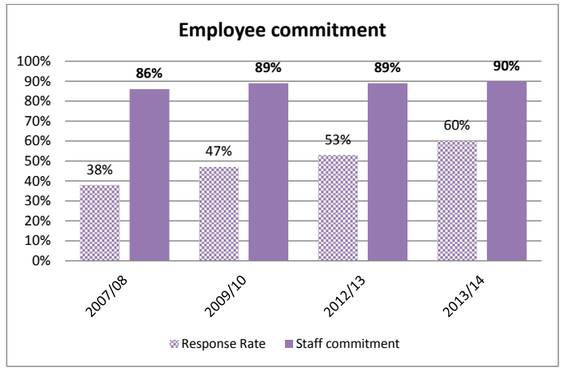
SUSTAINING THE UNIVERSITY

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

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

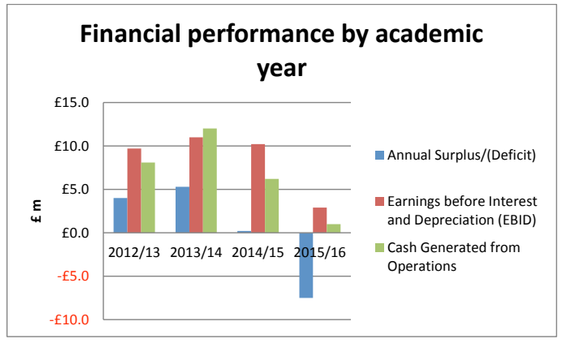
Target: over the period to the 2018/19 academic session the university will have maintained the current levels of staff commitment with a 60% return rate on the survey.



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.

FINANCIAL PERFORMANCE

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



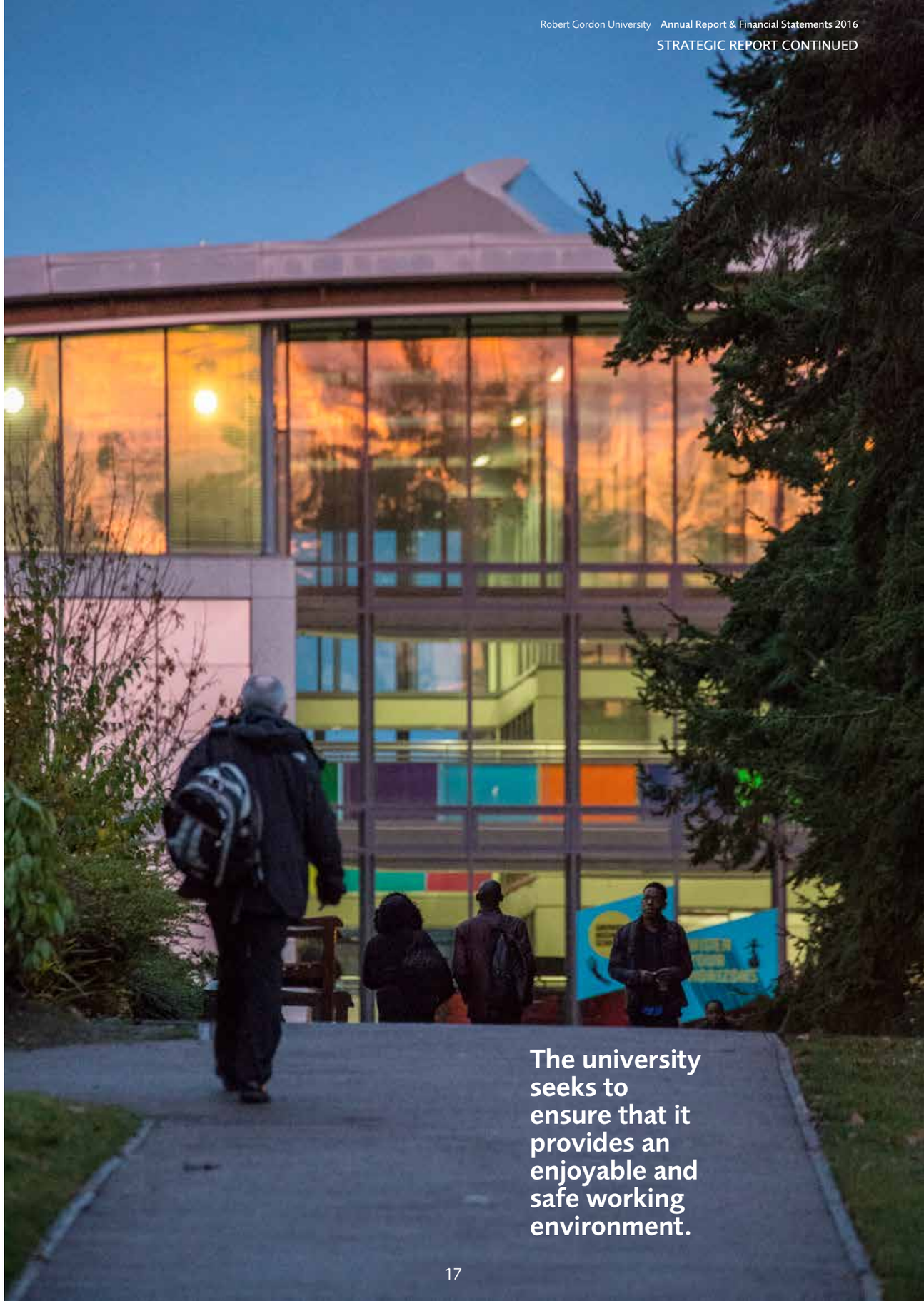
Until 2013/14 the University was making satisfactory progress towards its financial targets, with healthy surpluses and strongly positive cash generation. The 2015/16 deficit and the corresponding reduction in both EBID and cash generated from operations will be the focus of much senior management attention as growth is sought again in research and fee paying student volumes.

Half of this year's deficit (£3.7m out of £7.4m) is attributable to a major restructuring exercise undertaken, and substantially completed, during the year. University management believe that this exercise has positioned the university to grow sustainably over the coming years.

RISK ASSESSMENT

All the university's major risk areas are relevant to financial performance. It is very likely that public funding settlements will be very tight over the next few years. This is very significant given that the last several years' settlements have seen a significant erosion in the real value of public funding. Management and staff are committed to meeting this challenge now and in the future.

The university created a new executive team; this was completed subsequent to the balance sheet date. It is expected that this new team will help return the university to its growth path. The two other critical risks that must be managed effectively now are those around commercialisation and research. The university's commercial activities, in particular the recent falls 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 have seen signs of a turnaround in both over the past 12 months. It is expected that the 2016/17 year will see firm evidence of this return to growth.The university will also monitor the future level of cash contributions which are required to fund its defined benefit pension scheme obligations, following the increase in deficit valuations in the year.



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

The university's human resources enabling strategy recognises the university requires a workforce which can demonstrate speed and agility.

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 30 to 34 and members of the Board, known as Governors, are listed on pages 32 to 33.

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. Schools and departments are funded on a basis that is both fair and transparent, and is aligned to Institutional strategy. The financial performance of schools and departments is managed actively with regular monitoring and review and appropriate use of key performance indicators. The balance sheet remains strong and flexible and that, therefore, an ability to maintain liquidity and generate cash is sustained and improved. The university invests 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: schools and the professional support departments. These risks are identified and monitored as part of the annual planning process operated by the university. During the 2015/16 academic session this high-level risk register contained five risks:

1. **Public funding:** The university experiences a decline in public funding.
2. **Commercialisation:** The university's faces challenge in finding customers in the economic climate.
3. **Research:** The university's external research reputation undermines its attempt to deliver its strategy in all areas of teaching, learning and research.

4. **Employability:** The local market for graduates shrinks, particularly in the oil and gas sector, resulting in significant damage to one of the university's USPs.

5. **Leadership:** The university will not have or be able to develop the necessary leadership skills in key managers and other staff to secure the successful implementation of the university's strategy.

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 at the end of each quarter. School and departmental risk registers are monitored by senior management at the mid-year and end-of year planning meetings. 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. The Clarke and Student Association buildings, located in Schoolhill, were sold during 2015/16.

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 greater opportunity for interdisciplinary engagement and 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.

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 was amended for the 2015/16 academic session. It contains targets in relation to widening access, student success, satisfaction and employability, research and commercial engagement. The Outcome Agreement for 2016/17 was agreed with the SFC during the 2015/16 academic session and contains targets for a one 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;

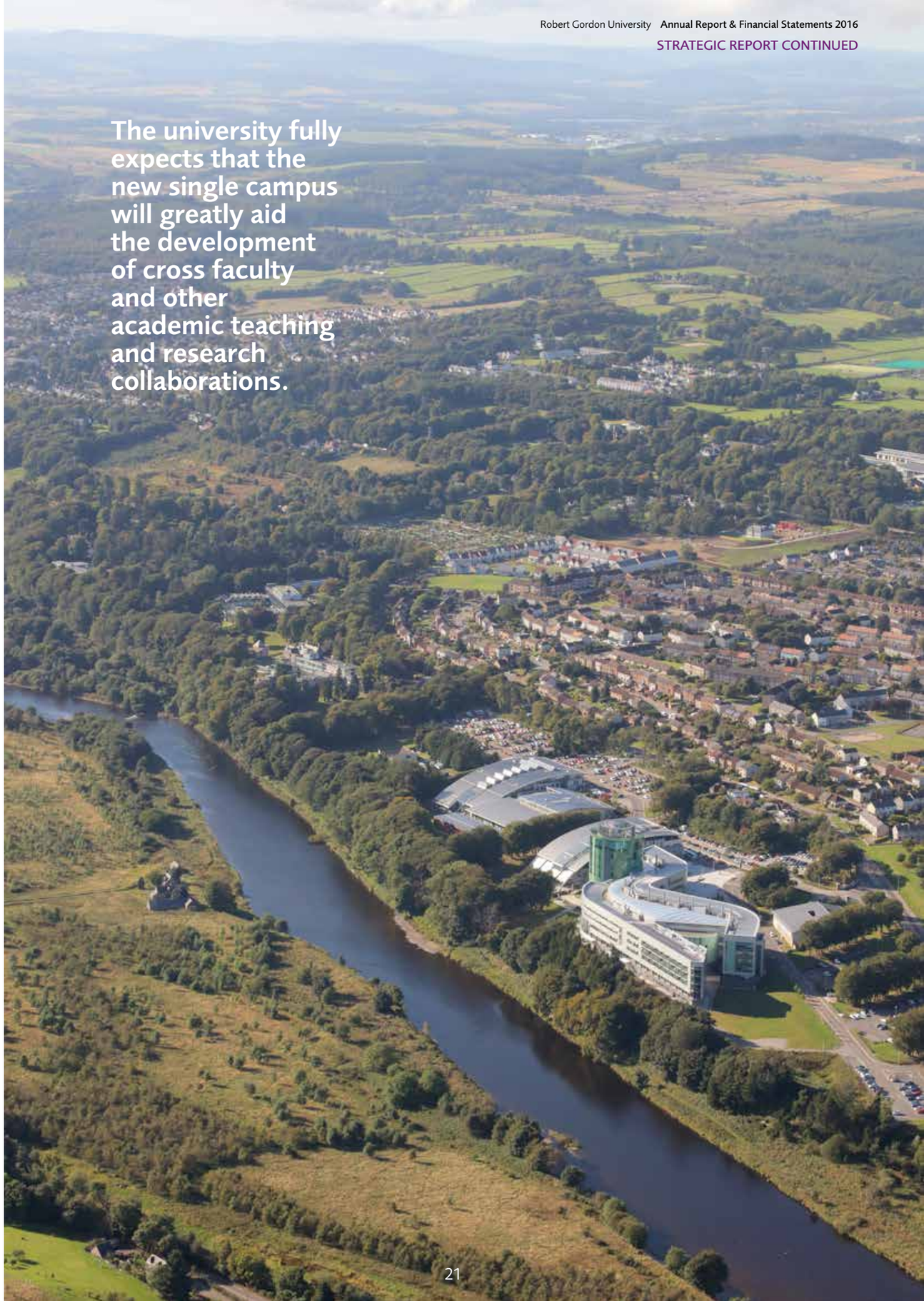
- comply with the requirements of relevant legislation as a minimum benchmark and strive to exceed requirements in key areas of energy, water and waste management;
- promote sound environmental management policies and practices throughout the University;
- seek to minimise any adverse environmental impact 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 will, during the course of the 2016/17 academic session, report against the achievement of its Equality Outcomes and develop a revised set of outcomes by April 2017.

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. 5.34% (2015; 4.91%) 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. Most recent evidence suggests that cash flat settlements over the coming few years will be the most the sector can expect. 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 move forward with its commercialisation strategy. For the immediate future the strong focus of this will be on student recruitment. During the year under review a substantially new student recruitment team was created and the early signs are that this team will help ensure that the university's fee paying student numbers return to growth. However, the university has experienced a challenging start to 2016/17. Fee paying student numbers have yet to fully stabilise for the first semester intake in September and October 2016 and strategic investments are still developing more slowly than planned for.

The Aberdeen City and Region Deal, being led by Opportunity North East (ONE), offers opportunities for the university in research and commercialisation across the Oil and Gas, Life Sciences and Food and Drink sectors. Data Analytics is likely to contribute to all of these sectors. Senior staff from across the university are engaged in discussions with the other stakeholders, including ONE, industry representatives and the University of Aberdeen to help shape the implementation plans for each of these areas.

The sector generally is concerned at the implications of BREXIT. It is too soon to know what challenges this will bring the university. A hard BREXIT could mean a significant fall in demand for the university's teaching portfolio from EU resident students and an inability to access European sources of research funding. It is hoped that, at the very least, sensible transitional provisions are put in place so that no legal change is allowed to have significant retrospective effects. This will be particularly relevant for EU students eligible for public funding at the time of BREXIT.

FINANCIAL REVIEW

SCOPE OF THE FINANCIAL STATEMENTS

These financial statements are the first to be prepared under Financial Reporting Standard 102 (FRS 102) and the rewritten Statement of Recommended Practice (SORP) 2015 – Accounting for Further & Higher Education Institutions. The results for 2014/15 have also been restated accordingly and full details of the transition adjustments required to both the balance sheet and the income and expenditure account are given in the detailed notes to the accounts.

In summary, the major adjustments made were as follows;

- The group's land and building fixed assets were revalued on 1st August 2014 and these values will be deemed as the cost of the assets going forward. As part of the revaluation updated information was obtained on the estimated remaining lives of buildings and depreciation charges were adjusted accordingly. The revaluation reserve as far as it refers to increases in the carrying value of land and buildings was transferred to income and expenditure reserves.
- Revenue and capital grants, whether from government or non-government sources, are taken to income and expenditure account on receipt unless there exist performance conditions within the grant award that requires accounting to be deferred.
- There are certain reclassifications in the balance sheet (see the Notes to the accounts for more information) the most significant of which is the movement of investments with a maturity of less than 3 months to cash and cash equivalents.

The financial statements include the relevant results of Univation Limited, the RGIT Educational Development Trust (the Trust) and UVPS Environmental Solutions Limited. The latter two entities were wound up during the year.

OPERATING RESULTS FOR THE YEAR

The group's results for the year were:

	2015/16	2014/15
	£000	£000
Income	97,413	101,376
Expenditure	104, 860	101,194
Operating (Deficit)\Surplus for the year	(7,447)	182

Total incomes of £97.4m were down on prior year by £4.0m or by 3.9%.

Tuition fees decreased in relation to prior year, by £2.1m, or 5.8%, to £34.2m. UK and EU fees totalled £20.3m, a decrease of £0.4m or 2% over 2014/15. Underlying student numbers here were slightly down over prior year. Non-EU fees have decreased by £1.2m, down by 8.6% to £13.3m for the 2015/16 financial year. Underlying international student numbers continued to fall during 2015/16.

Funding Council grants received decreased by 0.7% over the prior year to £44.0m. Within this total, teaching grants increased by 1.9% to £38.7m. Offsetting this increase were significant reductions in research grants, down 13% to £2.7m and capital maintenance grants, down 49% to £0.5m.

Income from research grants and contracts for the year was up on prior year by £0.1m, or 4.7%, at £2.5m.

Other income decreased by £1.2m or 7.2% to £15.9m. This decrease was partly linked to the university's inability to fill all its stock of student accommodation places. This resulted in higher voids for the year and reduced revenues in the accommodation business of around £0.5m.

Investment income fell during the year, reflecting generally lower cash balances available for investment and the continuing low interest rates regime.

Total expenditure increased by 3.6% or £3.7m to £104.9m.

Staff costs increased during the year by £2.0m or 3.5% to £59.0m. This increase broadly reflects the effects of both pay awards in the year, general incremental pay drift and pension contribution and national insurance increases. The university undertook a significant restructure of its human resource during the year. The costs of this operation totalled £3.7m which was substantially all expensed during the year.

Other operating expenses, excluding depreciation and interest, decreased by £1.9m, or 5.4%, to £32.6m.

The group's depreciation charge for the year increased from £7.4m to £8.0m.

The net group operating result for the year was a deficit of £7.4m (2014/15 Surplus of £0.2m).

TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Under FRS 102 the group reports its total comprehensive income for the year. This adjusts the operating result for the year for items over which the group has very little control and which previously would have been accounted for within the statement of total recognised gains and losses.

The group's total comprehensive income for the year was a deficit of £29.4m. £7.4m of this deficit relates to the underlying group operating result explained above.

£20.1m relates to a significant increase in the north east Scotland pension scheme deficit. This increased from £28.5m at the prior year end to £50.3m at July 2016. This was largely caused by the historically low corporate bond yields in the capital markets recently. Long bond yields are used to discount pension liabilities and low yields mean a low discount factor which will tend to increase liabilities. More details of the university's pension obligations are provided in the notes to the accounts.

£1.8m relates to the fair value of the university's hedging agreements. The university has hedged around 80% of its £30m floating rate debt.

THE RGIT EDUCATIONAL DEVELOPMENT TRUST

Following a decision by the Trustees of the RGIT Educational Development Trust in 2014/15 the Trust donated all its assets to the university and was thereafter, on 14th September 2015, wound up. The university's own results are impacted by this donation of £7.4m. However, the donation nets off in the group accounts and does not affect the group's result for the year.

CASH FLOWS

The group generated cash inflows from operating activities of £1.0m for the year, a decrease of £4.7m from the £5.7m generated during the previous year. Investing activities resulted in cash inflows of £0.9m (2014/15 outflow £17.8m) whilst financing activities experienced net outflows of £1.4m (2014/15 £1.5m). Available cash and cash equivalents therefore increased by £0.5m from £11.1m at the start of the year to 11.6m at July 2016.

The group's current asset investments increased during the year by £0.2m to £7.9m. Group debt levels stayed constant at £30.2m.

CAPITAL PROJECTS

The group invested £2.0m 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 debt agreement 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.

£20m of the £25m debt package was required to fund the campus development and this has been drawn down. The remaining £5m was not required and has not, therefore, been utilised.

YEAR-END POSITION OF THE GROUP

The group's balance sheet has been significantly affected by the increase in the local authority pension deficit. Net assets reduced from £189.2m to £159.8m. However, tight budgetary and expenditure controls mean that the group's net working capital position has weakened only very slightly compared to last year; falling from £9.7m to £9.4m. The financial statements continue to be prepared on a going concern basis as the University Board considers that the university has

adequate financial resources to continue in operational existence for the foreseeable future.

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 2016, creditors were paid on average in 15 days (2015: 14 days).

POLITICAL DONATIONS

No donations for political purposes were made during the year.

AUDITOR

KPMG LLP were reappointed as external auditors to the university.

Signed

J Craw

Chair of the Board of Governors

CORPORATE GOVERNANCE STATEMENT

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 Board of Governors (Board) is responsible for the university's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board 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 has established a Working Group on Governance in order to review its own processes, its effectiveness and its compliance with various aspects of good practice. As part of this process the Board has compared its existing practices with those recommended in the Scottish Code of Good HE Governance. The Board confirms that, to the extent that relevant statutory provisions so permit, its practices reflect the principles contained within the Scottish Code.

The Board and its standing Committees have in place an agreed annual system of evaluation whereby Board and committee members rank the performance and effectiveness of the committee in accordance with its specific remit. The evaluation for 2015/16 was extremely positive. In 2014/15 the university adopted a "portfolio" approach to ensuring externally facilitated review in accordance with Principle 16 of the Scottish Code. This 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 two half day Board Strategy Workshops. These Workshops focussed on ensuring strategic clarity and implementation of strategy and the Business Plan. As reported previously, the Board introduced an office bearing position (Board Intermediary) and the annual process to appraise the Chair's performance and conduct was undertaken in 2015/16 as recommended in the Scottish Code. The university was also the subject of an extremely positive Enhancement-led Institutional Review (ELIR) conducted by QAA. The Board was kept informed on the university's preparations for ELIR and the production of its Reflective Analysis. The outcomes from the event were formally received by the Board. Academic Council is also required to undertake an annual evaluation of its effectiveness.

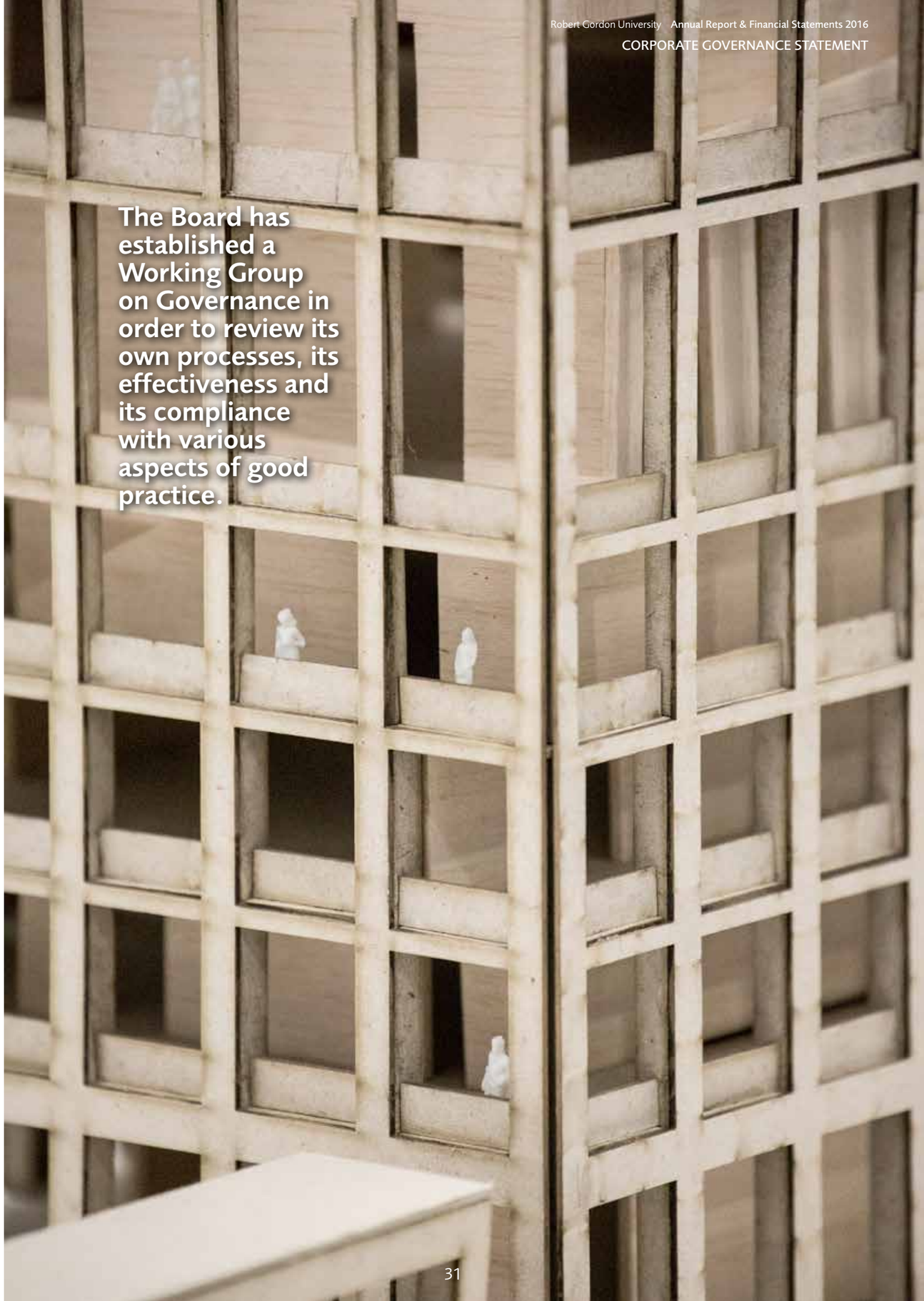
There was follow-up during 2015/16 of the PWC audit report on Corporate Governance which had received a low risk classification with one medium and one low risk finding. The medium risk finding related to a mapping between the university's strategy, business plan and the key performance indicators and this will be addressed as part of the university's current review of its strategy. The low risk finding related to more explicitly documenting evidence of the consideration of the seven principles on public life in the nomination appointment of governors and this was actioned accordingly.

During the summer/autumn 2015 the university undertook a recruitment campaign for independent governors and a Chair Elect. This involved extensive public advertisement and evaluating the Skills Matrix developed by the Nominations Committee. As a result two new independent governors were appointed from 1 January 2016 and the Board approved the appointment of a Vice-Chair and Chair Elect from one of its existing independent governors.

Arrangements are made for the formal induction of new Board members. Board members, and in particular new Board members, are encouraged to attend the Leadership Foundation's event "Being an Effective Governor (Scotland)" (now Student, Staff and New Governors: Scotland") each autumn and any other relevant current events as part of the Governor Development Programme. Six Board members attended the "Being an Effective Governor" event on Friday 13 November 2015 (four independent, and two staff). The university also ensures that Board members are made aware of relevant briefing documents, for example, the "Getting to Grips Guides" produced by the Leadership Foundation and during 2015/16 the Finance guide was brought to the Board's attention. The Board also undertakes a number of Board "visits" during the year and in 2015/16 these were to the Scott Sutherland School and School of Pharmacy and Life Sciences. In addition Board members receive the weekly staff/student news bulletin, quarterly Nexus e-magazine, and a weekly media summary.

Board members are required to declare any relevant interests on appointment and this data is formally 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. As a result of a PWC internal audit on Ethics, Code of Conduct and Fraud, the declarations process has been extended to refer to the interests of close relatives.

The Board formally meets four times a year in addition to holding two half day Board Strategy Workshops; members of the Executive are normally in attendance. The Board has several key standing committees, including Finance and General Purposes, Nominations, Remuneration, Staff Governance and Audit Committees. All of these Committees are formally constituted with clear remits which are reviewed annually. The Committees comprise a majority of independent members of the Board, one of whom is the Convener. The meetings and attendance data for 2015/16 is summarised on pages 32 and 33.



The Board has established a Working Group on Governance in order to review its own processes, its effectiveness and its compliance with various aspects of good practice.

ATTENDANCE AT BOARD OF GOVERNORS, STANDING COMMITTEES AND WORKING GROUP ON GOVERNANCE MEETINGS (1 AUGUST 2015 TO 31 JULY 2016)

	Board of Governors	Audit Committee	Finance and General Purposes Committee	Staff Governance Committee	Nominations Committee	Remuneration Committee	Working Group on Governance	Board Strategy Workshop
	4 meetings	4 meetings	4 meetings	2 meetings	2 meetings	1 meeting	2 meetings	2 meetings
Mr D Brew, *Independent Governor* (until 31.12.15)	**2 of 2**	**1 of 2**						**1 of 1**
Ms A Christy, *Independent Governor*	**4**		**3**		**2**	**1**		**2**
Ms J Craw, Independent Governor	**4**		**1**	**1**	**2**	**1**	**2**	**2**
Mr J Durojaiye, *Postgraduate Student Governor* (from Nov 2016)	**3 of 3**		**3 of 3**					**1 of 1**
Mr M Fleming, *Independent Governor*	**3**		**1 of 2**					**2**
Mrs Sylvia Halkerston, *Independent Governor*	**3**			**2**		**1**		**2**
Ms L Jack, *Staff elected*	**4**		**2 of 2**	**1**				**2**
Mr H Little, *Independent Governor*	**4**	**4**	**2 of 2**					**2**
Mr D McClean, *Academic Council elected*	**4**			**1**	**2**			**2**
Mr K Milroy, *Independent Governor*	**3**		**4**					**2**
Mr P Murray *Independent Governor* (from 1.1.16)	**2 of 2**							**1 of 1**
Ms Z Ogilvie *Independent Governor* (from 1.1.16)	**0 of 2**			**1 of 1**				**1 of 1**
Mr E Pollock, *Undergraduate Student Governor*	**4**		**2**		**2**			**2**
Mr R Ramshaw, *Independent Governor*	**4**	**2 of 2**	**4**		**2**		**1**	**2**
Mr D Robertson, *Staff elected*	**4**		**1 of 2**	**2**				**2**
Mr T Stevenson, *Independent Governor*	**2**		**3**				**2**	**1**
Mr D Strachan, *Independent Governor*	**3**		**1 of 2**	**2**	**2**		**2**	**2**
Prof F von Prondzynski, *Principal*	**4**		**4**	**2**	**2**		**2**	**2**
Dr Hamish Wilson, *Independent Governor*	**4**	**2 of 2**		**1**				**2**
Ms J Young, *Independent Governor* (until 31.12.15)	**1 of 2**	**2 of 2**						**1 of 1**

External Committee Members	Audit Committee	Nominations Committee	Remuneration Committee
	4 meetings	2 meetings	1 meeting
Mr Peter Nicholson		2	2
Mr Mike Salter	2 of 2		
Professor Jamie Weir	3		
Ms Jennifer Young	1 of 2		

During 2015/16 the Board considered a wide range of business including:-

- approving the university's Outcome Agreement and monitoring its progress;
- approving the Business Plan and Risk Register and monitoring its progress;
- reviewing remuneration policy in advance of the Remuneration Committee meeting;
- reviewing and approving Key Performance Indicators;
- advising on revisions to the senior management and academic . structures;
- monitoring a major voluntary severance/early retirement and re-profiling exercise; the result of which allowed the university to achieve savings to ensure future sustainability and investment in its core business;
- monitoring the implementation of a revised research strategy;receiving regular reports on international student recruitment which was an area of challenge for the university;
- monitoring progress with the establishment of the university's Oil and Gas Institute; and
- commissioning a strategy review/refresh.

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

The Minutes of the Meetings of the Board and meeting agendas are published on the website. Papers for meetings of the Board 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. During 2015/16 there has been a concerted effort to streamline paperwork submitted to Board meetings to ensure the focus is on strategic and governance matters rather than those of an operational nature. The amount of paper provided to formal Board meetings was reduced by approximately 40% on average from the previous year.

As indicated previously the Board's key Standing Committees are Finance and General Purposes, Nominations, Remuneration, Staff Governance and Audit. The following paragraphs provide further detail on their work.

The Finance and General Purposes Committee advises the Board 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 for approval. It oversees the system of financial control and administration and, as appropriate, makes recommendations thereon to the Board. It recommends to the Board the university's annual revenue and capital budgets and monitors performance in relation to the approved budgets. In addition, the Committee reviews annually the finance and estates strategies and key performance indicators. During 2015/16, the Committee considered a wide range of associated business matters including:-

- recommending to the Board approval of a revised investment .. strategy for the university;
- recommending to the Board approval of a number of strategic . initiative business plans;
- receiving updates on the masterplan campus development;
- monitoring the university's progress with compliance with the . carbon reduction commitment and carbon management plan; . and
- monitoring progress with the university's voluntary severance/ early retirement and re-profiling exercises.

The Nominations Committee makes recommendations to the Board concerning the appointment and re-appointment of Independent Governors. The Committee also makes recommendations to the Board 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. As indicated earlier the Board appointed two new independent governors from 1 January 2016 and a Vice-Chair/Chair Elect. The Board remains committed to achieving a minimum of 40% female representation on the Board by 2018; the current gender balance is 33% (4 out of 12 independent governors). The Board's Skills Matrix continues to be reviewed and developed and is used by the Nominations Committee in considering Board appointments; the Skills Matrix is published on the website.

The Remuneration Committee determines the remuneration of the senior management of the university (in accordance with Board approved policy and processes), 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) (Director of Human Resources from 2016/17), on behalf of the Principal, which covers market positioning, benchmarking information, recommendations regarding any changes to senior manager pay bands, and recommendations for pay increases for individual senior managers that are deemed to be required. Decisions on the provision of pay increases for individual senior managers, including the Principal and Vice-Chancellor, are informed by a robust system of monitoring individual and team performance against agreed objectives. The Committee are also responsible for ensuring that any severance payments to senior staff are in accordance with the overall University Severance Policy

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 is responsible for consideration and recommendation of the overall University Severance Policy. 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.

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 in the absence of university senior management

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. 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)". This included a "satisfactory" (highest level) opinion from the internal auditors as part of their annual report, as to the adequacy and effectiveness of risk management, internal control and governance. During 2015/16 the Audit Committee considered a wide range of business including:-

- approving the internal audit plan for Session 2015/16;
- reviewing internal audit reports provided by PWC in accordance with the annual plan;
- approving the internal audit plan for Session 2016/17;
- receiving/reviewing an internal audit follow-up report;
- reviewing the risk register regularly throughout the year;
- recommending approval to the Board of the Annual Report and Financial Statements
- reviewing the interim and final external audit reports;
- considering annual reports on related party undertakings and .. value for money; and
- reviewing the Fraud and Whistleblowing Policies.

The Working Group on Governance as well as reviewing Board processes, effectiveness and compliance with various aspects of good practice, annually reviews the Board's training/development needs. It was agreed that a briefing session in association with the Equality Challenge Unit would be provided and was held on 17 June 2016 in liaison with NESCol and the University of Aberdeen; it was agreed that this was an extremely informative event. The Board also issued an equality monitoring form which was completed by 14 out of its 18 Board members.

The Board 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 Craw

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. The 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).

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on the university's web site. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF THE ROBERT GORDON UNIVERSITY

We have audited the financial statements of the Robert Gordon University for the year ended 31 July 2016 set out on pages 40 to 65. 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Board of Governors, in accordance with article 5(7)(k) of The Robert Gordon University (Scotland) Order of Council 2006, 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 for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF GOVERNORS OF THE ROBERT GORDON UNIVERSITY AND AUDITOR

As explained more fully in the Statement of 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 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 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 the University's affairs as at 31 July 2016, of the Group's and University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

OPINION ON OTHER MATTERS PRESCRIBED BY THE TERMS OF OUR ENGAGEMENT

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- the information given in the Strategic Report is inconsistent in any material respect with the financial statements; or
- 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 the audit.

David Derbyshire

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

37 Albyn Place

Aberdeen

AB10 1JB

16 December 2016.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standards (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets and derivative financial instruments).

2. Basis of consolidation

The consolidated financial statements include the University, its subsidiary undertakings, Univation Limited and UVPS Environmental Solutions Limited, and its quasi subsidiary, The RGIT Educational Development Trust for the financial year to 31 July 2016. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Robert Gordon University Student Association as the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures are accounted for using the equity method.

3. Income recognition

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the statement of income and expenditure on a receivable basis.

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

Grant funding

Grant funding including funding council block grant, research grants from government sources and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

There are two main types of donations and endowments identified within reserves:

a. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

b. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met

4. Accounting for retirement benefits

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.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined Benefit Plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

5. Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8. Foreign currency

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 consolidated statement of comprehensive income and expenditure account in the year.

9. Fixed assets

Fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings are stated at deemed cost at 1st August 2014 less accumulated depreciation and accumulated impairment losses.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to re-valuation to deemed cost, are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

Freehold buildings are depreciated by component on a straight line basis over their expected useful lives.

Leasehold buildings are depreciated over the life of the lease up to a maximum of 50 years.

No depreciation is charged on assets in the course of construction.

Equipment
Equipment, including computers and software, costing less than a £10,000 per item or group of related items is recognised as expenditure. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life of between 3 and 5 years.

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 5 and 15 years.

Borrowing costs
Borrowing costs are recognised as expenditure in the period in which they are incurred.

10. Intangible assets and Goodwill
Intangible assets (computer software) are amortised over 5 years representing the remaining estimated economic life of the assets.

The University currently has no recognised goodwill or negative goodwill.

11. Investment Properties
The University does not have any properties that are considered investment properties.

12. Investments
Non-current asset listed investments are held on the balance sheet at market value with movements taken to the consolidated statement of comprehensive income and expenditure.

Investments in subsidiaries and spinouts are carried at cost less impairment in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

13. Stock
Stock is held at the lower of cost and net realisable value.

14. Cash and cash equivalents
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.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

15. Provisions, contingent liabilities and contingent assets
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 in the financial statements when:

(a) the University has a present obligation (legal or constructive) as a result of a past event;

(b) it is probable that an outflow of economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Contingent liabilities and contingent assets
A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

16. Taxation
The University is an exempt Charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation

Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

17. Financial Instruments
Basic financial instruments
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Other financial instruments
Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except hedging instruments in a designated hedging relationship.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

18. Reserves
Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

19. Transition to 2015 SORP
The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to 2015 SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 28.

Application of first time adoption grants certain exemption from the full requirements of 2015 SORP in the transition period. The following exemptions have been taken into these financial statements:

Revaluation as at 1 August 2014, has been used for deemed cost for properties measured at fair value.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

		Year ended 31 July 2016		Year ended 31 July 2015	
		Group	University	Group	University
	Notes	£'000	£'000	£'000	£'000
INCOME					
Tuition fees and education contracts	1	**34,177**	**34,087**	36,296	35,603
Funding body grants	2	**43,972**	**43,972**	44,287	44,287
Research grants and contracts	3	**2,535**	**2,535**	2,422	2,422
Other income	4	**15,884**	**15,914**	17,118	17,441
Investment income	5	**295**	**262**	776	589
Donations and endowments	6	**550**	**7,953**	477	477
Total income		**97,413**	**104,723**	101,376	100,819
EXPENDITURE					
Staff costs	7	**59,035**	**59,035**	57,049	57,049
Fundamental restructuring costs	9	**3,705**	**3,705**	0	0
Other operating expenses	9	**32,627**	**32,610**	34,499	34,213
Depreciation	11/12	**7,976**	**7,976**	7,448	7,448
Interest and other finance costs	8	**2,457**	**2,457**	2,534	2,534
Total expenditure	9	**105,800**	**105,783**	101,530	101,244
Deficit before other gains and losses		**(8,387)**	**(1,060)**	(154)	(425)
Loss on disposal of fixed assets		**(48)**	**(48)**	0	0
Gain on endowment investments	19	**87**	**87**	42	42
Gain on non-current investments	13	**960**	**1,249**	428	458
(Deficit)/surplus before tax		**(7,388)**	**228**	316	75
Taxation	10	**(59)**	**(59)**	(134)	0
(Deficit)/surplus for the year		**(7,447)**	**169**	182	75
Actuarial loss in respect of pension schemes	27	**(20,136)**	**(20,136)**	(127)	(127)
Change in fair value of hedging financial instruments	26e	**(1,799)**	**(1,799)**	(1,060)	(1,060)
TOTAL COMPREHENSIVE EXPENDITURE FOR THE YEAR		**(29,382)**	**(21,766)**	(1,005)	(1,112)
Represented by:					
Endowment comprehensive income for the year		**80**	**80**	118	118
Unrestricted comprehensive income for the year		**(29,462)**	**(21,846)**	(1,123)	(1,230)
		(29,382)	**(21,766)**	(1,005)	(1,112)

All items of income and expenditure relate to continuing activities and are attributable to the University.

The notes on pages 48 to 65 form an integral part of these financial statements.

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

GROUP	**Income and expenditure account**		**Total**
	Endowment	*Unrestricted*	
	£'000	£'000	£'000
Balance at 1 August 2014	**1,785**	**188,375**	**190,160**
Surplus from the income and expenditure statement	118	64	182
Other comprehensive expenditure	0	(1,187)	(1,187)
Total comprehensive expenditure for the year	118	(1,123)	(1,005)
Balance at 1 August 2015	**1,903**	**187,252**	**189,155**
Deficit from the income and expenditure statement	80	(7,527)	(7,447)
Other comprehensive expenditure	0	(21,935)	(21,935)
Total comprehensive expenditure for the year	80	(29,462)	(29,382)
Balance at 31 July 2016	**1,983**	**157,790**	**159,773**

UNIVERSITY	**Income and expenditure account**		**Total**
	Endowment	*Unrestricted*	
	£'000	£'000	£'000
Balance at 1 August 2014	**1,785**	**180,748**	**182,533**
Surplus from the income and expenditure statement	118	(43)	75
Other comprehensive expenditure	0	(1,187)	(1,187)
Total comprehensive expenditure for the year	118	(1,230)	(1,112)
Balance at 1 August 2015	**1,903**	**179,518**	**181,421**
Surplus from the income and expenditure statement	80	89	169
Other comprehensive expenditure	0	(21,935)	(21,935)
Total comprehensive expenditure for the year	80	(21,846)	(21,766)
Balance at 31 July 2016	**1,983**	**157,672**	**159,655**

The notes on pages 48 to 65 form an integral part of these financial statements.

CONSOLIDATED AND UNIVERSITY BALANCE SHEET

	Notes	As at 31 July 2016 Group £'000	As at 31 July 2016 University £'000	As at 31 July 2015 Group £'000	As at 31 July 2015 University £'000
Non-current assets					
Intangible assets	11	**1,105**	**1,105**	379	379
Fixed assets	12	**228,880**	**228,880**	238,437	238,437
Investments	13	**14,925**	**15,025**	13,766	7,318
		244,910	**245,010**	252,582	246,134
Current assets					
Stock		**11**	**11**	11	11
Trade and other receivables	14	**5,520**	**5,881**	5,416	6,230
Investments	15	**7,865**	**7,865**	7,700	7,700
Cash and cash equivalents	20	**11,604**	**10,653**	11,129	8,749
		25,000	**24,410**	24,256	22,690
Less: Creditors: amounts falling due within one year	16	**(15,587)**	**(15,215)**	(14,530)	(14,250)
Net current assets		**9,413**	**9,195**	9,726	8,440
Total assets less current liabilities		**254,323**	**254,205**	262,308	254,574
Creditors: amounts falling due after more than one year	17	**(36,303)**	**(36,303)**	(35,782)	(35,782)
Provision for liabilities					
Premature retirement compensation	18a	**(7,964)**	**(7,964)**	(8,885)	(8,885)
Pension scheme liability	18b	**(50,283)**	**(50,283)**	(28,486)	(28,486)
TOTAL NET ASSETS		**159,773**	**159,655**	189,155	181,421
Restricted Reserves					
Endowment reserve	19	**1,983**	**1,983**	1,903	1,903
Unrestricted Reserves					
Income and expenditure reserve		**157,790**	**157,672**	187,252	179,518
TOTAL RESERVES		**159,773**	**159,655**	189,155	181,421

The notes on pages 48 to 65 form an integral part of these financial statements.

The financial statements were approved by the Governing Body on 15th December 2016 and were signed on its behalf on that date by:

J Craw
Chair of the Board of Governors

M D McCall
Director of Finance

F von Prondzynski
Principal

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Cash flow from operating activities			
(Deficit)/surplus for the year		**(7,447)**	182
Adjustment for non-cash items			
Depreciation	11/12	**7,976**	7,448
Increase in stock		**0**	(1)
Increase in debtors	14	**(104)**	(574)
Decrease in creditors < 1 year	16	**(152)**	(3,359)
Decrease in creditors > 1 year	17	**(61)**	(43)
Decrease in early retirement provision	18a	**(921)**	(114)
Pension cost less contributions	27	**1,661**	1,534
Provision against fixed asset investment		**0**	435
Adjustment for investing or financing activities			
Investment income	5	**(295)**	(776)
Interest paid	8	**1,447**	1,459
New endowments	19	**(104)**	0
Gain on non-current investments	13	**(960)**	(428)
Increase in current asset investments	15	**(112)**	(83)
Loss on the sale of fixed assets		**48**	0
NET CASH INFLOW FROM OPERATING ACTIVITIES		**976**	5,680
Cash flows from investing activities			
Proceeds from sales of fixed assets		**3,475**	0
Payments made to acquire fixed assets	12	**(2,044)**	(14,057)
Payments made to acquire intangible assets	11	**(624)**	0
Disposal of non-current asset investments	13	**13,533**	46
Additions of non-current asset investments	13	**(13,732)**	(342)
Placing of deposits	15	**(53)**	(4,278)
Investment income	5	**295**	776
		850	(17,855)
Cash flows from financing activities			
Interest paid	8	**(1,447)**	(1,459)
Capital element of finance lease	17	**(8)**	(8)
New endowments	19	**104**	0
		(1,351)	(1,467)
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS FOR YEAR		**475**	(13,642)
Cash and cash equivalents at beginning of the year	20	**11,129**	24,771
CASH & CASH EQUIVALENTS AT END OF YEAR	20	**11,604**	11,129

The notes on pages 48 to 65 form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

1 TUITION FEES AND EDUCATION CONTRACTS	Year Ended 31 July 2016 Group £'000	Year Ended 31 July 2016 University £'000	Year Ended 31 July 2015 Group £'000	Year Ended 31 July 2015 University £'000
Scotland and EU fees	**18,166**	**18,166**	18,689	18,689
RUK fees	**2,148**	**2,148**	2,034	2,034
Non-EU fees	**13,256**	**13,280**	14,505	14,198
Non-credit bearing course fees	**607**	**493**	1,068	682
	34,177	**34,087**	36,296	35,603

2 FUNDING BODY GRANTS				
General Fund - Teaching	**32,783**	**32,783**	32,757	32,757
General Fund - Research	**2,536**	**2,536**	2,903	2,903
Ring fenced grants Scottish Government	**5,933**	**5,933**	5,251	5,251
Strategic funding	**2,191**	**2,191**	2,331	2,331
Annual capital maintenance	**529**	**529**	1,045	1,045
	43,972	**43,972**	44,287	44,287

3 RESEARCH GRANTS AND CONTRACTS				
Research Councils	**312**	**312**	389	389
UK based charities	**56**	**56**	145	145
European Commission	**395**	**395**	224	224
Other grants and contracts	**1,772**	**1,772**	1,664	1,664
	2,535	**2,535**	2,422	2,422

4 OTHER INCOME				
Residences & Catering	**9,597**	**9,597**	10,051	10,051
Other Services Rendered	**4,339**	**4,326**	4,851	4,893
Other Income	**1,948**	**1,991**	1,771	2,052
Capital grants	**0**	**0**	445	445
	15,884	**15,914**	17,118	17,441

5 INVESTMENT INCOME				
Investment income on endowments	**34**	**34**	257	257
Other investment income	**261**	**228**	519	332
	295	**262**	776	589

6 DONATIONS AND ENDOWMENTS				
Unrestricted donations	**550**	**7,953**	477	477
	550	**7,953**	477	477

7 STAFF COSTS	Year Ended 31 July 2016 Group	Year Ended 31 July 2016 University	Year Ended 31 July 2015 Group	Year Ended 31 July 2015 University
Staff Costs :	**£'000**	**£'000**	£'000	£'000
Salaries	**46,601**	**46,601**	45,739	45,739
Social security costs	**4,174**	**4,174**	3,769	3,769
Employers pension contributions	**7,762**	**7,762**	7,158	7,158
Pension cost less contributions payable	**498**	**498**	383	383
Total	**59,035**	**59,035**	57,049	57,049
Analysed as :				
Staff on permanent contracts	**53,308**	**53,308**	50,909	50,909
Staff of fixed term contracts	**5,727**	**5,727**	6,140	6,140
	59,035	**59,035**	57,049	57,049

Average staff numbers by category :	**No.**	No.
Academic departments	**707**	711
Academic services	**140**	142
Central management and support	**155**	148
Premises	**127**	133
Residences and catering	**5**	4
Research grants and contracts	**23**	22
Other income generating activities	**55**	54
	1,212	1,214
Analysed as :		
Staff on permanent contracts	**1,079**	1,069
Staff of fixed term contracts	**133**	145
	1,212	1,214

Emoluments of the Principal:	**£**	£
Salary	**228,910**	231,410
Benefits in kind	**2,469**	2,469
Pension contributions	**38,934**	34,108
	270,313	267,987

Remuneration of other higher paid staff, excluding employer's pension contributions, were:

	No.	No.
£100,000 to £109,999	**1**	1
£110,000 to £119,999	**2**	3
£150,000 to £159,999	**1**	1
£200,000 to £209,999	**1**	1
	5	6

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the University. This comprises members of the Principal's Executive. The total compensation for the year ended 31 July 2016 (including any employers pension contributions) was £1,038k (2015: £1,017k)

Compensation for loss of office

There was no compensation paid to senior post holders for loss of office in year ended 31 July 2016 (2015:None)

Remuneration of Governing body

None of the members of the Governing body received remuneration from the University for acting as Board members (2015:None)

8 INTEREST AND OTHER FINANCE COSTS	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Loan interest	**1,446**	**1,446**	1,458	1,458
Finance lease interest	**1**	**1**	1	1
Net charge on pension scheme	**1,010**	**1,010**	1,075	1,075
	2,457	**2,457**	2,534	2,534
9 ANALYSIS OF EXPENDITURE BY ACTIVITY				
Academic Departments	**6,487**	**6,487**	6,768	6,749
Academic Services	**3,296**	**3,296**	3,484	3,484
Central Management & Support	**4,475**	**4,449**	4,307	4,281
Premises	**5,407**	**5,407**	5,808	5,834
Residences & Catering	**9,329**	**9,329**	8,949	8,922
Research Grants and Contracts	**1,000**	**1,000**	799	799
Other Services Rendered	**2,340**	**2,304**	2,989	2,783
Other expenses	**293**	**338**	1,395	1,361
	32,627	**32,610**	34,499	34,213
Other operating expenses include:				
Provision for premature retirement compensation	**(412)**	**(412)**	458	458
Grants to Student Association	**473**	**473**	548	548
External auditor's remuneration:				
- audit services (ex vat)	**53**	**44**	51	40
- non-audit services (ex vat)	**57**	**57**	24	24
Internal auditor's remuneration:				
- internal audit (ex vat)	**44**	**44**	50	50
Fundamental restructuring costs:				
Voluntary severance scheme costs (117 Staff)	**3,705**	**3,705**	0	0
10 TAXATION				
Recognised in the statement of comprehensive income				
Current tax				
Current tax expense	**0**	**0**	134	0
Adjustment in respect of previous years	**59**	**59**	0	0
Current tax expense	**59**	**59**	134	0
Deferred tax				
Origination and reversal of timing differences	**0**	**0**	0	0
Reduction in tax rate	**0**	**0**	0	0
Recognition of previously unrecognised tax losses	**0**	**0**	0	0
Deferred tax expense	**0**	**0**	0	0
Total tax expense	**59**	**59**	134	0

11 INTANGIBLE ASSETS	Year Ended 31 July 2016	
	Group	University
Computer Software (Amortised over 5 years)	£'000	£'000
Opening balance	**379**	**379**
Additions in the year	**624**	**624**
Transfers	**519**	**519**
Amortisation charge for the year	**(417)**	**(417)**
Closing balance	**1,105**	**1,105**

12 FIXED ASSETS	Heritable Land and Buildings	Fixtures, Fittings and Equipment	Assets in the Course of Construction	Total
GROUP	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2015	218,323	28,781	15,926	263,030
Additions	435	1,280	329	2,044
Transfers	13,145	1,281	(14,945)	(519)
Disposals	(3,500)	(3,265)	0	(6,765)
At 31 July 2016	**228,403**	**28,077**	**1,310**	**257,790**
Consisting of valuation as at:				
31 July 2014	216,135	0	0	216,135
Cost	12,268	28,077	1,310	41,655
	228,403	**28,077**	**1,310**	**257,790**
Depreciation				
At 1 August 2015	4,905	19,688	0	24,593
Charge for the year	4,898	2,661	0	7,559
Disposals	0	(3,242)	0	(3,242)
At 31 July 2016	**9,803**	**19,107**	-	**28,910**
Net book value				
At 31 July 2016	**218,600**	**8,970**	**1,310**	**228,880**
At 31 July 2015	213,418	9,093	15,926	238,437
UNIVERSITY				
Cost and valuation				
At 1 August 2015	218,323	28,781	15,926	263,030
Additions	435	1,280	329	2,044
Transfers	13,145	1,281	(14,945)	(519)
Disposals	(3,500)	(3,265)	0	(6,765)
At 31 July 2016	**228,403**	**28,077**	**1,310**	**257,790**
Consisting of valuation as at:				
31 July 2014	216,135	0	0	216,135
Cost	12,268	28,077	1,310	41,655
	228,403	**28,077**	**1,310**	**257,790**
Depreciation				
At 1 August 2015	4,905	19,688	0	24,593
Charge for the year	4,898	2,661	0	7,559
Disposals	0	(3,242)	0	(3,242)
At 31 July 2016	**9,803**	**19,107**	**0**	**28,910**
Net book value				
At 31 July 2016	**218,600**	**8,970**	**1,310**	**228,880**
At 31 July 2015	213,418	9,093	15,926	238,437

12 FIXED ASSETS (cont)

Leased out assets included above:	**Heritable Land and Buildings**	**Fixtures, Fittings and Equipment**	**Assets in the Course of Construction**	**Year Ended 31 July 2016**
	£'000	**£'000**	**£'000**	**£'000**
Net Book Value:				
At 31 July 2015	7,096	0	0	7,096
At 31 July 2016	7,476	0	0	7,476

Group fixtures, fittings and equipment includes assets held under finance leases as follows:	**Year Ended 31 July 2016**
	£'000
Cost	42
Accumulated depreciation	(17)
Charge for year	(8)
Net book value	17

A full valuation of the University's land and buildings was carried out on 31 July 2014 by F.G Burnett, Chartered Surveyors, Aberdeen. The basis of valuation is depreciated replacement cost or (for non-specialised properties) market value, as set out in the Royal institute of Chartered Valuation - Professional Standards (January 2014).

13 NON-CURRENT INVESTMENTS

Group	**Subsidiary**	**Listed**	**Spinouts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 August 2015	**0**	**13,523**	**243**	**13,766**
Additions	0	13,724	8	**13,732**
Disposals	0	(13,533)	0	**(13,533)**
Investment gains	0	1,031	(71)	**960**
At 31 July 2016	**0**	**14,745**	**180**	**14,925**
University	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2015	**104**	**6,971**	**243**	**7,318**
Additions	0	19,987	8	**19,995**
Disposals	(4)	(13,533)	0	**(13,537)**
Investment gains	0	1,320	(71)	**1,249**
At 31 July 2016	**100**	**14,745**	**180**	**15,025**

Spinouts and other non-current investments consist of :	**£'000**
CVCP Properties PLC	**29**
RGU Ventures Investment Fund	**151**
	180

14 TRADE AND OTHER RECEIVABLES	**Year Ended 31 July 2016**		Year Ended 31 July 2015	
	Group	**University**	Group	University
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Trade debtors	**859**	**578**	753	594
Debts from students	**1,073**	**1,073**	1,053	1,053
VAT recoverable	**0**	**0**	8	0
Prepayments and accrued income	**3,588**	**3,588**	3,602	3,602
Amounts owed by group undertakings	**0**	**642**	0	981
	5,520	**5,881**	5,416	6,230

15 CURRENT INVESTMENTS				
Equities	**1,057**	**1,057**	1,324	1,324
Fixed Interest Stocks	**718**	**718**	339	339
Bank deposits	**6,090**	**6,090**	6,037	6,037
	7,865	**7,865**	7,700	7,700

16 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR				
Social security and taxation payable	**3,399**	**3,399**	2,112	2,112
Creditors	**4,196**	**4,196**	4,080	4,080
Accruals	**4,010**	**4,001**	4,584	4,541
Deferred income	**2,765**	**2,392**	3,746	3,500
Amounts owed to group undertakings	**0**	**10**	0	9
Unsecured loans (Note 17a)	**1,208**	**1,208**	0	0
Obligations under finance leases (Note 17b)	**9**	**9**	8	8
	15,587	**15,215**	14,530	14,250

Deferred income

Included within deferred income are the following items of non-exchange transaction income which have been deferred until specific performance related conditions have been met.

Donations	**235**	**235**	290	290
Research grants received on account	**624**	**624**	820	820
Grant income	**424**	**424**	709	709
Other income	**911**	**911**	519	519
	2,194	**2,194**	2,338	2,338

17 CREDITORS AMOUNTS DUE AFTER MORE THAN ONE YEAR	Year ended 31 July 2016		Year Ended 31 July 2015	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
Operating lease creditor	1,594	1,594	1,655	1,655
Interest rate swap liability (Note 26e)	5,704	5,704	3,905	3,905
Unsecured loans (Note 17a)	28,997	28,997	30,205	30,205
Obligations under finance leases (Note 17b)	8	8	17	17
	36,303	36,303	35,782	35,782
a) Analysis of unsecured loans:				
Due within one year (Note 16)	1,208	1,208	0	0
Due between one and two years	1,208	1,208	1,208	1,208
Due between two and five years	3,625	3,625	3,625	3,625
Due in five years or more	24,164	24,164	25,372	25,372
	30,205	30,205	30,205	30,205
b) Analysis of obligations under finance leases:				
Due within one year (Note 16)	9	9	8	8
Due between one and two years	8	8	9	9
Due between two and five years	0	0	8	8
	17	17	25	25
Total bank loans and finance leases	30,222	30,222	30,230	30,230

Details of bank 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 August 2016 with a final payment date on 30/7/2041.
£20.0m unsecured loan with interest at 5.4425% (loan & swap agreement) repayable in quarterly instalments commencing August 2016 with a final payment date on 30/7/2041.

18 PROVISIONS FOR LIABILITIES

a) Premature Retirement Compensation	Year ended 31 July 2016		Year Ended 31 July 2015	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
At 1 August	8,885	8,885	8,999	8,999
Expenditure in period	(510)	(510)	(572)	(572)
Revaluation adjustment	(472)	(472)	326	326
Interest charged	61	61	132	132
At 31 July	7,964	7,964	8,885	8,885

A valuation of the pension provision was carried out by Mercer Limited, and independent firm of actuaries, at 31 July 2016. The following assumptions for calculating the provision for pension enhancements on termination were used.

	Group
Discount rate	2.4%
Inflation rate (CPI)	1.7%

b) North East Scotland Pension Fund	Year ended 31 July 2016		Year Ended 31 July 2015	
	Group	University	Group	University
	£'000	£'000	£'000	£'000
At 1 August	28,486	28,486	26,825	26,825
Net interest cost	1,010	1,010	1,075	1,075
Administration expenses	78	78	76	76
Remeasurements	20,136	20,136	127	127
Past service cost	50	50	0	0
Curtailments	25	25	0	0
Current service cost less contributions paid	498	498	383	383
At 31 July	50,283	50,283	28,486	28,486

19 ENDOWMENT RESERVES	Restricted permanent endowments	Expendable endowments	2016 Total	2015 Total
GROUP	£'000	£'000	£'000	£'000
At 1 August	1,787	116	1,903	1,785
New endowments	0	104	104	0
Investment income	34	0	34	257
Expenditure for year	(21)	(124)	(145)	(181)
Increase in market value	87	0	87	42
At 31 July	1,887	96	1,983	1,903
Analysis by asset:				
Current asset investments			1,775	1,663
Cash			208	240
			1,983	1,903

20 CASH AND CASH EQUIVALENTS	At 1st August 2015	Cash Flows	At 31st July 2016
Group	£'000	£'000	£'000
Cash at bank and in hand	10,889	507	11,396
Endowment assets	240	(32)	208
	11,129	475	11,604

21 CAPITAL AND OTHER COMMITMENTS

At the end of the year the following amounts remain outstanding as committed and contracted expenditure:	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Committed	Contracted	Committed	Contracted
	£'000	£'000	£'000	£'000
Major construction works	0	0	983	726
Other works	1,390	61	167	152
	1,390	61	1,150	878

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

22 OBLIGATIONS UNDER OPERATING LEASES

	Land and Buildings	Plant and Machinery	Total Yr Jul 2016	Total Yr Jul 2015
	£'000	£'000	£'000	£'000
Amounts paid during the year	828	102	930	932
Future minimum lease payments due:				
Not later than 1 year	845	97	942	936
Later than 1 year & not later than 5 years	3,552	69	3,621	3,608
Later than 5 years	6,142	0	6,142	7,056
Total lease payments due	10,539	166	10,705	11,600

23 AMOUNTS DISBURSED AS AGENT (GROUP AND UNIVERSITY)	Childcare Fund	Discretionary Fund	Total Year Ended 31 July 2016	Total Year Ended 31 July 2015
	£'000	£'000	£'000	£'000
Balance brought forward	**3**	**7**	**10**	0
Allocation received in the year	**131**	**464**	**595**	613
Expenditure for year	**(91)**	**(504)**	**(595)**	(603)
Virements	**(40)**	**40**	**0**	0
Repaid to funding body	**(3)**	**(7)**	**(10)**	0
Excess of income over expenditure carried forward	**0**	**0**	**0**	10

24 DISCLOSURE OF RELATED 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.

25 SUBSIDIARY UNDERTAKINGS

In accordance with FRS 5, The RGIT Educational Development Trust was treated as a quasi subsidiary. On the 14th September 2015 all of the Trusts assets were donated to the University and the Trust was wound up. 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 owned 100% of the share capital of UVPS Environmental Solutions Limited; the company was wound up during the year.

26 FINANCIAL INSTRUMENTS

a) Risk management

The University operates a centralised treasury management function which is responsible for managing the credit, liquidity, interest and foreign currency risk. These financial risks are managed within the parameters specified in an approved treasury management policy.

The University's principal financial instruments are cash, investments and loans. The core objective of these financial instruments is to meet the financing needs of the University's operations. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

26 FINANCIAL INSTRUMENTS (cont)

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University.

The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy. At 31 July 2016, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet.

The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade credit ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counterparty limits and minimum counter party credit ratings set within the treasury management policy.

Student and commercial debtors are reviewed on an-ongoing basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both students and commercial customer populations.

c) Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The University's has no significant foreign currency exposures.

d) Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations in the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

The University's main financing relates to a 25 year £30m bank loan. The interest rate attached to this loan is variable with re-pricing at 7 year intervals starting from August 2018. The university has hedged approximately 80% of this variable rate exposure by taking out linked fixed rate swap agreements.

e) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.

Interest rate swap liability	Total Year Ended 31 July 2016 Group £'000	Total Year Ended 31 July 2015 Group £'000
Carrying amount	**5,704**	3,905
Expected cash flows:		
Due 1 year or less	**826**	741
Due between 1 and 2 years	**766**	615
Due between 2 and 5 years	**1,981**	1,304
Due over 5 years	**2,131**	1,245
Total expected cash flows	**5,704**	3,905

The change in fair value of hedging financial instruments recorded within total comprehensive expenditure for the year was £1,799k (2015: £1,060k).

26 FINANCIAL INSTRUMENTS (cont)

f) Financial assets and liabilities

The carrying value of financial assets and liabilities comprise:	**Year ended 31 July 2016**		Year Ended 31 July 2015	
	Group	**University**	Group	University
	£'000	**£'000**	£'000	£'000
Assets measured at fair value through profit or loss				
- Non-current investments (note 13)	**14,745**	**14,745**	13,523	6,971
- Current asset investments (note 15)	**7,865**	**7,865**	7,700	7,700
- Cash (note 20)	**11,604**	**10,653**	11,129	8,749
Liabilities measured at fair value				
- Interest rate swap (note 17)	**5,704**	**5,704**	3,905	3,905
Assets measured at cost less impairment (note 14)	**5,520**	**5,881**	5,416	6,230
Liabilities (excluding loans) measured at amortised cost (note 16)	**8,206**	**8,207**	8,664	8,630
Loan commitments measured at cost less impairment (note 17)				
- Loans	**30,205**	**30,205**	30,205	30,205
- Finance lease obligations	**17**	**17**	25	25

The fair value of financial assets at fair value through profit or loss, is determined by reference to their quoted bid price at the balance sheet date. The fair value of interest rate swaps is based on third party bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

27 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 where 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 was 14.9% of pensionable pay. This increased 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 2015 were £350.7 million. The Robert Gordon University level of participation in the scheme is 1.0% based on the proportion of employer contributions paid in 2014-15.

The total STSS pension cost for the University for the year was £4,002k (2015: £3,511k) and at 31 July 2016 £329k was outstanding (2015: £293k).

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 FRS102, The total North East Scotland Pension Fund is a defined benefit scheme. Accordingly, the University has implemented the accounting standard "FRS102:Accounting for retirement benefits" to determine the University's net pension liability.

FRS102 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. 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 change in the basis of estimation had the impact of decreasing the Defined Benefit Obligation by around £2 million as at 31 July 2014.

27 PENSION SCHEMES (cont)

2) North East Scotland Pension Fund (cont)

Financial assumptions used by the actuary at the end of the accounting period	**Year ended 31 July 2016**	Year ended 31 July 2015
	%	%
Rate of CPI inflation	**1.7**	2.2
Rate of increase in salaries	**3.2**	3.7
Rate of increase in pensions	**1.8**	2.2
Discount rate	**2.5**	3.8

Post retirement mortality assumptions (normal health)		
Non-retired members	**S1PA CMI 2013 1.5%**	S1PA CMI 2013 1.5%
	107% Males, 97% Females	107% Males, 97% Females
Retired members	**S1PA CMI 2013 1.5%**	S1PA CMI 2013 1.5%
	106% Males, 103% Females	106% Males, 103% Females

Life expectancy		**Year ended 31 July 2016**	Year ended 31 July 2015
		Years	Years
Future pensioner age 65 in 20 years time	Males	**24.4**	24.3
	Females	**27.6**	27.5
Current pensioner age 65	Males	**22.2**	22.1
	Females	**24.8**	24.7

Asset allocation	**Year ended 31 July 2016**		Year ended 31 July 2015	
	£'000	**%**	£'000	%
Equities	**74,926**	**65.0**	81,746	78.6
Government bonds	**13,832**	**12.0**	9,256	8.9
Other bonds	**2,305**	**2.0**	2,184	2.1
Property	**8,069**	**7.0**	7,176	6.9
Cash/liquidity	**3,458**	**3.0**	3,432	3.3
Other	**12,680**	**11.0**	208	0.2
	115,270		104,002	

Analysis of the amount shown in the balance sheet	**Year ended 31 July 2016 £'000**	Year ended 31 July 2015 £'000
Fair value of plan assets	**115,270**	104,002
Present value of benefit obligations	**(165,553)**	(132,488)
Net pension liability	**(50,283)**	(28,486)
Components of pension expense recognised in I&E		
Current service cost	**4,398**	4,098
Net interest cost	**1,010**	1,075
Administration expenses	**78**	76
Past service cost	**50**	0
Curtailments	**25**	0
Total expense recognised in I&E	**5,561**	5,249
Statement of other comprehensive income		
Remeasurements (assets and liabilities)	**20,136**	127
Total remeasurements included in SOCI	**20,136**	127

27 PENSION SCHEMES (cont)

2) North East Scotland Pension Fund (cont)	**Year ended 31 July 2016**	Year ended 31 July 2015
Change in benefit obligation	**£'000**	£'000
Benefit obligation at beginning of year	**132,488**	119,966
Current service cost	**4,398**	4,098
Interest on pension liabilities	**5,002**	5,123
Member contributions	**1,280**	1,240
Past service cost	**50**	0
Remeasurements - experience (gain) / loss	**0**	(1,720)
Remeasurements - (gain) / loss on assumptions	**25,385**	6,729
Curtailments	**25**	0
Benefits / transfers paid	**(3,075)**	(2,948)
Benefit obligation at end of year	**165,553**	132,488
Change in plan assets		
Fair value of plan assets at beginning of year	**104,002**	93,141
Interest on plan assets	**3,992**	4,048
Remeasurements (assets)	**5,249**	4,882
Administration expenses	**(78)**	(76)
Employer contributions	**3,900**	3,715
Member contributions	**1,280**	1,240
Benefits / transfers paid	**(3,075)**	(2,948)
Fair value of plan assets at end of year	**115,270**	104,002
Actual return on plan assets	**9,242**	8,916

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 2016/17 is £3,843k.

28 TRANSITION TO FRS102 AND THE 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies on pages 40 - 43 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables.

28 TRANSITION TO FRS102 AND THE 2015 SORP (cont)

GROUP	Notes	1 August 2014 2007 SORP	Effect of transition to 2015	2015 SORP	31 July 2015 2007 SORP	Effect of transition to 2015	2015 SORP
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Intangible Assets	a)	0	764	764	0	379	379
Fixed Assets	a)	218,406	13,037	231,443	224,064	14,373	238,437
Investments		13,477	0	13,477	13,766	0	13,766
		231,883	13,801	245,684	237,830	14,752	252,582
Endowment assets	b)	1,785	(1,785)	0	1,903	(1,903)	0
Current assets							
Stock		10	0	10	11	0	11
Trade and other receivables	c)	4,842	0	4,842	5,369	47	5,416
Investments	b)	21,024	(17,685)	3,339	13,043	(5,343)	7,700
Cash and cash equivalents	b)	5,301	19,470	24,771	3,883	7,246	11,129
		31,177	1,785	32,962	22,306	1,950	24,256
Less: Creditors: amounts falling due within one year	d)	(17,083)	(808)	(17,891)	(14,329)	(201)	(14,530)
Net current assets		14,094	977	15,071	7,977	1,749	9,726
Total assets less current liabilities		247,762	12,993	260,755	247,710	14,598	262,308
Creditors: amounts falling due after more than one year	e)	(30,228)	(4,543)	(34,771)	f) (30,222)	(5,560)	(35,782)
Provisions							
Provisions for liabilities		(8,999)	0	(8,999)	(8,885)	0	(8,885)
Other pension liability		(26,825)	0	(26,825)	(28,486)	0	(28,486)
Total net assets		181,710	8,450	190,160	180,117	9,038	189,155
Deferred capital grants	g)	24,333	(24,333)	0	24,838	(24,838)	0
Income and expenditure reserve							
Endowment reserve		1,785	0	1,785	1,903	0	1,903
Unrestricted reserve	h)	81,483	106,892	188,375	80,836	106,416	187,252
Revaluation reserve	i)	74,109	(74,109)	0	72,540	(72,540)	0
Total Reserves		181,710	8,450	190,160	180,117	9,038	189,155

Notes to the reconciliation of reserves:

a) Opening fixed asset valuation £13,801k (2014:£13,801k) plus depreciation adjustment £1,447k (2014:Nil) less reclassification of additions of £496k (2014:Nil) to long term maintenance expense and transfer of computer software to intangible assets £379k (2014:£764k) = £14,373k (2014:£13,037k)
b) Transfer endowment assets of £1,903k (2014:£1,785k) to investments; transfer short term investments of £7,246k (2014:£19,470k) to cash.
c) Increase in prepayments following adoption of performance conditions £47k (2014:Nil).
d) Holiday provision £462k (2014:£782k) less decrease in deferred income £305k (2014:Nil) following adoption of performance conditions plus operating lease creditor adjustment £44k (2014:£26k) = £201k (2014:£808k).
e) Opening valuation of interest swap £2,845k plus opening operating lease creditor £1,698k = £4,543k.
f) Closing valuation of interest swap £3,905k plus closing operating lease creditor £1,655k = £5,560k.
g) Transfer deferred capital grants to unrestricted reserves £24,838k (2014:£24,333k).
h) Transfer of deferred capital grants £24,838k (2014:£24,333k), revaluation reserve £72,540k (2014:£74,109k) and other net asset movements of £9,038k (2014:£8,450k) to give a total of £106,416k (2014:£106,892k).
i) Transfer revaluation reserves to unrestricted reserves £72,540k (2014:£74,109k).

28 TRANSITION TO FRS102 AND THE 2015 SORP (cont)

UNIVERSITY	Notes	1 August 2014 2007 SORP	Effect of transition to 2015	2015 SORP	31 July 2015 2007 SORP	Effect of transition to 2015	2015 SORP
		£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Intangible Assets	a)	0	764	764	0	379	379
Fixed Assets	a)	218,406	13,037	231,443	224,064	14,373	238,437
Investments		7,100	0	7,100	7,318	0	7,318
		225,506	13,801	239,307	231,382	14,752	246,134
Endowment assets	b)	1,785	(1,785)	0	1,903	(1,903)	0
Current assets							
Stock		10	0	10	11	0	11
Trade and other receivables	c)	5,912	0	5,912	6,183	47	6,230
Investments	b)	20,273	(17,685)	2,588	13,043	(5,343)	7,700
Cash and cash equivalents	b)	2,580	19,470	22,050	1,503	7,246	8,749
		28,775	1,785	30,560	20,740	1,950	22,690
Less: Creditors: amounts falling due within one year	d)	(15,929)	(808)	(16,737)	(14,049)	(201)	(14,250)
Net current assets		12,846	977	13,823	6,691	1,749	8,440
Total assets less current liabilities		240,137	12,993	253,130	239,976	14,598	254,574
Creditors: amounts falling due after more than one year	e)	(30,230)	(4,543)	(34,773)	f) (30,222)	(5,560)	(35,782)
Provisions							
Provisions for liabilities		(8,999)	0	(8,999)	(8,885)	0	(8,885)
Other pension liability		(26,825)	0	(26,825)	(28,486)	0	(28,486)
Total net assets		174,083	8,450	182,533	172,383	9,038	181,421
Deferred capital grants	g)	24,333	(24,333)	0	24,838	(24,838)	0
Income and expenditure reserve							
Endowment reserve		1,785	0	1,785	1,903	0	1,903
Unrestricted reserve	h)	75,590	105,158	180,748	74,806	104,712	179,518
Revaluation reserve	i)	72,375	(72,375)	0	70,836	(70,836)	0
Total Reserves		174,083	8,450	182,533	172,383	9,038	181,421

Notes to the reconciliation of reserves:

a) Opening fixed asset valuation £13,801k (2014:£13,801k) plus depreciation adjustment £1,447k (2014:Nil) less reclassification of additions of £496k (2014:Nil) to long term maintenance expense and transfer of computer software to intangible assets £379k (2014:£764k) = £14,373k (2014:£13,037k)
b) Transfer endowment assets of £1,903k (2014:£1,785k) to investments; transfer short term investments of £7,246k (2014:£19,470k) to cash.
c) Increase in prepayments following adoption of performance conditions £47k (2014:Nil).
d) Holiday provision £462k (2014:£782k) less decrease in deferred income £305k (2014:Nil) following adoption of performance conditions plus operating lease creditor adjustment £44k (2014:£26k) = £201k (2014:£808k).
e) Opening valuation of interest swap £2,845k plus opening operating lease creditor £1,698k = £4,543k.
f) Closing valuation of interest swap £3,905k plus closing operating lease creditor £1,655k = £5,560k.
g) Transfer deferred capital grants to unrestricted reserves £24,838k (2014:£24,333k).
h) Transfer of deferred capital grants £24,838k (2014:£24,333), revaluation reserve £70,836k (2014:£72,375) and other net asset movements of £9,038k (2014:£8,450k) to give a total of £104,712k (2014:£105,158k).
i) Transfer revaluation reserves to unrestricted reserves £70,386k (2014:£72,375).

28 TRANSITION TO FRS102 AND THE 2015 SORP (cont)

GROUP TO 31 JULY 2015	Notes	2007 SORP £'000	STRGL Items £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income					
Tuition fees and education contracts		36,296	0	0	36,296
Funding body grants	a)	44,104	0	183	44,287
Research grants and contracts	b)	2,372	0	50	2,422
Other income	c)	16,494	0	624	17,118
Investment income		776	0	0	776
Total income before donations and endowments		100,042	0	857	100,899
Donations and endowments		477	0	0	477
Total income		100,519	0	857	101,376
Expenditure					
Staff costs	d)	57,283	0	(234)	57,049
Fundamental restructuring costs		0	0	0	0
Other operating expenses	e)	33,955	0	544	34,499
Depreciation	f)	8,895	0	(1,447)	7,448
Interest and other finance costs	g)	916	0	1,618	2,534
Total expenditure		101,049	0	481	101,530
Gain/(loss) on disposal of fixed assets		0	0	0	0
Gain on endowment investments		0	42	0	42
Gain on non-current investments		0	428	0	428
Surplus before tax		(530)	470	376	316
Taxation		(134)	0	0	(134)
Surplus for the year		(664)	470	376	182
Actuarial loss in respect of pension schemes	h)	0	(1,906)	1,779	(127)
Change in fair value of hedging financial instruments	i)	0	0	(1,060)	(1,060)
Total comprehensive income for the year		(664)	(1,436)	1,095	(1,005)

Notes to the reconciliation of surplus/(deficit):

a) Income recognition in relation to performance conditions - Deferred capital grants £173k, Other grants £10k.
b) Income recognition in relation to performance conditions - Research grants £50k.
c) Income recognition in relation to performance conditions - Deferred capital grants £332k, Other services £292k.
d) Movement in staff holiday pay provision £(320)k, Pension current service costs £86k.
e) Release of operating lease creditor £(28)k, Pension scheme admin expenses £76k, Long term maintenance expense adjustment £496k.
f) Reduction in depreciation following opening asset valuation and review of asset lives £(1,447)k.
g) Change in pension scheme interest charge £1,617k, other charge £1k.
h) Reallocation of pension scheme adjustments - Interest £1,617k, Current service cost £86k, Admin Expenses £76k.
i) Movement in valuation of interest swap agreement £(1,060)k.

28 TRANSITION TO FRS102 AND THE 2015 SORP (cont)

UNIVERSITY TO 31 JULY 2015	Notes	2007 SORP £'000	STRGL Items £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income					
Tuition fees and education contracts		35,603	0	0	35,603
Funding body grants	a)	44,104	0	183	44,287
Research grants and contracts	b)	2,372	0	50	2,422
Other income	c)	16,817	0	624	17,441
Investment income		589	0	0	589
Total income before donations and endowments		99,485	0	857	100,342
Donations and endowments		477	0	0	477
Total income		99,962	0	857	100,819
Expenditure					
Staff costs	d)	57,283	0	(234)	57,049
Fundamental restructuring costs		0	0	0	0
Other operating expenses	e)	33,669	0	544	34,213
Depreciation	f)	8,895	0	(1,447)	7,448
Interest and other finance costs	g)	916	0	1,618	2,534
Total expenditure		100,763	0	481	101,244
Gain/(loss) on disposal of fixed assets		0	0	0	0
Gain on endowment investments		0	42	0	42
Gain on non-current investments		0	458	0	458
Surplus before tax		(801)	500	376	75
Taxation		0	0	0	0
Surplus for the year		(801)	500	376	75
Actuarial loss in respect of pension schemes	h)	0	(1,906)	1,779	(127)
Change in fair value of hedging financial instruments	i)	0	0	(1,060)	(1,060)
Total comprehensive income for the year		(801)	(1,406)	1,095	(1,112)

Notes to the reconciliation of surplus/(deficit):

a) Income recognition in relation to performance conditions - Deferred capital grants £173k, Other grants £10k.
b) Income recognition in relation to performance conditions - Research grants £50k.
c) Income recognition in relation to performance conditions - Deferred capital grants £332k, Other services £292k.
d) Movement in staff holiday pay provision £(320)k, Pension current service costs £86k.
e) Release of operating lease creditor £(28)k, Pension scheme admin expenses £76k, Long term maintenance expense adjustment £496k.
f) Reduction in depreciation following opening asset valuation and review of asset lives £(1,447)k.
g) Change in pension scheme interest charge £1,617k, other charge £1k.
h) Reallocation of pension scheme adjustments - Interest £1,617k, Current service cost £86k, Admin Expenses £76k.
i) Movement in valuation of interest swap agreement £(1,060)k.









ROBERT GORDON UNIVERSITY ABERDEEN

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016

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