

# Global thinking, worldwide influence

report and financial statements  
year ended 31 July 2015



Distinctly Global  
[www.hw.ac.uk](http://www.hw.ac.uk)

# Values

*All Heriot-Watt endeavours will  
embody our shared values of:*

*Pursuing Excellence*

*Shaping the Future*

*Outward Looking*

*Pride and Belonging*

*Valuing and Respecting Everyone*

**Front cover**

James Watt statue housed in the  
National Museum of Scotland, Edinburgh

# The Vision

*Heriot-Watt's vision is to be world leading, within all its specialist areas of science, engineering, technology and business*

# The Mission

*Our mission is to create and exchange knowledge for the benefit of society*

# We Shall

*Strengthen research intensity in fields of economic and societal benefit; Provide truly global education while maintaining our Scottish roots; and Deliver excellent student experience and highly employable graduates.*

## Contents

Introduction by Principal and Vice-Chancellor	4
Operating and Financial Review	6
Corporate Governance Statement	32
Statement of Responsibilities of the University Court in Relation to the Accounts	43
Independent Auditor's Report to the Members of the University Court of Heriot-Watt University	44
Consolidated Income and Expenditure Account	46
Consolidated Statement of Total Recognised Gains and Losses	47
Balance Sheets	48
Consolidated Cash Flow Statement	50
Notes to the Accounts	51
Members of Court	77
Membership of Committees of Court	78
Court and Committee Attendance Record	79

# Introduction

Heriot-Watt is pioneering personalised  
3D stem cell medical advances

*Heriot-Watt University continues to grow and develop and 2015 was another year of strong performance. Overall, the Heriot-Watt Group achieved an income growth of 9% and reported a surplus of £11.1 million for the year. The Group's total income increased by £15 million to £206.3 million. Our Scottish Funding Council grant for learning and teaching grew to £44.7 million and we continued to experience growth in tuition fees and education contracts, which increased to £102.5 million. This increase reflects growth in student numbers and particularly the numbers of international students studying at our Scottish Campuses.*

The University has ambitious global research aspirations and it was pleasing that the Research Excellence Framework (REF) 2014 assessed 82% of Heriot-Watt's research submission as either 'world-leading' or 'internationally excellent'. Our aim is to produce scholarly research that also develops solutions to address the needs of future society. REF's new category of 'Impact', which ranked us as the 9th university in the UK and top in Scotland, is evidence of that effectiveness.

As a result our Research Excellence Grant will increase from £9.9 million to £12.1 million over the next three years; the biggest increase of any mainstream Scottish university. We also achieved our highest-ever level of research awards, receiving more than £40.6 million, which is particularly impressive in the current climate of increased competition for limited available funding. Significantly, £11.8 million of that funding came from industry. Going forward we will work to continue to embed a cross-disciplinary approach, dissolving barriers between disciplines and encouraging Schools to find new ways to work together to address social, technical, environmental and economic needs.

We have continued to have a positive performance in the UK university rankings and particularly pleasing is the National Student Survey (NSS) result for overall satisfaction. Eighty-nine per cent of our final year undergraduate students were satisfied with their experience, placing Heriot-Watt 28th in the UK. We remain in the UK's top 20 universities, and 2nd in Scotland, in the Guardian University league tables, while the Times and Sunday

Times Good University Guide ranked five of the University's subjects in the UK top ten. Looking ahead we will continue to focus on achieving the very highest standards of quality in our teaching and learning. Equipping our staff with the necessary skills and technology to ensure they can provide students with a relevant and diverse learning experience will be a key priority across the whole University Group and the subject of further investment.

Our international standing was recognised in the most recent THE World University Rankings. These placed Heriot-Watt 46th in the world, 17th in the UK, and 2nd in Scotland for its international outlook. Our global status was further underlined by our highest-ever ranking in the QS World University Rankings, rising 34 places to 318th in the world. In addition we rose 13 places to 34th in the QS 'Top 50 out of 50' World Rankings. We continue to grow our international profile through our campuses in Dubai and Malaysia and the development of strategic partnerships with leading organisations around the world, including universities in China and Brazil.

Having already committed around £75 million to the development of the Lyell Centre (our joint partnership with the British Geological Survey), Oriam (the new Sports Performance Centre, jointly funded by Sportscotland, City of Edinburgh Council and the University) and new residences on the Edinburgh Campus, this year saw the University commit a further £18 million to the first stage of a student-facing capital programme. This gives early priority to the enhancement and expansion of teaching, learning and study space.

Our future ambition is to invest a further £130 million of expenditure to deliver a range of projects that support growth in our capacity to accommodate leading-edge researchers. These will include: the expansion of specialist science and engineering teaching facilities across the Group, the development of fresh and impactful research initiatives, and continued investment in study and social space.

Looking ahead across the sector, we anticipate further pressure and dynamics associated with a range of international, political and economic issues. These include: competitive student recruitment, visa-related approvals, flat-lining of UK undergraduate fees, competition in winning research income, downturns associated with the oil sector, changes in the economic tone in Malaysia and new opportunities for research in United Arab Emirates. We are active in addressing these issues, drawing on the strong portfolio of our provision and knowledge of where growth opportunities lie.

I joined the University in September 2015 and would like to thank all colleagues and students for the very warm welcome I have received. I look forward to working with them, and our partners around the globe, to continue to develop Heriot-Watt's ambitious vision to be a research-led, globally impactful institution that provides a high quality education for all its students.

**Professor Richard A Williams OBE FREng**  
Principal and Vice-Chancellor

# Operating and Financial Review

*This Operating and Financial Review describes the main trends and factors which acted as a foundation for Heriot-Watt University's performance during the year to 31 July 2015. It has been prepared in line with the guidance provided on the Operating and Financial Review issued by the UK Accounting Standards Board in January 2006.*

## HISTORY

The University's history began in 1821 when the School of Arts of Edinburgh was established, the world's first Mechanics Institute, which revolutionised access to education in science and technology for ordinary people. Its purpose was to "address societal needs by incorporating fundamental scientific thinking and research into engineering solutions". As the institution developed, changing its name in 1852 to the Watt Institution & School of Arts, and again in 1855 to Heriot-Watt College, its focus on "the practical application of knowledge and learning for the betterment of society" remained a defining characteristic, delivered via an academic curriculum with a strong emphasis on the needs of industry. In 1966 the College became Heriot-Watt University, established by Royal Charter, and continued to develop the University's approach, responding to the needs of business and industry.

## REPUTATION

Today, the University remains true to its heritage of creating and exchanging knowledge for the benefit of society, delivering teaching that is professionally relevant and careers-focused, and developing world leading, innovative research that provides practical solutions to contemporary issues. It has grown to encompass three campuses in Scotland (Edinburgh, Borders, and Orkney); two overseas (Dubai and Malaysia) and has a truly international outlook, delivering degree programmes across the globe. It provides a distinctive education and a high quality student experience. It is now a leading institution with an established reputation for high quality across both its teaching and research, and continues to grow as a university characterised by a commitment to excellence.

## STUDENT NUMBERS AND LOCATIONS

Heriot-Watt has 31,885 students: 9,075 students based on its Scottish campuses, 4,466 students attending overseas campuses and 18,344 students studying on its international programmes across the world. On its Scottish Campuses 50% of students come from Scotland, 15% from elsewhere in the UK, 12% from the European Union and 23% from overseas. Across all campuses, the student figures break down into 12,539 foundation and undergraduate students, 17,979 postgraduate taught students and 1,367 postgraduate researchers.

Today, the University remains true to its heritage of creating and exchanging knowledge for the benefit of society, delivering teaching that is professionally relevant and careers-focused, and developing world leading, innovative research that provides practical solutions to contemporary issues

**GLOBAL PRESENCE**

In 2014, Heriot-Watt opened its state-of-the-art campus in Putrajaya, Malaysia; serving the South East Asia region and beyond. This follows on from Heriot-Watt's first overseas venture, when, in 2005, it was the first UK university to create an overseas campus in Dubai's International Academic City. As well as educating students at its two overseas campuses, Heriot-Watt University has an unsurpassed international in-country presence delivering degree programmes to almost 5,000 independent distance learning students and through an innovative Approved Learning Partner network where more than 9,700 students study in a network of 48 institutions in 33 countries.

**INSTITUTIONAL STRUCTURE**

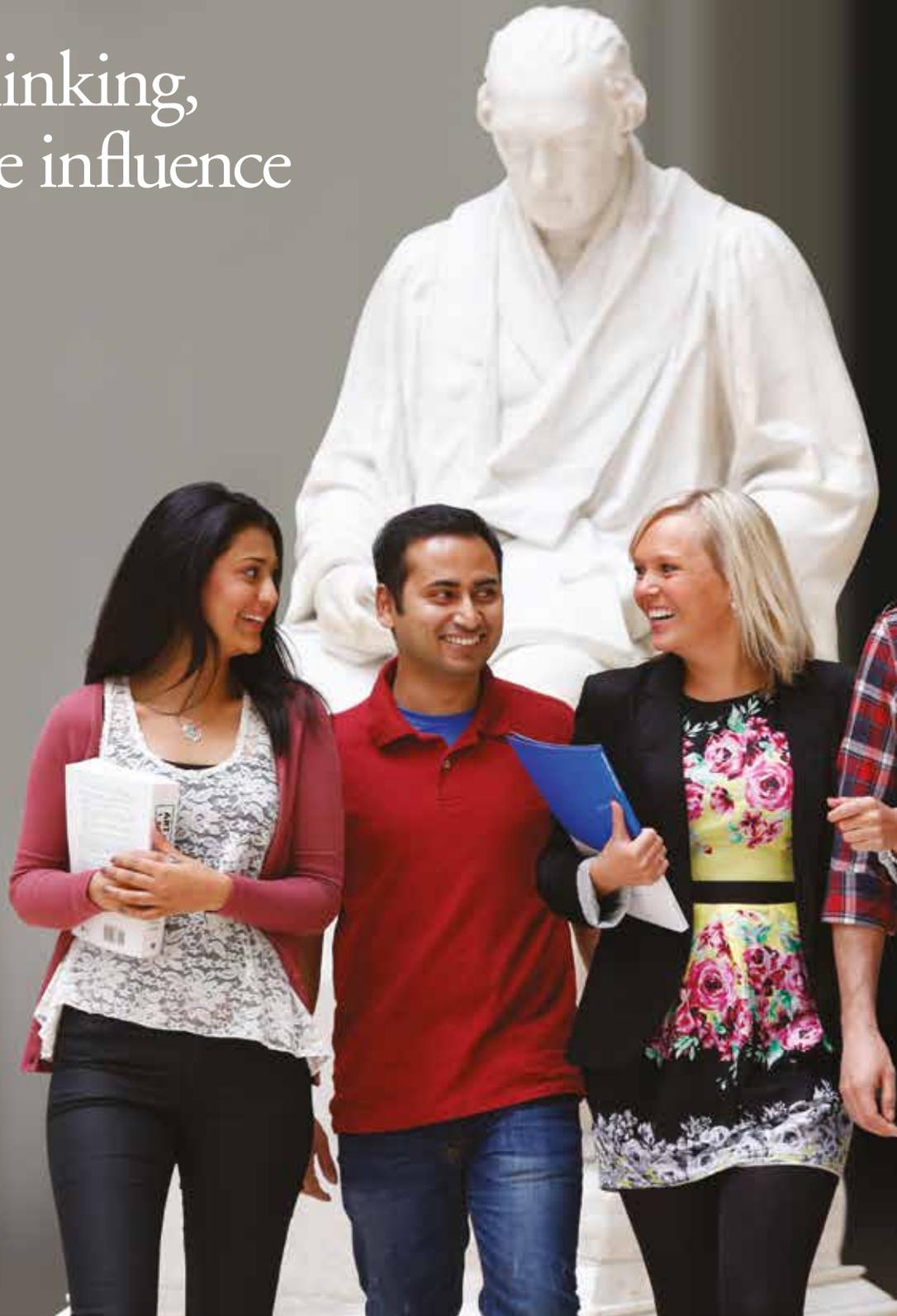
The University has structured its teaching and research into six academic schools and one postgraduate institute:

- School of Engineering and Physical Sciences
- School of Energy, Geoscience, Infrastructure and Society
- School of Life Sciences
- School of Management and Languages
- School of Mathematical and Computer Sciences
- School of Textiles and Design
- Edinburgh Business School



Heriot-Watt's global presence.

# Global thinking, worldwide influence



# Strategic Plan

## VISION AND MISSION

Heriot-Watt's vision is to be "world-leading within all its specialist areas of science, engineering, technology and business". This vision requires the University to be at the forefront of research and research-intensive education in the UK and internationally, and to deliver world-class innovative research and high quality teaching and learning, relevant to economic growth and development across business and industry.

To achieve this vision, Heriot-Watt's mission focuses on strengthening research intensity in the fields of economic and societal benefit, providing truly global education, delivering an excellent student experience and highly employable graduates. Although its ambitions are far reaching and its approach is globally focused, Heriot-Watt is committed to its Scottish roots and to playing an essential role locally and nationally.

## STRATEGIC DIRECTION

The characteristics of global recognition and professional relevance are defining distinctions of the University and are the bedrock of its strategic direction. Maintaining this distinctiveness will require the University and its academic staff to:

- exploit the synergy between excellent teaching and research in a global and professional context, and
- perform at internationally competitive levels of creativity in research, scholarship and teaching as synergistic activities.

Underpinning this strategic direction is the University's operational focus on continuing to be a high performing, rapidly growing and financially sustainable institution.

## STRATEGIC PLAN

The Strategic Plan 2013-2018 presents the University's direction and priorities for the five year period. The plan defines the University's ambitions, aims and objectives, and the pattern and scale of activities that will underpin its achievement. There are four defined areas of focus in the strategic plan (Learning, teaching and student experience; Research intensification; Internationalisation; and Enabling strategies) and each one has clearly articulated aims and a number of key performance indicators.

Heriot-Watt's mission focuses on strengthening research intensity in the fields of economic and societal benefit, providing truly global education, delivering an excellent student experience and highly employable graduates



# Learning, Teaching and the Student Experience

## CONTEXT

Heriot-Watt University has a long-standing reputation for providing highly employable graduates who have a distinctive professional orientation. It is also establishing an excellent reputation for the quality of student experience that it offers. This achievement has undoubtedly been influential in generating demand from students to study at Heriot-Watt.

## TARGET

The University aims to strengthen its graduates' attributes and skills further, through:

- Enhanced approaches to teaching, learning and assessment;
- Further development of facilities and support for the student learning and living experience; and
- A continually updated, relevant, broad curriculum.

## AIMS IN SUPPORT OF TARGET

To meet its strategic target the University will:

- Work in partnership with its students to:
  - Deliver high quality teaching and learning
  - Recognise increasing student diversity and identify solutions to emerging needs, and
  - Work in partnership with professional bodies, business and industry to ensure its graduates can provide what is required for the success of the organisation they are joining, and for their own success in their chosen field
- Ensure that the Heriot-Watt curriculum is fit for purpose:
  - Being informed by relevant research
  - Delivering a distinctive set of graduate attributes, and
  - Being valued by employers and society



- Continually support staff to introduce enhanced approaches to teaching, learning and assessment, and
- Work with partners to ensure that our programmes are accessible to the brightest and best from all backgrounds.

## ACTIVITY

The Quality Assurance Agency for Higher Education (Scotland) undertook its periodic Enhancement Led Institutional Review of the University during this year. The Review confirmed that Heriot-Watt has effective and robust arrangements for securing academic standards and enhancing the quality of the student experience. It identified a number of examples of positive practice, including:

- the flexible provision of learning opportunities where programmes are run in multiple locations, through multiple modes of study, to enable students to switch easily between different methods of study or location
- the global ethos embedded within the University's culture and operational processes and seen as everyday practice by staff and students

- the constructive and effective partnership between the University and its Student Union, illustrated by their joint work on graduate attributes; the development of representative systems in Dubai and Malaysia; and the Student Union Learning and Teaching Oscars and Graduate Teaching Awards, which recognise and reward good teaching by University staff.

The review also highlighted the University's approach to consulting and collaborating with staff and students to ensure their engagement with, and ownership of, its new Learning and Teaching Strategy.

In recent years, the University's student numbers have seen significant growth. With further growth envisaged, it will be essential to continue to develop the estate to provide more high quality capacity. Informed both by our Learning and Teaching strategy and by our review of estate efficiency and utilisation, the University has set out on its most ambitious portfolio of capital programmes ever. While the portfolio of capital investment addresses a range of estate's needs, the earliest and, at more than £70m the most costly of which, is related to the enhancement and expansion of teaching, learning and study space on our Edinburgh Campus. Early progress

will come in the form of enhancement and expansion of teaching, learning and study space, including the repurposing of the remainder of the James Watt Conference Centre for term-time teaching and the creation of additional study space by the repurposing of the current Elements café. From 2017/18 much of the activity will focus on the expansion of specialist science and engineering teaching facilities and ongoing investment in study and social space.

Beyond direct learning and teaching, provision of facilities for sport and exercise are an important component of the student experience. September 2016, will see the opening of Oriam, Scotland's National Performance Centre for Sport, on our Edinburgh Campus. Here, Scotland's top sportsmen and women will access facilities and support services pivotal for successful performance on the international stage. In addition, Oriam will provide extensive access for both students and the local community to the £33m world-class facilities, inspiring them to take part in sport, improve their fitness or enjoy a more active lifestyle.

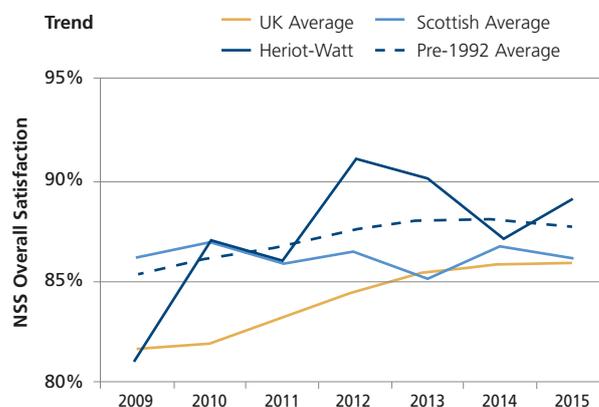
September 2016 will also see the opening of another new student residence on our Edinburgh Campus. As well as expanding the residential capacity on campus, this will allow us to close some of our more dated student accommodation. The University's ambitious capital plans provides for continued investment in refurbishment of existing student residences as well as the enhancement of Student Union facilities.

## RISKS

The University perceives the major risk here to be any impact on the student experience that might arise from the failure of its student facilities to keep pace with the growth in student numbers. As signalled by the capital plans outlined above, as well as the imminent improvement and expansion of residential and sports facilities, over the coming five years, there will be a focus on the expansion and renewal of the University's core learning and teaching facilities on a scale not seen since our move to the campus at Riccarton. The University's financial plans have, of course, anticipated the resultant need for future major financial investment. However, the inherent prudence in our financial plans dictates that the pace of investment will be matched by an ongoing assessment of its affordability.

In relation to international students at our UK campuses, the University continues to work hard to maintain compliance with all UK Visas and Immigration (UKVI) regulations and requirements such that the likelihood of substantive exceptions is rare. This minimises the risks around maintenance of the University's "Highly Trusted" sponsor status. Whilst not affecting the sponsorship of students on our main UK campuses, compliance with revised "Sites and Partnerships" guidance issued by UKVI has forced the University to discontinue its sponsorship of new students at our Associate Campus in London. Whilst the existing 700 or so undergraduate and postgraduate students will be unaffected, they will be the last cohorts of our students who will be taught at West London College.

## KEY PERFORMANCE INDICATORS (KPI)



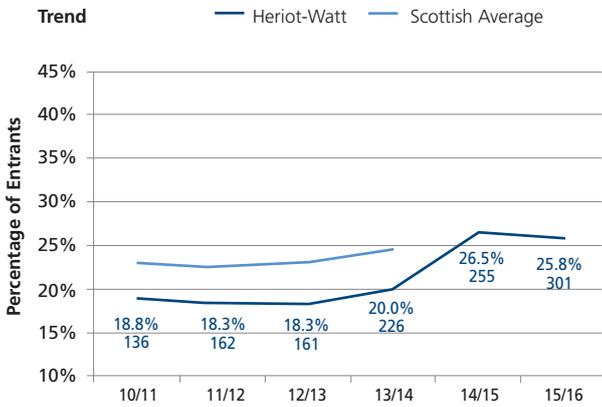
### KPI: Student Satisfaction

Overall satisfaction, as measured by the proportion of positive responses to the general question on overall satisfaction in the National Student Survey (NSS), is significant as an indication of final year undergraduate students' overall reflection on their learning experience.

2015's result of 89% places Heriot-Watt 28th in the UK, in the midst of the Russell and 1994 Group universities, a marked improvement from rank 45th and the tail of these groups last year. This year saw the University ranked in the top ten UK

universities for Chemical Engineering, Chemistry, Mechanical Engineering, Marketing and Building; and first in Scotland for Chemical Engineering, Chemistry, Mechanical Engineering, Languages, Linguistics, Marketing, Design Studies, Building and Civil Engineering. On the NSS's broader measure of student satisfaction, averaging scores across a wider range of students' reflections, our results have declined from their 2012 peak, converging with the still rising sector averages. These results signalled some concern regarding assessment & feedback and learning resource, which has already triggered improvement actions.

KPI: WIDER ACCESS



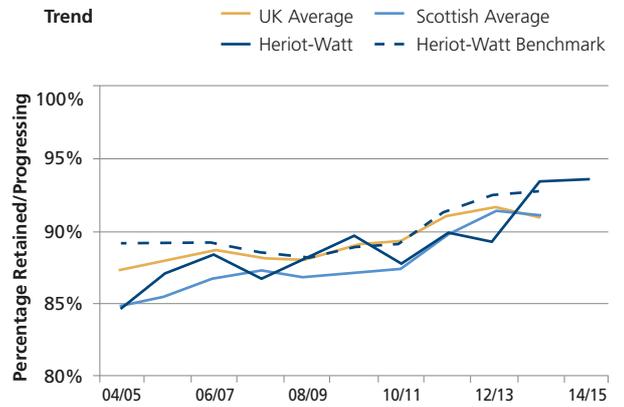
**KPI: Wider Access**

In Scotland, wider access is generally measured as the fraction of entrants from SIMD40\* areas which provides an indication of the social diversity of the student population.

\* the 40% most deprived areas as measured by the Scottish Index of Multiple Deprivation (SIMD)

Heriot-Watt's target was to have at least 25% of this Scottish student population coming from SIMD40 areas. This year the University has sustained the earlier step change in this population, maintaining above target performance, which we are confident we will sustain over the planning period.

KEY PERFORMANCE INDICATORS (KPI)



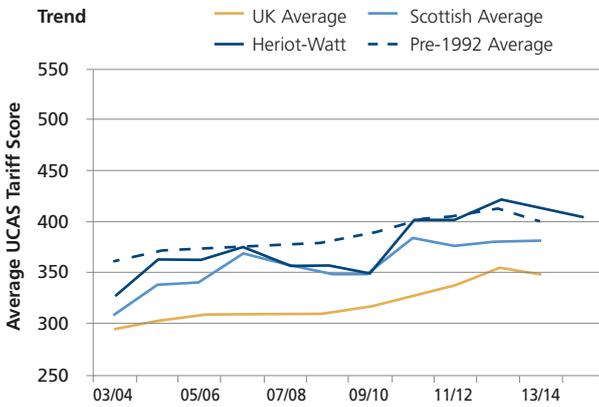
**KPI: Retention/Progression of undergraduate students**

The fraction of university entrants continuing or progressing in the same university in the year after their entry is an indication of the institution's effectiveness in engaging and supporting new students and meeting their expectation.

Heriot-Watt has tracked the long-run improvement seen across the sector, with 2013/14 outperformance of the sector average taking Heriot-Watt above its target level of 93%, a trend that was sustained in 2014/15. Provisional results for retention of last year's entrants suggest that we have fallen back somewhat albeit still ahead of performance pre-2013/14. Improving retention continues to be an area of considerable focus within the university.



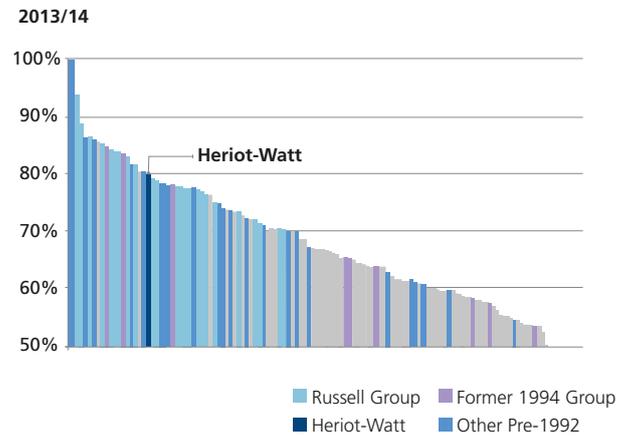
KEY PERFORMANCE INDICATORS (KPI)



**KPI: Entry Scores**

The UCAS tariff of UK university entrants is widely recognised as a means for equating various entry qualifications and grades on a single scale. The result provides an indication of demand from well qualified candidates. Following the start of a steep upward trend in 2009, from well below the average of scores for pre-1992 universities, more recently the University's own average scores have levelled off, above that of the pre-1992 university average. Our target to move from the second quartile of UK universities to the first quartile was achieved in 2012 and has been sustained since then.

KEY PERFORMANCE INDICATORS (KPI)



**KPI: Graduate Employment**

While the fraction of UK university first degree graduates in employment or further study/training six months after graduation indicates an institution's effectiveness in preparing graduates for a successful future, Heriot-Watt places an emphasis on benchmarking its performance where that employment is 'graduate level'. On this measure, Heriot-Watt's graduates regularly perform better than the sector average, with results of around 80% placing it 20th in the UK, up 5% points and 5 places on last year. While the university's improvement is welcomed and its performance places it firmly within the upper quartile of UK universities, this falls short of what we consider an achievable and sustainable position within the top decile.

The University's ambitious capital plans provides for continued investment in refurbishment of existing student residences as well as the enhancement of Student Union facilities

# Research Intensification

## CONTEXT

The UK university sector is now characterised by increasing stratification, with the primary characteristics associated with perceived quality being research intensity and scale. Thus, fundamental strategic targets are those associated with growth and research income (as a proxy for research intensity).

## TARGET

The University's strategic plan sets very ambitious targets for the growth in research income from under £23m earned in 2011/12, to a target of £40m per annum by the end of 2018. This target for research grant and contract income was set to be consistent with the performance of our benchmark group, the small and medium-sized research intensive universities that formerly constituted the 1994 Group.

## AIMS IN SUPPORT OF TARGET

Research at Heriot-Watt spans the fundamental to the applied, through an interdisciplinary approach to knowledge creation and enterprise. To meet the target set for 2018 the University will:

- Promote new interdisciplinary fields of research, emphasising economic and societal benefit in order to generate high impact outputs and attract significant research funding to increase critical mass
- Develop further strategic collaborations through national and international academic and industrial research alliances
- Take advantage of our international campuses and worldwide learning partnerships to extend research opportunities
- Facilitate research management through research-led institutes and interdisciplinary research centres,



providing focus and identity to enhance research opportunities, performance and funding

- Support innovation and entrepreneurship in the creation of new enterprise, and
- Increase the number of research students commensurate with an expanded research landscape.

## ACTIVITY

During the year, the results of Research Excellence Framework (REF) 2014 were announced, with 82% of Heriot-Watt's research being assessed as either 4\* (world-leading) or 3\* (internationally excellent), ranking the University 22nd among UK universities and 3rd in Scotland for 4\* and 3\* research.

Heriot-Watt made a number of joint submissions with the University of Edinburgh. On the basis of Research Power, together we were ranked 1st for General Engineering among UK universities; 2nd in Architecture, Built Environment and Planning; and 5th in Mathematical Sciences.

A new category in REF 2014 is 'Impact' i.e. demonstrating the benefit that our research makes for society at large. Examples of Heriot-Watt's research impact are as diverse as providing greater equality for deaf people, helping to manage risk in the insurance industry, alleviating homelessness in Scotland, new spin-out companies in optoelectronics, renewable energy developments in Orkney, and enhancing oil extraction from the North Sea. In this category, Heriot-Watt ranks 9th in the UK and 1st in Scotland.

The Scottish Funding Council's subsequent announcement of the indicative funding impact of the REF signalled a headline increase in the University's Research Excellence Grant of £2.2m per annum, from £9.9m to £12.1m. This increase was the biggest of any of the mainstream Scottish Universities. The implementation of the change will be staged over three years from 2015/16 to 2017/18.

Our main source of research income remains income from research grants and contracts, and it is for this category that we have set ourselves a target of £40m by the end of 2018. The table below summarises our performance in relation to research grants and contracts over the last five financial years (see below).

Over the early years of delivering its strategic plan, the University has made an impressive start to achieving its long term target. More recently the rate of growth slowed, although this year saw stronger growth than last. The current overall trend is unlikely to deliver on our £40m income target by the end of 2018. That said, the leading indicators of future income, as represented in the levels of research proposals and research awards signal a more positive trend reflecting an up-turn in proposals from the phase of 'Global Platform' recruitment late in 2013. At £153.2m, the value of proposals for the year were almost £20m ahead of the previous year, and almost equalled the record level seen in 2012/13. More importantly, and more impressively, at £40.6m, the value of awards for the year set a new record for this University, more than £11m ahead of the awards in 2013/14, and £5.3m more than that previous record in 2012/13.

## RISKS

Given that Industry funding is not growing as quickly as public funding of our portfolio, and that the total public budget for research is constrained by public spending control, it is likely that we will need to win a larger slice of a potentially shrinking cake. Our response will be centred on:

- **Academic staff recruitment:**

It seems likely that our difficulty in maintaining the income trend to deliver on our £40m target is related with the reduction in our recruitment of 'research active' academic staff post REF 2014; contrary to the target we set ourselves, as part of our 'Global Platform' initiative, to recruit 20 of these academics each year. Reviving and sustaining that recruitment will be a key contributor not only to the growth of our research income but to the diversification of our income sources, including broadening our interaction with the range of Research Councils. While our recruitment goal stretches across the university's entire portfolio, early potential for accelerated performance is likely to be associated with the impending opening of the Sir Charles Lyell Centre, including collaboration with the British Geological Survey.

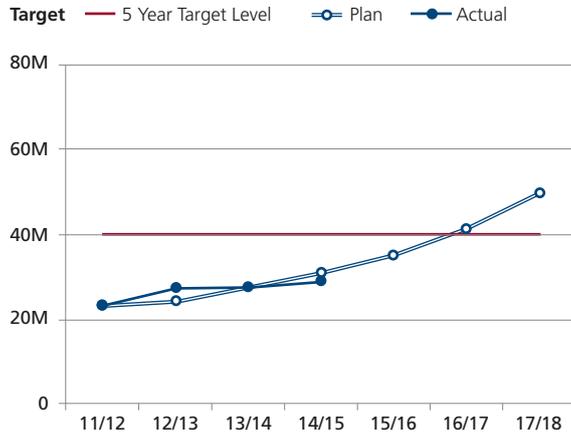
## Research Activity

	2010/11		2011/12		2012/13		2013/14		2014/15	
	£m	No.								
Research income	21.2	-	22.7	-	26.9	-	27.1	-	28.3	-
Research awards	24.2	219	23.8	220	35.3	243	28.7	254	40.6	281
Research proposals	79.2	421	130.3	524	153.7	609	133.6	613	153.2	646

• **Co-ordination of strategic-scale research proposals:**

Increasingly, as a matter of strategy, Research Councils are seeking to concentrate their portfolio on a smaller number of larger research projects, often interdisciplinary and collaborative in nature. They seek to do so in order to be able to make real and demonstrable impact on research problems of real significance. They wish to do so not least in order to be able to demonstrate strategic intent in spending round negotiations. Conversely, the strength of Heriot-Watt’s research portfolio has traditionally been in large numbers of small grants. Over the last few years, the University’s Research and Knowledge Exchange Board has begun to develop a role in co-ordinating larger scale, collaborative bids. The consequence is an upward trend in the average size of our research grants, again often involving our newer recruits.

KEY PERFORMANCE INDICATORS (KPI)



**KPI: Annual Research Grant and Contract Income**

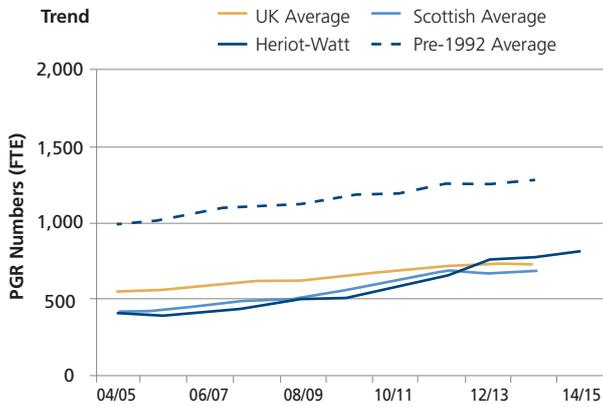
A good primary indication of the volume and scale of research projects being undertaken is the value of annual income from Research Grants and Contracts (excluding Funding Council Grants).

Unsurprisingly, the Russell Group of research intensive universities sits in the top 15% of institutions with income levels between £80m and £430m. Heriot-Watt’s performance over the strategic plan period has seen appreciable income growth and an improvement in its relative position, as one of the better performers of the remainder of the pre-1992 institutions, most of whom sit between the Russell Group and the median income of £7m.

While the University currently appears to lag the trend required to achieve target, the recent leading indicators of awards, underpinned by a commitment to accelerate growth of the community of active researchers may be enough to bring future performance back into line with the plan.

Examples of Heriot-Watt’s research impact are as diverse as providing greater equality for deaf people, helping to manage risk in the insurance industry, alleviating homelessness in Scotland, new spin-out companies in optoelectronics, renewable energy developments in Orkney, and enhancing oil extraction from the North Sea

KEY PERFORMANCE INDICATORS (KPI)



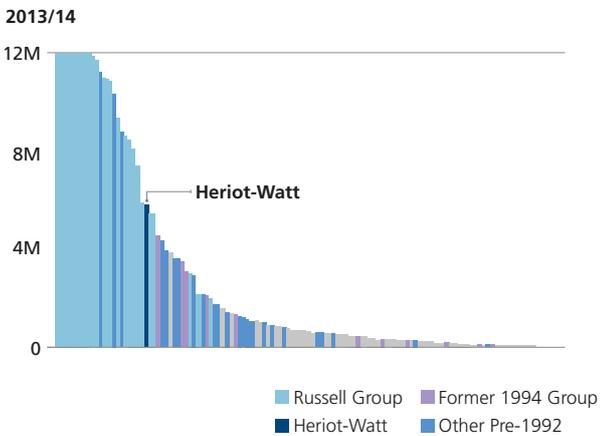
**KPI: Research Student Numbers**

Measuring the number of research posts is another significant indication of the volume of research being undertaken.

The trend shows Heriot-Watt rising above the UK and Scottish averages and, at 814 FTE students, is currently sitting a little ahead of the level likely to deliver the target of 900 active Doctoral degree students by 2016/17.

This has been reinforced by another strong intake in 2015/16.

KEY PERFORMANCE INDICATORS (KPI)



**KPI: Industrial Research**

The value of annual income from Research Grants & Contracts from private sector industry and commerce including UK and international businesses, provides an indication of the value placed on the research by industry and commerce, and thus its potential in relation to commercial knowledge exchange.

While Heriot-Watt had experienced a trend of sustained growth, this has flattened, of late, mainly because of our dependency on the oil industry. However, our total income remains well above the UK and Scottish averages, and continues to track towards the average level of the generally much larger pre-1992 universities, reflected by maintenance of our position as 23rd out of 127 institutions. We have now fallen behind the trajectory that would take us to £10m over the strategic plan period, and have low expectations of this being regained until there is a recovery in oil prices.

# Internationalisation

## CONTEXT

Heriot-Watt is “Scotland’s international university” and is among the UK’s top five universities in terms of its international presence and number of international students.

## TARGET

The University has set an ambitious target of doubling the scale of its international activities over the five years of its strategic plan.

## AIMS IN SUPPORT OF TARGET

To achieve its target the University aims to:

- Continue to grow rapidly all streams of international activity
- Secure the success of the new Malaysian Campus
- Enhance the internationalisation of research and knowledge exchange activities
- Ensure that Heriot-Watt University qualifications are recognised and respected internationally, providing entry to jobs worldwide
- Facilitate international mobility for Heriot-Watt students and staff
- Provide a state-of the-art virtual learning environment (VLE), a “virtual campus”, supporting the needs of all Heriot-Watt students independent of location or mode of study, and
- Support the development of Heriot-Watt as an international university with Scottish roots.



## ACTIVITY

In February 2015, the Heriot-Watt University Malaysia campus in Putrajaya was formally opened by Her Excellency Vicki Treadell CMG, MVO the British High Commissioner to Malaysia and Dato’ Seri Idris Jusoh, Minister of Education II.

During the year, the University’s Brazil group continued to progress its work in collaboration with top Brazilian Universities in areas of shared research interest. Funding was secured from the British Council Newton Fund with UNICAMP and Universidade de Sao Paulo to run an interdisciplinary research workshop on “Rain Rivers and Reservoirs”.

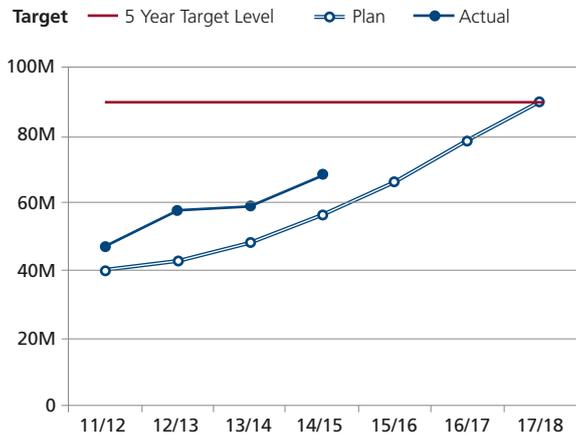
Partnerships with Chinese Universities continued to grow across all Schools, including two Chinese Ministry of Education approved collaborative programmes in science and engineering. The Scottish Confucius Institute for Business and Communication, run in partnership with Tianjin University of Finance and Economics, has played an increasingly strong role at Heriot-Watt, delivering language classes and a range of cultural events.

Over 90% of Edinburgh Business School’s 12,000 active students are based outside the UK; of these, some 45% study entirely through independent distance learning, and 55% are registered with an international partner. During the year, Edinburgh Business School launched two innovative projects based on online teaching and online assessment. Over 800 students participated in the pilot online tuition project, reporting benefits of even greater choice of study routes, increased retention and improved performance.

## RISKS

Given the size of the project in Malaysia, we are particularly attuned to the range of risks that the project presents, including those relating to student recruitment, programme accreditation and the provision of facilities to meet student needs. The University maintains risk registers in relation to the general international environment as well as those relating to Dubai and Malaysia in particular. We identify, review and manage risks on a regular basis in relation to key projects, as well as taking a view across the whole strategy. This includes ‘horizon scanning’ of the political and economic environments in key markets of interest to Heriot-Watt.

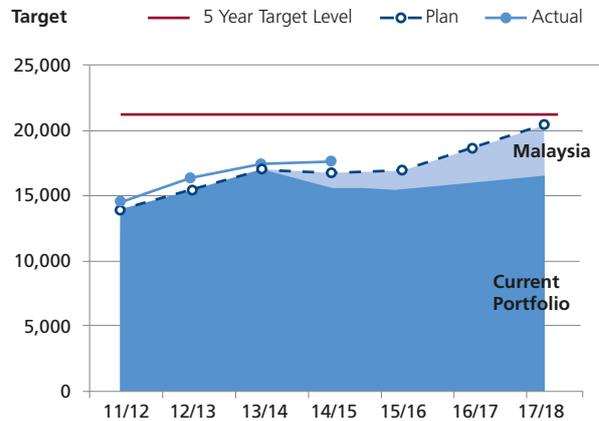
KEY PERFORMANCE INDICATORS (KPI)



**KPI: Income from international student fees**

Since about 2005, the University's income from international student fees has grown very much faster than the UK and Scottish averages. Our current target is to double our income over the five years to 2017/18 from £45m to £90m; and our current performance sits well ahead of the trend required to achieve that. Future growth depends heavily on the income from our new Malaysian campus, and although growth there has been impressive with already more than 1,000 students on campus, overall we are likely to see some softening in the rate of growth, and so we are unlikely to continue to trend so far ahead of plan.

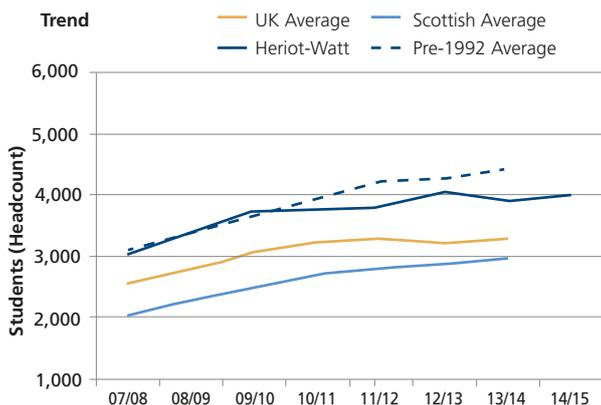
KEY PERFORMANCE INDICATORS (KPI)



**KPI: Students Studying outside the UK**

Heriot-Watt has a history of supporting students to achieve its degrees outside the UK, mainly through International Distance Learning and partnerships with overseas institutions which deliver the University's accredited learning programmes. The addition of the Dubai (2005) and Malaysia (2013) campuses has strengthened the University's international presence. At the end of 2014, Heriot-Watt remained in the top three institutions in terms of the number of students studying outside the UK, with actual student numbers trending a little ahead of the University's plan. The University plans to maintain its strong position in Dubai; to continue to grow distance learning and partner activity, and to increase the delivery of a range of undergraduate and postgraduate programmes at its campus in Putrajaya, Malaysia.

KEY PERFORMANCE INDICATORS (KPI)



**KPI: International Students Studying in the UK**

Although the trend at Heriot-Watt in attracting students from abroad currently lags the pre-1992 university average, it is still well above the level of the UK and Scottish averages. The University's target is for steady annual growth from 3,700 students in 2011/12 to 4,200 students by 2017/18. With an upturn on the most recent trend taking the total number of international students on UK campuses to 4,000 in 2014/15, Heriot-Watt's remains on target to meet its objective.

# Enabling Strategies

## CONTEXT

The University has a sound financial base in terms of annual operating surpluses, diversified and growing income streams, and effective control of costs. Historically it has been relatively conservative in its borrowing, however, its ambitious strategy will require a degree of risk, and further investment will be necessary. The University anticipates that significant investment capacity should become available, subject to the performance of the plan, careful business planning and the well-managed execution of strategic projects.

## TARGET

In financial terms the strategic plan targets are to develop income growth by over 50% over the next five years, and to achieve annual operating surpluses of at least 7% of income within five years.

## AIMS IN SUPPORT OF TARGET

To achieve the above targets the University aims to:

- Increase its financial resilience and agility in order to redeploy resources to best effect
- Promote an entrepreneurial approach across all operating units
- Invest in the estate, infrastructure and IT
- Pursue other streams of income, including developing a fundraising campaign
- Maximise the commercial value emanating from the University's intellectual property, and
- Research and develop commercial income opportunities from the University estate and other facilities.

## ACTIVITY

Investment in the University's estate and infrastructure is well underway, with the first phase of student residences renewal at the Scottish Campuses and the development of a new Malaysian Campus complete. The coming year will see a further 450 new beds added to our residences in Edinburgh, funded from hitherto unutilised loan facilities; the opening of the National Performance Centre for Sport, the main funding coming



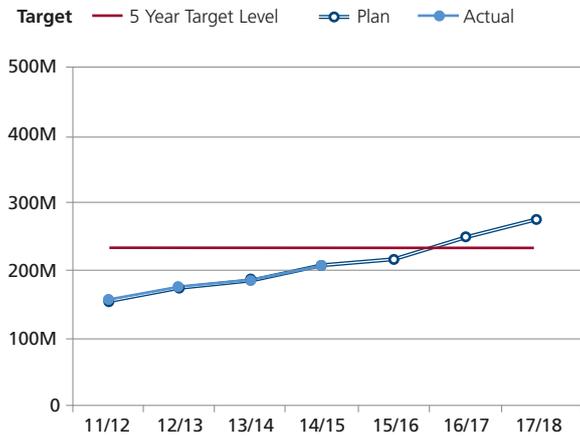
from a grant from sportScotland; and the opening of the Sir Charles Lyell Centre, a new centre for earth and marine science and technology, jointly funded by UK and Scottish funders, Natural Environment Research Council (NERC), Scottish Funding Council (SFC) and Heriot-Watt University, which will house researchers from the University and from the British Geological Survey and will create a world-leading research cluster bringing science and technology together to tackle major issues of natural resource and energy supply in a responsible and sustainable way. In addition, this year saw the University commit a further £18m to the first stage of an ambitious capital programme, which gives early priority to the enhancement and expansion of teaching, learning and study space. Looking forward, our ambition is to spend around another £130m to deliver a range of projects that support growth in our capacity to accommodate leading edge researchers; to expand specialist science and engineering teaching facilities; and to continue to invest in study and social space.

## RISKS

The scale of ambition of the University's plans inevitably involves risk and uncertainty. While there are inevitable risks associated with the execution of such a significant scale of capital investment, we will continue to ensure that appropriate project management, resource and financial planning will be directed to ensure that projects can be delivered within an overall programme. More critical is likely to be the delivery against a financial plan that relies on strong income growth and generation of surplus, which, in turn, are subject to risks associated with the success in international activity and on broader risks around government funding, student fees and research concentration.

However, the improvement in surplus over the period of the plan is consistent with rates of improvement seen in recent years, and the plan contains significant contingency and discretionary elements to provide resilience and flexibility, including explicit contingency against failure to achieve planned tuition fee and net research income; interest rate hedging to give greater certainty over debt servicing costs; and discretionary elements in potential capital investments and gateway reviews to maintain future flexibility over decisions to commit capital expenditure across the planning period in the event that financial circumstances or risk profiles change.

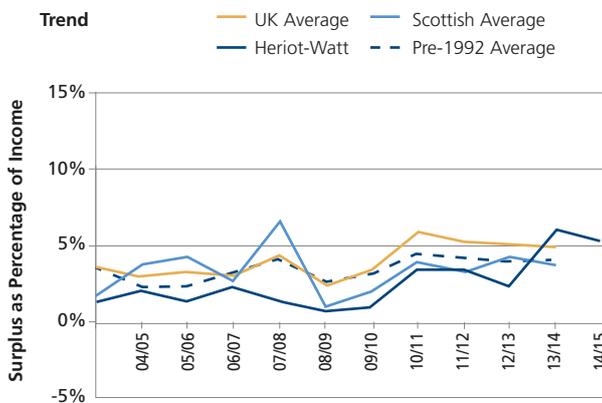
KEY PERFORMANCE INDICATORS (KPI)



**KPI: Total Income**

The aim growing of income by more than 50% over the five year strategic planning period, established a target of total income of £235m by 2017/18, which, depending on competitor growth rates, could move the University well into the sector's second quartile. The University's Financial Plan projects meeting that target in 2016/17 and predicts significant above inflation growth (averaging 8% pa). Encouragingly, at £206m, actual performance in 2013/14 lies slightly ahead of this forecast. At £191m in 2013/14 (the most recently available sectoral figures), Heriot-Watt consolidated the previous year's move across the median income threshold by shifting comfortably into the second quartile. When normalised to total staff numbers (to give a measure of the efficiency of income generation), the University's £114k per staff FTE ranks 7th in the UK, up from last year's 12th and the previous year's 25th positions.

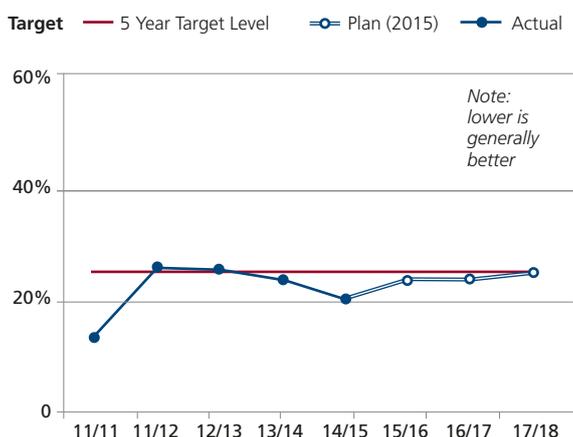
KEY PERFORMANCE INDICATORS (KPI)



**KPI: Operating Surplus**

Historical surplus as a percentage of total income is a significant indication of an institution's ability to generate a surplus proportionate to its size. Although slightly down on the previous year, this year's result of 5% is above that planned for, and seems likely to remain ahead of the sectoral averages. The University's target is to achieve and sustain a surplus of at least 7% by 2017/18, which is particularly demanding in relation to its ambitious income growth target. Progress to date shows the surplus evolving in line with our Financial Plans which projects exceeding the target level from 2016/17.

KEY PERFORMANCE INDICATORS (KPI)



**KPI: Gearing**

Measuring long-term borrowings as a percentage of income gives an indication of the level of borrowings relative to the size of the institution and gives an indication of both the institution's exploitation of its potential to support development and the risks associated with servicing repayments and interest on such debt. With borrowings of £42m, representing 20% of the University's total income, Heriot-Watt currently sits below the sectoral median target. In the coming years, that proportion will grow, as we utilise existing facilities and add new borrowing; but with rising income, the proportion will remain within or on target over the remainder of the planning period.

# Financial Review



An artist's impression of Oriam,  
Scotland's new National Performance Centre for Sport



#### FINANCIAL STRATEGY

The University's broad financial strategy is reflective of the targets set out in the Strategic Plan and key among these is the target to grow income from £150m to £235m. The growth in total income is underpinned by growth in student numbers and in income from Research Grants and Contracts. Income growth will be supported by strong recruitment trends for fee paying students in Edinburgh, Dubai, and particularly Malaysia.

#### GROWTH OF RESEARCH GRANT AND CONTRACT INCOME

Research intensification is one of the key strands of the University's Strategic Plan. In financial terms the objective is to grow Research Grant and Contract income from £23m per annum in 2011/12 to £40m by 2017/18. At £28.3m in 2014/15, that income source continues to grow, however, currently, the rate of growth sits a little behind the trajectory required to achieve the £40m target. However, the leading indicators in terms of awards and proposals and our continued commitment to invest in high calibre academic staff may signal a return to the required rate of growth in the coming years.

During the year, an excellent outcome for the University in the Research Excellence Framework (REF) 2014 was announced. REF gradings are a critical element in the perception of a university's research standing and, so, are of major strategic importance. The results were also important financially, given that the Scottish Funding Council's announcement of the indicative funding impact of the REF signalled a headline increase in the University's Research Excellence Grant of £2.2m per annum, from £9.9m to £12.1m, to be staged over three years.

During the year, an excellent outcome for the University in the Research Excellence Framework (REF) 2014 was announced. REF gradings are a critical element in the perception of a university's research standing and, so, are of major strategic importance

## GROWTH OF OPERATING SURPLUSES

The University's financial strategy is founded not only on growth in income, but on plans to grow operating surplus from 3% to 7% of total income.

A baseline surplus of income over expenditure of 3% is set as a prudent minimum to avoid the possibility of incurring a deficit. However, over the Plan period, intended surpluses rise to greater than 7%, in order to constrain the requirement for borrowing to support investments. Achieving such surpluses will require considerable discipline in order to grow expenditure more slowly than income. The planned surpluses build in provision for contingency against the non-achievement of challenging income targets and assume that the University will continue with its programme of strategic investments in new academic staff and supporting activities. In the absence of shortfalls in research and tuition fee income, or against the targets in the Malaysia business plan, the contingency provision would be assigned for identified medium-scale investments, primarily in improvements to the estate or to increase the surplus.

The growth in operating surplus, supplemented by some modest utilisation of existing borrowing facilities and some further modest borrowing will fund capital plans which will support the delivery of the strategy. As previously outlined, the University's five year financial planning model includes an ambitious portfolio of capital programmes, with gross expenditure totalling more than £220m by the end of the current planning period.

## SCOPE OF THE FINANCIAL STATEMENTS

The financial statements which have been approved by the Court for the year-ended 31st July 2015 comprise the consolidated results of the University and its subsidiary undertakings, together the "Group".

## RESULTS FOR THE YEAR

The Group reported a surplus of £11.1m for the year 2014/15, down £1m on the prior year.

The table below summarises the consolidated income and expenditure reported for the last five financial years.

## INCOME

In 2014/15 the Group achieved income growth of 8% (2014: 9%) with total income increasing by £15.0m to £206.3m (2014: £191.3m). Growth was seen across all of the Group's main income categories.

The recent reversal of the previous trend of generally decreasing funding body grants continued this year, with resources for learning and teaching reaching 44.7m (2014: £44.0m); continuing to be boosted by support for additional funded places to widen access and for strategically important subjects in undergraduate and postgraduate programmes and the last year of the Scottish Funding Council's support for research via its "Global Excellence" initiative which assists Scottish universities to do well in international league tables.

The continuing upward trend in overall income growth comes mainly from continued growth in tuition fees and education contracts, up by £13.1m over the year to £102.5m (2014: £89.4m); fuelled by strong growth in student numbers.

With little change in home and EU student numbers, income from these students fell by £0.2m to £14.6m (2014: £14.8m). A third tranche of undergraduate students from England, Wales and Northern Ireland paying tuition fees, saw fees from students from the rest of the UK rise by £3.3m to £9.5m (2014: £6.2m). With growth of over £9.6m, the largest contributor to the growth in income from tuition fees was that attributable to the growth in student numbers from international students studying in the UK; on international campuses; as independent distance learners; or from those studying with our international approved learning partners.

## Results for the Year

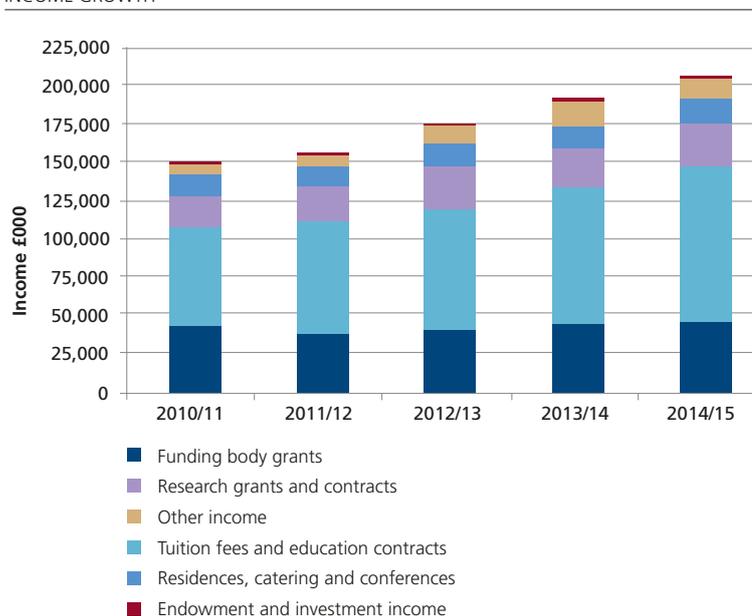
	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
<b>Income</b>	150.3	155.6	175.5	191.3	206.3
Year on year %	<b>+5.3%</b>	<b>+3.5%</b>	<b>+12.8%</b>	<b>+9.0%</b>	<b>+7.8%</b>
<b>Expenditure</b>	(144.8)	(149.2)	(171.3)	(179.2)	(195.2)
Year on year %	<b>+6.8%</b>	<b>+3.0%</b>	<b>+14.8%</b>	<b>+4.6%</b>	<b>+9.1%</b>
<b>Net Surplus</b>	<b>5.5</b>	<b>6.4</b>	<b>4.2</b>	<b>12.1</b>	<b>11.1</b>

\* restated to reflect the prior year adjustment required to reflect the change in June 2010 where increases in public sector pension schemes were linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI).

Building on the growth of the previous year, the £1.1m growth in research grant and contract income to £28.3m (2014: £27.1m), reflects the University's continued efforts to develop this category of income, mainly through investment in research active staff as part of the Global Platform initiative.

Having had the benefit, last year, of a one-off boost to other income from the proceeds of the sale of our investment in spin-out companies, it is pleasing to note that this year's other income at £30.2m (2014: £30.1m) has held up well. This is because, this year, other income benefited from a residual sum associated with the spin-out sale and has had a significant boost in residences catering and conferences income, primarily associated with activity related to the 2014 Commonwealth games.

INCOME GROWTH



## Growth in Student Numbers

	2010/11	Change	2011/12	Change	2012/13	Change	2013/14	Change	2014/15
<b>Scottish Campuses</b>									
Undergraduates	5,825	6.1%	6,180	0.8%	6,230	0.2%	6,245	4.0%	6,493
Taught Postgraduates	1,660	-3.6%	1,600	-2.2%	1,565	-1.9%	1,535	0.2%	1,538
Research Postgraduates	785	7.0%	840	9.5%	920	8.2%	995	4.9%	1,044
	<b>8,270</b>	<b>4.2%</b>	<b>8,620</b>	<b>1.1%</b>	<b>8,715</b>	<b>0.7%</b>	<b>8,775</b>	<b>3.4%</b>	<b>9,075</b>
<b>Dubai Campus</b>									
Undergraduates	1,145	58.5%	1,815	24.8%	2,265	8.2%	2,450	2.3%	2,506
Taught Postgraduates	790	18.4%	935	26.7%	1,185	10.1%	1,305	0.7%	1,314
Research Postgraduates	-	-	-	-	-	-	-	-	5
	<b>1,935</b>	<b>42.1%</b>	<b>2,750</b>	<b>25.5%</b>	<b>3,450</b>	<b>8.8%</b>	<b>3,755</b>	<b>1.9%</b>	<b>3,825</b>
<b>Malaysia Campus</b>									
Undergraduates	-	-	-	-	-	-	170	162.9%	447
Taught Postgraduates	-	-	-	-	16	556.3%	105	84.8%	194
	-	-	-	-	<b>16</b>	<b>1618.8%</b>	<b>275</b>	<b>133.1%</b>	<b>641</b>
<b>TOTAL ON-CAMPUS</b>	<b>10,205</b>	<b>11.4%</b>	<b>11,370</b>	<b>7.1%</b>	<b>12,181</b>	<b>5.1%</b>	<b>12,805</b>	<b>5.7%</b>	<b>13,541</b>
<b>Independent Distance Learners and Students at Approved Learning Partners</b>									
Undergraduates	3,550	17.5%	4,170	3.6%	4,320	1.6%	4,390	-29.5%	3,093
Taught Postgraduates	8,790	7.5%	9,445	8.0%	10,200	11.9%	11,415	30.8%	14,933
Research Postgraduates	200	25.0%	250	2.0%	255	3.9%	265	20.0%	318
	<b>12,540</b>	<b>10.6%</b>	<b>13,865</b>	<b>6.6%</b>	<b>14,775</b>	<b>8.8%</b>	<b>16,070</b>	<b>14.2%</b>	<b>18,344</b>
<b>GRAND TOTAL</b>	<b>22,745</b>	<b>10.9%</b>	<b>25,235</b>	<b>6.8%</b>	<b>26,956</b>	<b>7.1%</b>	<b>28,875</b>	<b>10.4%</b>	<b>31,885</b>

## EXPENDITURE

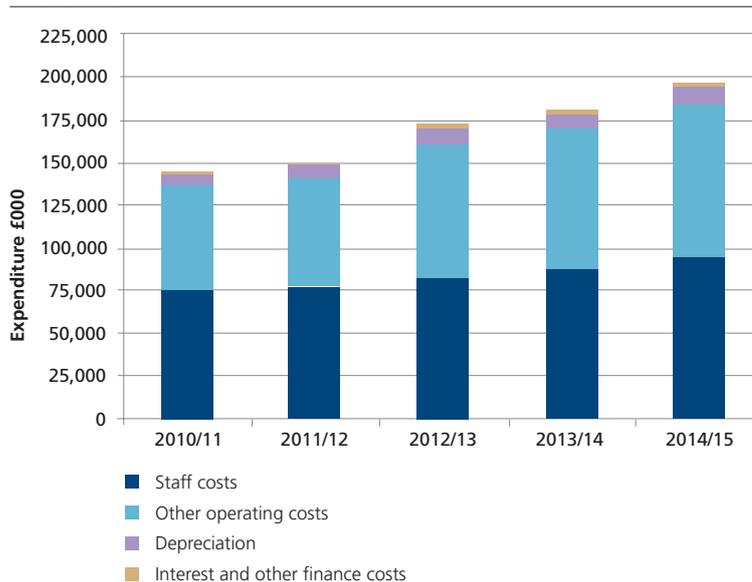
At £95.4m (2014: £89.0m), staff costs increased by 7.2% compared to the previous year. With 2.0% being attributable to the pay award in 2014, the bulk of the increase is attributable to growth in staff numbers; reflecting the investment in new active research academics and the growth in our overseas campuses; and to automatic increments in pay scales. Further disclosures are shown in Note 7 to the financial statements.

Reaching £89.8m (2014: £81.3m), the increase in other operating expenditure reflects the general growth in activity associated with a growing student population at home and abroad; and with growth in the University's research activity.

Growth in depreciation reflects some modest investment in fixed assets.

Although at £0.9m (2014: £1.5m) interest and other finance costs are down 36% on last year, the underlying interest cost associated with bank borrowing remained static at around £1.5m. The overall reduction in financing costs reflects the offsetting effect of an increase in the net return on pension assets, up from £0.2m to £0.8m.

## EXPENDITURE



## NET ASSETS

At the end of the year, the Group had net assets of £95.8m (2014: £85.1m), an increase of £10.8m on the previous year. The net increase in fixed assets by £17.0m reflects the early stages of significant capital works that are underway on our Edinburgh campus, including the National Performance Centre for Sport, the Sir Charles Lyell Centre and a new student residence. Together, fixed asset investments, short term investment and cash grew by £7.4m, with increasing use being made of term deposit accounts and longer-term investments with a view to improving the yield on surplus cash. There was a general upward movement in both debtors and creditors associated with the University's overall growth, but capital grants received in advance for third-party funding of the National Performance Centre for Sport and the Sir Charles Lyell Centre, being responsible for much of the £17m growth in the net value of creditors over debtors in the year.

## CREDIT AND LOANS

The University entered the year having fully drawn its £25m term loan from the Clydesdale Bank, agreed in May 2011 to fund the development of new student residences on the Edinburgh and Scottish Borders Campuses; and with £20m of its £40m revolving credit facility with Barclays Bank drawn. During the year, the University converted £20m of the revolving credit facility into a term loan; and agreed to maintain a £20m revolving credit facility, none of which is yet drawn, for a further five years.

The University began capital repayment of both of the term-loans during this year. By the end of the year, the debt stood at £44.1m (2014; £45m)

To protect the University from the revenue impact of financial market volatility, there are interest rate swaps in place for 50% of the Clydesdale loan value and for 100% of the value of the Barclay's term loan.

## PENSIONS

The Group's employees are members of one of three pension schemes, the Universities Superannuation Scheme (USS), the Lothian Pension Fund (LPF) and the Scottish Teachers Superannuation Scheme (STSS).

Details of the accounting policies are set out in Note 1 and further disclosures are set out in Note 28. All three schemes provide benefits to members based on final pensionable pay. For the Lothian Pension Fund the underlying assets and liabilities of the University's share of the fund are identifiable and the disclosures required by Financial Reporting Standard 17 'Retirement Benefits' have been fully adopted.

The Group continues to operate its Pension+Plus arrangement for employees who are members of USS. Those participating in this arrangement no longer pay employee pension contributions in the usual way. They have instead agreed to a reduction in their salaries equal to their pension contributions and the Group has, in turn, agreed to increase its own pension contributions to cover both the employee and the employer elements. Both sides have benefited from this arrangement, with reductions in employee and employer National Insurance contributions. The Group has reinvested the savings it has made in new initiatives and the employees involved have benefited from an increase in take home pay.

Both USS and LPF published their latest triennial valuation reports, for which the reference date is 31 March 2014, in December 2015 and February 2015 respectively. Valuation of the Scottish Teachers' Superannuation Scheme was completed by the Government Actuary's Department on behalf of the Scottish Government on 27th February 2015, based on scheme data as at 31st March 2012.

## PAYMENT OF SUPPLIERS

Unless special terms are agreed, it is Group policy to pay valid invoices at the end of the month following the month in which the invoice is dated. At 31 July 2015 there were 30 days (2014: 20 days) of purchases in trade creditors. No interest was payable under the terms of the Late Payment of Commercial Debts (Interest) Act 1998.

## MINORITY INVESTMENTS

For a number of years the Group has had a policy for the commercialisation of its research base, in some cases through the creation of "spin-out" companies, in which it retains a minority investment. As at 31 July 2015 there were 12 investments (2014: 13) in a range of different companies. The market value of these investments is not reflected in the Group's financial statements.

The University's five year financial planning model includes an ambitious portfolio of capital programmes



# Corporate Issues



New student accommodation on the Edinburgh Campus



#### **OUTCOME AGREEMENT**

In Autumn 2011, the Scottish Funding Council acted on advice from the Scottish Government to establish Outcome Agreements with Scottish Universities. From 2012/13, the agreements, which are negotiated individually between the Funding Council and institutions, have been framed to ensure improved outcomes would be delivered by Scottish universities in specific areas, including notably widening access to increase the number of students from deprived areas of Scotland entering the University; new pathways for increased numbers of students to progress from Scottish further education colleges to the University; increasing skills training in various topics; increasing various aspects of equality and diversity in the University; increasing Scottish universities' global research competitiveness; increasing university/industry collaboration in Scotland; and increasing Scottish universities' contributions to environmental sustainability.

The University has welcomed the opportunity to demonstrate alignment of its activities with Government priorities and, through the negotiation of Outcome Agreements since 2012/13, has secured additional resources from SFC to advance the targeted outcomes.

#### **EMPLOYEE COMMUNICATION**

Staff have been kept up-to-date during the year with strategy development, implementation and financial and academic performance through a variety of communication channels.

A series of internal communications activities are undertaken to ensure staff are informed about institutional progress and encouraged to engage with the implementation of the University's Strategic Plan. The Principal and Vice-Chancellor hold annual staff meetings where progress in the preceding year is presented. In order to include all campus staff, the meetings are timed to coincide with the Vice-Chancellor's visits to overseas Campuses. Podcasts are also made available for those not able to attend a meeting near them. These occasions give all staff an opportunity to ask the Principal and Vice-Chancellor questions in person.

In addition, there is a series of written communications provided for staff on the University website, detailing progress at the University's various committees. An electronic newsletter is produced on average twice a week and an on-line magazine is produced twice every year. Urgent messages are distributed through an all-staff e-mail. Face to face communications take place between managers and staff and a team briefing system is in place to ensure the cascade of relevant information.

Opportunities are available for staff to ask general questions or make comments through both electronic means or by the more traditional method of posting questions.

The University has welcomed the opportunity to demonstrate alignment of its activities with Government priorities



**EQUALITY AND DIVERSITY**

Heriot-Watt University embraces a positive attitude towards the promotion of equality and diversity and takes pride in its efforts to create a working, educational and social atmosphere which is inclusive of everyone. The University takes a holistic approach to equalities, looking to establish and maintain an open and accessible working and learning environment where students and staff are able to reach their full potential.

Our Equality Outcomes cover the period 2013-2017 and are articulated in four overarching outcomes created to have impact across the entire equality and diversity agenda. The Outcomes are an ambitious statement of where the University will be in 2017. The Outcomes impact across all those protected characteristics prescribed by the Equality Act 2010.

The equality outcomes are to:

- create improved measures;
- enhance reporting;
- increase awareness and skills; and
- deliver a culture of inclusion for all.

Consistent with our requirements under the Equality Act 2010, in April 2013 the University also published the Heriot-Watt University Pay Gap information and Equal Pay Statement and a Mainstreaming Equality Report. These can all be accessed at [www.hw.ac.uk/equality/ElimIndex.htm](http://www.hw.ac.uk/equality/ElimIndex.htm). We published our interim position in April 2015 alongside an update of progress toward our Equality Outcomes and a mainstreaming Report. We are currently focusing on producing a new set of Equality Outcomes for 2017.

One of our main areas of equality activities is around gender equality, specifically progressing through the Athena SWAN Charter Awards. The Athena SWAN Charter recognises commitment to advancing women's careers in higher education. Heriot-Watt University was a founding member of the Charter in 2005. The University was awarded our current Bronze status in September 2013. We are currently rolling-out Athena SWAN principles across all our Schools and Professional Services with a view to submitting award applications at the disciplinary level. Our School of Mathematical and Computer Sciences achieved a Bronze Award in October 2015.

**EMPLOYMENT OF DISABLED PERSONS**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. The University has a policy for the employment of people with disabilities. The main elements are:

- The University is committed to ensuring that disabled people receive full and proper consideration throughout the whole recruitment process
- Candidates who meet the minimum criteria will be guaranteed an interview
- Subject to available resources, the University will provide or obtain, through grants or aid from the Disability Employment Service, any practical equipment or modification which will enable disabled people to undertake full employment.

In the event of existing employees becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**ENVIRONMENTAL SUSTAINABILITY**

The University is committed to operating its facilities in a responsible way with concern for the environment and for the communities in which it operates. In order to achieve this objective the University considers environmental issues within investment and business decisions, and plans sustainability improvement initiatives across key areas including:

**UTILITIES AND CLIMATE CHANGE**

- Reduce energy consumption and related greenhouse gas emissions by promoting effective and efficient reduction methods, throughout the whole estate.
- Reduce water consumption by promoting conservation methods throughout the whole estate, aspiring towards best practice through effective monitoring and targeting systems.

**RESOURCE EFFICIENCY**

- Minimise waste and ensure that there is effective control, which promotes reuse and recycling where possible and provides responsible disposal elsewhere.
- Avoid the use of non-replaceable resources wherever possible.

**SUSTAINABLE PROCUREMENT**

- Influence our suppliers and contractors to ensure that goods and services procured support our environmental policy and, in turn, that all suppliers and contractors progressively improve their own environmental performance.

**CAMPUS, LANDSCAPE AND COMMUNITY**

- Continue to recognise the value of biodiversity and the importance of protecting and enhancing the diverse range of species and habitats present on campus.
- Involve and inform staff, students, visitors and other stakeholders to develop their awareness of environmental issues.
- Liaise with local communities and their representatives where the University operates on environmental matters.

**TRAVEL**

- Develop and implement green transport plans for business and commuter travel.
- Promote modal shift from single occupancy private car use by encouraging and facilitating car sharing, better use of public transport and the provision of facilities for pedestrians and cyclists.

The University also promotes enhanced environmental sustainability via a significant proportion of its teaching and research. To establish the best framework in which to continue to improve sustainability performance, the University will work towards the development of Environmental and Energy Management Systems consistent with the ISO 14001 and ISO 50001 standards.

During 2014-15 the University's environmental sustainability initiatives included:

- The implementation of a number of LED lighting projects to reduce lighting electricity consumption in relevant areas by up to 75%. One of the projects, involving the replacement of street lighting at the Edinburgh Campus with LED fittings, has qualified as a 2015 finalist in the "Carbon Reduction" category of the Green Gown Awards, the sector's sustainability award scheme.
- Tendering the University's non-hazardous waste requirements in association with developing plans for revised waste segregation arrangements, to enhance recycling rates and provide a more engaging system for recycling.
- Development of the Edinburgh Campus as a 'Partner Campus' in Cycling Scotland's Cycle Friendly Campus project. Participation in the project resulted in cycling development initiatives and infrastructure including improved cycle parking facilities, cycle

training and maintenance classes, the operation of a bike hire scheme and improved signage for cyclists on campus.

**STUDENT REPRESENTATION**

The University has had a long and successful track record of involving its students in decision-making with a resulting positive influence on the quality of decision-making, especially where this relates to the University's aim to provide an excellent student experience. Students are represented on the Senate and a range of academic and executive committees as well as on the University Court and several standing committees of Court. In accordance with good governance guidance provided in the Scottish Code of Good Higher Education Governance, a student representative is included in the membership of the University's Governance and Nominations Committee, which makes recommendations on lay member appointments to the Court and Court committees and provides advice to the Court on all aspects of governance. Multi-campus student representation is also included in the newly established Global Student Liaison Committee. Part of the remit of this committee will be to enhance yet further student representation across all campuses of the University. There was student representation on the appointment committee for the recent appointment of the University's Principal and Vice-Chancellor.

**DONATIONS**

No donations were made during 2014/15 to UK political organisations.

**INSURANCE**

The Group has insurance policies in place for its officers and for potential claims against them in connection with their role in managing the organisation. In addition, insurance policies are in place to cover all relevant areas of risk in relation to the University's activities and assets.

**Professor Richard A Williams OBE FREng**  
Principal and Vice-Chancellor

11 December 2015

**Dame Frances Cairncross**  
Chair of Court

11 December 2015

# Corporate Governance Statement

## INTRODUCTION

The University aims to achieve best practice in all aspects of its governance. This statement describes the principal governance provisions that are currently in place in support of this aim. The University Court keeps these provisions under review to take account of evolving best practice, and to remain responsive to the needs and expectations of its stakeholders.

Throughout the financial year 2014/15, the Court has been observant of the Scottish Code of Good Higher Education Governance (the Scottish Code), which was published in 2013. The Court has maintained oversight of an action plan to monitor the University's continued progress towards achieving full compliance with the main and supporting principles of the Scottish Code.

The University uses best endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership. The commitment of the University Court to these principles is explicit in the Court's Statement of Primary Responsibilities and in advice provided to prospective and new members of the Court and Court committees.

The powers of the University and the Court, as its governing body, derive from the University's Charter and Statutes. These are the University's primary constitutional documents. The Charter defines the objects, powers and responsibilities of the University, its principal officers, and the functions of the Court and the Senate of the University. The Statutes prescribe the supporting requirements for enactment: the membership, powers and functions of the Court and the Senate; the appointment, powers, duties and conditions of service of officers and members of staff; and provisions for the formation and approval of the Ordinances and Regulations.

The University aims to achieve best practice in all aspects of its governance

According to the University Charter, subject to the terms of the Charter and the Statutes, and to the powers reserved to the Court, the Court delegates to the Senate all of its powers in relation to academic work and standards. The Senate is therefore the executive body responsible for the academic work and standards of the University.

In the reporting year, the University, led by its Court, has undertaken a range of new developments, and implemented changes in support of its objective to achieve the highest possible standards in governance. A number of these have been aimed specifically at compliance with principles set out in the Scottish Code. All have been cognisant of the Code in one way or another.

Examples of recent developments are described below. The most significant development has been completion of work to bring about major revisions to the University's Charter and Statutes and supporting Ordinances:

- Throughout 2014/15, a process of consultation overseen by the Court was undertaken with the Scottish Government Legal Department and the Privy Council Office on major revisions to the University's Charter and Statutes. The revised Charter and Statutes gained full Privy Council approval in July 2015 and came into effect from 1 September 2015. The new Charter and Statutes can be viewed at:

<http://www1.hw.ac.uk/ordinances/charter-and-statutes.htm>

A detailed review of the Charter and Statutes was undertaken during 2013/14 on the recommendation of a Court-appointed Constitutional Review Group which included Court, Senate and student representation.

The factors providing the rationale for the subsequent major changes to the Charter and Statutes were manifold. Over the course of time the nature of the University's activities had changed, and the complexity of the University's operations, carried out across international campus sites, had grown substantially. The review was therefore necessary to ensure that the University's primary constitutional documents are fit for purpose and congruent with the University's international dimension and complex governance structures and contractual relationships. The Court was cognisant also of the requirements of the Scottish Code and the need for the University's constitutional arrangements to accord with good governance precepts, as well as with relevant legislation, such as the Charities and Trustee Investment (Scotland) Act 2005.

The review and revision work also provided the opportunity to introduce a higher degree of clarity around the powers, functions and responsibilities of the Court and the Senate, and the delegable and non delegable powers of the Court.

Work was undertaken during 2015 to revise the University's Ordinances and Regulations which underpin the revised Charter and Statutes. The resulting sets of revised and new Ordinances and Regulations were approved by the Court and the Senate in the summer of 2015. This represented a first phase of work on the Ordinances and Regulations. Further work to refine these will continue over the course of 2015/16.

- The Court has established a new 'Statement of Primary Responsibilities' which reflects fully the advice set out in the Scottish Code.
- The Court oversaw the process towards the appointment of a new Principal and Vice-Chancellor, approving the appointment in December 2014. The process accorded with advice contained within main principle 5 of the Scottish Code.
- The Court has approved a revised Public Interest Disclosure (Whistleblowing) Policy and Procedures. The opportunity was taken to review the University's policy against the Scottish Code advice on whistleblowing, as well as recent changes in legislation which needed to be reflected in the policy. The Court has also approved and implemented a new Ethical business: Conflict of Interest Policy, together with a new register of interest form. The new policy and supporting procedures are tailored specifically to members of the Court and Court committees. This development accords with main principles 5 and 6 of the Scottish Code.
- The Court has approved and implemented a new Court Attendance and Participation Policy which is designed to support optimum contributions from individual members of the Court and its committees. This accords with main principle 4 of the Scottish Code.
- A new system of declaration has been introduced for new Court and Court committee members which invites a signed declaration from members that they understand and accept the responsibilities associated with their memberships, will observe the Principles of Public Life, will act in the interests of the University and will declare any interests which may give rise to conflict. This development accords with main principle 6 of the Scottish Code.
- The Court has approved a redevelopment of the Court Skills' Matrix which is used to record the skills and experience held across the membership of the Court, in support of effective succession planning. This accords with main principle 9 of the Scottish Code.
- The Court has established a Global Student Liaison Committee as a standing committee of the Court, to be chaired by an independent lay member of the Court. This committee, which shall meet for the first time in autumn 2015, comprises multi-campus representation, including strong student representation. Its focus will be on the achievement of an excellent student experience and strong student representation across all campuses of the University. This development accords with main principle 7 of the Scottish Code.
- Standing Orders for the Court are expected to be approved by the Court before the end of 2015. The Standing Orders, which are in compliance with the supporting guidelines to main principle 4 of the Scottish Code, have been dependent on the prescribed rules within the new Charter, Statutes and supporting Ordinances.
- The agendas, papers and minutes relating to each meeting of the Court are included in the University's Freedom of Information Publication Scheme and are available on request to any member of staff, student or member of the public, subject to any legitimate exemptions that might apply to the information they contain. The agendas and minutes are posted on a fully accessible webpage as a matter of routine. From 2015/16, meeting papers will also be webposted from the point at which the approved minutes to which those papers relate are made public. This arrangement, in accordance with guidance in the Scottish Code, will apply to those papers which do not contain relevant exemptions, for example, for reasons of commercial confidentiality.
- The Court has approved a new reporting template for Court and Court committee meeting papers. This template, which will be implemented from autumn 2015, will improve clarity around the status of committee papers in terms of Freedom of Information requirements and assessments of equality impact, privacy impact and risk.
- The Court established a short-life Communications Focus Group in the year reported to review and make recommendations on enhancements to communications and engagement around the activities of the Court. In 2015 the Court approved a range of recommendations and work has proceeded through the year to implement these.

## GOVERNING BODY

### Responsibilities

The University's Charter defines the powers of the Court as the governing body of the University with general control of the management and administration of the University. The University Charter and Statutes were substantially revised in 2014/15; however, the key functions of the Court, as described in those primary constitutional documents, have remained materially unchanged. The key functions of the Court are to:

- be ultimately responsible for oversight of the affairs of the University;
- set and approve the University's strategic direction, vision and mission;
- ensure the effective management and control of the University's affairs, property and finances through the establishment of systems of internal control;
- ensure the effective management and administration of the University's staff and the students;
- determine the structure, staffing and overall composition of the University; and
- appoint the Chancellor, Pro-Chancellors, Principal, Vice-Principal and the Secretary of the University.

The revised University Charter, which took effect from 1 September 2015, prescribes that the Court shall adopt, and at all times act in accordance with, a Statement of Primary Responsibilities which shall include provisions relating to the performance of the Court's primary responsibilities in accordance with accepted principles of good governance for a university.

The Court undertook a major revision of its Statement of Primary Responsibilities in 2013/14. In June 2014, the Court approved a new Statement which meets the requirements set out in the Scottish Code of Good Higher Education Governance.

The revised Statement clarifies the status of the Court in terms of its collective responsibility for oversight of the entirety of the University's activities, and as the body of trustees of the University for the purposes of the Charities and Trustee Investment (Scotland) Act 2005. The Statement also provides clarity on the decision-making authority of the Court and the authority that may or may not be delegated. The University's commitment to observe the seven Principles of Public Life: selflessness; integrity; objectivity; accountability; openness; honesty; and leadership is reflected in the Statement which explicitly states the responsibility of the Court and its individual members at all times to conduct themselves in accordance with those standards of behaviour.

The Court Statement of Primary Responsibilities is published in full at:

<http://www1.hw.ac.uk/committees/court/statement-of-primary-responsibilities.pdf>

To discharge its responsibilities the Court met nine times during the year 2014/15, including at two strategy "Away Days".

The first Away Day meeting in the year, scheduled in November 2014, focused primarily on the University's performance against the agreed set of Key Performance Indicators aligned to the Strategic Plan and associated institutional strategic risks. Thus, the Court was provided with background contextual information upon which to draw when considering the 2015 Five-Year Financial Plan.

The Court Away Day held in May each year provides the opportunity for topical strategic discussions aligned to current institutional priorities. The primary topics for discussion at the May 2015 Away Day were focused on Edinburgh Campus infrastructure developments. Other topics included the final report on the Heriot-Watt University Malaysia project, a governor report following a visit to both the Malaysia and Dubai campuses, and an annual report from the Heriot-Watt University Student Union.



At each of its ordinary meetings in the year being reported, the Court received an executive briefing from the Principal, which updated the Court on matters concerned with the work of the University led by the University Executive. In addition, the Court received a regular report from the Senate (based on the full minutes of the Senate), and reports from each of the committees of the Court which had met in the preceding period. The reports from the Court committees, which are normally presented by the respective committee Chair are based on the minutes of the meetings, with the exception of Remuneration Committee business, thereby, the full business of each committee is normally presented to the Court for information, for comment and, where appropriate, for approval. At each ordinary meeting of the Court, the President and the Vice-President Student Union members of the Court are provided with an opportunity to update the Court on items of news and issues of interest of the Student Union and the students it represents.

The Court is responsible for reviewing and approving any significant long-term academic and business plans of the University including major infrastructure projects. The Malaysia Campus project and Oriam (Scotland's Sports Performance Centre) represent two such projects. In the year reported the Court and its Finance and Campus Committees have continued to receive reports and recommendations for approval in relation to both projects. The final report from the Malaysia Oversight Board, which was the fixed life Board established for the purpose of providing governance oversight of the Malaysia Campus project, was received by the Court in May 2015. The Malaysia Campus is now fully operational in phase one of its development. In the reporting year the Court has received regular reports on the Oriam project, and has considered and approved proposals in relation to financing and staffing of the new centre which will open in late summer 2016.

### **Court membership**

The Court comprises twenty five members including the Chair, who is one of a maximum of thirteen independent lay members of the Court. A further ten members, both internal and external to the University, have been directly elected to the membership and a further two are ex-officio members.

Regular further attendees at meetings of the Court include the Secretary of the University (who is Secretary to the Court), the Director of Governance and Legal Services and the Director of Finance, thereby ensuring that relevant additional advice and expertise is readily available to the Court when required during meetings. The Vice-Principals (Dubai) and (Malaysia) are also invited to be in attendance at each meeting of the Court.

During 2014/15, all non-Court members of the University Executive, together with independent lay members of each of the Court's standing committees, were invited to attend Away Day meetings of the Court as full participants at those events.

As and when particular agenda items require input of specific knowledge or expertise to add value to the discussion and the decision-making process, other members of the executive management team have been invited to attend part of an ordinary meeting of the Court to contribute to the discussion on that item of business.

In support of the new Charter and Statutes, a new Ordinance prescribing the arrangements for the appointment of independent lay members to the Court was approved in summer 2015. This requires that the University's Governance and Nominations Committee shall comply with the Scottish Code in the exercise of its role and responsibilities in relation to those appointments.

### **Equality and Diversity**

During 2014/15, three vacancies arose in the independent lay membership of the Court following completion of members' terms of office. Of these three appointments two were female appointments, including the Chair. A further five vacancies arose from 1 August 2015. Of those five, four were filled by female appointees. A further independent lay member vacancy arose unexpectedly in the year. It is planned that this remaining position will be filled before the end of 2015.

In early 2015 the Court oversaw a recruitment campaign to attract new members to fill forthcoming vacancies on the Court and on certain of its committees. The advertising, which ran in the national press and on relevant professional websites, emphasised the Court's diversity aims emphasising that applications from female candidates would be especially welcome.

The Court has been successful in recent years in achieving incremental positive changes in the gender balance of the Court membership. In 2015/16 the proportion of female members within the independent lay member category will be not less than 54%.

While the Court cannot influence the outcome of elections within the elected staff, Senate and alumni member categories of membership, the pre-election communications encouraging individuals to stand for election are explicit in encouraging women in particular to put themselves forward for election.

In 2015/16 the proportion of female members across the total membership of the Court will be not less than 52%.

**Chair of Court appointment**

At its meeting in October 2014, the Court approved the appointment of Dame Frances Cairncross, DBE, FRSE, as Chair of the Court from 1 January 2015, in succession to Lord Penrose who demitted office on 31 December 2014.

**Principal and Vice-Chancellor appointment**

During 2014/15 the Court had oversight of and ultimately approved the appointment of new Principal and Vice-Chancellor in succession to Professor Steve Chapman. Professor Chapman took up the appointment of Vice-Chancellor and President of Edith Cowan University in Western Australia in April 2015. The University's new Principal and Vice-Chancellor, Professor Richard A Williams OBE FREng, took up his post from 1 September 2015. Good governance guidance, as set out in the Scottish Code, was followed in relation to appointments process for a new Principal.

In the interregnum period between appointments, the Court approved the appointment of Vice-Principal, Professor Julian Jones, as Acting Principal from 14 March 2015 until 31 August 2015. Professor Gill Hogg was appointed during the interregnum as the Acting Vice-Principal.

During the year the Court approved the appointment of a new Principal and Vice-Chancellor

**Committees of the Court**

The standing committees of the Court assist the Court in discharging its responsibilities in the governance oversight of the broad areas of: human resources; estate and campus development; finance and asset management; risk, systems of internal control and audit, and effective governance. The Terms of Reference of committees of the Court are normally reviewed annually, and are approved by the Court, ensuring that there remains clarity around the delegated powers and lines of responsibility between the Court and its committees. The standing committees of the Court are described below.

- The Emergency Committee of Court may consider delegable items of business and take decisions on behalf of the Court during the summer recess, or as and when any urgent matter might require attention between ordinary scheduled meetings of the Court. The Emergency Committee is chaired by the Chair of Court.
- The Audit and Risk Committee met six times during the period reported with the External and Internal Auditors sitting in attendance at each meeting. The Audit and Risk Committee provides independent oversight of, and advice to the Court on: the adequacy and effectiveness of the University's systems of internal control (including financial systems, accounting procedures, measures to control the risk of fraud or malpractice); risk management arrangements; compliance with statutory Scottish Funding Council and other requirements; and governance arrangements to promote efficiency, effectiveness and value for money.

The Audit and Risk Committee oversees the process for the appointment of Internal and External Auditors, monitoring the performance and effectiveness of the Auditors, and oversees the programmes of internal and external audit and the implementation of recommendations emerging from internal audit reviews.

- The Finance Committee met four times during the period reported. The Committee's primary responsibilities include reviewing, overseeing and advising the Court on: the overall financial strategies of the University; financial forecasting and performance; the University's treasury activities, including investments, borrowing commitments and borrowing terms; fundraising; working capital management; and the financial affairs of the University's trading and commercial activities. The Committee is also responsible for: monitoring and reviewing compliance with the Financial Memorandum with the Scottish Funding Council and other relevant terms and conditions associated with funding grants and rewards; reviewing and making recommendations to the Court on business plans for new ventures; and ensuring the development and implementation of finance and procurement policies which meet legislative and regulatory requirements and also reflect best practice. The Finance Committee reviews and approves the annual accounts and financial statements for the whole Heriot-Watt University group jointly with the Audit and Risk Committee.

Four committees report to the Finance Committee: the Campus Committee; the Endowments Committee; the University Collections Committee; and the Fees Working Group.



- The Campus Committee met five times during the period reported. The Campus Committee reports via the Finance Committee of Court. The Committee's remit is to oversee development of the University's estate strategy, which underpins and facilitates delivery of the University's Strategic Plan and the academic objectives of learning and teaching and research. The Committee oversees space usage, monitors the programme of major capital and minor works, and considers and makes recommendations on matters relating to the University's property portfolio, sustainability and environmental matters, legislative compliance and legal, planning and commercial matters.
- The Governance and Nominations Committee met five times during the period reported. The Committee's composition reflects the advice set out in the Scottish Code of Good Higher Education Governance relating to the membership of a governing body nominations committee. The Governance and Nominations Committee advises the Court on all matters relating to governance and good governance practice, the conduct and effectiveness of Court business and the appointment of independent lay members of the Court and the standing committees of the Court.
- The Remuneration Committee met twice during the period reported. The remit of the Committee is to review and determine the salary and other remuneration, including performance reward payments and conditions of service, of the most senior staff of the University (i.e. staff remunerated at Grade 10 on the nationally agreed higher education framework single pay spine). The membership of the Committee comprises only independent lay members. The Committee is chaired by the Deputy Chair of Court. The University complies with the guidance set out in the Scottish Code in relation to the composition and responsibilities of the committee responsible for remuneration. The Terms of Reference of the Committee will be reviewed again in 2015/16 in the light of further good governance guidance on the operation of remuneration committees in Scottish higher education which was released by the Committee of Scottish Chairs in August 2015.
- The Staff Committee met four times during the period reported. The Committee's remit is to advise the Court and make recommendations on the human resources strategy in relation to the University's strategic objectives, legislation and best practice, and to oversee workforce planning and employment policy as well as matters relating to equal opportunities, diversity, the welfare and security of staff, international staff governance and arrangements in place for staff representation.
- The Court approved the establishment of a new Global Student Liaison Committee as a standing committee of the Court in June 2014. The Committee will be operational from 2015/16. The focus of the Committee's work will be on the achievement of an excellent student experience and strong student representation across all campuses of the University.

The full terms of reference of each Court committee can be accessed via the following webpage:  
<http://www1.hw.ac.uk/committees/>

## The Court is satisfied as to the independence of the appointed lay membership of the Court

### Effectiveness

As part of a rolling five-year programme of Effectiveness Reviews, in 2011/12 the Court undertook a full review of its own effectiveness and that of the Staff, Finance and Audit and Risk Committees of the Court. The Court has continued to implement positive governance changes in the light of the outcomes of that review and, more widely, in pursuit of its aim to adopt governance best practice.

The Scottish Code sets out expectations in relation to reviews of effectiveness of both University Court and Senate bodies. The University has developed effectiveness review plans in 2015 for consultation with the Court and the Senate. Led by the Court and its new Principal and Vice-Chancellor, an interim review will be undertaken for each of the Court and the Senate in 2015/16. Important initial steps have been to complete the substantial review and revision of the University's primary constitutional documents, the Charter and Statutes and, in support of their enactment from 1 September 2015, the necessary Ordinances and Regulations. The measure of effectiveness must, in part, be assessed against those revised constitutional precepts; support for effective governance has been the primary aim of the review of the University's Charter, Statutes and Ordinances.

A new Ordinance approved in August 2015 prescribes arrangements in relation to the Court's responsibilities for effectiveness reviews of the Senate and the Court. This development accords with main principle 16 of the Scottish Code.

Effectiveness shall be assessed also against the Court's new Statement of Primary Responsibilities and compliance with the Scottish Code, as well as compliance against any future Higher Education Governance (Scotland) Act. However, beyond those aims, the purpose of the Effectiveness Reviews will be to consider other factors, for example: whether governance structures and processes are the right ones to support effective discharge of responsibilities; to consider the effectiveness of communications between the Senate and the Court and between those bodies and their stakeholder groups; and to consider matters such as consistency, agility, inclusivity, transparency and identified good practice which can be shared more widely.

The planned schedule for Effectiveness Review of the Court involves a mid-point review within the five-yearly programme of externally facilitated governance effectiveness reviews, followed in 2016/17 by an annual review, followed in 2017/18 by a full externally facilitated effectiveness review. The reviews will incorporate standing committees of the Court. Following a mid-point review in 2015/16, the Senate shall also be subject to a full externally facilitated effectiveness review in 2017/18.

### Induction and development opportunities for members

A two day induction programme is available to all incoming new and current members of the Court and its standing committees each year. Opportunities are taken throughout the year to increase members' knowledge and understanding of the University's work and the governance and policy environment in which it operates, through tailored presentations and discussions or "show and tell" events at Court Away Days. There is an open invitation for Court members to join meetings of the Senate as observers; members are encouraged each year to take up this opportunity.

Court and Court committee members are also regularly informed of upcoming seminars and conferences which are relevant to higher education governance, for example, those provided by the Leadership Foundation for Higher Education (LFHE) through its Governor Development Programme. Court members are also informed via regular briefings of new publications of relevance. The planned programme of evening meetings from 2015/16, supplementary to the scheduled ordinary meetings and Away Days of the Court will provide further future opportunities to develop Court members' knowledge and understanding and thereby effectiveness in their governance role.

In the reporting year ten LFHE programmes were made available to members as well as the BDO HEI Audit Committee Breakfast Seminar and the CIPFA Effective Audit Committee seminar.

### Independence

The Court is satisfied as to the independence of the appointed lay membership of the Court. Appointments are made following open advertising and against clear criteria, taking into account the requirements of independence and diversity.

### Reporting of Interests

The Group has taken the necessary steps to ensure compliance with Financial Reporting Standard 8 on Related Party transactions. Any interests which, under this accounting standard, would require to be disclosed to members of the Court would be so, with appropriate recording in the Court minutes.

In 2014/15 the Court approved and implemented a new Ethical Business: Conflict of Interest Policy which applies to all members of the Court and its committees. The register of Court members' interests is published on the University's website.

### CORPORATE STRATEGY

The University's current Strategic Plan, which was formally launched in 2013 at an event held in the House of Commons, covers the five year period from 2013 until 2018. This followed a period of development of the Plan which spanned years 2011/12 and 2012/13. The development of the Plan involved an extensive process of consultation and stakeholder involvement, through a series of themed workshops and other meetings. Members of the Court were individually and collectively involved in the development of the Strategic Plan throughout the period leading to approval of the Plan by the Court in autumn 2012.

The University's supporting Five-Year Financial Plan is reviewed and updated on an annual rolling basis. Within their schedule of meetings during the year, the Finance Committee and the Court receive reports from the Vice-Principal and the Director of Finance on the development of the Five-Year Financial Plan and any issues arising, such as changes or risks posed to the previous year's Plan in consequence of changed internal or external factors. There are opportunities for the Court and the Finance Committee to consider the assumptions underpinning the Five-Year Financial Plan during the spring period, before a final draft Plan is submitted to both bodies for final approval at their respective meetings in June.

In autumn 2014, management reporting lines were changed, such that the Director of Finance and the Director of Planning now share the same reporting line to the Vice-Principal. This change has enabled the more effective integration of central finance and planning functions. The Director of Finance joined the membership of the University Executive in the reporting year.

The biannual Court Away Days, at which members of Court committees and members of the University Executive are also invited to participate, provide the opportunity for the Court to consider strategic issues in detail. The autumn Away Day meeting is focused primarily on the University's performance against the agreed set of benchmarked Key Performance Indicators linked with the Strategic Plan. Discussion topics at this meeting will also normally focus on areas of institutional risk.

The following spring Away Day meeting is more widely based in terms of strategic topics for discussion and the programme will often reflect particular strategic priorities arising in the year. The main points of focus of discussions in the Away Day in spring 2015 were the University's Strategic Campus Masterplan for the Edinburgh Campus, the Estate Strategy, the outputs of a space optimisation review and proposals for the modelling and development of the University's Capital Plan over a ten year horizon. The Court approved the proposals for the Capital Plan, agreeing the scale and pace of planned capital investments within a flexible framework which will allow continuing review and adaptation of plans according to changing priorities and continuing capacity for investment. The Capital Plan was subsequently integrated into the Five-Year Financial Plan which the Court approved in June 2015.



In the reporting year the Court agreed to establish a programme of informal evening meetings of its members. These meetings, which will be scheduled from 2015/16, will normally take place on the day before ordinary and Away Day scheduled meetings of the Court. This programme of meetings will provide further opportunities for strategic level discussion which, importantly, will contribute to the developmental process of strategy formulation as the Court and the wider University consider the shape of the strategic plan from 2018 and beyond.

#### RISK MANAGEMENT

The University acknowledges the risks inherent in its activities, and is committed to managing those risks both to create value in times of uncertainty and to address those that pose a significant threat to the achievement of its academic and business objectives, its financial health or its reputation. The systems for risk management and internal controls exist to manage and control the risk of failure to achieve academic and business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the University and these risks are reviewed regularly by the Risk & Project Management Strategy Group, University Executive, Audit and Risk Committee and the Court.

The Court, advised by the Audit and Risk Committee, has overall responsibility for reviewing the effectiveness of the systems of internal control and risk management. The University has developed and adopted a formal and structured risk management policy and system to ensure that key risks are identified, prioritised and managed consistently across the University. The policy and system are reviewed and updated on a regular basis. Reports documenting the policy, system and procedures and issues arising are reported to the Audit and Risk Committee on a regular basis.

#### The Risk and Control Framework

The University Executive and the Risk & Project Management Strategy Group lead the University's risk management process. Ownership of each identified strategic risk lies with a named member of the senior management group. At the operational level, the Heads of Schools and Heads of Directorates identify and manage risk and review risk in their areas of responsibility on a regular basis.

The University Executive and the Risk & Project Management Strategy Group receives and reviews the University's strategic risk register at quarterly intervals. The Audit and Risk Committee review, quarterly, the effectiveness of the University's risk management framework and the content and appropriateness of its strategic risk register. In addition, the Court reviews the risk and control framework annually.

The key elements of the University's risk management strategy are:

- a documented and communicated process of identifying and evaluating risks, assessing risk appetite, identifying and implementing suitable responses to risks, providing ongoing assurance about the effectiveness of the framework and processes to embed and review risk awareness. The risk management strategy is reviewed on a three yearly cycle by the Risk & Project Management Strategy Group, the University Executive and the Audit Committee;
- multi-level review and reporting processes throughout the risk cycle, involving staff, Heads of Schools, Directors and managers, the University Executive, Internal Audit, the Audit and Risk Committee and the Court ; and
- identification and regular review of both the continuing appropriateness of the risks and responses identified and of the on-going status of the identified or planned responses to risks.

The key ways in which risk management is embedded across the University are:

- the link between strategic and operational planning and the risk management processes;
- including risk in routine, regular operational reporting processes;
- the ownership, management and oversight of risks by the Risk & Project Management Strategy Group, University Executive, Heads of Schools, Directors and managers;
- involving the Audit and Risk Committee and the Court in agreeing and reviewing strategic and operational risks;
- using risk registers for each of the University's Schools, Services and Projects; and
- the monthly, quarterly and annual reviews of strategic and operational risk profiles.

The key controls that are built into routine processes are:

- ensuring appropriately skilled and experienced staff are responsible for business processes;
- documented procedures exist for all key business processes;
- management and independent checking ensure quality of processing; and
- management information is available to assess the volume, timeliness and quality of processing.



More generally, the University is committed to a process of continuous development and improvement. The University has enhanced its approach to risk management in the following ways:

- the Risk & Project Management Strategy Group has widened its remit to include the assessment and reporting on the University's project management policy, methodology and processes for reporting on projects;
- correlation of project risks and the risk management framework;
- review of the University's Strategic Risk Register to align risks to the four key strands of the University Strategy: Research Intensification and Knowledge Exchange; Learning, Teaching and the Student Experience; Internationalisation; and Enabling Strategies;
- a more sophisticated approach to the measurement of risk in the Strategic Risk Register; and
- the development of 'The Statement of Risk Policy and Appetite' which specifies the amount of risk the University is willing to tolerate or accept in the pursuit of its long term objectives. It indicates the parameters within which the University would want to conduct its activities. This statement was approved by the University Court in June 2015.

## INTERNAL CONTROL

### The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, including information risks, to achieving strategic and operational aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The wider system of internal control is based on an ongoing process designed to identify the principal risks to achieving the University's policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the University for the year ended 31 July 2015, and up to the date of approval of the annual report and accounts.

### Review of effectiveness of the internal control system

The University appointed Ernst & Young in 2011 to provide the University's internal audit services. The Internal Auditors report directly to the Secretary of the University on the system of internal control. Internal Audit ultimately exists to support the University in achieving its objectives and is one of the key sources of assurance on which the Audit and Risk Committee and the Secretary of the University rely.

In order to discharge its responsibilities effectively, Internal Audit develops an audit strategy and plan which outlines their program of work. The audit plan takes into consideration the entire governance framework and the other assurance mechanisms and processes which include the risk management processes developed and maintained by management.

It is the responsibility of the University Executive to:

- ensure a thorough and regular evaluation of the nature and the extent of the risks to which the University is exposed and the establishment and embedding of effective risk management processes and systems of control; and
- receive, comment on and act on the University Internal Audit forward plan; audit reports on reviews undertaken; reports on the University's progress in actioning internal audit recommendations; and the Internal Auditor's Annual Report.

Internal Audit provides regular reports to the Audit and Risk Committee on:

- the status of audits/reviews outlined in the approved Internal Audit Plan;
- key findings/themes and trends emerging from work undertaken;
- management implementation of agreed recommendations and actions; and
- significant changes to the Internal Audit Plan based on new/ emerging risks.

These include the Internal Auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control and recommendations for improvement. The Audit and Risk Committee regularly receives progress reports on the implementation of Internal and External Audit recommendations.

The University's Internal Auditors issue an annual Assurance Statement that provides the University with an opinion on the adequacy and effectiveness of the internal control system and the extent to which it can be relied on. For the year to the end of 31 July 2015, they reported that they are satisfied that sufficient internal audit work has been undertaken to allow them to draw a conclusion as to the adequacy and effectiveness of Heriot-Watt University's risk management, control and governance processes. In the Internal Auditor's opinion, there were adequate and effective risk management, control and governance processes to provide reasonable assurance over the achievement of the University's objectives and the management of key risks. They further reported that no matters came to their attention during the course of their work to suggest that proper arrangements were not established to achieve value for money.

The External Auditor also report to the Director of Finance, the University Executive and the Audit and Risk Committee on any internal control issues that they identify during their normal audit activities.

The Audit and Risk Committee's review of the effectiveness of the system of internal control is informed by:

- the comprehensive management information received by the University Executive on all of University's operational activities;
- the controls that exist over planned expenditure and the regular reporting of actual expenditure and regular review of budgets and forecasts;
- the managers within University who are responsible for developing and maintaining the internal control framework;
- the work of the internal auditors, who submit to the Audit and Risk Committee regular reports which include the independent and objective opinion on the adequacy and effectiveness of University's systems of internal control, together with recommendations for improvement; and
- comments made by the external auditor in their management letter and other reports.

**GOING CONCERN**

The Court is satisfied that the Group continues to operate as a going concern.

**THE SCOTTISH CODE OF GOOD HIGHER EDUCATION GOVERNANCE**

By the end of December 2015, the University will be compliant with each of the 18 Main Principles and the supporting guidance to those Principles which are incorporated in the Scottish Code of Good Higher Education Governance (Scottish Code).

The University welcomes the emphasis on the matters of stakeholder engagement and ethical standards in the Scottish Code and commits to enhancing further our systems in both of those areas in the year ahead.

The University welcomes the emphasis on the matters of stakeholder engagement and ethical standards in the Scottish Code

**Professor Richard A Williams OBE FREng**  
Principal and Vice-Chancellor

11 December 2015

**Dame Frances Cairncross**  
Chair of Court

11 December 2015

# Statement of Responsibilities of the University Court in Relation to the Accounts

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, and enable it to ensure that the financial statements are prepared in accordance with the University's governing instruments, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, Accounts Directions from Scottish Funding Council (SFC) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the Court of the University, the Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the surplus or deficit and cash flows for that year.

In causing the Accounts to be prepared the Court has ensured that:

- a) they are prepared on a going concern basis in that the Court is satisfied that the Group has adequate resources to continue in operation for the foreseeable future;
- b) suitable accounting policies are selected and applied consistently;
- c) judgements and estimates are made that are reasonable and prudent; and
- d) applicable accounting standards are followed, subject to any material departures being disclosed and explained in the Accounts.

The Court has taken reasonable steps to:

- a) ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe. Under the terms of the Financial Memorandum the designated officer, who is required to ensure such compliance, is the Principal and Vice-Chancellor;
- b) ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources, and ensure value for money is achieved in the application of those funds. This system of internal control is continuously reviewed and developed in line with current best practice;
- c) safeguard the assets of the Group and prevent and detect fraud;
- d) secure the economical, efficient and effective management of the Group's resources and expenditure;
- e) ensure that the Group's Executive has an adequate system of internal control, and regularly monitors and reviews 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; and
- f) maintain a safe and secure environment for the staff and students.

The Group believes that the delivery of its mission by its charitable activities provides continuing public benefit and it aims to comply with the Office of the Scottish Charity Regulator's regulatory requirements, including the requirement to maintain independent control by its trustees.

**Professor Richard A Williams OBE FREng**  
Principal and Vice-Chancellor

11 December 2015

**Dame Frances Cairncross**  
Chair of Court

11 December 2015

# Independent auditor's report to the University Court of Heriot-Watt University

We have audited the Group and University financial statements (the "financial statements") of Heriot-Watt University for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of Heriot-Watt University in accordance with the Charter and Statutes of the University and, in the University Court's 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 University Court of Heriot-Watt 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 University Court of Heriot-Watt University for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the University Court of Heriot-Watt University and auditor**

As explained more fully in the Statement of Responsibilities of the University Court set out on page 36, the University Court of Heriot-Watt 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 University Court of Heriot-Watt University; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements 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.

# Independent auditor's report to the University Court of Heriot-Watt University (continued)

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 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).

## 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 Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for the audit.

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

**Andrew Shaw**

**for and on behalf of KPMG LLP, Statutory Auditor**

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

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

17 December 2015

# Consolidated Income and Expenditure Account for the year ended 31 July 2015

	<i>Note</i>	<b>2015</b> <b>£000</b>	2014 <b>£000</b>
<b>Income</b>			
Funding body grants	<i>2</i>	44,744	43,958
Tuition fees and education contracts	<i>3</i>	102,464	89,365
Research grants and contracts	<i>4</i>	28,278	27,104
Other income	<i>5</i>	30,202	30,148
Endowment and investment income	<i>6</i>	623	727
Total Income		<u>206,311</u>	<u>191,302</u>
<b>Expenditure</b>			
Staff costs	<i>7</i>	95,399	88,975
Other operating costs	<i>8</i>	89,839	81,278
Depreciation	<i>11</i>	9,422	8,010
Interest and other finance costs	<i>9</i>	977	1,527
Total Expenditure		<u>195,637</u>	<u>179,790</u>
Surplus on continuing operations after depreciation of tangible assets and before taxation		10,674	11,512
Loss on disposal of assets		(18)	(41)
Surplus on continuing operations after depreciation and disposal of assets but before taxation		<u>10,656</u>	<u>11,471</u>
Taxation	<i>10</i>	(151)	-
Surplus on continuing operations after depreciation and disposal of assets and taxation		<u>10,505</u>	<u>11,471</u>
Transfer from net accumulated income in endowment and restricted funds		608	639
<b>Net surplus for the year retained within general reserves</b>	<i>22</i>	<u>11,113</u>	<u>12,110</u>

All transactions are in respect of continuing operations.

The notes on pages 51 to 76 form part of the financial statements.

# Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2015

	<i>Note</i>	<b>2015</b> <b>£000</b>	2014 <b>£000</b>
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		11,113	12,110
Income and expenditure reserve	<i>22</i>	570	856
Increase in restricted funds	<i>21</i>	181	132
Increase in endowment asset investments	<i>14</i>	181	104
Appreciation of endowment asset investments	<i>14</i>	639	261
Increase/(Decrease) in endowment asset cash balances held	<i>14</i>	288	(305)
Actuarial (loss) in respect of pension schemes	<i>28</i>	(1,694)	(6,705)
<b>Total recognised gains relating to the year</b>		<u>11,278</u>	<u>6,453</u>
<b>Reconciliation</b>			
Opening reserves and endowments		42,003	35,550
Total recognised gains relating to the year		<u>11,278</u>	<u>6,453</u>
<b>Closing reserves and endowments</b>		<u>53,281</u>	<u>42,003</u>

The notes on pages 51 to 76 form part of the financial statements.

# Balance Sheets as at 31 July 2015

		<i>Group</i>		<i>University</i>	
	<i>Note</i>	<b>2015</b>	<i>2014</i> <i>Restated</i>	<b>2015</b>	<i>2014</i> <i>Restated</i>
		<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
<b>Fixed Assets</b>					
Tangible assets	11	149,917	132,881	127,398	120,130
Investments	12	9,932	5,035	10,385	10,752
Total Fixed Assets		<u>159,849</u>	<u>137,916</u>	<u>137,783</u>	<u>130,882</u>
Endowment Assets	14	<u>11,224</u>	<u>10,116</u>	<u>9,546</u>	<u>8,450</u>
<b>Current Assets</b>					
Stock		6	6	11	-
Debtors	15	46,410	35,472	51,364	36,701
Short term investments	12	12,004	6,517	10,000	-
Cash at bank and in hand	12	<u>29,102</u>	<u>32,064</u>	<u>21,578</u>	<u>22,421</u>
		87,522	74,059	82,953	59,122
Less: Creditors - amounts falling due within one year	16	(93,392)	(65,648)	(79,798)	(60,232)
Net Current (Liabilities)/Assets		<u>(5,870)</u>	<u>8,411</u>	<u>3,155</u>	<u>(1,110)</u>
<b>Total Assets less Current Liabilities</b>		165,203	156,443	150,484	138,222
Less: Creditors - amounts falling due after more than one year	17	(45,845)	(49,334)	(45,449)	(47,671)
Less: Provisions for liabilities	18	(424)	(452)	(424)	(452)
Net Assets excluding pension liability		<u>118,934</u>	<u>106,657</u>	<u>104,611</u>	<u>90,099</u>
Pension liability	28	(23,101)	(21,592)	(22,835)	(21,354)
<b>Net Assets including pension liability</b>		<u><u>95,833</u></u>	<u><u>85,065</u></u>	<u><u>81,776</u></u>	<u><u>68,745</u></u>

The notes on pages 51 to 76 form part of the financial statements.

# Balance Sheets as at 31 July 2015 (continued)

	<i>Note</i>	<i>Group</i>		<i>University</i>	
		<b>2015</b>	<i>2014</i> <i>Restated</i>	<b>2015</b>	<i>2014</i> <i>Restated</i>
		<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
Deferred capital grants	19	42,552	43,062	41,198	41,658
<b>Endowment Funds</b>					
Expendable	20	3,448	2,796	3,448	2,795
Permanent	20	7,776	7,320	6,098	5,655
		<u>11,224</u>	<u>10,116</u>	<u>9,546</u>	<u>8,450</u>
<b>Reserves</b>					
Income & expenditure account	22	64,814	53,316	53,867	39,991
Pension reserve	22	(23,101)	(21,592)	(22,835)	(21,354)
Restricted funds	21	344	163	-	-
<b>Total Funds</b>		<u>95,833</u>	<u>85,065</u>	<u>81,776</u>	<u>68,745</u>

The notes on pages 51 to 76 form part of the financial statements.

The Financial Statements on pages 46 to 76 were approved by the University Court on 11 December 2015 and were signed on its behalf by:-

**Dame Frances Cairncross**  
Chair of Court

**Professor Richard A. Williams**  
Principal & Vice-Chancellor

**Andrew Menzies**  
Director of Finance

# Consolidated Cash Flow Statement for the year ended 31 July 2015

	<i>Note</i>	<b>2015</b> <b>£000</b>	<i>2014</i> <i>£000</i>
Net cash inflow from operating activities	<i>23</i>	21,663	19,552
Returns on investment and servicing of finance	<i>24</i>	(1,580)	(1,794)
Capital expenditure and financial investment	<i>25</i>	(22,219)	(7,051)
Financing	<i>26</i>	(826)	(5,000)
<b>(Decrease)/Increase in cash in the year</b>		<u>(2,962)</u>	<u>5,707</u>

## Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	<b>2015</b> <b>£000</b>	<i>2014</i> <i>£000</i>
Net debt at 1 August		(12,936)	(23,643)
(Decrease)/Increase in cash in the year		(2,962)	5,707
Financing		826	5,000
Change in net funds		<u>(2,136)</u>	<u>10,707</u>
<b>Net debt at 31 July</b>	<i>27</i>	<u>(15,072)</u>	<u>(12,936)</u>

The notes on pages 51 to 76 form part of the financial statements.

# Notes to the Accounts for the year ended 31 July 2015

## 1. Principal Accounting Policies

### FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements have been prepared on the going concern basis, with the parent undertaking having agreed to provide adequate funds, if required, so that all the undertakings within the group may meet their liabilities as they fall due.

### BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

### BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost accounting convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below, and as modified by the revaluation of endowment asset investments.

### BASIS OF CONSOLIDATION

These financial statements, and associated notes, reflect the group income and expenditure account, statement of total recognised gains and losses and cash flow statement for the year ended 31 July. Balance sheets, and their associated notes, as at 31 July are prepared for the parent (Heriot-Watt University) and the group.

The group financial statements include the University and its subsidiaries, as detailed in notes 12 and 13, in compliance with FRS 2 'accounting for subsidiary undertakings' and FRS 9 'associates and joint ventures'. The results of subsidiaries acquired or disposed of during the year are included in the group income and expenditure account from the day of acquisition or up to the date of disposal.

All intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 2 'accounting for subsidiary undertakings', the activities of the Heriot-Watt University Students' Union have not been consolidated, both on grounds of materiality and the fact that it is a separate legal entity in which the University has no financial interest and no control or significant influence over policy decisions.

### RECOGNITION OF INCOME

Income from tuition fees is recognised in the year for which it is received and includes all fees chargeable to students or their sponsors. The costs of any fees waived by the University and any scholarships given to students are included as expenditure.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

Income from donations is credited to the income and expenditure account in the year in which it is earned, unless specific restrictions apply.

All income from short-term deposits and endowments is credited to the income and expenditure account in the year in which it is earned.

Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

### LEASED ASSETS

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements, which transfer to the group substantially all the benefits and risks of ownership of an asset, are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements.

The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

### REPAIRS AND MAINTENANCE

Expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the income and expenditure account in the period it is incurred. The group has a planned maintenance programme, which is reviewed on an annual basis.

### TAXATION

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA 1988).

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The subsidiaries, excluding the Edinburgh Business School, pay to the University, under the Gift Aid scheme, amounts as agreed by the directors of each subsidiary company. In certain circumstances Value Added Tax is recoverable, but where this is not possible the cost is included in the relevant expenditure.

### RETIREMENT BENEFITS

All new members of staff have the option of joining a pension scheme.

The schemes currently available to new members of staff on Heriot-Watt contracts of employment are the Universities Superannuation Scheme (USS) and the Lothian Pension Fund (LPF).

Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (STSS), whereas the Supplementary Pension Scheme (SPS) is closed and contains only pensioner members.

Full provision has been made for those pension costs which do not arise from externally funded defined benefit schemes.

The scheme currently available to new members of staff on Edinburgh Business School contracts of employment is the Universities Superannuation Scheme (USS). Existing employees are entitled to maintain their membership of the Lothian Pension Fund (LPF).

None of the group's other subsidiary undertakings operate any other pension schemes.

The amount charged against profits represents either the contributions payable to the individual plans in respect of the year or the service cost expected to arise from employee service in the current year.

#### a) USS

Heriot-Watt participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. Heriot-Watt is therefore exposed to actuarial risks associated with other institutions' employees and 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 FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

## b) LPF

The LPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of Heriot-Watt University. Pension scheme assets are measured using market values. 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. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of financial activities represents the service cost expected to arise from employee service in the current year.

## c) STSS

Heriot-Watt University participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of Heriot-Watt University. Heriot-Watt 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 FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

## d) SPS

The SPS is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of Heriot-Watt University. Pension scheme assets are measured using market values.

In May 2010 the trustees purchased a bulk annuity with Aviva in respect of the benefits for all remaining members of this Scheme. Following this transaction Aviva now hold the assets of the Scheme and are responsible for the payment of the pensions for all members of the Scheme, although the policy is still in the name of the Trustees. The assets and liabilities of this Scheme are therefore deemed to be equal to each other, with expected return on assets and interest cost also assumed to be equal in the future as a result of this transaction. With effect from 17 January 2014, the winding up of the Scheme was completed and formalised by a Deed of Termination. The Trustees were consequently discharged from the trusts of the Scheme with effect from that date. Pensioners' benefits are now held in an individual annuity policy with Aviva.

**TANGIBLE FIXED ASSETS**

## a) Land &amp; Buildings

Freehold land is not depreciated.

Buildings are included in the balance sheet at historical cost and are depreciated on a straight line basis over their expected useful economic life as follows:

- External fabric 50 years
- Internal fabric 35 years
- Mechanical & engineering 20 years

Where land and buildings are acquired or built with the aid of specific grants they are capitalised and depreciated as above.

Costs incurred after the initial purchase are capitalised to the extent that they increase the expected future benefits to the group from the existing asset beyond its previously assessed standard of performance; the cost of such enhancements being added to the gross carrying amount of the asset concerned.

## b) Equipment

Equipment is included in the balance sheet at historical cost. Assets are depreciated on a straight line basis over their estimated useful lives.

**ACQUISITION WITH THE AID OF SPECIFIC GRANTS**

Where tangible fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

**INVESTMENTS**

Listed investments held as fixed assets or endowment funds are shown at market value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value and investments in associates are shown in the consolidated balance sheet at attributable share of net assets.

Current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value.

**STOCK**

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

**CASH FLOWS AND LIQUID RESOURCES**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank and money market deposits. No other investment, however liquid, is included as cash.

**FOREIGN CURRENCY TRANSLATION**

Monetary assets and liabilities denominated in foreign currencies are revalued at the rate of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise. All other foreign currency balances are translated at the rate of exchange ruling at the end of the financial year, with the resulting exchange differences being recognised as exchange movements in reserves.

**RESEARCH GRANTS AND CONTRACTS**

Income from grants for sponsored research is included only to the extent of direct and indirect expenditure incurred on each project during the year.

Expenditure is written off in the year in which it is incurred except for equipment costing more than £20,000 which is capitalised in accordance with the group's capitalisation policy.

Other income received in advance is included in the balance sheet within creditors: amounts falling due within one year.

**CHARITABLE DONATIONS***Endowment funds*

All charitable donations received are accounted for as follows:

- Restricted expendable: both the capital and the income elements are retained on the balance sheet until they are expended for the purpose specified by the donor.
- Restricted permanent: both the capital and the income elements are retained on the balance sheet, the capital element on a permanent basis and the income element until it is expended for the purpose specified by the donor
- Unrestricted expendable: recognised as a donation in the income and expenditure account in the year received.

*Donations for fixed assets*

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

**PROVISIONS**

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

**GIFT AID**

Gift Aid payments and receipts are recognised in the income and expenditure account in the year in which they are made.

**FINANCIAL INSTRUMENTS***Financial assets*Classification

The University classifies its financial assets in the following categories: at fair value, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- a) Financial assets at fair value through the income and expenditure account  
Financial assets at fair value through the income and expenditure account comprise derivatives. Assets in this category are classified as current assets. The University does not trade in derivatives and does not apply hedge accounting.
- b) Loans and receivables  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the balance sheet.
- c) Available-for-sale financial assets  
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Financial assets are recognised when the University becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the University has transferred substantially all risks and rewards of ownership.

- a) Financial assets at fair value through surplus or deficit  
Financial assets carried at fair value are initially recognised at fair value, and transaction costs are expensed in the income and expenditure account. Financial assets carried at fair value are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the income and expenditure account.
- b) Loans and receivables  
Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the loan and receivable is impaired.  
  
The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying

amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income and expenditure account. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the income and expenditure account.

- c) Available-for-sale financial assets  
Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in reserves. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in reserves are included in the income and expenditure account.  
  
Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.  
  
The University assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure account – is removed from reserves and recognised in the income and expenditure account. Impairment losses recognised in the income and expenditure account on equity instruments are not reversed through the income and expenditure account.

*Financial Liabilities*Classification

The University classifies its financial liabilities in the following categories: at fair value through surplus or deficit, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

- a) Financial liabilities at fair value  
Financial liabilities at fair value comprise derivatives. Liabilities in this category are classified as current liabilities. The University does not trade in derivatives and does not apply hedge accounting.
- b) Other financial liabilities  
Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The University's other financial liabilities comprise trade and other payables in the balance sheet.

Recognition and measurement

Financial liabilities are recognised when the University becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

- a) Financial liabilities at fair value  
Financial liabilities carried at fair value are initially recognised at fair value, and transaction costs are expensed in the income and expenditure account. Financial liabilities carried at fair value are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the income and expenditure account.
- b) Other financial liabilities  
Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2. Funding body grants

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
SFC Teaching grants	26,362	25,546
SFC Research and Knowledge Exchange grants	13,272	12,686
Capital maintenance grants	1,526	1,060
Release of deferred capital grants	2,279	3,308
Other grants	1,305	1,358
	<u>44,744</u>	<u>43,958</u>

## 3. Tuition fees and education contracts

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Home and EU Students	14,584	14,788
Rest of UK Students	9,497	6,211
International students	61,661	51,966
Higher education contracts	9,504	9,413
Research training support grants	2,322	2,116
Short course fees	909	872
Examination and graduation fees	3,987	3,999
	<u>102,464</u>	<u>89,365</u>

## 4. Research grants and contracts

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Research councils	13,445	12,494
Charities	1,378	1,255
UK government	1,382	1,093
UK industry	3,188	3,032
EU Commission	3,812	4,027
Other sources	5,073	5,203
	<u>28,278</u>	<u>27,104</u>

## 5. Other income

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Residences, catering and conferences	16,086	14,527
Income from governments and other funding bodies	1,595	3,985
Donations	1,501	1,045
Release of deferred capital grants	1,699	423
Other commercial income (including proceeds from disposal of minority interests)	5,685	7,188
Other income, including foreign currency gains	3,636	2,980
	<u>30,202</u>	<u>30,148</u>

## 6. Endowment and investment income

	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>
Income from specific endowment assets	394	383
Other investment income	73	-
Other interest receivable	156	344
	<u>623</u>	<u>727</u>

## 7. Staff costs

	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>Restated</i>
	<b>£000</b>	<i>£000</i>
Wages and salaries	77,438	72,266
Voluntary severance	88	274
Social security costs	5,621	5,349
Other pension costs	12,252	11,086
	<u>95,399</u>	<u>88,975</u>

Prior year comparatives have been restated to ensure consistency. The total has not changed.

Analysed between staff working in:

	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>
Academic schools	67,205	63,839
Administrative & central service functions	19,994	16,957
Premises functions	4,563	4,489
Residences & catering	3,637	3,690
	<u>95,399</u>	<u>88,975</u>

The average number of persons employed by the group in those areas, expressed as full-time equivalents, was:

	<b>2015</b>	<i>2014</i>
	<b>Number</b>	<i>Number</i>
Academic schools	1,208	1,145
Administrative & central service functions	418	389
Premises functions	152	147
Residences & catering	122	123
	<u>1,900</u>	<u>1,804</u>

## 7. Staff costs (continued)

The number of staff who received emoluments in the following ranges was:

	<b>2015</b>	<i>2014</i>
	<b>Number</b>	<i>Number</i>
£70,001 - £80,000	29	30
£80,001 - £90,000	24	23
£90,001 - £100,000	17	17
£100,001 - £110,000	11	9
£110,001 - £120,000	7	4
£120,001 - £130,000	7	3
£130,001 - £140,000	-	4
£140,001 - £150,000	2	1
£150,001 - £160,000	-	4
£160,001 - £170,000	1	-
£170,001 - £180,000	1	-
£180,001 - £190,000	1	-
£190,001 - £200,000	-	-
£200,001 - £210,000	-	1
	<u>100</u>	<u>96</u>

The above emoluments include amounts payable to the Principal and Acting Principal by Heriot-Watt University of:

	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>
<b>Professor Steve Chapman, Principal to 12 March 2015</b>		
Salary	142	198
Bonus	20	-
Benefits in kind	4	7
	<u>166</u>	<u>205</u>
Pension contributions	<u>23</u>	<u>32</u>
<b>Professor Julian Jones, Acting Principal from 13 March 2015</b>		
Salary	79	-
	<u>79</u>	<u>-</u>
Pension contributions	<u>13</u>	<u>-</u>
<b>Total emoluments of the Principals</b>		
Salary	221	198
Bonus	20	-
Benefits in kind	4	7
	<u>245</u>	<u>205</u>
Pension contributions	<u>36</u>	<u>32</u>

The pension contributions are in respect of the Universities Superannuation Scheme (USS) and are paid at the same rate as for other employees.

## 8. Other operating expenses

	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>Restated</i>
	<b>£000</b>	<i>£000</i>
Academic departments	31,044	25,475
Academic services	3,620	3,372
Administration and central services	19,439	20,352
Premises	12,645	11,479
Residences, catering and conferences	4,176	3,799
Research grants and contracts	18,915	16,801
	<u>89,839</u>	<u>81,278</u>

Prior year comparatives have been restated to ensure consistency. The total has not changed.

Other operating expenses include:

<sup>1</sup> External auditor's remuneration - audit	67	73
External auditor's remuneration – non-audit services	29	44
<sup>2</sup> Internal auditor's remuneration	99	69
Loss on disposal of tangible fixed assets	18	41
Hire of other assets - operating leases - other	202	219

<sup>1</sup>Including £40,648 (2014: £48,648) for Heriot-Watt University

<sup>2</sup>Including £99,029 (2014: £63,201) for Heriot-Watt University

Prior comparatives have been restated to ensure consistency.

## 9. Interest and other finance costs

	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>
Net return on pension assets	(840)	(254)
On bank loans: repayable within 5 years, by instalments	-	-
On bank loans: repayable wholly or partly in more than 5 years	1,817	1,781
	<u>977</u>	<u>1,527</u>

## 10. Taxation

The tax charge for the year arises from a claim for Research and Development Expenditure Credit (RDEC). The gross value of the claim is £636,000, with Corporation Tax being calculated at an effective rate of 23.67%

## 11. Tangible fixed assets

	<i>Land &amp; Buildings</i>	<i>Equipment</i>	<i>Work In Progress</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Group</b>				
<b>Cost</b>				
At 1 August 2014	184,248	47,549	10,507	242,304
Additions	-	1,982	24,494	26,476
Transfers	4,361	3,517	(7,878)	-
Disposals	-	(649)	(802)	(1,451)
At 31 July 2015	<u>188,609</u>	<u>52,399</u>	<u>26,321</u>	<u>267,329</u>
<b>Depreciation</b>				
At 1 August 2014	71,335	37,304	784	109,423
Charge for year	4,750	4,672	-	9,422
Transfers	-	-	-	-
Disposals	-	(649)	(784)	(1,433)
At 31 July 2015	<u>76,085</u>	<u>41,327</u>	<u>-</u>	<u>117,412</u>
<b>Net Book Value</b>				
At 31 July 2015	<u>112,524</u>	<u>11,072</u>	<u>26,321</u>	<u>149,917</u>
At 1 August 2014	<u>112,913</u>	<u>10,245</u>	<u>9,723</u>	<u>132,881</u>
Analysed between:				
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Funded by capital grants	43,275	752	13,651	57,678
Own funded	69,249	10,320	12,670	92,239
At 31 July 2015	<u>112,524</u>	<u>11,072</u>	<u>26,321</u>	<u>149,917</u>

The land and buildings of Heriot-Watt Sports Village Ltd are subject to a first standard security in respect of the grants received from **sportscotland**.

Included in cost for the Group is £26,321,000 (2014: £9,723,000) relating to assets in the course of construction, of which £26,042,000 (2014: £8,671,000) relates to freehold land and buildings and £279,000 (2014: £1,052,000) relates to equipment.

## 11. Tangible fixed assets (continued)

	<i>Land &amp; Buildings</i> <i>£000</i>	<i>Equipment</i> <i>£000</i>	<i>Work In Progress</i> <i>£000</i>	<i>Total</i> <i>£000</i>
<b>University</b>				
<b>Cost</b>				
At 1 August 2014	177,368	45,920	3,393	226,681
Additions	-	1,806	14,194	16,000
Transfers	2,299	1,966	(4,265)	-
Disposals	-	(532)	(751)	(1,283)
At 31 July 2015	<u>179,667</u>	<u>49,160</u>	<u>12,571</u>	<u>241,398</u>
<b>Depreciation</b>				
At 1 August 2014	69,458	36,342	751	106,551
Charge for year	4,423	4,309	-	8,732
Transfers	-	-	-	-
Disposals	-	(532)	(751)	(1,283)
At 31 July 2015	<u>73,881</u>	<u>40,119</u>	<u>-</u>	<u>114,000</u>
<b>Net Book Value</b>				
At 31 July 2015	<u>105,786</u>	<u>9,041</u>	<u>12,571</u>	<u>127,398</u>
At 1 August 2014	<u>107,910</u>	<u>9,578</u>	<u>2,642</u>	<u>120,130</u>
	£000	£000	£000	£000
Funded by capital grants	38,942	757	2,112	41,811
Own funded	66,844	8,284	10,459	85,587
At 31 July 2015	<u>105,786</u>	<u>9,041</u>	<u>12,571</u>	<u>127,398</u>

The net book value of the Group's tangible fixed assets funded by capital grants includes £23,999,000 (2014: £8,109,000) in cash received for assets either under construction or in the course of being purchased as at the year-end date.

Included in cost for the University is £12,571,000 (2014: £2,642,000) relating to assets in the course of construction, of which £12,311,000 (2014: £1,590,000) relates to freehold land and buildings and £260,000 (2014: £1,052,000) relates to equipment.

## 12. Investments, Bank and Cash

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<i>2014</i>	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
<b>Fixed asset investments</b>				
Long/Medium term investment portfolio	9,897	-	-	-
Long-term deposit	-	5,000	-	-
Investment in subsidiary companies at cost	-	-	10,350	10,717
Minority investments in unquoted companies	35	35	35	35
	<u>9,932</u>	<u>5,035</u>	<u>10,385</u>	<u>10,752</u>
<b>Short term investments</b>				
Term deposit accounts	10,000	-	10,000	-
Short term deposit	2,004	6,517	-	-
	<u>12,004</u>	<u>6,517</u>	<u>10,000</u>	<u>-</u>
<b>Bank and Cash</b>				
	<u>29,102</u>	<u>32,064</u>	<u>21,578</u>	<u>22,421</u>
	<u><u>51,038</u></u>	<u><u>43,616</u></u>	<u><u>41,963</u></u>	<u><u>33,173</u></u>

The University term deposit accounts of £10m matured in August 2015.

Minority investments in unquoted companies include investments made by the group in spin-out companies, which are stated at cost. The University investment in subsidiary companies includes the cost of the investment in Heriot-Watt University Malaysia Sdn Bhd.

## 13. Subsidiary undertakings

The group has major shareholdings in ordinary shares in the following companies incorporated in Scotland:

	Number of shares	Percentage owned
Edinburgh Business School (Limited by Guarantee)	-	100%
<sup>1</sup> Edinburgh Conference Centre Limited	100	100%
Heriot-Watt Services Limited	100	100%
Heriot-Watt Sports Village Limited	5,000,100	100%
Heriot-Watt Trading Limited	2,000,000	100%
<sup>1</sup> Scottish College of Textiles Limited	6	100%
<sup>2</sup> SISTech Limited	1000	50%

The group also has a majority shareholding in the following overseas business:

	Number of shares	Percentage owned
Heriot-Watt University Malaysia Sdn Bhd	20,000,000	100%

The consolidated financial statements of the group include the transactions of the above companies, with the exception of those marked below:

<sup>1</sup>These companies are dormant.

<sup>2</sup>For SISTech Limited the figures are not consolidated as they are deemed to be insignificant.

## 14. Endowment assets

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<i>2014</i>	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
Balance at 1 August	10,116	10,056	8,450	8,491
Increase/(Decrease) in cash balances held	288	(305)	288	(305)
Increase in endowment asset investments	181	104	181	104
Appreciation of endowment asset investments	639	261	627	160
Balance at 31 July	<u>11,224</u>	<u>10,116</u>	<u>9,546</u>	<u>8,450</u>
Represented by:				
Equities (listed)	10,282	9,462	8,604	7,796
Cash balances	942	654	942	654
	<u>11,224</u>	<u>10,116</u>	<u>9,546</u>	<u>8,450</u>

## 15. Debtors

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<i>2014</i>	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>Restated £000</i>	<b>£000</b>	<i>Restated £000</i>
<i>Amounts falling due within one year:</i>				
Invoiced trade debtors	14,882	12,719	12,442	10,035
Trade debt provision	2,134	1,960	1,784	1,911
Unbilled research debtors	15,525	12,258	15,525	12,257
Amounts owed by group undertakings	-	-	4,839	3,343
Prepayments and accrued income	11,153	5,548	9,558	3,668
	<u>43,694</u>	<u>32,485</u>	<u>44,148</u>	<u>31,214</u>
<i>Amounts falling due after more than one year:</i>				
Loans by parent undertakings	-	-	4,500	2,500
Prepayments and accrued income	2,716	2,987	2,716	2,987
	<u>2,716</u>	<u>2,987</u>	<u>7,216</u>	<u>5,487</u>
	<u>46,410</u>	<u>35,472</u>	<u>51,364</u>	<u>36,701</u>

Prior year comparatives have been restated to ensure consistency. A corresponding restatement has been made in Note 16. There is no net impact on the Balance Sheet.

Included in prepayments and accrued income is £2,716,000 (2014: £2,987,000) due after more than one year which constitutes deemed consideration received by Heriot-Watt University from Borders College for the sale of its Galashiels site to the College in return for 17.5 years rent-free occupation of part of the site, commencing from the 1 February 2008, the practical completion date for the redevelopment of the site.

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<i>2014</i>	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
<b>Trade debt provision</b>				
At 1 August	1,960	2,091	1,911	1,924
Provided for during the year	255	371	(77)	298
Utilised during the year	(81)	(502)	(50)	(311)
At 31 July	<u>2,134</u>	<u>1,960</u>	<u>1,784</u>	<u>1,911</u>

## 15. Debtors (continued)

The provision reflects a view of the potential impairment of invoiced trade debtors. At 31 July 2015, debtors assessed as potentially impaired because of the perceived risk of default due to the age of the individual debts concerned had a carrying value of £12,634,000 (2014: £8,318,000). The aging of these debtors is as follows:

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<i>2014</i>	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
Less than 3 months past due	329	-	-	-
Between 3 to 6 months past due	-	131	-	-
Over 6 months past due	12,305	8,187	11,948	8,131
	<u>12,634</u>	<u>8,318</u>	<u>11,948</u>	<u>8,131</u>

Debtors that are less than three months past their due date, except those specifically provided for, are not considered impaired.

As at 31 July 2015 debtors assessed as past due but not impaired reflected in their being no history of default recently had a carrying value of £2,983,000 (2014: £1,819,000). The aging of these debtors is as follows:

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<i>2014</i>	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>	<b>£000</b>	<i>£000</i>
Less than 3 months past due	2,983	1,819	2,183	1,452
Between 3 to 6 months past due	-	-	-	-
Over 6 months past due	-	-	-	-
	<u>2,983</u>	<u>1,819</u>	<u>2,183</u>	<u>1,452</u>

All debtors are denominated in GB pounds. The carrying amount of short term receivables approximates their fair value. The effective interest rate on non-current debtors is nil.

## 16. Creditors: amounts falling due within one year

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<i>2014</i>	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>Restated</i> <i>£000</i>	<b>£000</b>	<i>Restated</i> <i>£000</i>
Bank loans	2,304	-	2,304	-
Amounts owed to subsidiary undertakings	-	-	5,000	5,000
Grants in advance for research	26,880	26,168	26,426	26,041
Grants in advance from SFC	7,813	2,875	7,813	2,875
Other grants in advance	16,523	6,307	6,638	3,177
Other creditors	440	20	440	22
Trade creditors	5,322	4,225	5,219	2,687
Other taxation and social security	3,888	3,373	3,850	3,328
Accruals and deferred income	30,222	22,680	22,108	17,102
	<u>93,392</u>	<u>65,648</u>	<u>79,798</u>	<u>60,232</u>

Prior year comparatives have been restated to ensure consistency. A corresponding restatement has been made in Note 15. There is no net impact on the Balance Sheet.

All creditors are denominated in GB pounds. The carrying amount of short term payables approximates their fair value. The effective interest rate on non-current creditors, except bank loans, is nil.

## 17. Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans	41,870	45,000	41,870	45,000
Deferred income	3,846	4,205	2,714	2,986
Amounts owed to subsidiary undertakings	-	-	736	(444)
Other creditors	129	129	129	129
	<u>45,845</u>	<u>49,334</u>	<u>45,449</u>	<u>47,671</u>
The above loans are repayable as follows:				
In one year or less (note 16)	<u>2,304</u>	-	<u>2,304</u>	-
Between one and two years	2,304	-	2,304	-
Between two and five years	6,913	-	6,913	-
In five years or more	32,653	45,000	32,653	45,000
	<u>41,870</u>	<u>45,000</u>	<u>41,870</u>	<u>45,000</u>
	<u>44,174</u>	<u>45,000</u>	<u>44,174</u>	<u>45,000</u>

During the year, the balance on a revolving credit facility with Barclays Bank was converted to a term loan amounting to £20m. The loan is repayable in instalments over a period of 30 years and is matched by long-term fixed rate interest swaps which mature between 2016 and 2037 at rates of between 5.05% and 5.62%. The University continues to have a committed revolving credit facility with Barclays Bank against which there were no repayments or drawings during the year (2014: £nil). The University also has a £25m loan facility with Clydesdale Bank which was fully drawn down at 31 July 2014. £12.5m of this loan is matched by an interest rate swap which matures in 2023 at a rate of 3.5875%.

## 18. Provisions for liabilities and charges

	<i>Group and University</i>	
	<i>Pensions</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>
At 1 August 2014	452	452
Provided for during the year	(29)	(29)
Utilised during the year	1	1
At 31 July 2015	<u>424</u>	<u>424</u>
To be spent before 31 July 2016	<u>1</u>	<u>1</u>

## 19. Deferred capital grants

	<i>Funding Council</i>	<i>Other Grants</i>	<i>Donated Assets</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Group</b>				
At 1 August 2014				
Buildings	30,052	10,075	400	40,527
Plant	297	-	-	297
Equipment	2,251	(13)	-	2,238
Total	<u>32,600</u>	<u>10,062</u>	<u>400</u>	<u>43,062</u>
Transfers				
Buildings	34	(40)	-	(6)
Plant	-	-	-	-
Equipment	(741)	747	-	6
Total	<u>(707)</u>	<u>707</u>	<u>-</u>	<u>-</u>
Cash Received				
Buildings	1,462	623	-	2,085
Plant	-	-	-	-
Equipment	-	1,383	-	1,383
Total	<u>1,462</u>	<u>2,006</u>	<u>-</u>	<u>3,468</u>
Released to Income and Expenditure				
Buildings	(1,526)	(421)	-	(1,947)
Plant	(24)	-	-	(24)
Equipment	(729)	(1,278)	-	(2,007)
Total	<u>(2,279)</u>	<u>(1,699)</u>	<u>-</u>	<u>(3,978)</u>
At 31 July 2015				
Buildings	30,022	10,237	400	40,659
Plant	273	-	-	273
Equipment	781	839	-	1,620
Total	<u>31,076</u>	<u>11,076</u>	<u>400</u>	<u>42,552</u>

Cash received of £23,999,000 (2014: £8,109,000) is excluded from deferred capital grants and disclosed in creditors falling due within one year as it relates to grants received for which the matching tangible fixed asset was either still being constructed and/or was in the course of being purchased as at the year-end date and so had not been capitalised.

## 19. Deferred capital grants (continued)

	<i>Funding Council</i>	<i>Other Grants</i>	<i>Donated Assets</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>University</b>				
At 1 August 2014				
Buildings	30,006	8,718	400	39,124
Equipment	296	-	-	296
Reallocation	2,251	(13)	-	2,238
Total	<u>32,553</u>	<u>8,705</u>	<u>400</u>	<u>41,658</u>
Transfers				
Buildings	34	(40)	-	(6)
Plant	-	-	-	-
Equipment	(741)	747	-	6
Total	<u>(707)</u>	<u>707</u>	<u>-</u>	<u>-</u>
Cash Received				
Buildings	1,462	623	-	2,085
Plant	-	-	-	-
Equipment	-	1,383	-	1,383
Total	<u>1,462</u>	<u>2,006</u>	<u>-</u>	<u>3,468</u>
Released to Income and Expenditure				
Buildings	(1,524)	(373)	-	(1,897)
Plant	(24)	-	-	(24)
Equipment	(729)	(1,278)	-	(2,007)
Total	<u>(2,277)</u>	<u>(1,651)</u>	<u>-</u>	<u>(3,928)</u>
At 31 July 2015				
Buildings	29,978	8,928	400	39,306
Plant	272	-	-	272
Equipment	781	839	-	1,620
Total	<u>31,031</u>	<u>9,767</u>	<u>400</u>	<u>41,198</u>

## 20. Endowments

	<i>Restricted Expendable</i>	<i>Group Restricted Permanent</i>	<i>Total</i>	<i>Restricted Expendable</i>	<i>University Restricted Permanent</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2014	2,796	7,320	10,116	2,795	5,655	8,450
Additions	1,072	5	1,077	1,073	5	1,078
Appreciation	355	465	820	355	452	807
Income for year	102	292	394	102	215	317
Expenditure for the year	(877)	(306)	(1,183)	(877)	(229)	(1,106)
At 31 July 2015	<u>3,448</u>	<u>7,776</u>	<u>11,224</u>	<u>3,448</u>	<u>6,098</u>	<u>9,546</u>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2013	2,852	7,204	10,056	2,852	5,639	8,491
Additions	428	11	439	427	11	438
Appreciation	171	193	364	171	93	264
Income for year	89	294	383	89	221	310
Expenditure for the year	(744)	(382)	(1,126)	(744)	(309)	(1,053)
At 31 July 2014	<u>2,796</u>	<u>7,320</u>	<u>10,116</u>	<u>2,795</u>	<u>5,655</u>	<u>8,450</u>

## 21. Restricted funds

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 August	163	31	-	-
Additions	834	520	-	-
Expenditure in the year	(653)	(388)	-	-
Balance at 31 July	<u>344</u>	<u>163</u>	<u>-</u>	<u>-</u>

## 22. Income and expenditure account including pension reserve

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 August	31,724	25,463	18,637	12,673
Net surplus retained for the year	11,113	12,110	13,790	12,496
Reserve movements	570	856	262	(7)
Actuarial (loss)	(1,694)	(6,705)	(1,657)	(6,525)
Balance at 31 July	<u>41,713</u>	<u>31,724</u>	<u>31,032</u>	<u>18,637</u>

	<i>Group</i>	
	<b>2015</b>	2014
	<b>£000</b>	£000
The net surplus retained for the year is analysed as follows:		
University surplus	11,900	11,431
Gift Aid from subsidiaries	1,889	1,065
Losses retained by subsidiaries	(2,676)	(386)
	<u>11,113</u>	<u>12,110</u>

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Reconciliation:				
Income and expenditure reserve	64,814	53,316	53,867	39,991
Pension reserve	(23,101)	(21,592)	(22,835)	(21,354)
Balance at 31 July	<u>41,713</u>	<u>31,724</u>	<u>31,032</u>	<u>18,637</u>

Represented by:

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Income and expenditure account</b>				
At 1 August	53,316	40,671	39,991	27,804
Surplus for the year	11,113	12,110	13,790	12,496
Reserve movement	570	856	262	(7)
Transfer to pension reserve	(185)	(321)	(176)	(302)
At 31 July	<u>64,814</u>	<u>53,316</u>	<u>53,867</u>	<u>39,991</u>

	<i>Group</i>		<i>University</i>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Pension Reserve</b>				
Deficit at 1 August	(21,592)	(15,208)	(21,354)	(15,131)
Current service cost	(3,745)	(3,183)	(3,656)	(3,110)
Employer contributions	3,075	3,217	3,002	3,143
Contributions in respect of unfunded benefits	15	15	15	15
Curtailments and settlements	-	-	-	-
Past service cost	-	-	-	-
Net return on assets	840	272	815	254
Actuarial (losses)	(1,694)	(6,705)	(1,657)	(6,525)
Deficit at 31 July	<u>(23,101)</u>	<u>(21,592)</u>	<u>(22,835)</u>	<u>(21,354)</u>

## 23. Reconciliation of surplus before tax to net cash inflow from operating activities

	<i>Group</i>	
	<b>2015</b>	2014
	<b>£000</b>	£000
<b>Income &amp; expenditure</b>		
Surplus on continuing operations after depreciation & disposal of assets and taxation	10,505	11,471
Interest receivable	(156)	(344)
Interest payable	977	1,527
Taxation	151	-
	<u>11,477</u>	<u>12,654</u>
<b>Fixed assets &amp; deferred capital grants</b>		
Depreciation and impairment of tangible fixed assets	9,422	8,010
Loss on disposal of tangible fixed assets	18	41
Amortisation of intangible fixed assets	-	21
Deferred capital grants released to income	(3,978)	(3,731)
Transfer from deferred capital grants to creditors	15,890	4,817
	<u>21,352</u>	<u>9,158</u>
<b>Endowments &amp; pensions</b>		
Transfer from accumulated income to specific endowments	608	639
Transfer from accumulated income to restricted funds	(181)	(133)
Pension income	(185)	(321)
	<u>242</u>	<u>185</u>
<b>Working capital</b>		
(Increase)/Decrease in fixed asset investments	(4,897)	10
(Increase) in short term investments	(5,487)	(6,517)
Decrease in stocks	-	9
(Increase) in debtors	(10,938)	(10,908)
Increase in creditors	9,191	14,047
(Decrease) in provisions	(28)	(74)
	<u>(12,159)</u>	<u>(3,433)</u>
<b>Reserves</b>		
Increase in restricted funds	181	132
Income and expenditure reserve	570	856
	<u>751</u>	<u>988</u>
<b>Net Cash Inflow from Operating Activities</b>	<u><u>21,663</u></u>	<u><u>19,552</u></u>

## 24. Returns on investment and servicing of finance

	<i>Group</i>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Income received on specific endowments	394	383
Expenditure paid on specific endowments	(1,183)	(1,126)
Interest received	156	344
Income received on restricted funds	834	520
Expenditure paid on restricted funds	(653)	(388)
Interest paid	(977)	(1,527)
Taxation paid	(151)	-
Net Cash Outflow from Returns on Investment and Servicing of Finance	<u>(1,580)</u>	<u>(1,794)</u>

## 25. Capital expenditure and financial investment

	<i>Group</i>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Purchase of tangible fixed assets	(26,476)	(12,863)
Proceeds on disposal of tangible fixed assets	-	377
(Increase)/Decrease in endowment cash balances	(288)	305
Deferred capital grants received	3,468	4,291
Deferred capital grants – donated asset	-	400
Endowments received	1,077	439
Net Cash Outflow from Capital Expenditure and Financial Investment	<u>(22,219)</u>	<u>(7,051)</u>

## 26. Financing

	<i>Group</i>	
	<b>2015</b>	2014
	<b>£000</b>	£000
New amounts drawn down	-	-
Repayment of amounts borrowed	(826)	(5,000)
Net Cash (Outflow)from Financing	<u>(826)</u>	<u>(5,000)</u>

## 27. Analysis of changes in net (debt)/funds

	At 1 August 2014	Cash Flows	Non-cash Changes	At 31 July 2015
	£000	£000	£000	£000
Cash at bank and in hand	32,064	(2,962)	-	29,102
Debts due within one year			(2,304)	(2,304)
Debts due after one year	(45,000)	826	2,304	(41,870)
	<u>(12,936)</u>	<u>(2,136)</u>	<u>-</u>	<u>(15,072)</u>

Had the cash held under endowment asset investments been included above, the net debt movement would have been £1,848,000 (2014: net debt movement £10,402,000) with net debt at 31 July 2015 of £14,130,000 (2014: net debt £12,282,000). However, to reflect more accurately the restricted nature of the cash held for endowments the group considers the exclusion of this cash from the above figures gives a fairer view of the group's net debt.

## 28. Pension schemes

The total pension charge in the financial statements reflects the costs incurred by the group during the year of £12,235,000 (2014 - £11,086,000).

	<i>Group</i>	
	<b>2015</b>	<i>2014</i>
	<b>£000</b>	<i>£000</i>
The total pension charge is analysed as follows:		
Universities Superannuation Scheme	8,179	7,697
Lothian Pension Fund	3,868	3,208
Scottish Teachers Superannuation Scheme	36	36
Supplementary Pension Scheme	-	-
Other pension costs	152	145
	<u>12,235</u>	<u>11,086</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of the USS and Lothian Pension Fund (LPF) schemes were on 31 March 2014, of the Scottish Teachers Superannuation Scheme on 31 March 2005 and of the Supplementary Pension Scheme (SPS) on 31 July 2004.

In accordance with FRS17 'Retirement Benefits' the total pension charges disclosed for both LPF and the SPS are the current service cost which represents the increase in the present value of the schemes' liabilities expected to arise from employee service in the current year.

### UNIVERSITIES SUPERANNUATION SCHEME

Heriot-Watt University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2015, the percentage was 16% (2014: 16%). 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.

The total cost charged to the Income and Expenditure account is £8,179,000 (2014: £7,697,000) as shown above. The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 liability numbers have been produced for the using the following assumptions:

	<b>2015</b>	<i>2014</i>
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year.	4.4%
	4.0% thereafter	
Price inflation (CPI)	2.2%	2.6%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality:	S1NA ("light") year of birth tables. No age rating
Female members' mortality:	S1NA ("light") year of birth tables. Rated down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	<b>2015</b>	<i>2014</i>
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

<b>Existing benefits</b>	<b>2015</b>	<i>2014</i>
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

## 28. Pension schemes (continued)

### LOTHIAN PENSION FUND

A full actuarial valuation was carried out at 31 March 2014 by a qualified independent actuary.

The major assumptions used by the actuary were:

	<b>2015</b>	2014
Price increases	2.6%	2.5%
Salary increases	4.5%	4.8%
Pension increases	3.6%	2.5%
Discount rate	3.6%	3.9%

The assets in the scheme and the expected rate of return at the last actuarial review date were:

	<i>Long term rate of return</i>	<i>Assets at 31 July 2015</i>	<i>Long term rate of return</i>	<i>Assets at 31 July 2014</i>
	% p.a.	£000	% p.a.	£000
Equities	3.6%	59,184	6.5%	63,612
Bonds	3.6%	16,140	3.3%	6,441
Property	3.6%	8,070	4.7%	6,441
Cash	3.6%	6,277	3.6%	4,026
Total		<u>89,671</u>		<u>80,520</u>

The following amounts represent Heriot-Watt University's share of the scheme at 31 July 2015 and were measured in accordance with the requirements of FRS 17:

#### *Reconciliation of employer assets*

	<b>2015</b>	2014
	<b>£000</b>	£000
At 1 August	80,520	74,060
Expected return on assets	4,851	4,406
Contributions by members	767	748
Contributions by employer	3,090	3,232
Benefits paid	(3,057)	(2,744)
Actuarial gains	3,500	818
At 31 July	<u>89,671</u>	<u>80,520</u>

#### *Reconciliation of present value of liabilities*

	<b>2015</b>	2014
	<b>£000</b>	£000
At 1 August	(102,112)	(89,268)
Current service cost	(3,745)	(3,183)
Interest cost	(4,011)	(4,134)
Contributions by members	(767)	(748)
Curtailments and settlements	-	-
Past service losses	-	-
Benefits paid	3,057	2,744
Actuarial losses	(5,194)	(7,523)
At 31 July	<u>(112,772)</u>	<u>(102,112)</u>
Net pension liability	<u>(23,101)</u>	<u>(21,592)</u>

## 28. Pension schemes (continued)

### Analysis of amount charged to operating profit

	<b>2015</b>	2014
	<b>£000</b>	£000
Amount charged to operating profit		
Service cost	3,745	3,183
Past service losses	-	-
Total Operating Charge	<u>3,745</u>	<u>3,183</u>

### Analysis of amount credited to other finance income

	<b>2015</b>	2014
	<b>£000</b>	£000
Expected return on employer assets	4,851	4,406
Interest on pension scheme liabilities	(4,011)	(4,134)
Net Return	<u>840</u>	<u>272</u>

### Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	<b>2015</b>	2014
	<b>£000</b>	£000
Actual return less expected return on pension scheme assets	3,500	818
Experience losses arising on the scheme liabilities	(5,194)	(7,523)
Actuarial (loss)/gain in pension plan	(1,694)	(6,705)
Actuarial (loss)/gain recognised in STRGL	<u>(1,694)</u>	<u>(6,705)</u>

### Movement in deficit during the year

	<b>2015</b>	2014
	<b>£000</b>	£000
Deficit at start of the year	(21,592)	(15,208)
Current service cost	(3,745)	(3,183)
Employer contributions	3,075	3,217
Contributions in respect of unfunded benefits	15	15
Curtailments and settlements	-	-
Past service losses	-	-
Net return on pension assets	840	272
Actuarial (losses)	(1,694)	(6,705)
Deficit at end of the year	<u>(23,101)</u>	<u>(21,592)</u>

### History of experience gains and losses

	<b>2015</b>	2014
	<b>£000</b>	£000
Difference between expected and actual return on assets	3,500	818
Value of assets	89,671	80,520
Percentage of assets	3.9%	1.0%
Experience losses on liabilities	(5,194)	(7,523)
Total present value of liabilities	112,722	102,112
Percentage of the total present value of liabilities	(4.6%)	(7.4%)
Actuarial (loss)/gain recognised in STRGL	(1,694)	(6,705)
Total present value of liabilities	112,722	102,112
Percentage of the total present value of liabilities	1.5%	6.6%

The total contribution made for the year ended 31 July 2015 was £4,678,000 (2014: £3,976,000), of which employer's contributions totalled £3,869,000 (2014: £3,208,000) and employee's contributions totalled £809,000 (2014: £768,000). The agreed contribution rates for future years are 23.8% (2014: 26 %) for employers and 5.9% average (2014: 5.8%) for employees. The employer's contributions include £256,649 (2014: £270,610 restated) of outstanding contributions at the balance sheet date.

## 28. Pension schemes (continued)

### SCOTTISH TEACHERS SUPERANNUATION SCHEME

Heriot-Watt participates in the Scottish Teachers Superannuation Scheme (STSS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). STSS operates on a notionally funded basis. The latest actuarial valuation of the scheme was at 31 March 2005 and was carried out using the prospective benefit method.

The 2005 actuarial valuation date was carried out using an approach known as 'superannuation contributions adjusted for past experience' (SCAPE). Using SCAPE, with effect from 1 April 2001, the notional investments will earn a real rate of return (in excess of price increases) specified by the Government Actuary. In addition, the Teachers Superannuation (Scotland) Amendment Act 2003 states that, for the purposes of the actuarial review as at 31 March 2005, the balance in the account at that date shall be such that the value of the scheme's assets equals the value of the scheme's liabilities.

The results of this valuation were rolled forward to give a liability of £24.37m at 31 March 2010.

The assumptions used (to which the valuation results were particularly sensitive) are shown in the table below.

	<i>Valuation</i>
Real rate of return (discount rate)	4.6%
Real rate of return in excess of prices	1.8%
Real rate of return in excess of earnings	0.3%
Mortality for new members	PA92 tables rated down 2 years for males and 1 years for females
Mortality for existing & deferred members	PA92 tables rated down 1.5 years for males and 0.5 years for females
Mortality for existing pensioners	PMA 92 tables rated down 1 year for males

Surpluses or deficits which arise at future valuations may impact on Heriot-Watt's future contribution commitment. A deficit may require additional funding in the form of higher contributions, whereas a surplus could be used to reduce contribution requirements.

The total contribution made for the year ended 31 July 2015 was £67,000 (2014: £64,000), of which employer's contributions totalled £36,000 (2014: £36,000) and employee's contributions totalled £31,000 (2014: £28,000). The agreed contribution rates for future years are 17.2% (2014: 14.9%) for employers and 11.6% average (2014: 10.8%) for employees. The employer's contributions include £3,033 (2014: £2,947 restated) of outstanding contributions at the balance sheet date.

### HWU SUPPLEMENTARY PENSION SCHEME

The winding up of the Scheme has been completed and formalised by a Deed of Termination with effect from 17 January 2014. The Trustees were consequently discharged from the trusts of the Scheme with effect from that date.

Pensioners' benefits are now held in an individual annuity policy with Aviva.

At the date of these Accounts, the actuaries have notified the Regulator of the "wind up" and HMRC have been informed.

### AUTOMATIC ENROLMENT

The Group has implemented arrangements to facilitate pension 'auto enrolment'. The requirement is for employers to automatically enrol certain workers who are not already pension scheme members into a qualifying pension scheme came into force on 1 October 2012. All employers in the UK were allocated a date from which the auto enrolment requirements and arrangements would first apply, referred to as the employer's 'staging date'. The staging date for Heriot Watt University was 1 July 2013.

In terms of qualifying pension schemes, in addition to the existing pensions schemes (University Superannuation Scheme and the Lothian Pension Fund), staff can opt to join NEST (the National Employment Savings Trust).

A total of 162 employees were auto enrolled in the NEST scheme and were active members at the year end. The employer's costs for the year ended 31 July 2015 was £4,805 (2014: £1,567).

## 29. Post Balance Sheet Events

There are no material post Balance Sheet events.

### 30. Capital Commitments

Provision has not been made for the following capital commitments at 31 July:

	<i>Group</i>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Commitments contracted	49,499	2,020
Authorised but not contracted	8,826	55,526
	<u>58,325</u>	<u>57,546</u>

### 31. Financial commitments

At 31 July 2015 there were annual commitments under non-cancellable operating leases as follows:

	<i>Group</i>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Other:		
Expiring within one year	32	20
Expiring between two to five years inclusive	369	466
Expiring in over five years	1,896	1,692
	<u>2,297</u>	<u>2,178</u>

### 32. Contingent Liability

A contingent liability exists in relation to the USS pension valuation recovery plan, since Heriot-Watt University is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the Balance Sheet. The associated receivable from the scheme in respect of the reimbursement of the University's expenditure is similarly not recognised.

### 33. Related Party Transactions

There are no material related party transactions.

### 34. Access Funds

	<i>Group</i>		
	<i>Childcare</i>	<i>Hardship</i>	<i>Total</i>
	£000	£000	£000
At 1 August 2014	4	200	204
Repaid to funding body	(4)	(200)	(204)
Funding Council grants	106	386	492
Disbursed to students	(146)	(141)	(287)
Vired between funds	70	(70)	-
Balance unspent at 31 July 2015	<u>30</u>	<u>175</u>	<u>205</u>
Repayable to funding body	<u>30</u>	<u>175</u>	<u>205</u>

Funding council grants are available solely for students; the Group acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

## 35. Financial Instruments

The University group has exposure to the following risks from the use of financial instruments:-

- Liquidity risk
- Credit risk
- Market risk

### LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due.

The group's key income sources are set out in notes 2 to 6 above. These income streams are considered by the University to be reliable and stress tests against the bank covenants in place show these income streams to be more than sufficient to satisfactorily service the existing level of debt.

Liquidity is managed by the use of the annual operating plan process and the monitoring of actual performance against budgets and forecasts.

The table below details the contractual maturities of financial liabilities.

	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>Within one year</i>	<i>After more than one year</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Financial liabilities</b>				
Trade creditors and other payables (less accruals)	60,995	-	60,866	129
Other financial liabilities	44,174	-	2,304	41,870
	<u>105,169</u>	<u>          </u>	<u>63,170</u>	<u>41,999</u>

### CREDIT RISK

Credit risk is the risk of financial loss to the University group if a customer or counter party fails to meet its contractual obligations and arises from the trade receivables.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

The University operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. Cash and cash equivalents are held with banks which are not expected to fail.

The maximum exposure to credit risk at the reporting date was:-

	<i>Carrying Amount</i>	
	<b>2015</b>	<i>2014 Restated</i>
	<b>£000</b>	<i>£000</i>
<b>FINANCIAL ASSETS</b>		
Trade debtors and other receivables	32,541	26,937
Cash and cash equivalents	29,102	32,064
	<u>61,643</u>	<u>59,001</u>

Prior year comparatives have been restated to ensure consistency with Note 15.

### MARKET RISK

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect income or the value of holdings in financial instruments.

### INTEREST RATE RISK

The University holds the following fixed rate interest rate swap arrangements:

- A swap was entered into on 28 June 2002 for £10m at 5.05%, expiring on 30 September 2016 and amortising on a straight line basis from 31 December 2008.
- A swap was entered into on 28 June 2002 for £5m at 5.62%, expiring on 30 September 2016 and amortising on a straight line basis from 31 December 2008.
- A swap was entered into on 5 October 2007 for £5m at 5.03%, rising to £18m on 30 September 2016, expiring on 31 March 2037 and amortising on a straight line basis from 30 September 2014.
- A swap was entered into on 28 March 2013 for £12.5m at 3.5875%, expiring on 31 March 2023 and amortised on a straight line basis from 30 April 2015

## 35. Financial Instruments (continued)

At the balance sheet date the market risk of the University group's interest bearing financial instruments was as follows:-

	Carrying Amount	
	2015	2014
	£000	£000
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	32,500	32,500
	<u>32,500</u>	<u>32,500</u>

	Carrying Amount	
	2015	2014
	£000	£000
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	12,500	12,500
	<u>12,500</u>	<u>12,500</u>

### CURRENCY RISK

The University group is exposed to currency risk on transactions and balances that are denominated in currencies other than sterling. Whenever practical, the University enters into agreements in its functional currency in order to minimise currency risks. The University group is exposed to currency risks from its activities conducted overseas but does not enter into any hedge arrangements and does not consider currency risk to be material.

### FAIR VALUES

The fair values, together with the carrying amounts of financial assets and liabilities in the balance sheet are as follows:-

	Carrying amount	Fair value	Carrying amount	Fair value
	2015	2015	2014	2014
	£000	£000	Restated £000	Restated £000
Financial assets held for sale	-	-	-	-
Trade debtors and other receivables	32,541	32,541	26,937	26,937
Cash and cash equivalents	29,102	29,102	32,064	32,064
Trade creditors and other payables	(60,995)	(60,995)	(43,097)	(43,097)
	<u>648</u>	<u>648</u>	<u>15,904</u>	<u>15,904</u>

Prior year comparatives have been restated to ensure consistency with Notes 15 and 16. The total has not changed.

### ESTIMATION OF FAIR VALUES

The following methods and assumptions were used to estimate fair values:-

Financial assets held for sale	Based on an assessment of recoverable amounts
Trade debtors and other receivables	Fair value deemed to be the same as book value
Cash and cash equivalents	Fair value deemed to be the same as book value
Trade creditors and other payables	Fair value deemed to be the same as book value

# Members of Court

The following persons served as members of Court during the year to 31 July 2015, and up to the date of approval of these financial statements.

Chair of Court	The Rt Hon Lord George Penrose <sup>1,2</sup> Dame Frances Cairncross <sup>1,3</sup>	P.C., Q.C., MA, LLB, C.A., LLD (Hon), D.Univ (Hon), FRSE DBE, FRSE
Deputy Chair of Court	Mr Tony Strachan <sup>1</sup>	MBA, FCIS, MIoD
Principal & Vice-Chancellor	Professor Steve Chapman <sup>4</sup> Professor Richard A. Williams <sup>5</sup>	FRSE, FRSC, C.Chem OBE, FREng, FTSE
Vice-Principal	Professor Julian D C Jones <sup>6</sup> Professor Gillian Hogg <sup>7</sup>	OBE, FRSE, FOSA, FlntP, BSc, PhD FRSA
City of Edinburgh Council	Councillor Ricky Henderson <sup>1,10</sup>	
Senate	Professor Patrick Corbett <sup>8</sup> Mr Amos Haniff <sup>8</sup> Dr Stephen Houston <sup>9</sup> Professor Phillip John Professor Isabelle Perez <sup>8</sup> Professor James Ritchie <sup>9</sup> Professor Peter Woodward <sup>9</sup>	BSc, MSc, PGDip, PhD, DSc, FRSE, FGS BSc, MSc, MAPM, MCIOM, PGCAP BEng, PhD BSc, PhD, DSc Licence, Diploma, MITI, MIL BSc, MSc, CEng, MIMechE, MIET, FHEA BEng, PhD
Staff	Ms Pamela Calabrese Mr Allan Gray <sup>9</sup> Ms Jane Queenan Mr Tom Stenhouse <sup>8</sup>	BA, MA  LLB, MBA
Graduates	Dr Jock Clear <sup>1,10</sup> Ms Trish Gray <sup>1</sup>	BSc (Hons), DEng BSc, MBA
Student Union	Ms Miranda Matoshi Ms Jessie Nelmes <sup>11</sup> Ms Hannah Frances <sup>8</sup>	BSc MA MA
Independent	Ms Tracey Ashworth-Davies <sup>1</sup> Ms Lucy Conan <sup>1,8</sup> Mr Colin MacLean <sup>1,12</sup> Dr Shonaig Macpherson <sup>1,9</sup> Mr Strone Macpherson <sup>1,9</sup> Mr Iain McLaren <sup>1,9</sup> Ms Morag McNeill <sup>1,12</sup> Mr Andrew Milligan <sup>1</sup> Mr David Robinson <sup>1,9</sup> Ms Dorothy Shepherd <sup>1,8</sup> Ms Jandy Stevenson <sup>1</sup> Professor Ian Wall <sup>1</sup> Mr Graham Watson <sup>1,13</sup> Ms Rio Watt <sup>1,8</sup>	BSc BA BSc, DipEd, MSc CBE, DUniv, FRSE, FRSA, CCIPM, LIB MA, MBA BA, CA LLB, LLM, DipLP BSc, OBE, FRSA MA, FFA, FRSA BAcc, MBA, CA BSc, FCA DSc, FRICS, Hon FRIAS, FRSE FRSA, LLB, CA C.Ed

<sup>1</sup> Independent lay member of Court

<sup>2</sup> Member until 31 December 2014

<sup>3</sup> Member from 1 January 2015

<sup>4</sup> Principal and Vice-Chancellor until 13 March 2015

<sup>5</sup> Principal and Vice-Chancellor from 1 September 2015

<sup>6</sup> Acting Principal and Vice-Chancellor between 13 March 2015 and 1 September 2015

<sup>7</sup> Acting Vice-Principal between 13 March 2015 and 1 September 2015

<sup>8</sup> Member from 1 August 2015

<sup>9</sup> Member until 31 July 2015

<sup>10</sup> Member until 1 September 2015

<sup>11</sup> Member until 31 May 2015

<sup>12</sup> Member until 11 November 2015

<sup>13</sup> Member from 1 September 2015

# Membership of Committees of Court

## AUDIT & RISK COMMITTEE

Mr Colin MacLean (Chair)  
Mr Tony Strachan (Chair)  
Mr Will Dick  
Ms Trish Gray

Ms Susan O'Brien  
Mr David Robinson  
Ms Jandy Stevenson  
Ms Rio Watt

## EMERGENCY COMMITTEE

Dame Frances Cairncross (Chair)  
Lord Penrose (Chair)  
Ms Tracey Ashworth-Davies  
Professor Steve Chapman  
Professor Gill Hogg  
Professor Julian Jones

Mr Colin MacLean  
Dr Shonaig Macpherson  
Mr Iain McLaren  
Mr Tony Strachan  
Professor Ian Wall  
Professor Peter Woodward

## FINANCE COMMITTEE

Mr Iain McLaren (Chair)  
Dame Frances Cairncross  
Mr Gerard Cassels  
Professor Steve Chapman  
Professor Gill Hogg  
Professor Julian Jones

Mr Andrew Milligan  
Mr George Morton  
Lord Penrose  
Ms Dorothy Shepherd  
Mr Tony Strachan  
Professor Ian Wall

## GOVERNANCE AND NOMINATIONS COMMITTEE

Dame Frances Cairncross (Chair)  
Lord Penrose (Chair)  
Ms Tracey Ashworth-Davies  
Professor Steve Chapman  
Professor Gill Hogg  
Professor Julian Jones

Mr Colin MacLean  
Dr Shonaig Macpherson  
Mr Iain McLaren  
Ms Jessie Nelmes  
Mr Tony Strachan

## REMUNERATION COMMITTEE

Lord Penrose (Chair)  
Mr Tony Strachan (Chair)  
Ms Tracey Ashworth-Davies

Dame Frances Cairncross  
Mr Grant Innes  
Mr Iain McLaren

## STAFF COMMITTEE

Ms Tracey Ashworth-Davies (Chair)  
Dr Shonaig Macpherson (Chair)  
Mr Richard Bailey  
Dame Frances Cairncross  
Professor Steve Chapman  
Ms Lucy Conan  
Mr Allan Gray

Dr Stephen Houston  
Professor Gill Hogg  
Professor Julian Jones  
Lord Penrose  
Ms Lorrie Secrest-Osman  
Mr Tony Strachan

## CAMPUS COMMITTEE

Professor Ian Wall (Chair)  
Dame Frances Cairncross  
Ms Pamela Calabrese  
Professor Steve Chapman  
Professor Gill Hogg  
Professor Julian Jones  
Ms Miranda Matoshi

Mr David Maxwell  
Ms Jessie Nelmes  
Lord Penrose  
Mr Tony Strachan  
Mr Allan Thomson  
Professor Peter Woodward  
Mr Ken Wright

# Court and Committee Attendance Record during the year to 31 July 2015

Name	Dates to/from	Court 9 meetings	Audit & Risk Committee (ARC) 6 meetings	Campus Committee 5 meetings	Finance Committee 4 meetings	Governance & Nominations Committee 6 meetings	Remuneration Committee 2 meetings	Staff Committee 4 meetings
Dame Frances Cairncross	Member from 1 January 2015	5/5*		1/3*	2/2*	3/3*	1/1*	2/2*
Rt Hon Lord Penrose	Member until 31 December 2014	4/4*		0/2*	2/2*	3/3*	1/1*	0/2*
Ms Tracey Ashworth-Davies		6/9				1/3*	2/2	4/4
Ms Pamela Calabrese		6/6*		1/1*				
Professor Steve Chapman	Member until 13 March 2015	3/5*		3/3*	2/3*	2/4*		1/3*
Dr Jock Clear		1/9						
Mr Allan Gray	Member until 31 July 2015	9/9						4/4
Ms Trish Gray		9/9	1/2*					
Councillor Ricky Henderson		0/9						
Professor Gill Hogg	Member until 31 August 2015	2/2*		1/2*	1/1*	1/1*		1/1*
Dr Stephen Houston	Member until 31 July 2015	9/9						3/4
Professor Phillip John		9/9						
Professor Julian Jones		8/9		5/5	3/4	4/6		2/4
Mr Colin MacLean	Member from 13 October 2014	6/7*	6/6			4/4*		
Dr Shonaig Macpherson	Member until 31 July 2015	7/9				2/3*	1/1*	3/4
Mr Strone Macpherson	Member until 1 July 2015	5/9						
Ms Miranda Matoshi		6/9		3/4*				
Mr Iain McLaren	Member until 31 July 2015	3/9			4/4	4/6	1/2	
Mr Andrew Milligan		6/9			4/4			
Ms Jessie Nelmes	Member until 31 May 2015	6/8*		1/4*		4/5*		
Ms Jane Queenan		7/9						
Professor James Ritchie	Member until 31 July 2015	8/9				4/4*		
Mr David G Robinson	Member until 31 July 2015	6/9	6/6					
Ms Jandy Stevenson	Member from 13 October 2014	7/7*	5/6					
Mr Tony Strachan		4/9	2/3*	1/1		4/6	2/2	
Professor Ian Wall		9/9		5/5	4/4			
Professor Peter Woodward	Member until 31 July 2015	8/9		4/5				
Mr Richard Bailey	Member until 31 July 2015	~						4/4
Mr Gerard Cassels		~			4/4			
Ms Lucy Conan		~						4/4
Mr Will Dick	Member until 31 July 2015	~	6/6					
Mr Grant Innes	Member from 13 October 2014	~					1/1*	
Mr David Maxwell	Member until 31 July 2015	~		5/5				
Mr George Morton	Member from 13 October 2014	~			3/3*			
Ms Susan O'Brien		~	4/6					
Ms Lorrie Secrest-Osman		~						4/4
Ms Dorothy Shepherd		~			3/4			
Mr Allan Thomson	Member from 13 October 2014	~		2/3*				
Ms Rio Watt		~	5/6					
Mr Ken Wright	Member until 31 July 2015	~		5/5				

\* Indicates total number of meetings held during period of membership





# Contact us

## HERIOT-WATT UNIVERSITY

### Edinburgh Campus

Edinburgh EH14 4AS  
0131 449 5111

### Scottish Borders Campus

Galashiels TD1 3HF  
0870 050 5152

### Orkney Campus

Old Academy, Back Road, Stromness  
Orkney Islands  
Scotland KW16 3AW  
01856 850 605

### Dubai Campus

Dubai International Academic City  
PO Box 294345  
Dubai  
UAE  
00 971 4 435 8700

### Heriot-Watt University Malaysia

No 1 Jalan Venna P5/2  
Precinct 5  
62200 Putrajaya  
Malaysia  
00 603 8894 3888  
hwum@hw.ac.uk

### Marketing and Communications

0131 451 3242  
pr@hw.ac.uk

### Student Recruitment

0131 451 3451  
edu.liaison@hw.ac.uk

### Research and Enterprise Services

0131 451 3192  
res@hw.ac.uk