

Global thinking, worldwide influence

report and financial statements
year ended 31 July 2014



Distinctly Global
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.

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Introduction



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.

I am delighted to report that 2014 was another strong year for Heriot-Watt University with one of our best ever financial performances. This will allow us to progress our vision and deliver a range of practical projects to enhance our capability. We continued to grow and develop, extending our international reach and improved our rankings in the all-important league tables.

Overall, the Heriot-Watt Group reported a surplus of £12.1 million for the year. It increased income by 9% with total income increasing by £15.8 million to £191 million. Student tuition fees grew by £9 million during the year, with more than £4 million coming from UK and EU students studying at Scottish Campuses and over £4 million from fees of international students in the UK and overseas.

The value of our research income continued to grow reaching £27.1 million during the year and is on target to reach our strategic aim of £40 million by 2018. Key developments which support our research intensification include the creation of a new School of Energy, Geoscience, Infrastructure and Society which will generate significant research opportunities for the Institute of Petroleum Engineering and across our Built Environment activity. Our Lyell Centre, a world-leading hub for fostering research in earth and marine technology, created through a partnership with the British Geological Survey, begins construction in January 2015.

We have continued to secure significant funding for developing the next generation of world-leading researchers. Six of the oil industry's biggest names are supporting our new Centre for Doctoral Training (CDT) in Oil and Gas, which will deliver people with the skills and training that industry requires. The University also benefitted from a share of the £83.5 million of funding announced by David Willetts, then Minister for Universities and Science, for Postgraduate training, which will help us to attract and support the best students in their fields.

This year the influential Guardian University Guide placed us 13th in the UK and 2nd in Scotland. We had a very positive performance in the rankings for many subject areas: The Sunday Times and Times University Guide placed five of our subjects and the National Student Survey (NSS) and

The Guardian Guide ranked eight of them in the UK's top ten. Chemical Engineering was ranked top in the UK for the fifth year running and Electrical Engineering also rose to first place.

We continue to grow our international profile and the number of students studying with us worldwide is now 29,000. In September we opened our £35 million Malaysia Campus: a purpose-built, state-of-the-art learning environment which is another major step towards meeting our ambitious strategic goal to approximately double the scale of international activities over the next five years. We launched PhD programmes at our Dubai Campus and have begun to offer inter-campus transfers between our programmes to help more students experience an international dimension to their studies.

Underpinning our strategic targets are our enabling strategies which are focused on improving our infrastructure, professional services and IT. During the year we have introduced a range of new systems, encompassing HR and student engagement. Progress on the National Performance Centre for Sport also continued and is on schedule to open in 2016.

I will be leaving the University in 2015 and would like to extend my sincere thanks to all staff and students, and to many external partners, for their commitment and hard work during 2014 and throughout my tenure as Principal. I have been very proud to serve the University and I am delighted by its continuing progress as an institution. I am confident that with the support of the highly professional Management Board team and University Court, it will continue to flourish and deliver on its strategic goals.



Professor Stephen K Chapman
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 2014. 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 8,775 students based on its Scottish campuses, 4,030 students attending overseas campuses and 16,070 students studying on its international programmes across the world. On its Scottish Campuses 57% of students come from Scotland, 8% from elsewhere in the UK, 13% from the European Union and 22% from overseas. Across all campuses, the student figures break down into 8,865 undergraduate students, 2,945 postgraduate taught students and 995 postgraduate researchers.

This year the influential Guardian University Guide placed us 13th in the UK and 2nd in Scotland. We had a very positive performance in the rankings for many subject areas: The Sunday Times and Times University Guide placed five of our subjects and the National Student Survey (NSS) and The Guardian Guide ranked eight of them in the UK's top ten

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 almost 9,500 students study in a network of 46 institutions in 33 countries.

INSTITUTIONAL STRUCTURE

The University has structured its teaching and research into six academic schools and two postgraduate institutes:

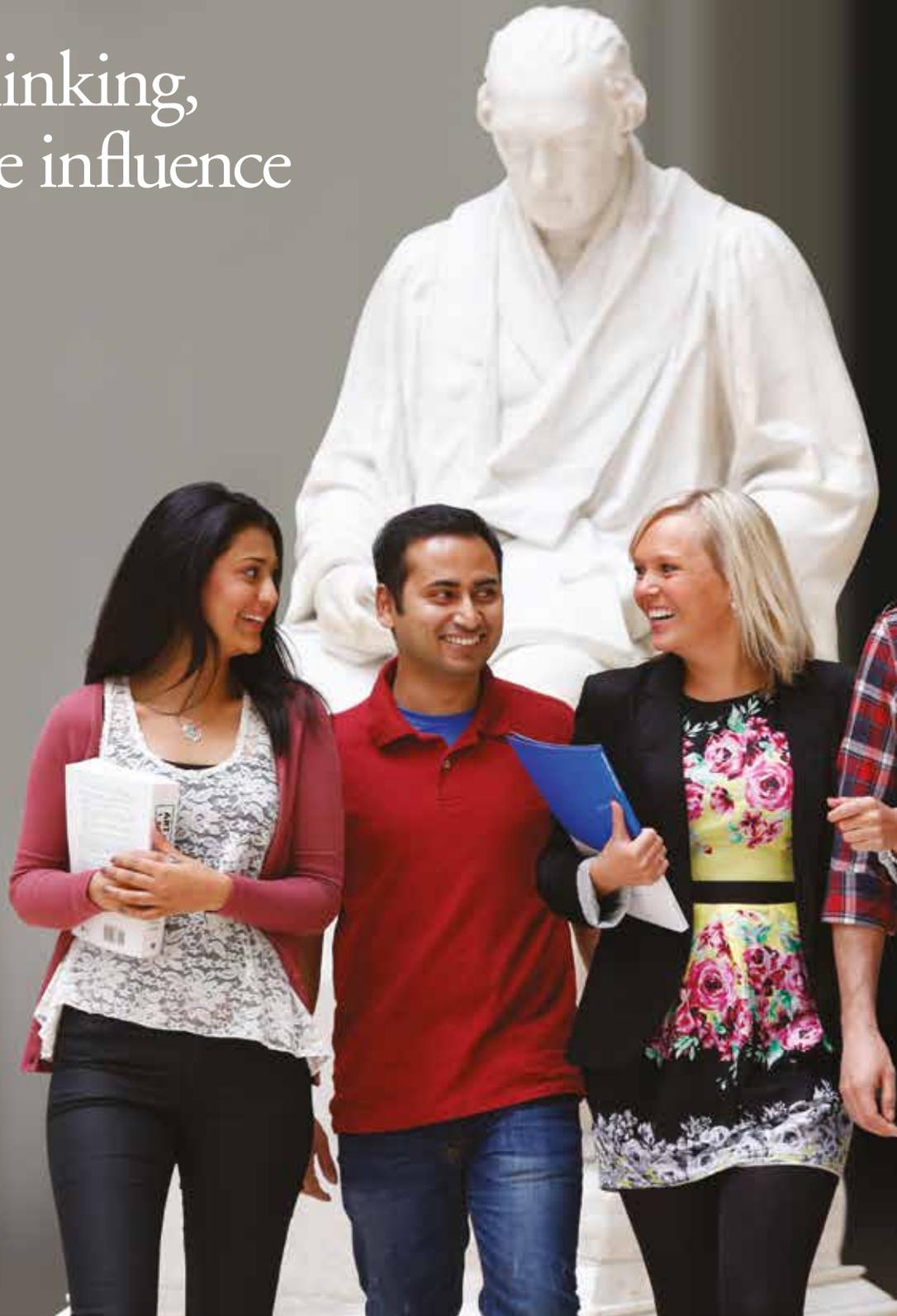
- School of the Built Environment*
- School of Engineering and Physical Sciences
- School of Life Sciences
- School of Management and Languages
- School of Mathematical and Computer Sciences
- School of Textiles and Design
- Institute of Petroleum Engineering*
- Edinburgh Business School

*From August 2014, the School of the Built Environment and the Institute of Petroleum Engineering have merged to create a new School of Energy, Geoscience, Infrastructure and Society.



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 (Research intensification; Learning, teaching and student experience; 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



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



Progress on the new £17 million Sir Charles Lyell Centre continued during the year.

- 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

Over the first two years of delivering its strategic plan, the University has made an impressive start to achieving its long term target.

Sustaining this trend will be challenging, but crucial if the University is to fulfil its strategic ambition. This outstanding performance implies that the University's strategic plans, which began to be implemented in 2007/08, are now bearing fruit.

Academic staff recruitment:

Our academic recruitment strategy has seen a net increase of 89 'research active' staff since the inception of our Global Platform initiative in March 2012, meeting our target of 20 per annum, which has contributed not only in a growth of research income, but the beginnings of diversification of our income sources, including broadening our interaction with the range of Research Councils.

Research Activity

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

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

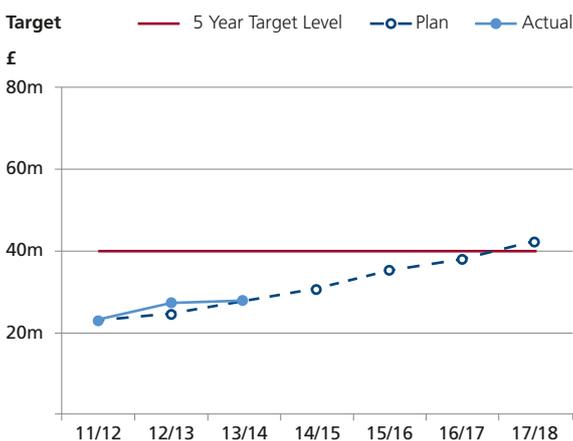
Increasingly, as a matter of strategy, Research Councils are seeking to concentrate their portfolio on a smaller number of larger research projects, often interdisciplinary and collaborative in nature. They seek to do so in order to be able to make real and demonstrable impact on research problems of 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.

RISKS

Despite these current considerable successes, and a relatively strong "order book", there are some issues too. Industry funding is not growing as quickly as public funding of our portfolio, and the total public budget for research is constrained by public spending control. The likely effect of these concerns is that we will need to win a larger slice of a potentially shrinking cake, and to grow our investigator base in order to grow and diversify, both of which are aims associated with our "global platform" initiative, which aims for around 100 high calibre academic appointments over the period 2013-2018.

The University's strategic plan sets very ambitious targets for the growth in research income from under £23 million earned in 2011/12, to a target of £40 million per annum by the end of 2018

KEY PERFORMANCE INDICATORS (KPI)



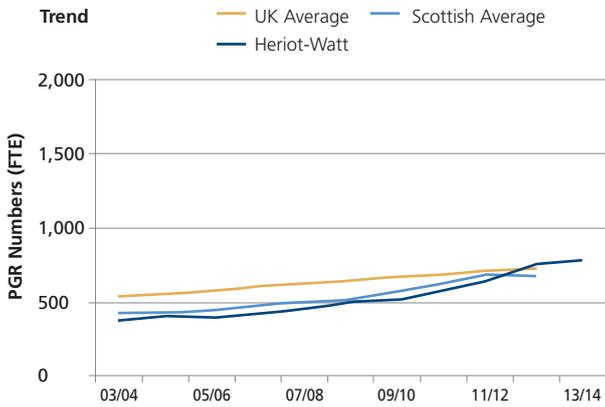
KPI: Annual Research Grant and Contract Income

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 good performance over the last two years has seen a trend of income

growth and 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. Currently, the University remains on target to reach £40m pa income by 2017/18 and to sit among the upper quartile of institutions, by the end of the strategic plan.

KEY PERFORMANCE INDICATORS (KPI)

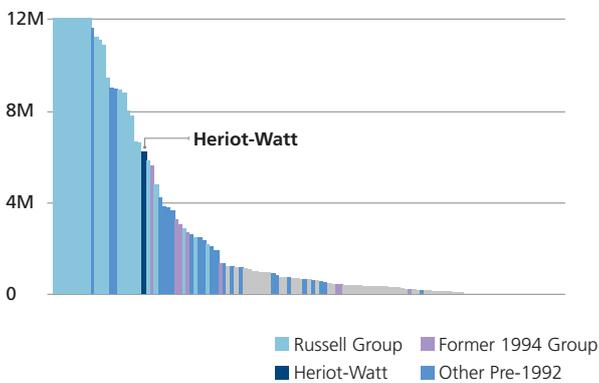


KPI: Research Student Numbers

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 776 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.

KEY PERFORMANCE INDICATORS (KPI)

2012/13



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.

Heriot-Watt has experienced a trend of sustained growth well above the above the UK and Scottish averages, in fact rising towards the average level of the generally much larger pre-1992 universities, reflected by its position as 23rd out of 127 institutions.

Learning, Teaching and the Student Experience

CONTEXT

Heriot-Watt University has a longstanding 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

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. The University's future plans recognise those needs, and specifically with regard to teaching accommodation, a major initiative for this session was the repurposing of the James Watt Centre 1, so that it was given over to teaching during semesters, while remaining available for conferences during the vacations. Thus, an additional large, tiered lecture theatre became available immediately, plus a suite of seminar rooms and extensive common learning space.

Beyond direct learning and teaching, provision of facilities for sport and exercise are an important component of the student experience. In October 2013, the University won the bid for the Scottish National Performance Centre for Sport (NPCS). Due to open in August 2016, this project has attracted £27.5m of grant funding to establish a £30m facility, unparalleled amongst Scottish universities.

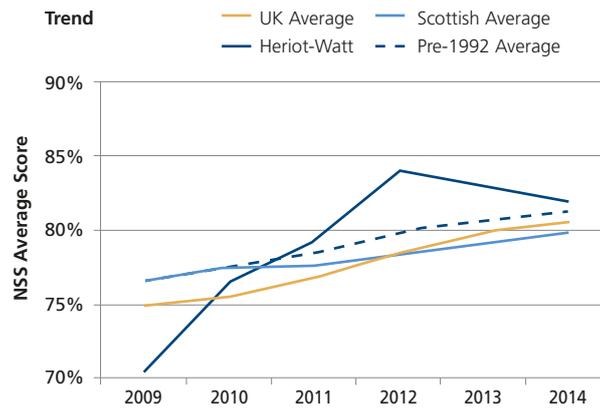
The start of the 2012 academic session saw the opening of the new residential accommodation in Edinburgh and at the Scottish Borders campus. The University intends to continue its programme of updating on-campus residential accommodation by providing another new residence in Edinburgh, due to open in September 2016.

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. In the short term, this has been addressed through the repurposing of conference facilities to supplement teaching facilities. In the longer term, the University already has well developed plans to expand and improve its residential and sports facilities and in addition, the University is surveying its utilisation of space and developing a new Estate Masterplan in order to better inform planning and development of its future space needs. The University's financial plans have anticipated the likely resultant need for future major financial investment.

In relation to international students at our UK campuses, the University continues to work hard to maintain compliance with all UKBA 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.

KEY PERFORMANCE INDICATORS (KPI)

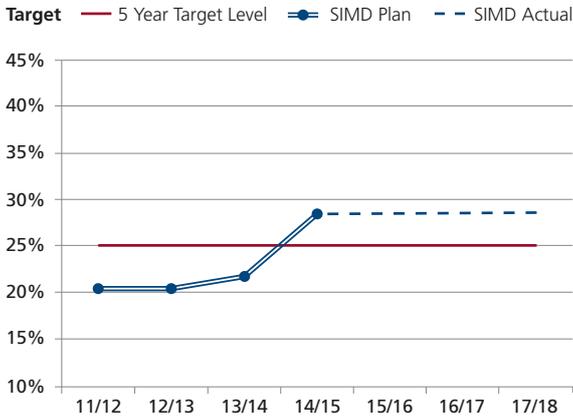


KPI: Student Satisfaction

Heriot-Watt came top in Scotland for 7 out of its 17 subjects in the 2014 National Student Survey (NSS) and top in the UK for two - Chemical Engineering was ranked top in the UK for the fifth year running, while Electrical Engineering rose to also rank first, both subjects receiving a 100% satisfaction rating. Although down on the previous year, Heriot-Watt's results in the 2014 NSS, continue to show student satisfaction to be above sectoral averages.



KEY PERFORMANCE INDICATORS (KPI)

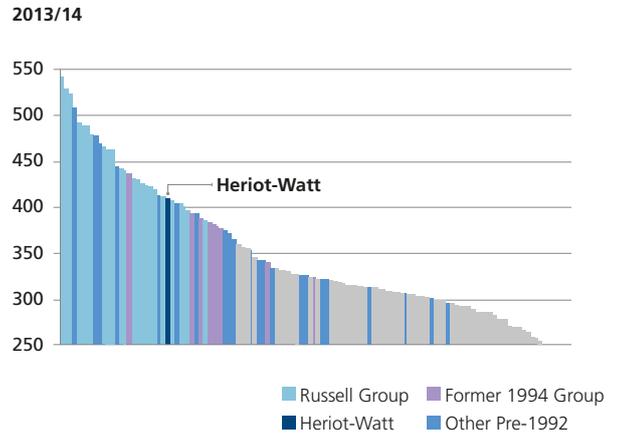


KPI: Wider Access

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. Heriot-Watt's target is to move to at least 25% of Scottish entrants over the next 3-5 years, and to achieve at least 25% of this Scottish student population coming from SIMD40 areas. We have now exceeded this target by a good margin, and are confident that we will sustain that improved position over the planning period.

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

KEY PERFORMANCE INDICATORS (KPI)



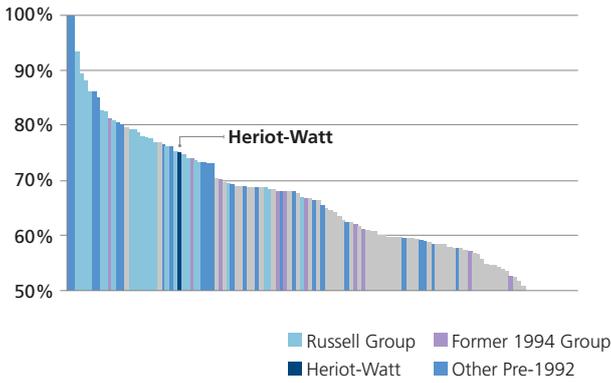
KPI: Entry Standards

The average UCAS tariff score of university entrants is a recognised method for equating a variety of entry qualifications and grades on a single scale. The result provides an indication of demand from well-qualified candidates and of entrants' levels of prior attainment. Heriot-Watt's position relative to the rest of the university sector shows that demand remains high, remaining in the upper quartile, consistent with its target.

Heriot-Watt came top in Scotland for 7 out of its 17 subjects in the 2014 National Student Survey (NSS) and top in the UK for two - Chemical Engineering was ranked top in the UK for the fifth year running, while Electrical Engineering rose to also rank first, both subjects receiving a 100% satisfaction rating

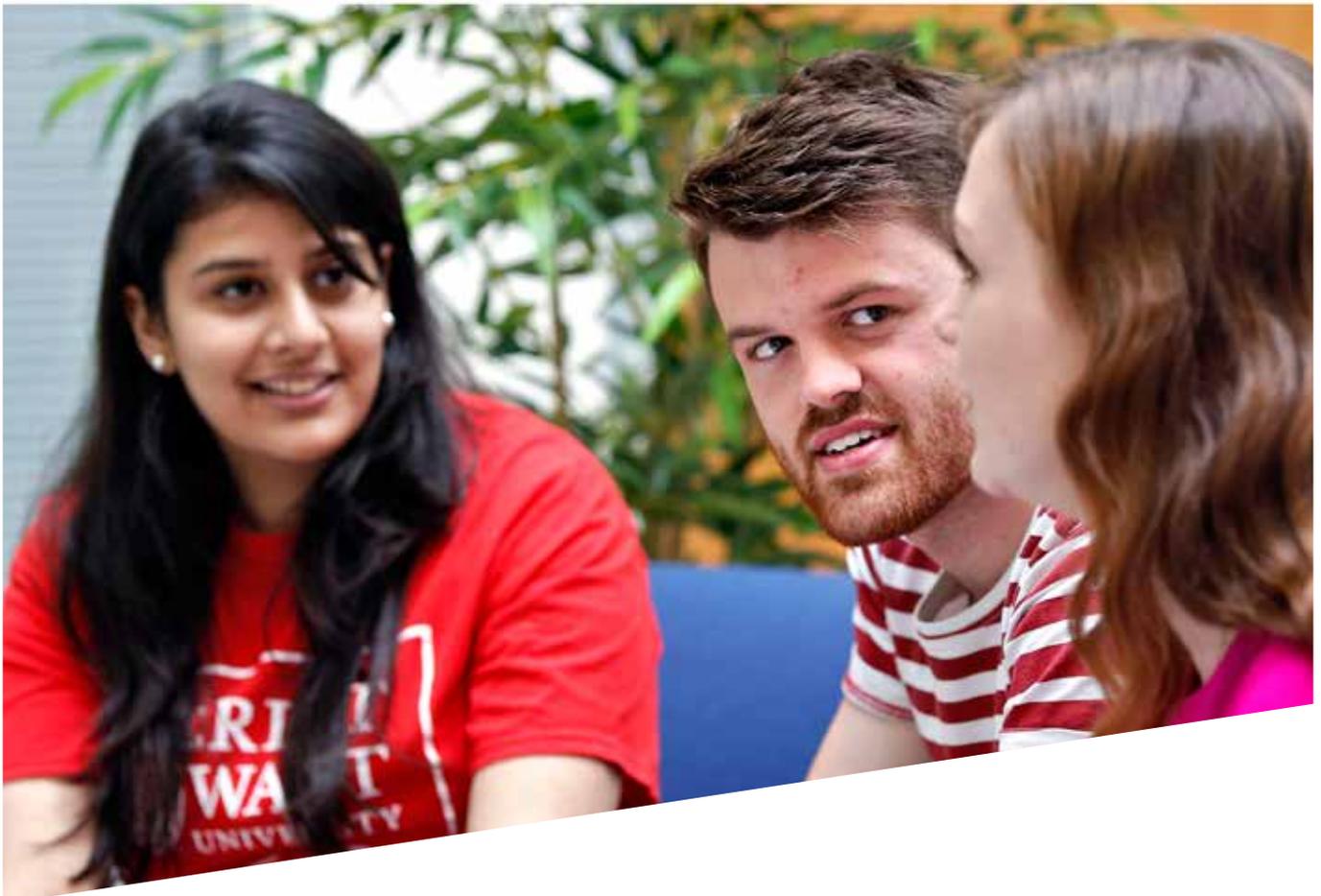
KEY PERFORMANCE INDICATORS (KPI)

2012/13



KPI: Graduate Employment

Historically, measuring 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. More recently data has been collected to provide visibility of where that employment is ‘graduate level’. Heriot-Watt’s results of around 75% places it 28th in the UK, within the upper quartile, but not within the upper decile position of last year.



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.



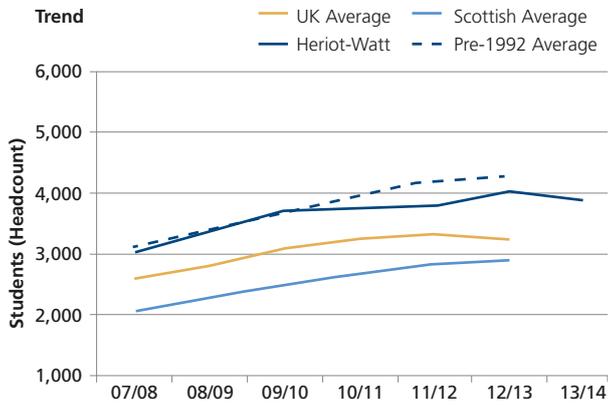
ACTIVITY

As well as continued success in international recruitment, this year has seen the development of further international partnerships and collaborations. Edinburgh Business School has recently set up new partnerships in Nigeria and Argentina and has set up ‘EBS Australia’. The Institute of Petroleum Engineering established a new partnership with Instituto do Petróleo e Gás (ISPG) in Lisbon, Portugal. Supported by Galp Energia, the Portuguese national oil company, this partnership will expand our international reach by providing access to students from Portugal, Brazil, Angola and Mozambique. This year, the University won an ‘Outstanding Partner’ Award from the China Service Centre for Scholarly Exchange in recognition of the work Heriot-Watt does with partner Universities in China.

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. Both the International Strategy Board and the Heriot-Watt University Malaysia Project Board maintain risk registers. These are used to 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: International Students Studying in the UK

Although the trend at Heriot-Watt in attracting students from abroad had begun to fall behind the pre-1992 university average, more recently there has been a return to growth close to the average, and 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. At 3,905 in 2013/14 Heriot-Watt's international student numbers remain a little ahead of this target and are predicted to run closer to target for the remainder of the planning period.

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 also strengthened the University's international presence. At the end of 2013, Heriot-Watt remained second only to the Open University 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 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.

Edinburgh Business School has recently set up new partnerships in Nigeria and Argentina and has set up 'EBS Australia'. The Institute of Petroleum Engineering established a new partnership with Instituto do Petróleo e Gás (IsPG) in Lisbon, Portugal

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 has begun and the first phase of student residences renewal at the Scottish Campuses and the development of a new Malaysian Campus have been completed. The University currently has firm plans for three significant estate developments:

- A new 450 bed residence at its Edinburgh Campus, due to open in September 2016, which will be funded from hitherto unutilised loan facilities;
- The National Performance Centre for Sport, funded by a £25m grant from sportscotland, a £2.5m grant from City of Edinburgh Council and £2.5m from the University's own resources. As well as providing Scotland's top sportsmen and women with the facilities, access and support services pivotal for successful performance in the international stage, will also provide world-class facilities for students, staff and the community and will play a significant role in enhancing student experience;

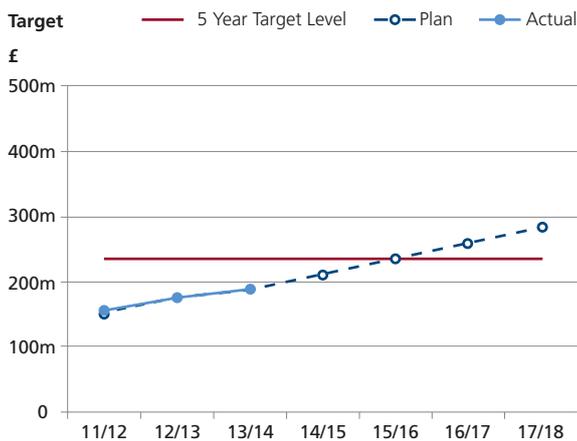
- The Sir Charles Lyell Centre, a new centre for earth and marine science and technology, which will create a world-leading research cluster bringing science and technology together to tackle major issues of natural resource and energy supply in a responsible and sustainable way. The Centre will house researchers from the University and from the British Geological Survey, which is relocating its Edinburgh office to the £17m, purpose-built complex which is scheduled to open by 2016. The facility will be jointly funded by UK and Scottish funders, Natural Environment Research Council (NERC), Scottish Funding Council (SFC) and Heriot-Watt University.

RISKS

Here, the main risks facing the University are associated with its ambitious capital plans, including that relating to the capacity to deliver a range of projects concurrently. In practice, our projects will be managed within an agreed and structured project management framework. 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. Our Financial Plan indicates that the funding of our capital plans can be accommodated within the headroom within our existing borrowing facilities and cash generation from a growth in annual operating surplus.

The University is investing in three significant estate developments on its Edinburgh Campus: new 450 bed modern, contemporary student residences; construction of the National Performance Centre for Sport and the opening of The Sir Charles Lyell Centre, a world-leading centre for earth and marine technology

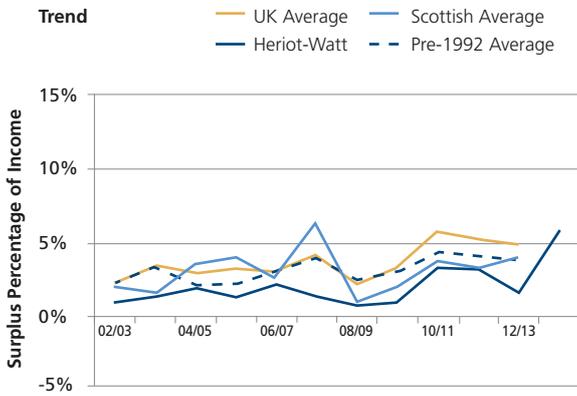
KEY PERFORMANCE INDICATORS (KPI)



KPI: Total Income

Heriot-Watt may have historically lagged the UK university sector's income growth, but more recently the University has surpassed the sectoral trend. At £176m in 2012/13 (the most recently available sectoral figures), Heriot-Watt had risen to just above the sectoral median. When normalised to total staff numbers (to give a measure of the efficiency of income generation), the University's £105k per staff FTE ranks 12th in the UK, up from last year's 25th position. The target is growth of total income to £235m by 2017/18, which could move the University well into the sector's second quartile, exactly how far is dependent on competitor growth rates. The University's Financial Plan projects meeting that target in 2016/17 and predicts significant above inflation growth (averaging 8% pa). Encouragingly, at £191m, actual performance in 2013/14 lies slightly ahead of this forecast.

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. This year's result of 6% is likely to reverse a trend of Heriot-Watt generally trailing the sector average. 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 the 2013 Financial Plan which projects rising surpluses from 2015/16 and exceeding the target level from 2016/17.



Financial Review



Artist's impression of the 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 where the projected increase in student numbers is from nil to over 2,500 by 2019.

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 £27.1m in 2013/14, the University is on track to achieve this. This growth will be underpinned by the Global Platform initiative which seeks to recruit up to 100 high calibre members of academic staff to work alongside the existing academic community over the next five years. In November 2013 the University made its submission to the 'Research Excellence Framework' (REF) which is the successor to the Research Assessment Exercise (RAE). The outcome from REF will be known by the end of 2014 and will determine the 'research excellence grant' (currently around £10m per annum) for the next five years. RAE/REF gradings are a critical element in the perception of a university's research standing and thus the REF outcome will be of major strategic importance.

Our Edinburgh Campus is being transformed into the home of the National Performance Centre for Sport, Scotland's new world-class sporting centre. This cutting-edge development will see Heriot-Watt become the training hub for, among others, Scotland's national football and rugby squads

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 utilisation of existing borrowing facilities, will fund capital plans which will support the delivery of the strategy. The five year financial planning model includes capital plans for:

- £20m expenditure on around 450 bed spaces in new student residences, to replace facilities nearing the end of their useful life and to provide for growing student numbers
- the development of a National Performance Centre for Sport, a £30m venture, to be supported by £25m from the Scottish Government, £2.5m from the City of Edinburgh Council and £2.5m from the University's own resources, (opening in 2016)
- a project to co-locate the British Geological Survey and Heriot-Watt University staff and postgraduate students and create a new national scale facility for the geosciences, marine sciences and related engineering disciplines, notably in the energy sector. The capital cost of the University's part of the building is estimated at £8.3m offset by a Scottish Funding Council grant of up to £3.5m
- an estimated £14m expenditure on the significant development of academic space to accommodate the expansion in numbers of research active staff associated with the University's Global Platform initiative, and
- £3m to meet a number of requirements for improved information systems in the University.

Recent and planned increases in numbers of students on the Edinburgh Campus require further provision of teaching space. In the medium term that requirement has been met by assigning part of the University's conference facilities to teaching.

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements which, have been approved by the Court for the year ended 31 July 2014, comprise the consolidated results of the University and its subsidiary undertakings, together the "Group".

RESULTS FOR THE YEAR

The Group reported a surplus of £12.1m for the year, an increase of £7.9m on the prior year.

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

INCOME GROWTH

In 2013/14 the Group achieved income growth of 9% (2013: 13%) with total income increasing by £15.8m to £191.3m (2013: £175.5m). Growth was seen across most of the Group's main income categories.

Last year's reversal of the previous trend of generally decreasing funding body grants continued this year, with resources for learning and teaching being boosted by support for additional funded places to widen access and for strategically important subjects in undergraduate and postgraduate programmes and the Scottish Funding Council's continuing support for research via its "Global Excellence" initiative which assists Scottish universities to do well in international league tables.

Results for the Year

	2013/14 £m	2012/13 £m	2011/12 £m	2010/11 £m	2009/10* £m
Income	191.3	175.5	155.6	150.3	142.7
Year on year %	+9.0%	+12.8%	+3.5%	+5.3%	+6.1%
Expenditure	(179.2)	(171.3)	(149.2)	(144.8)	(135.6)
Year on year %	+4.6%	+14.8%	+3.0%	+6.8%	+1.3%
Net Surplus	12.1	4.2	6.4	5.5	7.1

* 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).

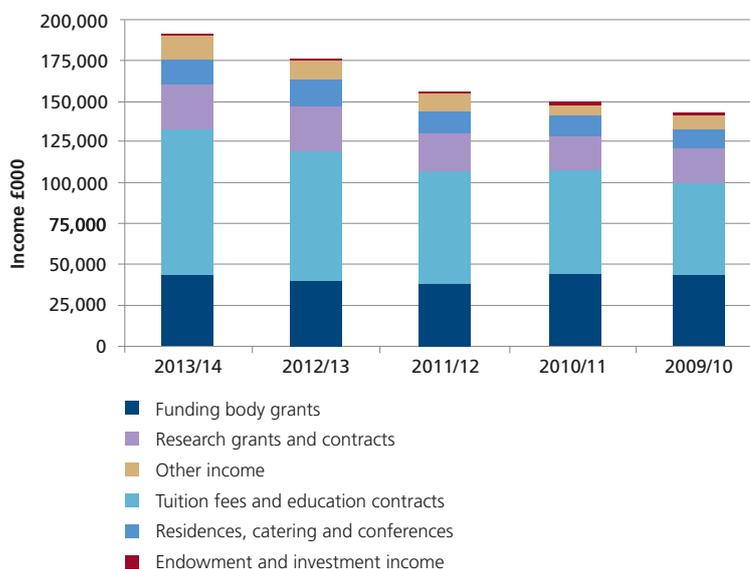
Tuition fees and education contracts grew by £9m over the year to £89.4m (2013: £80.4m).

- £1.7m of the growth relates to a growth in home and EU student numbers on Scottish campuses
- £2.4m of the growth relates to the impact of the introduction of tuition fees, on a second tranche of undergraduate students from England, Wales and Northern Ireland.
- Over £4.5m of the growth can be attributed to significant growth in student numbers and fees from international students studying in the UK; on international campuses; as independent distance learners; or from those studying with our international approved learning partners.

Building on the growth of the previous year, the growth in research grant and contract income to £27.1m (2013: £26.9m), reflects the University's efforts to develop this category of income, mainly through investment in research active staff as part of the Global Platform initiative.

The growth in other income came mainly from sale of the University's investment in two of its spin-out companies. This was offset, to some extent, by the loss of income resulting from the planned closure of one of the student residences in Edinburgh that had reached the end of its useful life, and had already been replaced with opening of the new residence the previous year.

INCOME GROWTH



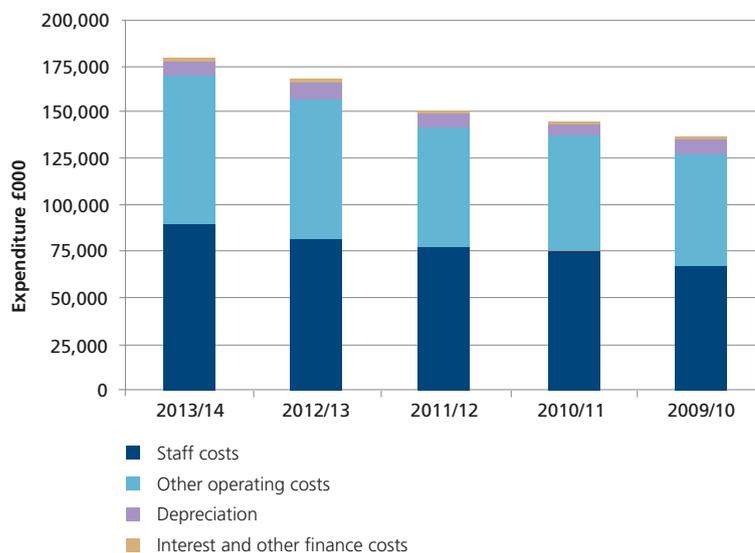
Growth in Student Numbers

	2013/14	Change	2012/13
Scottish Campuses			
Undergraduates	6,245	0.2%	6,230
Taught Postgraduates	1,535	-1.9%	1,565
Research Postgraduates	995	8.2%	920
	8,775	0.7%	8,715
Dubai Campus			
Undergraduates	2,450	8.2%	2,265
Taught Postgraduates	1,305	10.1%	1,185
	3,755	8.8%	3,450
Malaysia Campus			
Undergraduates	170	-	-
Taught Postgraduates	105	556.3%	16
	275	1618.8%	16
TOTAL ON-CAMPUS	12,805	5.1%	12,181
Independent Distance Learners and Students at Approved Learning Partners			
Undergraduates	4,390	1.6%	4,320
Taught Postgraduates	11,415	11.9%	10,200
Research Postgraduates	265	3.9%	255
	16,070	8.8%	14,775
GRAND TOTAL	28,875	7.1%	26,956

EXPENDITURE

Staff costs increased by 7.3% compared to the previous year. With 1% being attributable to the pay award in 2013, this increase arises from growth in staff numbers, reflecting the investment in new active research academics, and to automatic increments in pay scales. Further disclosures are shown in Note 7 to the financial statements. Increases in other operating expenditure reflect the success in growing the University's research activity. A reduction in depreciation reflects the one-off impairment of fixed assets last year. The reduction in interest costs reflects the current low costs of financing and a reduction in borrowing over that prevailing for much of the previous year.

EXPENDITURE



NET ASSETS

At the end of the year, the Group had net assets of £85.1m (2013: £77.7m), an increase of £7.4m on the previous year. The net increase in fixed assets by £4.4m reflects, primarily expenditure on the fit-out of the new Malaysia campus, preparatory work for the National Performance Centre for Sport and investment in a new HR computer system. The movement on Fixed Asset Investments reflects a decision to move some cash into Certificates of Deposit, with a view to improving the yield on surplus cash, while maintaining liquidity. The upward movement in cash reflects net cash inflows from operating activities across the Group.

CREDIT AND LOANS

The University has a 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. At £25m, this is fully drawn with interest rate swaps in place for 50% of that value.

The Group's £40m revolving credit facility, agreed with Barclays Bank in 2007, has provided stability with secure funding sources in place during a period of extraordinary turmoil in the financial markets. At the year-end, drawings totalling £20m (2013: £20m) had been made against this facility. All of this is protected from financial market volatility by long term interest rate swaps.

PENSIONS

The Group's employees are members of one of four pension schemes: the Universities Superannuation Scheme (USS), the Lothian Pension Fund (LPF), Supplementary Pension Scheme (SPS) and the Scottish Teachers Superannuation Scheme (STSS). Of these the first three are still active, with members still employed by the Group.

Details of the accounting policies are set out in Note 1 and further disclosures are set out in Note 28. All four 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 2011, in December 2011 and January 2012 respectively. Both schemes are currently carrying out a formal valuation as at 31 March 2014, however the results of those revaluations are not yet known.

PAYMENT OF SUPPLIERS

Unless special terms are agreed, it is Group policy to pay invoices at the end of the month following the month in which the invoice is dated. At 31 July 2014 there were 20 days (2013: 13 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 2014 there were 13 investments (2013: 15) in a range of different companies. The market value of these investments is not reflected in the Group's financial statements.

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



Corporate Issues



In 2016 a second phase of brand new residences will open on the Edinburgh Campus providing new, modern, contemporary student accommodation.



OUTCOME AGREEMENT

In Autumn 2011, the Scottish Funding Council (SFC) 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 this 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 ensuring that staff are adequately informed and encouraged to engage with the implementation of the University's Strategic Plan. The Principal and Vice-Chancellor holds annual town hall 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. 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 internal pages of the University website, detailing progress at the University's various committees. An electronic newsletter is produced on average twice a month and a printed magazine once a month. Face-to-face communication takes 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.

In 2016 a second phase of brand new residences will open on the Edinburgh Campus providing 450 bed new, modern, contemporary student accommodation



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.

In April 2013 the University published our Equality Outcomes covering the period 2013-2017. The Equality Outcomes 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 the obligations under the Equalities 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. We will be publishing our interim position in April 2015 with an update of progress toward our Equality Outcomes and a mainstreaming Report. We will also be publishing new Pay Gap Information and an updated Equal Pay Statement.

The Athena SWAN Charter recognises commitment to advancing women’s careers in science, technology, engineering, maths and medicine (STEMM) employment in higher education. Heriot-Watt University was a founding member of the Charter in 2005. The University held a Bronze Award between 2007-2011. In September 2013, the University was successful in achieving a Bronze Award. We are currently working to a roll-out programme across all of our Schools and Professional Services, prioritising STEMM areas.

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 Court has determined that Heriot-Watt University will:

- Operate its facilities to meet and, if possible, improve on legal environmental requirements
 - Develop knowledge of the environmental impact of its activities, seeking to move towards long-term principles of sustainability
 - Include environmental issues within investment and business decisions
 - Avoid the use of non-replaceable resources wherever possible
 - Use, wherever practicable and consistent with required levels of quality, waste and recycled materials
 - Influence, by its purchasing power, suppliers to adopt responsible environmental policies
- Work to improve environmental performance continually, particularly by:
 - Minimising the use of fossil fuels by good practice in transport, both of people and of goods being supplied
 - Minimising the release of waste materials to the environment
 - Preventing pollution at University sites
 - Working towards the adoption of an Environmental Management System for the University, such as ISO 14001
 - Involving and informing staff, students, visitors and other stakeholders to develop their awareness of environmental issues
 - Liaising with the local communities and their representatives where the University operates on environmental matters.

STUDENT REPRESENTATION

The University has had a long and successful track record of involving its students in decision-making with positive influence on key areas of performance. Students are represented on University Court and several Committees of Court.

DONATIONS

No donations were made during 2013/14 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 Stephen K Chapman
Principal and Chief Accounting Officer

15 December 2014



Lord George Penrose
Chairman of Court

15 December 2014

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

Corporate Governance Statement

INTRODUCTION

The University is committed to adopting best practice in all aspects of corporate governance and this statement describes the principal governance provisions which currently apply. The University Court keeps these provisions under review to take account of best practice from time to time and to remain responsive to a rapidly changing broader higher education governance arena.

In the year 2013/14, the Court has been observant of the new Scottish Code of Good Higher Education Governance (the Scottish Code) which was published in July 2013 and has maintained oversight of an action plan to monitor the University's continued progress over the course of the year towards achieving full compliance with this new Scottish Code. In a sector-wide survey, co-ordinated by Universities Scotland in Summer 2014, the University reported on progress made towards implementation of all of the main principles incorporated in the Scottish Code. The University's progress was shown to be on a par with the sector which, as a whole, is providing encouraging evidence of measures undertaken or underway to achieve compliance with the Scottish Code.

In accordance with advice from the Committee of University Chairs and the Scottish Funding Council (SFC), the University aims also to comply with UK Corporate Governance Code requirements in so far as these may be applied to the higher education sector.

The University's Charter and Statutes represent the primary internal governance and regulatory framework for the University:

- the Charter defines the objects, powers and responsibilities, principal officers, and the Court and the Senate of the University;
- the Statutes prescribe the requirements for 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 the establishment and approval of the Ordinances and Regulations.

Under the terms of the Scottish Code, the Court is unambiguously and collectively responsible for overseeing the University's activities and for taking all decisions on matters of fundamental concern to the University. In so doing the Court must uphold the University's reputation and values, ensure that it is responsive to the interests of all of its stakeholders, and ensure compliance both with the governing instruments of the University and relevant legislation.

The Senate is the supreme academic body of the University with responsibility for its academic work and standards, both in teaching and in research.

The Court is unambiguously and collectively responsible for overseeing the University's activities and for taking all decisions on matters of fundamental concern to the University

GOVERNING BODY

Responsibilities

The University's Charter defines the powers of the Court, thus:

“The Court shall have the custody and disposition of all the property of the University and the control of the finances and shall review the work of the University and, subject to the powers of the Senate, shall take such steps as it thinks proper for the purpose of advancing the interests of the University, maintaining its efficiency, encouraging teaching, the pursuit of learning and the prosecution of research therein, and for providing facilities for the recreation and well-being of students and of staff.”

To discharge its responsibilities the Court met six times during the year 2013/14, including at two strategy “Away Days”. The Away Day event which took place in November 2013, and which will be scheduled annually in the future, was the first of its kind in the University. The purpose of that Autumn Court Away Day is to focus specifically on the University's performance in the year against the strategic plan Key Performance Indicators and to review associated institutional strategic risk. Arrangements for the November 2013 Away Day included an externally led presentation and discussion on risk appetite, with agreement reached to develop the University's risk appetite statement which will help to further inform the Court's future approach to oversight of risk management.

The principal business of the Court includes consideration and approval of strategic plans and associated Key Performance Indicators and annual budgets. In October 2012, the Court approved the current Strategic Plan 2013-2018 which enumerated the relevant Key Performance Indicators. At each of its June meetings in the year the Court considers and approves a Five Year Financial Plan which is concomitant to the Strategic Plan. The Financial Plan is submitted to the SFC at the end of June each year.

At each of its meetings, the Court receives an executive briefing from the Principal which updates the Court on matters concerned with the work of the University. In addition, the Court receives a regular report from the Senate, oral updates at each meeting from the Chair and from student representatives and reports from each Court committee which has met in the preceding period. Reports from Court committees, presented by the relevant Committee Chair are based on the minutes of meetings, thereby representing the full business of the committee. Information is presented for the Court to note and comment on and, where relevant, for the Court to approve.

The Court is responsible for approving the mission and strategic vision of the University, long-term academic and business plans and Key Performance Indicators. Significant projects, such as the Malaysia Campus project and the National Performance Centre for Sport, for example, are considered by the Court for approval on the basis of recommendations from both the University Executive and the Finance Committee of Court which is responsible for detailed scrutiny of business plans. In the case of the Malaysia Campus project which has been a major development, the Court has also considered the reports and recommendations of the Malaysia Campus Oversight Board. This Board, which comprised a number of governing body members, was established for the purpose of providing governance oversight of the project and reporting regularly to the Court on the status of the project.

During the year 2013/14, the Court and the Audit and Risk Committee have received regular reports on the status of each of the University's strategic projects, by way of the Strategic Project Register, managed centrally by the University's Projects Office as part of the University's evolving approach to best practice project management. The Strategic Project Register has been a new development in the year. The Court and the Finance Committee also receive regular updates on the University's financial position by way of a Group Financial Summary Dashboard. This report is also a new development in the year, designed to augment existing reports.



Statement of Primary Responsibilities

In 2013/14 the Court oversaw a substantial re-development of the Court's Statement of Primary Responsibilities. The revised Statement, which was approved by the Court in June 2014, is published at: <http://www1.hw.ac.uk/committees/court/statement-of-primary-responsibilities.pdf>

The Statement of Primary Responsibilities was reviewed and revised to take account of the Scottish Code and as a basis upon which a major review and revision of the University's Charter and Statutes was undertaken during the year 2013/14.

The Statement, which adopts fully Scottish Code guidance on the provisions to be included in a higher education governing body Statement of Primary Responsibilities, also describes explicitly the responsibilities of the Court in a way which accords with each of the main Principles of the Scottish Code where there is an absolute requirement: i.e. its provisions include what the Court must do to meet the requirements of the Scottish Code.

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 continued 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 accepted standards of behaviour.

Review of the University Charter and Statutes

In 2013/14 the Court oversaw a major review of the Charter and Statutes, the University's primary constitutional framework. The current Charter and Statutes, together with the revised draft Charter and Statutes, which await Scottish Government and Privy Council approval, can be viewed at: <http://www1.hw.ac.uk/ordinances/charter-and-statutes.htm>. Approval is expected in the early part of 2015.

In March 2013, following consultation with the University Senate, the Court established a Constitutional Review Group with joint Court and Senate representation including student representation. The remit of the Group was to undertake an initial review of the Charter and Statutes. This initial review was undertaken in Spring 2013 and, in the light of the recommendations of this Group and in consultation with the Senate, the Court agreed to proceed with commencement of a detailed review from July 2013. The detailed review and revision work on the Charter and Statutes by the Group continued through the remainder of 2013 through to May 2014. The Court and the Senate subsequently approved proposed revised Charter and Statutes in June 2014 for onward consultation with, and ultimate approval by, the Scottish Government and the Privy Council.

The factors underpinning the rationale for this Court-led review are manifold. Since the previous full review of the Charter and Statutes the business of the University has grown substantially in complexity and in the nature of its activities – now operating over multi-international campuses. This alone gives rise to governance challenges and it has been necessary to ensure that the University's internal governance framework is relevant and fit for purpose, both now and in the future. The Court is cognisant also of the new Scottish Code and the need to be assured that the University's constitutional arrangements accord with good governance precepts as

well as relevant legislation, such as the Charities and Trustee Investment (Scotland) Act 2005. The Court identified the need to introduce a higher degree of clarity around the powers, roles and responsibilities of the Court, the Senate, the University Executive and the Principal, and determined that each of the Charter and Statutes and the Court Statement of Primary Responsibilities be reviewed together to ensure consistency in meeting this aim.

The major revision to the Charter and Statutes has also provided the opportunity to simplify the somewhat complex current structure and has introduced a level of flexibility within the structure of the University's constitutional framework which will support more effective and responsive approaches to governance as the activities of the University develop over time and it responds to a changing environment. In support of the review and consistency of approach in the future development of the University's constitutional framework, the Court, as well as other key decision-making executive and governance bodies in the University, has approved the adoption of a common set of definitions for each element of the University's constitutional framework, i.e. Charter; Statutes; Ordinances; Regulations; Policies (corporate); Policies (academic); Codes of Practice; procedures and guidelines; and constitutions.

In a further phase of the review the required underpinning new or revised University Ordinances and Regulations have been identified and work to develop these through a phased approach is commencing from Autumn 2014.

Court Membership

The Court includes twenty five members including the Chair, who is appointed from within its independent lay membership. The independent membership comprises eleven lay members. A further eleven members (both internal and external to the University) have been directly elected to the membership and a further three are members in an ex-officio capacity. In the renewed Statute governing the membership composition of the Court, steps have been taken to increase to thirteen the independent lay member category, to ensure that this group has a clear majority within the wider Court membership.

Regular further attendees at meetings of the Court include the Secretary of the University, 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 Secretary of the University is the Clerk to the Court.

During the year 2013/14, members of the University Executive and the Senior Dean were invited to attend Away Day meetings of the Court as full participants in 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 may be invited to attend part of an ordinary meeting of the Court for that item of business.

Chair of Court and Deputy

Chair of Court appointments

During 2013/14, supported by an executive search firm, the Court has overseen a process of selection and recruitment of a new Chair of Court to succeed Lord Penrose, who will demit office on 31 December 2014. At its meeting in October 2014, the Court approved the appointment of Frances Cairncross, CBE, who will take up the role of Chair of Court from 1 January 2015.

In May 2014 the Court formalised arrangements relating to the role of Deputy Chair of Court, agreeing a role description for this independent lay member position and making a new appointment to the role from June 2014. In accordance with requirements set out explicitly in the Scottish Code, the Deputy Chair of Court will serve as an intermediary for other members who might wish to raise concerns about the conduct of the Court or its Chair and will meet with other members annually to appraise the performance of the Chair.

Principal and Vice-Chancellor appointment

During 2014, supported by an executive search firm, a recruitment process has been underway to appoint a new Principal and Vice-Chancellor to succeed Professor Steve Chapman, who will leave the University to take up a Vice-Chancellor post in Perth, Australia in Spring 2015. In the recruitment process, the University has applied good governance principles, as set out in the Scottish Code.

Committees of Court

The Committees of Court assist the Court in discharging its responsibilities in relation to strategic planning and monitoring of human resources, estate, finance and asset management; risk and audit; and governance effectiveness and systems of internal control. The Terms of Reference of each of the Committees of Court are reviewed annually and approved by the Court, ensuring that there is clarity around delegated powers and lines of responsibility and accountability. The Committees of Court are described below:

- The Emergency Committee of Court may exercise the full powers of the Court to act during vacations or, when necessary, between meetings of the Court. The Committee is chaired by the Chair of Court and includes in its membership the Principal, the Vice-Principal and independent lay members of Court who are Committee Chairs.
- The Court has a Remuneration Committee which comprises independent lay members. The Principal and the Secretary of the University sit in attendance but are not present when their personal remuneration is considered by the Committee. The Remuneration Committee, currently chaired by the Chair of Court, meets at least once each year to review and determine the salary and other remuneration, including performance reward payments and conditions of service, of the most senior management staff of the University (i.e. staff remunerated at Grade 10 on the nationally agreed higher education framework single pay spine), and to deal with any other relevant remuneration matters which may be referred to the Committee by the Court.

- The Remuneration Committee reports annually to the Court providing information on decisions made in relation to the salaries and conditions of service, and the capture of data and other information used to inform the Committee's decision.
- In October 2014, in accordance with advice provided in the Scottish Code, the Deputy Chair of the Court was appointed to replace the Chair of the Court as Chair of the Remuneration Committee. In 2014, the membership of this Committee was augmented with the appointment of a co-opted independent lay member.
- The Court has a Governance and Nominations Committee which comprises independent lay members, the Principal, the Vice-Principal, and other staff and student members of the Court. The Governance and Nominations Committee advises the Court on all matters relating to governance, the conduct and effectiveness of Court business and the appointment of independent lay members to the Court and the standing committees of Court. The Governance and Nominations Committee meets at least twice each year and is chaired by the Chair of Court. In 2013/14 the membership of the Committee was augmented in accordance with Scottish Code advice.

During the financial year just ended, the Committee continued to oversee and to make recommendations to the Court on new Court and Court Committee appointments. Independent lay membership appointments have drawn on suitable candidates who were identified following an open recruitment campaign undertaken in 2013 with advertising carried by the Scottish and UK press. At the conclusion of the advertising round some appointments could be made to immediately available vacancies while, with Court approval, others were held as 'pool' candidates. This has enabled effective succession planning arrangements, with those selected candidates being invited to take up suitable positions as and

when vacancies on the Court and its committees have become available.

The principles of equality and diversity lie at the centre of the University's values, are upheld through University policy and emphasised throughout the University's recruitment processes. In the Court committee recruitment campaign expressions of interest were especially encouraged from women, recognising that women are under-represented on Court and on the Committees of the Court. Equality and diversity aims have been emphasised also in published information and communications aimed at prospective candidates standing for election in the categories of Court membership elected by constituencies (staff, Senate and graduates' association electorates).

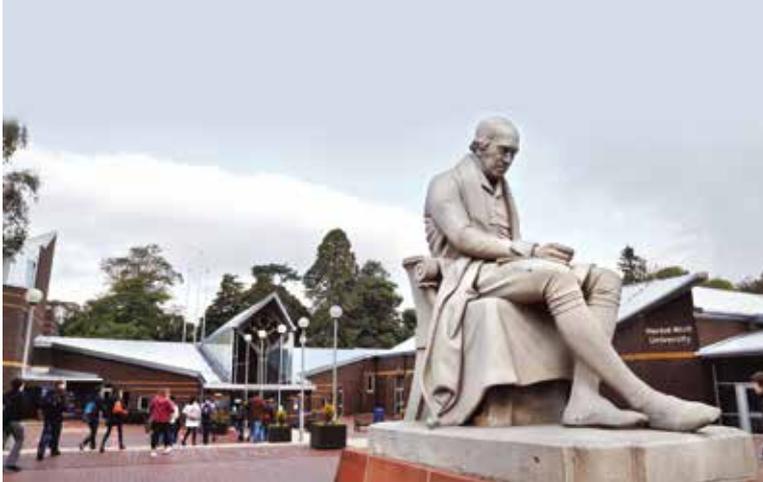
Progress made to improve diversity in the membership of the Court and its committees is being monitored by the Court and there is evidence of some success resulting from increased focus and drive in this area, in particular in relation to gender balance. Within the reporting year to 31 July 2014:

- Four independent lay member appointments have been made to the Court (three female)
- Five elected members appointments have been made to the Court (three female)
- (of three Autumn 2014 appointments to the Court made in Autumn 2014 two are female)
- Twelve appointments were made to Court Committees (nine female)

The Court looks forward in the coming year to enhancing membership diversity further, with further focused attention in the area of ethnicity for example.

- The Court has an Audit and Risk Committee which is made up of independent lay members. The Committee met six times during the year, each meeting with the External Auditor and the Internal Auditor present. The Audit and Risk Committee provides an independent oversight of and advice to Court on the adequacy and effectiveness of the University's systems of internal control, approving appropriate levels of external and internal audit. The Committee acts as the Court's independent scrutineer not only of the University's financial systems, but also examines matters critically and is alert to potential areas of concern which could include such areas as fraud and malpractice. The Audit and Risk Committee also reviews and advises Court on the adequacy and effectiveness of the University's risk management, internal control systems and governance arrangements to promote efficiency, economy and effectiveness in order to secure value for money in all areas.

The Audit and Risk Committee commissions, receives and considers reports and recommendations for the improvement of systems of internal control along with management responses. The Committee regularly receives and reviews the University's Strategic Risk Register to ensure the effectiveness of the University's risk management framework and also the Composite Report of Outstanding Audit Recommendations providing detail on progress with the implementation of internal and external audit recommendations. The Audit and Risk Committee reports the content of its business to each meeting of the Court, conveying recommendations of the Committee as appropriate.



- The Court has a Finance Committee which is made up of independent lay members and members of the executive team. It met five times during the year and the following four committees report to it: the Campus Committee; the Endowment Committee; the Collections Committee; and the Fees Working Group. The Finance Committee reviews, oversees and advises Court on the overall financial strategy and financial forecasting in relation to the University's Five Year Financial Plan including borrowing arrangements, the financial requirement for delivery of the University's Strategic Plan and Estate, and supporting strategies, the financial performance against appropriate benchmarked Key Performance Indicators, financial risk and financial control. The Finance Committee also reviews the University's annual accounts and financial statements and the External Auditor's report. The Finance Committee reports to the Court at each of its meetings on the content of its business, conveying recommendations of the Committee as appropriate.
 - The Court has a Staff Committee which is made up of independent lay members and members of the executive team. It met four times during the year and advises Court on the human resources strategy in relation to the University's strategic objectives, legislative changes and best practice, human resources policy, matters relating to international staff governance, and equality and diversity.
- The terms of reference of each of the above committees are available through the relevant links at <http://www.hw.ac.uk/committees>
- Effective Governance**
- 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.
- The new Scottish Code sets out expectations in relation to reviews of effectiveness of both university Court and Senate bodies. The University will develop its effectiveness review plans, annual and five-yearly for both those bodies in 2014/15, during which year a new Chair of Court and a new Principal & Vice-Chancellor will have taken up office.

Support for effective governance has been a key aim of the review of the University's Charter and Statutes undertaken in 2013/14 and described above.

All Court and Court committee members are provided with tailored induction at a two-day event organised each year. In addition, opportunities are used at Court Away Days to focus on specific areas to increase members' knowledge and understanding of particular aspects of the business. Court members are regularly informed of seminars and conferences, for example those offered by the Leadership Foundation for Higher Education through its Governor Development Programme, and are supported to attend these. With a view to augmenting the annually provided information forming the governors' induction pack, all members receive relevant items of external news and advice on recently released governance related publications. A programme of visits to academic schools and professional service sections of the University throughout the year deepens Court members' understanding of the work of the University. Throughout the course of the last year, steps have been taken to increase opportunities for the learning and engagement of lay members of Court committees.

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 for diversity and independence.

Reporting of Interests

The Group has taken necessary steps to ensure compliance with FRS8 on Related Party transactions. Any interests which, under this accounting standard, would require to be disclosed to members of Court would be so with appropriate recording in the Court minutes.

The Registers of Interests of members of both Court/Court Committees and members of the University Executive and Director-level staff are maintained by the Secretary of the University and updated annually.

In 2014 a new Ethical Business: Conflict of Interest Policy was developed. The new Policy redefines the interests that governors are required to disclose for publication in the Register of Interests. The Policy, which was approved by the Court in October 2014, applies to all members of the Court and committees of the Court. From 2014, the Register of Interests has been made available publicly on the University's web pages.

CORPORATE STRATEGY

Following its approval by the Court in October 2012 the University's current Strategic Plan was published, submitted to the Scottish Funding Council, and formally launched at an event held in the House of Commons in Spring 2013. The five year Strategic Plan (2013-2018) was developed over a period which ran across financial years 2011/12 and 2012/13. Through an extensive process of consultation and stakeholder involvement, through themed workshops and other meetings, Court members were individually and collectively involved in developing the University's Strategic Plan.

The University's supporting Five Year Financial Plan is reviewed and updated on an annual basis. During their annual schedule of meetings the Court and the Finance Committee receive regular reports from the Vice-Principal on the development of the Five Year Financial Plan and any issues arising. In support of effective strategic, operational and financial planning, from Autumn 2014, the Director of Finance and the Director of Planning will each share the same reporting line to the Vice-Principal within a more fully integrated planning and finance function.

The Senate is the supreme academic body of the University with responsibility for its academic work and standards, both in teaching and in research

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 and Risk 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.

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 2014, 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 service is monitored and managed by the Head of Risk and Audit Management and reports to the Secretary of the University. Internal Audit work concentrates on areas of key activity determined from an analysis of the areas of greatest risk. These are scheduled in the annual audit plan approved by the Audit and Risk Committee. The annual audit plan is subject to review during the year in the light of changing risks and priorities. 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.
- the comprehensive management information received by the University Executive on all of University 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 Auditor, who submits 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 its management letter and other reports.

The Audit and Risk Committee receives regular reports from the Internal Auditors. 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 Auditor issues 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 2014, it reported that the University has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the University's objectives and the management of key risks. The External Auditor also reports to the Director of Finance, the University Executive and the Audit and Risk Committee on any internal control issues that it identifies during its normal audit activities. The Audit and Risk Committee's review of the effectiveness of the system of internal control is informed by:

GOING CONCERN

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


Professor Stephen K Chapman
 Principal and Chief Accounting Officer

15 December 2014


Lord George Penrose
 Chairman of Court

15 December 2014

Statement of Responsibilities of the University Court in Relation to the Financial Statements

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 Financial Statements 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 Financial Statements.

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 Stephen K Chapman
Principal and Chief Accounting Officer

15 December 2014

Lord George Penrose
Chairman of Court

15 December 2014

Independent Auditor's Report to the University Court of Heriot-Watt University

We have audited the Group and University financial statements of Heriot-Watt University for the year ended 31 July 2014 set out on pages 44 to 74. 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, as a body, 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, as a body, 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 41, the University Court of Heriot-Watt University are responsible for the preparation of the financial statements which give a true and fair view. We have been appointed as auditor under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 Group's and University's affairs as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

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

Matters on which, under the terms of our engagement, we are required to report by exception

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

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



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

Saltire Court
20 Castle Terrace
EH1 2EG

17 December 2014

Consolidated Income and Expenditure Account for the year ended 31 July 2014

	<i>Note</i>	2014 £000	2013 £000
Income			
Funding body grants	<i>2</i>	43,958	39,495
Tuition fees and education contracts	<i>3</i>	89,365	80,360
Research grants and contracts	<i>4</i>	27,104	26,952
Other income	<i>5</i>	30,148	28,112
Endowment and investment income	<i>6</i>	727	594
Total Income		<u>191,302</u>	<u>175,513</u>
Expenditure			
Staff costs	<i>7</i>	88,975	82,957
Other operating costs	<i>8</i>	81,278	78,024
Depreciation	<i>10</i>	8,010	10,034
Interest and other finance costs	<i>9</i>	1,527	1,929
Total Expenditure		<u>179,790</u>	<u>172,944</u>
Surplus on continuing operations after depreciation of tangible assets and before taxation		11,512	2,569
Loss on disposal of assets		(41)	-
Surplus on continuing operations after depreciation and disposal of assets but before taxation		<u>11,471</u>	<u>2,569</u>
Taxation		-	-
Surplus on continuing operations after depreciation and disposal of assets and taxation		<u>11,471</u>	<u>2,569</u>
Transfer from net accumulated income in endowment and restricted funds		639	1,657
Net surplus for the year retained within general reserves	<i>22</i>	<u>12,110</u>	<u>4,226</u>

All transactions are in respect of continuing operations.

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 July 2014

	<i>Note</i>	2014 £000	2013 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		12,110	4,226
Increase in income and expenditure reserve – exchange movement	<i>22</i>	856	-
Increase in restricted funds	<i>21</i>	132	31
Increase in endowment asset investments	<i>14</i>	104	1,187
Appreciation of endowment asset investments	<i>14</i>	261	984
(Decrease) in endowment asset cash balances held	<i>14</i>	(305)	(1,208)
Actuarial (loss)/gain in respect of pension schemes	<i>28</i>	(6,705)	2,363
Total recognised gains relating to the year		<u>6,453</u>	<u>7,583</u>
Reconciliation			
Opening reserves and endowments		35,550	27,967
Total recognised gains relating to the year		<u>6,453</u>	<u>7,583</u>
Closing reserves and endowments		<u>42,003</u>	<u>35,550</u>

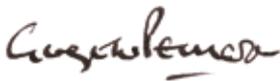
Balance Sheets as at 31 July 2014

	<i>Note</i>	<i>Group</i>		<i>University</i>	
		2014	<i>2013</i>	2014	<i>2013</i>
		£000	<i>£000</i>	£000	<i>£000</i>
Fixed Assets					
Tangible assets	10	132,881	128,446	120,130	121,693
Intangible assets	11	-	21	-	-
Investments	12	5,035	5,045	10,752	11,204
Total Fixed Assets		<u>137,916</u>	<u>133,512</u>	<u>130,882</u>	<u>132,897</u>
Endowment Assets	14	<u>10,116</u>	<u>10,056</u>	<u>8,450</u>	<u>8,491</u>
Current Assets					
Stock		6	15	-	8
Debtors	15	44,528	33,620	45,757	38,087
Short term investments	12	6,517	-	-	-
Cash at bank and in hand		<u>32,064</u>	<u>26,357</u>	<u>22,421</u>	<u>14,732</u>
		83,115	59,992	68,178	52,827
Less: Creditors - amounts falling due within one year	16	(74,704)	(60,479)	(69,288)	(63,374)
Net Current Assets/(Liabilities)		<u>8,411</u>	<u>(487)</u>	<u>(1,110)</u>	<u>(10,547)</u>
Total Assets less Current Liabilities		156,443	143,081	138,222	130,841
Less: Creditors - amounts falling due after more than one year	17	(49,334)	(49,695)	(47,671)	(53,386)
Less: Provisions for liabilities	18	(452)	(526)	(452)	(526)
Net Assets excluding pension liability		<u>106,657</u>	<u>92,860</u>	<u>90,099</u>	<u>76,929</u>
Pension liability	28	(21,592)	(15,208)	(21,354)	(15,131)
Net Assets including pension liability		<u><u>85,065</u></u>	<u><u>77,652</u></u>	<u><u>68,745</u></u>	<u><u>61,798</u></u>

Balance Sheets as at 31 July 2014 (continued)

	Note	Group		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Deferred capital grants	19	43,062	42,102	41,658	40,634
Endowment Funds					
Expendable	20	2,796	2,852	2,795	2,852
Permanent	20	7,320	7,204	5,655	5,639
		<u>10,116</u>	<u>10,056</u>	<u>8,450</u>	<u>8,491</u>
Reserves					
Income & expenditure account	22	53,316	40,671	39,991	27,804
Pension reserve	22	(21,592)	(15,208)	(21,354)	(15,131)
Restricted funds	21	163	31	-	-
Total Funds		<u>85,065</u>	<u>77,652</u>	<u>68,745</u>	<u>61,798</u>

The Financial Statements on pages 44 to 74 were approved by the University Court on 15 December 2014 and were signed on its behalf by:-



Lord George Penrose
Chairman of Court



Professor Stephen K Chapman
Principal & Chief Accounting Office



Andrew Menzies
Director of Finance

Consolidated Cash Flow Statement for the year ended 31 July 2014

	<i>Note</i>	2014 £000	<i>2013</i> <i>£000</i>
Net cash inflow from operating activities	<i>23</i>	19,552	12,110
Returns on investment and servicing of finance	<i>24</i>	(1,794)	(3,327)
Capital expenditure and financial investment	<i>25</i>	(7,051)	(6,064)
Financing	<i>26</i>	(5,000)	9,500
Increase in cash in the year		<u>5,707</u>	<u>12,219</u>
Reconciliation of net cash flow to movement in net debt			
	<i>Note</i>	2014 £000	<i>2013</i> <i>£000</i>
Net debt at 1 August		(23,643)	(26,362)
Increase in cash in the year		5,707	12,219
Financing		5,000	(9,500)
Change in net funds		<u>10,707</u>	<u>2,719</u>
Net debt at 31 July	<i>27</i>	<u>(12,936)</u>	<u>(23,643)</u>

Notes to the Accounts for the year ended 31 July 2014

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 31st July. Balance sheets, and their associated notes, as at 31st 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.

INTANGIBLE FIXED ASSETS

The purchase by Edinburgh Business School of Author Royalty Rights have been capitalised and are being written down over a period of 4 years, the expected economic life of the courses.

TANGIBLE FIXED ASSETS

a) Land & 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

	2014	<i>2013</i>
	£000	<i>£000</i>
SFC Teaching grants	25,546	24,234
SFC Research and Knowledge Exchange grants	12,686	11,991
Capital maintenance grants	1,060	575
Release of deferred capital grants	3,308	2,409
Other grants	1,358	286
	<u>43,958</u>	<u>39,495</u>

3. Tuition fees and education contracts

	2014	<i>2013</i>
	£000	<i>£000</i>
Home and EU Students	14,788	13,078
Rest of UK Students	6,211	3,802
International students	51,966	47,435
Higher education contracts	9,413	9,457
Research training support grants	2,116	2,100
Short course fees	872	409
Examination and graduation fees	3,999	4,079
	<u>89,365</u>	<u>80,360</u>

4. Research grants and contracts

	2014	<i>2013</i>
	£000	<i>£000</i>
Research councils	12,494	12,805
Charities	1,255	1,194
UK government	1,093	1,190
UK industry	3,032	3,795
EU Commission	4,027	3,488
Other sources	5,203	4,480
	<u>27,104</u>	<u>26,952</u>

5. Other income

	2014	<i>2013</i>
	£000	<i>£000</i>
Residences, catering and conferences	14,527	15,881
Income from governments and other funding bodies	3,985	5,097
Donations	1,045	605
Release of deferred capital grants	423	355
Other commercial income (including proceeds from disposal of minority interests)	7,188	3,350
Other income, including foreign currency gains	2,980	2,824
	<u>30,148</u>	<u>28,112</u>

6. Endowment and investment income

	2014	<i>2013</i>
	£000	<i>£000</i>
Income from specific endowment assets	383	364
Other interest receivable	344	230
	<u>727</u>	<u>594</u>

7. Staff costs

	2014	<i>2013</i>
	£000	<i>£000</i>
Wages and salaries	71,973	67,963
Voluntary severance	567	413
Social security costs	5,349	5,123
Other pension costs	11,086	9,458
	<u>88,975</u>	<u>82,957</u>

	<i>Group</i>	
	2014	<i>2013</i>
	£000	<i>£000</i>
Analysed between staff working in:		
Academic schools	63,839	58,105
Administrative & central service functions	16,957	16,617
Premises functions	4,489	4,435
Residences & catering	3,690	3,800
	<u>88,975</u>	<u>82,957</u>

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

	2014	<i>2013</i>
	Number	<i>Number</i>
Academic schools	1,145	1,052
Administrative & central service functions	389	350
Premises functions	147	147
Residences & catering	123	132
	<u>1,804</u>	<u>1,681</u>

7. Staff costs (continued)

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

	2014	<i>2013</i>
	Number	<i>Number</i>
£70,001 - £80,000	30	36
£80,001 - £90,000	23	24
£90,001 - £100,000	17	12
£100,001 - £110,000	9	6
£110,001 - £120,000	4	3
£120,001 - £130,000	3	4
£130,001 - £140,000	4	4
£140,001 - £150,000	1	3
£150,001 - £160,000	4	0
£160,001 - £170,000	0	0
£170,001 - £180,000	0	0
£180,001 - £190,000	0	0
£190,001 - £200,000	0	0
£200,001 - £210,000	1	1
	<u>96</u>	<u>93</u>

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

	2014	<i>2013</i>
	£000	<i>£000</i>
Salary	198	183
Bonus	-	20
Benefits in kind	7	7
	<u>205</u>	<u>210</u>
Pension contributions	<u>32</u>	<u>43</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

	2014	<i>2013</i>
	£000	<i>£000</i>
Academic departments	27,002	25,275
Academic services	5,629	5,225
Administration and central services	18,800	17,835
Premises	8,885	9,489
Residences, catering and conferences	3,897	4,016
Research grants and contracts	14,359	14,279
Other expenses	2,706	1,905
	<u>81,278</u>	<u>78,024</u>

Other operating expenses include:

¹ External auditor's remuneration - audit	56	66
External auditor's remuneration – non-audit services	44	37
² Internal auditor's remuneration	69	82
Loss on disposal of tangible fixed assets	41	-
Hire of other assets - operating leases - other	219	235

¹Including £31,648 (2013: £46,000) for Heriot-Watt University

²Including £63,201 (2013: £82,000) for Heriot-Watt University

9. Interest and other finance costs

	2014	2013
	£000	£000
Net return on pension assets	(254)	323
On bank loans: repayable within 5 years, by instalments	-	-
On bank loans: repayable wholly or partly in more than 5 years	1,781	1,606
	<u>1,527</u>	<u>1,929</u>

10. Tangible fixed assets

	<i>Land & 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>
Group				
Cost				
At 1 August 2013	180,225	45,758	4,259	230,242
Additions	3,227	1,521	8,115	12,863
Transfers	1,597	270	(1,867)	-
Disposals	(801)	-	-	(801)
At 31 July 2014	<u>184,248</u>	<u>47,549</u>	<u>10,507</u>	<u>242,304</u>
Depreciation				
At 1 August 2013	67,393	33,619	784	101,796
Charge for year	4,460	3,550	-	8,010
Transfers	(135)	135	-	-
Disposals	(383)	-	-	(383)
At 31 July 2014	<u>71,335</u>	<u>37,304</u>	<u>784</u>	<u>109,423</u>
Net Book Value				
At 31 July 2014	<u>112,913</u>	<u>10,245</u>	<u>9,723</u>	<u>132,881</u>
At 1 August 2013	<u>112,832</u>	<u>12,139</u>	<u>3,475</u>	<u>128,446</u>
Analysed between:				
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Funded by capital grants	47,251	1,855	1,458	50,564
Own funded	65,662	8,390	8,265	82,317
At 31 July 2014	<u>112,913</u>	<u>10,245</u>	<u>9,723</u>	<u>132,881</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 £9,723,000 (2013: £3,475,000) relating to assets in the course of construction, of which £8,671,000 (2013: £2,473,000) relates to freehold land and buildings and £1,052,000 (2013: £1,002,000) relates to equipment.

10. Tangible fixed assets (continued)

	<i>Land & Buildings</i> £000	<i>Equipment</i> £000	<i>Work In Progress</i> £000	<i>Total</i> £000
University				
Cost				
At 1 August 2013	173,524	44,694	2,881	221,099
Additions	2,798	956	2,629	6,383
Transfers	1,847	270	(2,117)	-
Disposals	(801)	-	-	(801)
At 31 July 2014	<u>177,368</u>	<u>45,920</u>	<u>3,393</u>	<u>226,681</u>
Depreciation				
At 1 August 2013	65,763	32,892	751	99,406
Charge for year	4,004	3,524	-	7,528
Transfers	74	(74)	-	-
Disposals	(383)	-	-	(383)
At 31 July 2014	<u>69,458</u>	<u>36,342</u>	<u>751</u>	<u>106,551</u>
Net Book Value				
At 31 July 2014	<u>107,910</u>	<u>9,578</u>	<u>2,642</u>	<u>120,130</u>
At 1 August 2013	<u>107,761</u>	<u>11,802</u>	<u>2,130</u>	<u>121,693</u>
	£000	£000	£000	£000
Funded by capital grants	42,764	1,840	-	44,604
Own funded	65,146	7,738	2,642	75,526
At 31 July 2014	<u>107,910</u>	<u>9,578</u>	<u>2,642</u>	<u>120,130</u>

The net book value of the Group's tangible fixed assets funded by capital grants includes £8,109,000 (2013: £3,292,000) 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 £2,642,000 (2013: £2,129,000) relating to assets in the course of construction, of which £1,590,000 (2013: £1,316,000) relates to freehold land and buildings and £1,052,000 (2013: £813,000) relates to equipment.

11. Intangible fixed assets

	<i>Royalties</i> £000	<i>Total</i> £000
Cost		
At 1 August 2013	200	200
Additions	-	-
Disposals	-	-
At 31 July 2014	<u>200</u>	<u>200</u>
Amortisation		
At 1 August 2013	179	179
Charge for year	21	21
At 31 July 2014	<u>200</u>	<u>200</u>
Net Book Value		
At 31 July 2014	<u>-</u>	<u>-</u>
At 1 August 2013	<u>21</u>	<u>21</u>

12. Investments

	<i>Group</i>		<i>University</i>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Term deposit account (matured 30 September 2014)	5,000	5,000	-	-
Short term deposit	6,517	-	-	-
Investment in subsidiary companies at cost	-	-	10,717	11,159
Minority investments in unquoted companies	35	45	35	45
	<u>11,552</u>	<u>5,045</u>	<u>10,752</u>	<u>11,204</u>

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%
¹ 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%
¹ Scottish College of Textiles Limited	6	100%
² SISTech Limited	1,000	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.

¹These companies are dormant.

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

14. Endowment assets

	<i>Group</i>		<i>University</i>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Balance at 1 August	10,056	9,093	8,491	7,789
(Decrease) in cash balances held	(305)	(1,208)	(305)	(1,208)
Increase in endowment asset investments	104	1,187	104	1,187
Appreciation of endowment asset investments	261	984	160	723
Balance at 31 July	<u>10,116</u>	<u>10,056</u>	<u>8,450</u>	<u>8,491</u>
Represented by:				
Equities (listed)	9,462	9,098	7,796	7,533
Cash balances	654	958	654	958
	<u>10,116</u>	<u>10,056</u>	<u>8,450</u>	<u>8,491</u>

15. Debtors

	<i>Group</i>		<i>University</i>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Amounts falling due within one year:				
Trade debtors	14,679	12,445	11,946	9,311
Research debtors	21,314	10,249	21,313	10,246
Other debtors	-	-	-	-
Loans by parent undertakings	-	-	2,500	-
Amounts owed by group undertakings	-	-	3,343	9,187
Prepayments and accrued income	5,548	7,668	3,668	6,085
	<u>41,541</u>	<u>30,362</u>	<u>42,770</u>	<u>34,829</u>
Amounts falling due after more than one year:				
Prepayments and accrued income	2,987	3,258	2,987	3,258
	<u>44,528</u>	<u>33,620</u>	<u>45,757</u>	<u>38,087</u>

Included in prepayments and accrued income is £2,987,000 (2013: £3,258,000) 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 1st February 2008, the practical completion date for the redevelopment of the site.

	<i>Group</i>		<i>University</i>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Trade debt provision				
At 1 August	2,091	1,868	1,924	1,801
Provided for during the year	371	743	298	643
Utilised during the year	(502)	(520)	(311)	(520)
At 31 July	<u>1,960</u>	<u>2,091</u>	<u>1,911</u>	<u>1,924</u>

At 31st July 2014 debtors with a carrying value of £8,318,000 (2013: £7,289,000) were impaired and provided for. The aging of these debtors is as follows:

	<i>Group</i>		<i>University</i>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Less than 3 months past due	-	-	-	-
Between 3 to 6 months past due	131	131	-	-
Over 6 months past due	8,187	7,158	8,131	6,680
	<u>8,318</u>	<u>7,289</u>	<u>8,131</u>	<u>6,680</u>

The debtors assessed as individually impaired comprises student and commercial customers of £3,003,000 (2013: £4,067,000) and research customers of £5,315,000 (2013: £3,222,000) with whom it is judged there is an increased risk of default due to the age of the individual debts concerned

15. Debtors (continued)

Debtors that are less than three months past their due date, except those specifically provided for, are not considered impaired. As at 31st July 2014 debtors with a carrying value of £1,819,000 (2013: £3,534,000) were past their due date but not impaired. The ageing of debtors which are past their due date but not impaired is as follows:

	<i>Group</i>		<i>University</i>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Less than 3 months past due	1,819	3,534	1,452	2,618
Between 3 to 6 months past due	-	-	-	-
Over 6 months past due	-	-	-	-
	<u>1,819</u>	<u>3,534</u>	<u>1,452</u>	<u>2,618</u>

The debtors assessed as past due but not impaired primarily relate to balances due from student and commercial customers of £1,068,000 (2013: £2,551,000) and research customers of £751,000 (2013: £983,000) with which there is no history of default recently.

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>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Bank loans	-	5,000	-	5,000
Amounts owed to subsidiary undertakings	-	-	5,000	6,558
Grants in advance for research	35,224	20,249	35,097	20,248
Grants in advance from SFC	9,182	5,670	6,052	5,670
Other creditors	20	-	22	22
Trade creditors	4,225	2,998	2,687	2,794
Other taxation and social security	3,373	3,000	3,328	3,134
Accruals and deferred income	22,680	23,562	17,102	19,948
	<u>74,704</u>	<u>60,479</u>	<u>69,288</u>	<u>63,374</u>

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>	
	2014	<i>2013</i>	2014	<i>2013</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Bank loans	45,000	45,000	45,000	45,000
Deferred income	4,205	4,566	2,986	3,257
Amounts owed to subsidiary undertakings	-	-	(444)	5,000
Other creditors	129	129	129	129
	<u>49,334</u>	<u>49,695</u>	<u>47,671</u>	<u>53,386</u>
The above loans are repayable as follows:				
In one year or less (note 16)	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	45,000	45,000	45,000	45,000
	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>
	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>

The University has in place a committed revolving credit facility against which repayment of £5m (2013: drawings of £5m) was made during the year. The drawn down amount at the year-end of £20m is regarded as representing a balance falling due after more than one year 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 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 2013	526	526
Provided for during the year	(33)	(33)
Utilised during the year	(41)	(41)
At 31 July 2014	<u>452</u>	<u>452</u>
To be spent before 31 July 2015	<u>(41)</u>	<u>(41)</u>

19. Deferred capital grants

Group	<i>Funding Council</i> £000	<i>Other Grants</i> £000	<i>Donated Assets</i> £000	<i>Total</i> £000
At 1 August 2013				
Buildings	27,753	10,428	-	38,181
Equipment	-	-	-	-
Reallocation	3,906	15	-	3,921
Total	<u>31,659</u>	<u>10,443</u>	<u>-</u>	<u>42,102</u>
Donated Asset				
Building	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
Cash Received				
Buildings	3,938	42	-	3,980
Plant	311	-	-	311
Equipment	-	-	-	-
Total	<u>4,249</u>	<u>42</u>	<u>-</u>	<u>4,291</u>
Released to Income and Expenditure				
Buildings	(1,639)	(395)	-	(2,034)
Plant	(14)	-	-	(14)
Equipment	(1,655)	(28)	-	(1,683)
Total	<u>(3,308)</u>	<u>(423)</u>	<u>-</u>	<u>(3,731)</u>
At 31 July 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>

Cash received of £8,109,000 (2013: £3,292,000) 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> £000	<i>Other Grants</i> £000	<i>Donated Assets</i> £000	<i>Total</i> £000
University				
At 1 August 2013				
Buildings	27,704	9,024	-	36,728
Equipment	-	-	-	-
Reallocation	3,906	-	-	3,906
Total	<u>31,610</u>	<u>9,024</u>	<u>-</u>	<u>40,634</u>
Donated Asset				
Building	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
Cash Received				
Buildings	3,940	41	-	3,981
Plant	310	-	-	310
Equipment	-	-	-	-
Total	<u>4,250</u>	<u>41</u>	<u>-</u>	<u>4,291</u>
Released to Income and Expenditure				
Buildings	(1,638)	(347)	-	(1,985)
Plant	(14)	-	-	(14)
Equipment	(1,655)	(13)	-	(1,668)
Total	<u>(3,307)</u>	<u>(360)</u>	<u>-</u>	<u>(3,667)</u>
At 31 July 2014				
Buildings	30,006	8,718	400	39,124
Plant	296	-	-	296
Equipment	2,251	(13)	-	2,238
Total	<u>32,553</u>	<u>8,705</u>	<u>400</u>	<u>41,658</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 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>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2012	2,560	6,533	9,093	2,560	5,229	7,789
Additions	447	2	449	447	2	449
Appreciation	1,193	978	2,171	1,193	717	1,910
Income for year	75	289	364	75	217	292
Expenditure for the year	(1,423)	(598)	(2,021)	(1,423)	(526)	(1,949)
At 31 July 2013	<u>2,852</u>	<u>7,204</u>	<u>10,056</u>	<u>2,852</u>	<u>5,639</u>	<u>8,491</u>

21. Restricted funds

	<i>Group</i>		<i>University</i>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Balance at 1 August	31	2	-	-
Additions	520	421	-	-
Expenditure in the year	(388)	(392)	-	-
Balance at 31 July	<u>163</u>	<u>31</u>	<u>-</u>	<u>-</u>

22. Income and expenditure account including pension reserve

	<i>Group</i>		<i>University</i>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Balance at 1 August	25,463	18,874	12,673	4,266
Net surplus retained for the year	12,110	4,226	12,496	6,076
Exchange movements	856	-	(7)	-
Actuarial (loss)/gain	(6,705)	2,363	(6,525)	2,331
Balance at 31 July	<u>31,724</u>	<u>25,463</u>	<u>18,637</u>	<u>12,673</u>

	<i>Group</i>	
	2014	2013
	£000	£000
The net surplus retained for the year is analysed as follows:		
University surplus	11,431	4,440
Gift Aid from subsidiaries	1,065	1,636
Surplus retained by subsidiaries	(386)	(1,850)
	<u>12,110</u>	<u>4,226</u>

Reconciliation:	<i>Group</i>		<i>University</i>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Income and expenditure reserve	53,316	40,671	39,991	27,804
Pension reserve	(21,592)	(15,208)	(21,354)	(15,131)
Balance at 31 July	<u>31,724</u>	<u>25,463</u>	<u>18,637</u>	<u>12,673</u>

Represented by:

	<i>Group</i>		<i>University</i>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Income and expenditure account				
At 1 August	40,671	36,559	27,804	21,826
Surplus for the year	12,110	4,226	12,496	6,076
Exchange movements	856	-	(7)	-
Transfer to pension reserve	(321)	(114)	(302)	(98)
At 31 July	<u>53,316</u>	<u>40,671</u>	<u>39,991</u>	<u>27,804</u>

	<i>Group</i>		<i>University</i>	
	2014	2013	2014	2013
	£000	£000	£000	£000
Pension Reserve				
Deficit at 1 August	(15,208)	(17,685)	(15,131)	(17,560)
Current service cost	(3,183)	(2,470)	(3,110)	(2,410)
Employer contributions	3,217	2,949	3,143	2,877
Contributions in respect of unfunded benefits	15	14	15	14
Curtailments and settlements	-	-	-	-
Past service cost	-	(60)	-	(60)
Net return on assets	272	(319)	254	(323)
Actuarial (losses)/gains	(6,705)	2,363	(6,525)	2,331
Deficit at 31 July	<u>(21,592)</u>	<u>(15,208)</u>	<u>(21,354)</u>	<u>(15,131)</u>

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

	<i>Group</i>	
	2014	2013
	£000	£000
Income & expenditure		
Surplus on continuing operations after depreciation & disposal of assets and taxation	11,471	2,569
Restricted funds	-	-
Interest receivable	(344)	(230)
Interest payable	1,527	1,929
Taxation	-	-
	<u>12,654</u>	<u>4,268</u>
Fixed assets & deferred capital grants		
Depreciation and impairment of tangible fixed assets	8,010	10,034
Loss on disposal of tangible fixed assets	41	-
Amortisation of intangible fixed assets	21	50
Deferred capital grants released to income	(3,731)	(3,195)
Transfer to/(from) deferred capital grants to creditors	4,817	(2,619)
	<u>9,158</u>	<u>4,270</u>
Endowments & pensions		
Transfer from accumulated income to specific endowments	639	1,657
Transfer from accumulated income to restricted funds	(133)	(29)
Pension income	(321)	(114)
	<u>185</u>	<u>1,514</u>
Working capital		
Decrease in fixed asset investments	10	-
Decrease/(Increase) in short term investments	(6,517)	2,000
(Decrease) in stocks	9	(8)
(Increase) in debtors	(10,908)	(3,102)
Increase in creditors	14,047	3,194
(Decrease) in provisions	(74)	(55)
	<u>(3,433)</u>	<u>2,029</u>
Reserves		
Increase in restricted funds	132	29
Increase in income and expenditure reserve – exchange movement	856	-
	<u>988</u>	<u>29</u>
Net Cash Inflow from Operating Activities	<u><u>19,552</u></u>	<u><u>12,110</u></u>

24. Returns on investment and servicing of finance

	<i>Group</i>	
	2014	2013
	£000	£000
Income received on specific endowments	383	364
Expenditure paid on specific endowments	(1,126)	(2,021)
Interest received	344	230
Income received on restricted funds	520	421
Expenditure paid on restricted funds	(388)	(392)
Interest paid	(1,527)	(1,929)
Taxation paid	-	-
Net Cash Outflow from Returns on Investment and Servicing of Finance	<u>(1,794)</u>	<u>(3,327)</u>

25. Capital expenditure and financial investment

	<i>Group</i>	
	2014	2013
	£000	£000
Purchase of tangible fixed assets	(12,863)	(10,220)
Proceeds on disposal of tangible fixed assets	377	-
Increase in endowment cash balances	305	1,208
Deferred capital grants received	4,291	2,499
Deferred capital grants – donated asset	400	-
Endowments received	439	449
Net Cash Outflow from Capital Expenditure and Financial Investment	<u>(7,051)</u>	<u>(6,064)</u>

26. Financing

	<i>Group</i>	
	2014	2013
	£000	£000
New amounts drawn down	-	9,500
Repayment of amounts borrowed	(5,000)	-
Net Cash (Outflow)/Inflow from Financing	<u>(5,000)</u>	<u>9,500</u>

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

	At 1 August 2013	Cash Flows	Non-cash Changes	At 31 July 2014
	£000	£000	£000	£000
Cash at bank and in hand	26,357	5,707	-	32,064
	<u>26,357</u>	<u>5,707</u>	<u>-</u>	<u>32,064</u>
Debts due within one year	-	-	-	-
Debts due after one year	(50,000)	5,000	-	(45,000)
	<u>(23,643)</u>	<u>10,707</u>	<u>-</u>	<u>(12,936)</u>

Had the cash held under endowment asset investments been included above, the net debt movement would have been £10,402,000 (2013: net debt movement £1,511,000) with net debt at 31 July 2014 of £12,282,000 (2013: net debt £22,685,000). 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 £11,086,000 (2013 - £9,458,000).

	<i>Group</i>	
	2014	2013
	£000	£000
The total pension charge is analysed as follows:		
Universities Superannuation Scheme	7,697	6,960
Lothian Pension Fund	3,208	2,323
Scottish Teachers Superannuation Scheme	36	56
Supplementary Pension Scheme	-	-
Other pension costs	145	119
	<u>11,086</u>	<u>9,458</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 2012, 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 appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used 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 but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males currently aged 65	23.7 years	Females currently aged 65	25.6 years
Males currently aged 45	25.5 years	Females currently aged 45	27.6 years

At the valuation date, the value of the assets of the scheme was £32,433 million and the value of the scheme's technical provisions was £35,343 million indicating a shortfall of £2,910 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date.

- On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%.
- Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded;
- On a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and
- Using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure, however an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme

specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return (Valuation rate of interest)	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrant:

Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members. The University had a total of 2,943 active members as at 31st July 2014.

The total contribution made for the year ended 31st July 2014 was £12,000,000 (2013: £10,930,000), of which employer's contributions totalled £7,697,000 (2013: £6,960,000) and employee's contributions totalled £4,303,000 (2013: £3,970,000).

The employer's contributions include £124,512 (2013: £148,280) of outstanding contributions at the balance sheet date.

28. Pension schemes (continued)

LOTHIAN PENSION FUND

A full actuarial valuation was carried out at 31 March 2011 by a qualified independent actuary.

The major assumptions used by the actuary were:

	2014	2013
Price increases	2.5%	2.8%
Salary increases	4.8%	5.1%
Pension increases	2.5%	2.8%
Discount rate	3.9%	4.6%

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 2014</i>	<i>Long term rate of return</i>	<i>Assets at 31 July 2013</i>
	% p.a.	£000	% p.a.	£000
Equities	6.5%	63,612	6.4%	59,248
Bonds	3.3%	6,441	3.8%	5,184
Property	4.7%	6,441	4.6%	5,925
Cash	3.6%	4,026	3.4%	3,703
Total		<u>80,520</u>		<u>74,060</u>

The following amounts represent Heriot-Watt University's share of the scheme at 31st July 2014 and were measured in accordance with the requirements of FRS 17:

Reconciliation of employer assets

	2014	2013
	£000	£000
At 1 August	74,060	61,438
Expected return on assets	4,406	3,094
Contributions by members	748	679
Contributions by employer	3,232	2,963
Benefits paid	(2,744)	(2,704)
Actuarial gains	818	8,590
At 31 July	<u>80,520</u>	<u>74,060</u>

Reconciliation of present value of liabilities

	2014	2013
	£000	£000
At 1 August	(89,268)	(79,123)
Current service cost	(3,183)	(2,470)
Interest cost	(4,134)	(3,413)
Contributions by members	(748)	(679)
Curtailments and settlements	-	-
Past service losses	-	(60)
Benefits paid	2,744	2,704
Actuarial losses	(7,523)	(6,227)
At 31 July	<u>(102,112)</u>	<u>(89,268)</u>
Net pension liability	<u>(21,592)</u>	<u>(15,208)</u>

28. Pension schemes (continued)

Analysis of amount charged to operating profit

	2014	2013
	£000	£000
Amount charged to operating profit		
Service cost	3,183	2,470
Past service losses	-	(60)
Total Operating Charge	<u>3,183</u>	<u>2,410</u>

Analysis of amount credited to other finance income

	2014	2013
	£000	£000
Expected return on employer assets	4,406	3,094
Interest on pension scheme liabilities	(4,134)	(3,413)
Net Return	<u>272</u>	<u>(319)</u>

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

	2014	2013
	£000	£000
Actual return less expected return on pension scheme assets	818	8,590
Experience losses arising on the scheme liabilities	(7,523)	(6,227)
Actuarial (loss)/gain in pension plan	<u>(6,705)</u>	<u>2,363</u>
Actuarial (loss)/gain recognised in STRGL	<u>(6,705)</u>	<u>2,363</u>

Movement in deficit during the year

	2014	2013
	£000	£000
Deficit at start of the year	(15,208)	(17,685)
Current service cost	(3,183)	(2,470)
Employer contributions	3,217	2,949
Contributions in respect of unfunded benefits	15	14
Curtailments and settlements	-	-
Past service losses	-	(60)
Net return on pension assets	272	(319)
Actuarial (losses)/gains	<u>(6,705)</u>	<u>2,363</u>
Deficit at end of the year	<u>(21,592)</u>	<u>(15,208)</u>

History of experience gains and losses

	2014	2013
	£000	£000
Difference between expected and actual return on assets	818	8,590
Value of assets	80,520	74,060
Percentage of assets	1.0%	11.6%
Experience losses on liabilities	(7,523)	(6,277)
Total present value of liabilities	102,112	89,268
Percentage of the total present value of liabilities	(7.4%)	(7.0%)
Actuarial (loss)/gain recognised in STRGL	(6,705)	2,363
Total present value of liabilities	102,112	89,268
Percentage of the total present value of liabilities	6.6%	2.6%

The total contribution made for the year ended 31 July 2014 was £3,976,000 (2013: £3,020,000), of which employer's contributions totalled £3,208,000 (2013: £ 2,323,000) and employee's contributions totalled £768,000 (2013: £697,000). The agreed contribution rates for future years are 26% (2013: 26 %) for employers and 5.8% average (2013: 6.4%) for employees. The employer's contributions include £327,407 (2013: £338,102) 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 2014 was £64,000 (2013: £91,000), of which employer's contributions totalled £36,000 (2013: £56,000) and employee's contributions totalled £28,000 (2013: £35,000). The agreed contribution rates for future years are 14.9% (2013: 14.9%) for employers and 10.8% average (2013: 9.2%) for employees. The employer's contributions include £5,092 (2013: £5,315) 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 are in the process of being 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 38 employees were auto enrolled in the NEST scheme during the year. The employer's costs for the year ended 31 July 2014 were £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>	
	2014	2013
	£000	£000
Commitments contracted	2,020	3,591
Authorised but not contracted	55,526	1,116
	<u>57,546</u>	<u>4,707</u>

31. Financial commitments

At 31 July 2014 there were annual commitments under non-cancellable operating leases as follows:

	<i>Group</i>	
	2014	2013
	£000	£000
Other:		<i>(Restated)</i>
Expiring within one year	20	67
Expiring between two to five years inclusive	466	102
Expiring in over five years	1,692	-
	<u>2,178</u>	<u>169</u>

32. Contingent Liability

There are no material contingent liabilities.

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 2013	54	59	113
Repaid to funding body	(54)	(59)	(113)
Funding Council grants	98	379	477
Disbursed to students	(94)	(179)	(273)
Vired between funds	-	-	-
Balance unspent at 31 July 2014	<u>4</u>	<u>200</u>	<u>204</u>
Repayable to funding body	<u>4</u>	<u>200</u>	<u>204</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 and Balance Sheet.

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>
Financial liabilities				
Trade creditors and other payables (less accruals)	52,153	-	52,024	129
Other financial liabilities	45,000	-	-	45,000
	<u>97,153</u>	<u>-</u>	<u>52,024</u>	<u>45,129</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>	
	2014	2013
	£000	£000
FINANCIAL ASSETS		
Trade debtors and other receivables	35,993	22,694
Cash and cash equivalents	32,064	26,357
	<u>68,057</u>	<u>49,051</u>

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	
	2014	2013
	£000	£000
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	32,500	32,500
	<u>32,500</u>	<u>32,500</u>

	Carrying Amount	
	2014	2013
	£000	£000
Variable rate instruments		
Financial assets	-	-
Financial liabilities	12,500	17,500
	<u>12,500</u>	<u>17,500</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	
	2014	2013	2014	2013
	£000	£000	£000	£000
Financial assets held for sale	-	-	-	-
Trade debtors and other receivables	35,993	35,993	22,694	22,694
Cash and cash equivalents	32,064	32,064	26,357	26,357
Trade creditors and other payables	(52,153)	(52,153)	(37,046)	(37,046)
	<u>15,904</u>	<u>15,904</u>	<u>12,005</u>	<u>12,005</u>

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 2014, and up to the date of approval of these financial statements.

Chairman of Court	The Rt Hon Lord George Penrose ¹	P.C., Q.C., MA, LLB, C.A., LLD (Hon), D.Univ (Hon), FRSE
Deputy Chair of Court	Mr Tony Strachan ¹	MBA, FCIS
Principal & Vice-Chancellor	Professor Steve Chapman	FRSE, FRSC, C.Chem
Vice-Principal	Professor Julian D C Jones	OBE, FRSE, FOSA, FlnstP, BSc, PhD
City of Edinburgh Council	Councillor Ricky Henderson ¹	
Senate	Professor Andrew Cairns ² Dr Stephen Houston Professor Phillip John ³ Professor James Ritchie Professor Peter Woodward	MA, PhD, FFA BEng, PhD BSc, PhD, DSc BSc, MSc, CEng, MIMechE, MIET, FHEA BEng, PhD
Staff	Ms Pamela Calabrese ³ Mr Allan Gray Professor David Lane ² Mr Steve Salvini ² Ms Jane Queenan ³	BA, MA BSc, PhD, FEng, FRSE, FRGS, FIET, FSUT BA, MB, ChB, MSc, Dip in Strategic Project Management LLB, MBA
Graduates	Dr Jock Clear ¹ Ms Trish Gray ^{1 3} Mr Keith Wallace ^{1 2}	BSc (Hons), DEng BSc, MBA BSc (Hons), CEng, CDir, FICE, FIHT FCILT, FRSA
Student Union	Ms Rowan Berry ⁵ Ms Brittany Brown ⁴ Ms Becky O'Hagan ⁵ Ms Miranda Matoshi ³ Ms Jessie Nelmes ³	BSc MA
Independent	Ms Tracey Ashworth-Davies ¹ Professor Nicholas Beadle ^{1 2} Professor Ken Gill ^{1 4} Mr Colin MacLean ⁶ Dr Shonaig Macpherson ¹ Mr Strone Macpherson ¹ Mr Iain McLaren ¹ Mr Andrew Milligan ¹ Mr David Robinson ¹ Ms Jandy Stevenson ⁶ Professor Ian Wall ¹	BSc CMG, MBA, LLB BA, PgCE, MBA, FRSA, CPFA, MCIPD, MAAT BSc, DipEd, MSc CBE, DUniv, FRSE, FRSA, CCIPM, LIB MA, MBA BA, CA BSc MA, FFA, FRSA BSc, FCA DSc, FRICS, Hon FRIAS, FRSE

¹ Independent Lay Member of Court

² Member until 31 July 2014

³ Member from 1 August 2014

⁴ Member until September 2013

⁵ Member until 31 May 2014

⁶ Members from 13 October 2014

Membership of Committees of Court

AUDIT & RISK COMMITTEE	Mr T Strachan (Chair) Mr W Dick Professor K Gill Mr C MacLean Ms S O'Brien Mr D G Robinson Mr K Wallace Ms J Stevenson Mr K Wallace Ms R Watt
EMERGENCY COMMITTEE	Lord G Penrose (Chair) Professor S Chapman Professor J Jones Professor D Lane Dr S Macpherson Mr I McLaren Mr D G Robinson Mr T Strachan
FINANCE COMMITTEE	Mr I McLaren (Chair) Professor S Chapman Professor J Jones Professor D Lane Mr A Milligan Lord G Penrose Ms D Shepherd Professor I Wall
GOVERNANCE AND NOMINATIONS COMMITTEE	Lord G Penrose (Chair) Ms B Brown Professor S Chapman Professor J Jones Mr D Lane Dr S Macpherson Mr I McLaren Ms B O'Hagan Mr D G Robinson Mr T Strachan
REMUNERATION COMMITTEE	Lord G Penrose (Chair) Dr S Macpherson Mr I McLaren Mr I McLaren
STAFF COMMITTEE	Dr S Macpherson (Chair) Ms T Ashworth-Davies Mr R Bailey Professor S Chapman Ms L Conan Mr A Gray Dr S Houston Professor J Jones Lord G Penrose Ms L Secrest-Osman
CAMPUS COMMITTEE	Professor I Wall (Chair) Ms B Brown Professor A Cairns Professor S Chapman Professor J Jones Mr D Maxwell Ms B O'Hagan Lord Penrose Mr S Salvini Professor P Woodward Mr K Wright

Court and Committee Attendance Record during the year to 31 July 2014

Name	Dates to/from	Court 7 meetings	Audit & Risk Committee (ARC) 6 meetings	Campus Committee 6 meetings	Finance Committee 5 meetings	Governance & Nominations Committee 7 meetings	Remuneration Committee 1 meeting	Staff Committee 4 meetings
Rt Hon Lord George Penrose		6/7		1/6	3/5	6/7	1/1	0/4
Ms Tracey Ashworth-Davies		3/6*						3/3*
Professor Nicholas Beadle	Member until 31 July 2014	6/7						
Ms Rowan Berry	Member until 31 May 2014	5/5*						
Ms Brittany Brown	Member until 31 September 2013	1/1*		1/1*				
Professor Andrew Cairns	Member until 31 July 2014	4/7		6/6				
Professor Steve Chapman		7/7		1/6	3/5	6/7	1/1	2/4
Dr Jock Clear		3/7						
Mr Ken Gill	Member until 1 October 2013		0/1*					
Mr Allan Gray		7/7						4/4
Councillor Ricky Henderson		5/7						
Dr Stephen Houston		7/7						4/4
Professor Julian Jones		6/7		3/6	5/5	3/7		3/4
Professor David Lane	Member until 31 July 2014	4/7			0/5	4/7		
Dr Shonaig Macpherson		6/7				7/7	1/1	4/4
Mr Strone Macpherson		6/7						
Mr Iain McLaren		4/7			5/5	3/7	1/1	
Mr Andrew Milligan		6/7			1/5			
Ms Becky O'Hagan	Member until 31 May 2014	4/6*		1/6		2/5*		
Professor James Ritchie		5/7						
Mr David G Robinson		5/7	6/6			2/2*		
Mr Steve Salvini	Member until 31 July 2014	6/7		2/4*				
Mr Tony Strachan		6/7	6/6			4/5*		
Professor Ian Wall		6/7		6/6	4/5			
Mr Keith Wallace	Member until 31 July 2014	5/7	6/6					
Professor Peter Woodward		7/7		3/6				
Mr Richard Bailey								4/4
Ms Lucy Conan	Member from 3 March 2014							0/1*
Mr Will Dick			6/6					
Mr Colin MacLean			5/5*					
Mr David Maxwell				4/6				
Ms Susan O'Brien	Member from 30 September 2013		3/4*					
Ms Lorrie Secrest-Osman	Member from 3 March 2014							1/1*
Ms Dorothy Shepherd	Member from 30 September 2013				4/4*			
Ms Jandy Stevenson	Member from 30 September 2013		4/5*					
Ms Rio Watt	Member from 3 March 2014		2/2*					
Mr Ken Wright				3/6				

* Indicates total number of meetings held during period of membership

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