

Heriot-Watt University Student Union

Trustees' report and financial statements

31 July 2018

Charity number SC011949

Company number SC504788

DRAFT

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Union information

Reference and administrative details

Registered charity number	SC011949
Company number	SC504788
Registered office	Riccarton, Edinburgh EH14 4AS
Auditors	Henderson Loggie 11-15 Thistle Street, Edinburgh EH2 1DF
Bankers	Royal Bank of Scotland 540A Larnark Road, Juniper Green, Edinburgh EH14 5EL
Solicitors	Turcan Connell Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9EE
Chief Executive Officer	Gail Edwards

Trustee Board

The Trustees who served during the period were:

Dr Stefan G Kay	Paul Travill
Professor Brian Hay	Andrew Downie (resigned 20/09/2017)
Samantha Forsyth (resigned 15/03/2018)	Michael Waite (resigned 15/03/2018)
Stephanie Harper	Scott Robinson (appointed 15/03/2018)
President (<i>ex-officio</i>) – as detailed below	Kathleen Patterson (appointed 15/03/2018)
Vice-Presidents (<i>ex officio</i>) – as detailed below	

Ex-officio trustees for 2018

President	Rahul Singh (appointed 01/06/2018)
Vice-Presidents	
- Community	Kieran Renner (appointed 01/06/2018)
- Wellbeing	Craig Duffy (appointed 01/06/2018)
- Scottish Borders Campus	Lucy Graham (appointed 01/06/2017)

Ex-officio trustees for 2017

President	Diarmuid Cowan (appointed 01/06/2017, resigned 31/05/2018)
Vice-Presidents	
- Community	Jay Clifford (appointed 01/06/2017, resigned 31/05/2018)
- Wellbeing	Aashna Bakshi (appointed 01/06/2017, resigned 31/05/2018)
- Scottish Borders Campus	Lucy Graham (appointed 01/06/2017)

Union information *(continued)*

Senior Officer-Bearers

The senior office-bearers of the Union, comprise the President and Vice-Presidents of the Union plus the following Senior Management Team members:

Appointed in June 2017

Hugo Barker
Xander McDonald
Aoife Clarke
Toby Nadal
Ellie Dick

Appointed in June 2018

Alex Hedlund
Aoife Clarke
Zara Browell
Yusuf Ashraf
Xander McDonald

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Trustees' report

The trustees have pleasure in presenting their report for the period ended 31 July 2018. This report is prepared in accordance with the recommendations of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) and in accordance with applicable law.

Structure, management and governance

Governing documents

Heriot-Watt University Students Association is constituted under the Charter of Heriot-Watt University since 1966. The Association is a Charitable Company Limited by Guarantee registered in Scotland. Our charity number is SC011949 and company number is 504788. The organisation has adopted the name Heriot-Watt University Student Union (the Union).

Appointment of Trustees

The four sabbatical office bearers are elected annually by the students attending the university UK campuses, both undergraduate and postgraduate. They take up office on 1 June to the following 31 May and they are also Trustees of the charity. There are two student Trustees appointed by the Trustee Board following an open recruitment process who can hold office for 2 years with a further 2 year re-appointment. There is one university appointed Trustee who is nominated by the university and ratified by the Board. There are up to six and no less than three external Trustees, one of whom must be an alumni of the university. External Trustees are recruited by the Board and may serve a maximum of two consecutive 4 year periods.

Organisational structure

The Union Articles of Association and Bye Laws set out the organisations membership-led structure. In order to ensure the charity is properly run and suitably focused on our membership the charity employs key management personnel. The charity considered the four sabbatical officers and Senior Management Team as key management. Sabbatical pay is set by benchmarking against other Scottish student associations. Sabbaticals are auto-enrolled in the Lothian Pension Fund scheme.

The Senior Management Team consists of the Chief Executive Officer, Deputy Chief Executive and Head of Corporate Services; Finance Manager and Student Engagement Manager. The Union uses the Higher Education Role Analysis (HERA) method to assess grades within the Union staff structure. This year the union has introduced a new pay and reward policy for all career staff. All Senior Manager cost of living increases are assessed using this policy and based on performance against agreed objectives.

Trustees' report *(continued)*

Objectives and activities

The objectives of the Union, as set out in its governing document, are:

- The advancement of education of students at Heriot-Watt University by representing, supporting, advising and promotion the interests, health and welfare of students within the University during their course of study and within the wider community, and by promoting student participation in, facilitating, co-ordinating and developing, the services, project and activities of the Union;
- The provision of recreational activities through the services, project and activities of the University providing social, cultural and recreational activities and forums from discussions and debate for the personal development of its Students;
- The advancement of community development within the University and within the wider community through student participation in the Union and its services, projects and activities, and by facilitating the involvement of students in the wider community;
- The relief of the student needs by being the recognised representative channel between Students and Heriot-Watt University, other academic organisation, the general public and any other external bodies and promoting social and academic unity among students of the University.

Decision making

The Trustee Board delegates day to day management powers to the Chief Executive Officer who is required to report regularly to the Trustee Board.

Senior Managers are allowed to make non-routine financial decisions up to the value of £10,000. The Chief Executive Officer has power to make non-routine financial decisions up to the value of £20,000 and any amount above this must be approved by the Trustees.

The Trustee Board are responsible for agreeing any amendments to any policy and procedures relating to employees and financial structures. The Executive Committee are responsible for passing policy on campaign issues. The SMT are responsible for advising both Committees on the fulfilment of these responsibilities.

Trustee Induction

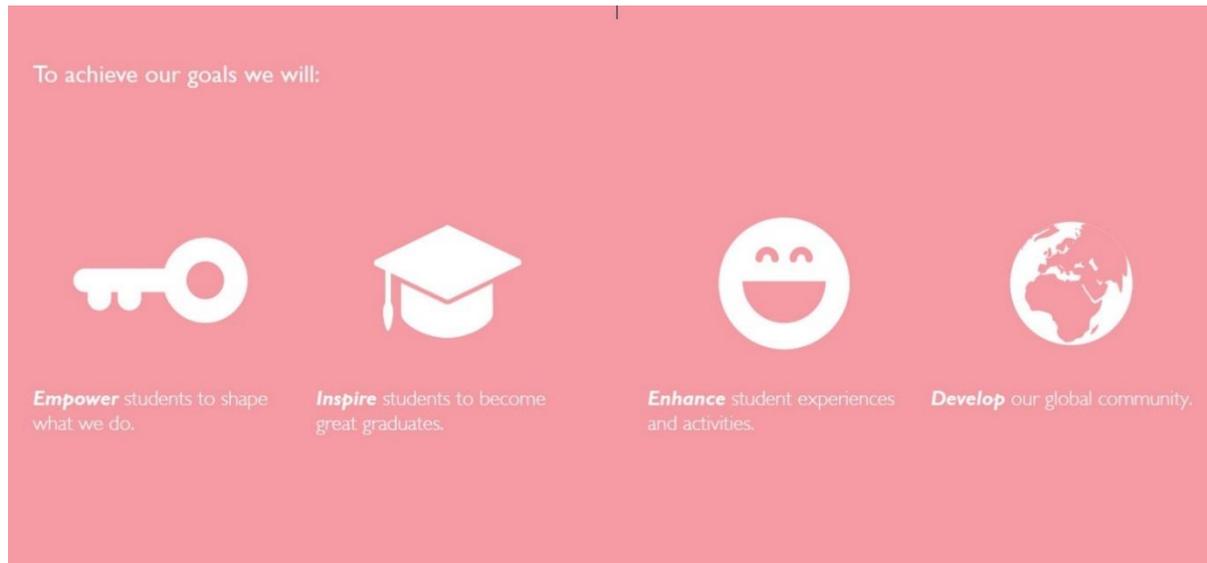
The Union provides all new Trustees with an induction. The induction covers:

- Legal responsibilities of Trustees
- An introduction to the structure of the organisation
- Current financial position of the Union and an introduction to the format of our management accounts
- The Strategic Plan
- Union policy

Trustees' report *(continued)*

Achievements and performance

Our strategic plan describes the direction of the organisation for 2015 – 2019 and describes how we will achieve our aim to build a strong global student community together for the future. To achieve this we will be supportive, collective, empowering, respectful and fun. We have four strategic themes that focus our activity:



Empower students to shape what we do

Our Strategic Plan has an ambitious target of achieving 30% voter turnout by 2019. Over recent years we have increased our turnout year on year, and this year managed to increase by 4%. We are proud that once again we have the highest voter turnout of all Scottish Student Unions.

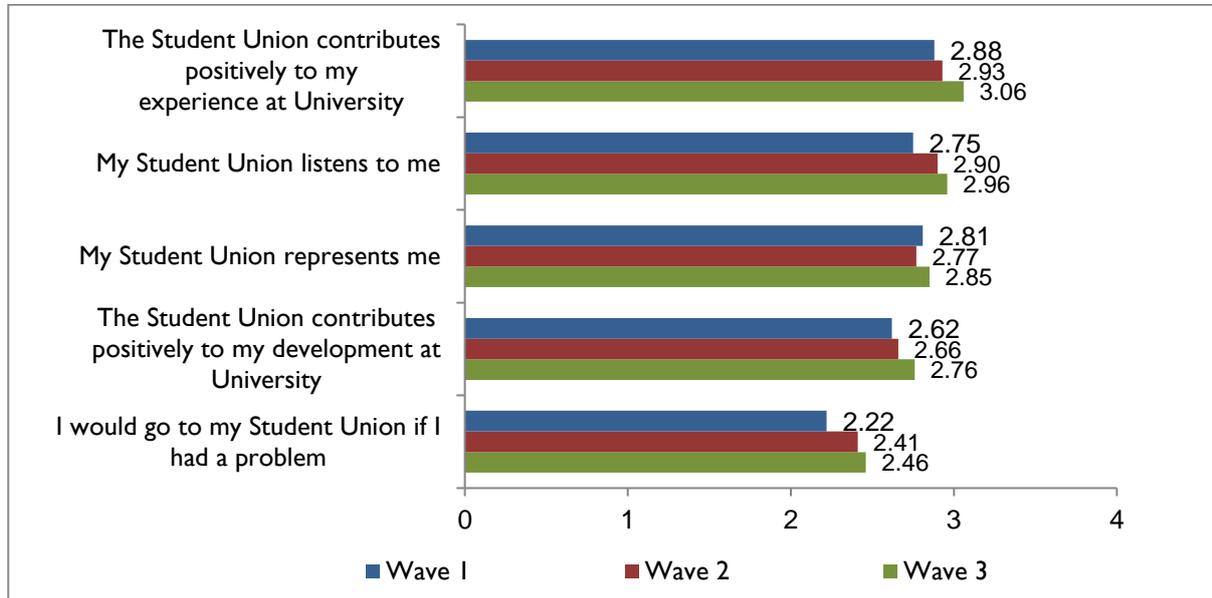
Current Live Voting Statistics



Our communication strategy continues to make positive steps in driving awareness and engagement with our membership. Having successfully exceeded our strategic target of membership awareness of 75% last year, we have been focusing on impact this year. We were pleased to see a continuation of our improvement in demonstrating impact and value to our members.

Trustees' report *(continued)*

Empower students to shape what we do *(continued)*



Inspire students to become great graduates

The vast majority of our students want to know they will have great employment prospects when they graduate. The Union continues to provide our academic representation and welfare service to enable students to achieve success throughout their studies.

The union has successfully rolled out our new develop an online Class Rep training module that support academic structures globally. In this first year, 155 students participated in the online training with 75% undertaking assessments and 56% completing the assessments with full marks on the first attempt. In comparison to the usual number of 120 students participating in face to face training, this has been an excellent pilot and we aim to grow participation year on year.



We are proud to be the first student union in Scotland to have introduced a new Trans Officer for transgender students. This new elected post represents the needs of individuals whose gender does not correspond with their birth sex.

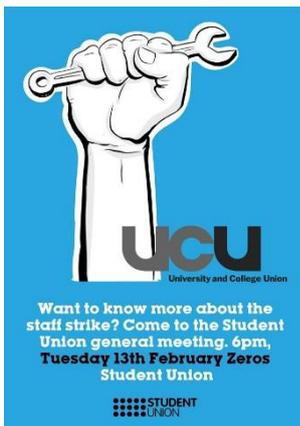


Our Advice Hub continues to be a busy and vital service to our members. Following on from last year's 25% increase, we experienced a further 29% growth this year, dealing with a total of 2,313 enquiries. We distributed a further 2,250 welfare packs on campus and issued 8,376 free condoms via our NHS C-Card service. Our Therapets sessions remain popular with sessions being offered with dogs, ponies and alpacas.

Trustees' report *(continued)*

Enhance student experiences and activities

Student activities continues to be a growth area for us. Our Watt Volunteers scheme is in its third year and has grown from its initial pilot. Volunteering in this scheme doubled this year with students having amassed a total of 6,275 hours, representing a value of £46,310 in volunteered time.



This year the student union has taken steps to protect students from the negative impact of industrial action taken by teaching unions against the university. The student union held numerous meetings for students to hear about the issues first hand. The union represented student views to the university and teaching unions to ensure that their needs were met. We were able to successfully negotiate collective arrangements for mitigating circumstances and enhance student hardship funding.

This year the student union had 16 new societies affiliate, bringing our total to over 70. We have established a new Society Council which is responsible for the distribution of nearly £6,000 of our Society Development Fund. Society Council is open to all affiliated societies and currently 30% are active members.

Develop our global community

This year we have built stronger links with the student representatives at our Dubai and Malaysia campus. We were delighted to host a visit from the Dubai and Malaysia Student Presidents and were also able to visit both campuses ourselves. As a result we have worked collaboratively on university strategy and have secured equal representation for these campuses on university committees. We supported both Dubai and Malaysia to create their own governance documents and have agreed a new International Committee bringing together representatives from each of the campuses to discuss student experience and strategy.

Our events programme, starting with Freshers Week and ending in The Summer Party has grown this year with more events and more students participating. This year saw our highest volume of students coming to Freshers Week events in over 10 years and, as a result, we've seen hundreds of new students become involved in our societies.



Trustees' report *(continued)*

Financial review

The principal funding sources of the charity come from our commercial activity and the block grant received by the university. The value of our block grant is determined by a Financial Memorandum between Heriot-Watt University and the Union. The amount is determined by the number of students attending the university in the UK and the risk of significant unexpected changes to this funding is considered low by the Trustee Board.

The Union block grant continues to grow in line with the university student numbers and as predicted within our five year financial plan. This year the university has readjusted its anticipated student numbers for the next five years and we have factored this into our own financial planning as a result.

The shop represents the largest part of our commercial income. This year retail fell at the start of the year. As a result the union took remedial action in the year to address a number of operational issues and the shop clawed back some of its lost sales, we are confident that the shop is in a strong position to achieve expected sales next year.

Our bar and catering provision continue to operate within a difficult market with increasing competition, costs and changing customer needs. The facilities in the student union building and its location continue to be a limiting factor for this side of the business.

Going forward we anticipate the block grant to grow as expected within our five year plan and commercial income to grow slightly over the next year. The union continues to work with NUS Services and our suppliers to protect price and margins however we anticipate a period of uncertainty next year due to Brexit.

Reserves Policy

The Union aims to hold sufficient reserves to fund its student support activities for a period of at least six months. This means that we should hold sufficient cash reserve to cover salaries and overheads for the charitable activity of the Union for six months.

In 2017/18 the student union held £744,170 in reserves (of which £665,344 was unrestricted and £78,826 was restricted) which the board has deemed to be adequate to meet our charitable activity for six months. The union has a reserves policy that enables the union to release cash reserves for investment. We currently do not have any plans to release any reserves.

Risk Management

The Trustees have assessed the major risks to which the Union is exposed, in particular those related to the operations and finances of the Union, and are satisfied that systems are in place to mitigate our exposure to risk. The Trustees meet regularly and review all aspects of operations and finances with reference to financial reports and future forecasts. The Trustees formally review the risk register annually in September. The Senior Management Team review the risk register on a monthly basis.

The Trustees have considered whether the UK leaving the European Union will have a negative impact on the Union. We have determined that in the short-term the risk to the organisation is low however we note that the circumstances regarding the exit may have an impact on recruitment of students from the EU which may have long term implications for both university and union strategy. At this time we are unable to predict the impact of this.

The Trustees have also identified the Union building as our most pressing strategic and operational risk. The building continues to be isolated from the student population by university capital projects and we predict this to become an increasing challenge for the Union to provide both charitable and commercial services from its current location. The Union continues to hold discussions with the university regarding this issue and are hopeful of finding a mutually acceptable solution.

Trustees' report *(continued)*

Disclosures required by the Educational Act 1994

Affiliations

The Union was affiliated to the following organisations during 2017/18:

National Union of Students (NUS) – payments of £22,078

- provides national representation, information, advice including office-bearer training and other services

Plans for the future

The Union is performing well against its key performance indicators, having made significant headway since our strategic plan was launched in 2015. As we near the end of our strategy we have begun the process of preparing our new strategic plan. We continue to work closely with the university in developing its new Strategy 2025 which we will draw heavily on when drafting our new strategy. Alongside our new strategy we have begun to upgrade our website to provide additional functionality and are preparing to review our representative structures. During 2018/19 we will also undertake a brand review and aim to launch our new strategy and brand in August 2019.

Alongside this we will continue to work against our current strategic plan, delivering activities and supports that are accessible and valuable for our membership. We will continue to focus on achieving our Vision to build a strong, global student community, together for the future.

Trustees' report *(continued)*

Statement as to disclosure of information to Auditors

The Trustee Board Members who were in office on the date of approval of these Financial Statements have confirmed, as far as they are aware, that there is no relevant information of which the Auditors are unaware. Each of the Trustees have confirmed that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditors.

Auditors

A resolution to reappoint Henderson Loggie as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

Approval of the report

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2017 relating to small companies.

The financial statements were approved and authorised for issue on 2019 and are signed on behalf of the Board of Trustees by:

Rahul Singh
President

Trustees' responsibilities

The Trustee Board is responsible for preparing the annual report and the financial statements, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in Scotland requires the Trustee Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements the Trustee Board is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustees Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's Constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Trustees and Members of Heriot-Watt University Student Union

Opinion

We have audited the financial statements of Heriot-Watt University Students' Union (the 'charitable company') for the period ended 31 July 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, 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 members and the charity's trustees those matters we are required to state to them 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 charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

Independent Auditor's Report to the Trustees and Members of Heriot-Watt University Student Union *(continued)*

- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended)

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Independent Auditor's Report to the Trustees and Members of Heriot-Watt University Student Union *(continued)*

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Andrew Niblock

Senior Statutory Auditor

for and on behalf of Henderson Loggie, Statutory Auditors

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

2019

Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 July 2018

	Note	Unrestricted Funds £	Restricted Funds £	2018 Total £	Unrestricted Funds £	Restricted Funds £	2017 Total £
Income and endowments from:							
Donations and legacies	2	609,550	37,893	647,443	584,596	7,107	591,703
Other trading activities	3	7,957	-	7,957	17,850	-	17,850
Investments	4	185	-	185	285	-	285
Charitable activities	5	1,862,910	-	1,862,910	1,882,571	-	1,882,571
Total income and endowments		2,480,602	37,893	2,518,495	2,485,302	7,107	2,492,409
Expenditure on:							
Charitable activities	5	(2,400,283)	(40,611)	(2,440,894)	(2,395,615)	(9,825)	(2,405,440)
Total expenditure		(2,400,283)	(40,611)	(2,440,894)	(2,395,615)	(9,825)	(2,405,440)
Net income	15	80,319	(2,718)	77,601	89,687	(2,718)	86,969
Fund balance brought forward at 1 August 2017	15	585,025	81,544	666,569	495,338	84,262	579,600
Fund balance carried forward at 31 July 2018	15	665,344	78,826	744,170	585,025	81,544	666,569

All activities relate to continuing operations.

Balance sheet
as at 31 July 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	9		418,643		405,523
Current assets					
Stock	10	52,636		24,780	
Debtors	11	36,946		59,128	
Cash at bank and in hand		416,785		337,730	
			506,367	421,638	
Creditors: amounts falling due within one year	12	(167,701)		(132,956)	
Net current assets			338,666		288,682
Total assets less current liabilities			757,309		694,205
Creditors: amounts falling due after more than one year	13		(13,139)		(13,569)
Provisions for liabilities and charges	14		-		(14,067)
Net assets			744,170		666,569
Funds					
Unrestricted general funds	15		665,344		585,025
Restricted funds	15		78,826		81,544
Total funds			744,170		666,569

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The financial statements were approved by the Trustee Board on [] 2019 and are authorised for issue and signed on behalf of the Union by:

Rahul Singh
President

Company registration number SC504788

Statement of cash flows

For the year to 31 July 2018

	2018	2018	2017	2017
	£	£	£	£
Cash flows from operating activities				
Net income	77,601		86,969	
Depreciation charges	50,920		37,699	
Income from investments	(185)		(285)	
(Increase)/decrease) in stock	(27,856)		18,236	
Decrease/(increase) in debtors	22,182		(26,705)	
Increase in creditors	34,315		11,960	
(Decrease)/Increase in provisions	(14,067)		(21,100)	
	<hr/>		<hr/>	
Net cash provided by operating activities		142,910		106,774
Cash flows from investing activities				
Income from investments	185		285	
Purchase of fixed assets	(64,040)		(42,133)	
	<hr/>		<hr/>	
Net cash (used in) investing activities		(63,855)		(41,848)
		<hr/>		<hr/>
Increase in cash and cash equivalents in the year		79,055		64,926
Cash and cash equivalents at 1 August 2017		337,730		272,804
		<hr/>		<hr/>
Total cash and cash equivalents at 31 July 2018		416,785		337,730
		<hr/> <hr/>		<hr/> <hr/>
Cash and cash equivalents comprise:				
Cash at bank and in hand		416,785		337,730
		<hr/> <hr/>		<hr/> <hr/>

Notes to the financial statements

1 Accounting policies

Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost convention. The charity is a Public Benefit Entity and a company limited by guarantee, incorporated in Scotland with the registered office as noted on page 1. The financial statements are compliant with the charity’s constitution, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP) FRS 102 “Accounting and Reporting by Charities” (revised 2015), and in accordance with Financial Reporting Standard 102 (FRS 102).

Going concern

During the period to 31 July 2018, the Union has a strong financial position with net current assets of £388,666 at 31 July 2018. In view of this performance and the financial memorandum of agreement between Heriot-Watt University and the Union, the Trustees are satisfied that it is appropriate to prepare these financial statements on the going concern basis.

Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. Donations, grants and similar income are included in the year in which they are received, which is when the charity is entitled to them. Income from the provision of bar, café and shop services to students is recognised on receipt, which is when the service has been delivered.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

In accordance with Charity SORP (FRS 102), services provided by volunteers are not recognised.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure of the Union, once incurred, is considered either a direct charitable activity cost or a support cost. Support costs are allocated to charitable activities according to the amount of staff time spent on these activities or by reference to floor space. Charitable activities are those resources applied in the delivery of services to meet the Union’s charitable objectives. Support costs include management and accommodation costs and staff costs. They also include governance cost, which are those associated with the general running of the Union including activities which provide the Union’s governance infrastructure.

Fixed assets

All expenditure of a capital nature where the expenditure exceeds £750 is capitalised under one of the above categories.

Depreciation is provided on all of the above categories of fixed assets on a straight line basis over the following periods:

Office equipment	3 to 5 years
Furniture and fittings	3 to 10 years
Plant and machinery	3 to 5 years
Building additions/improvements	30 to 50 years
Motor vehicles	5 years

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Fixed assets *(continued)*

A full year's depreciation is charged in the year of acquisition and none in the year of disposal. Impairment reviews are carried out at least annually as part of the annual reporting exercise and when significant changes in the Union's activities occur, or in other situations where circumstances indicate a review is necessary.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for any slow-moving or obsolete stock.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discounts offered. Prepayments are valued at the amount prepaid after taking account of any trade discounts due.

Cash and cash equivalents

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments

The union only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Pension costs

The Union offers a defined benefit pension scheme for certain employees: the Lothian Pension Fund (LPF – Local Government Scheme).

The Union's share of the underlying assets and liabilities of the scheme cannot be directly attributed to the Union and therefore, in line with FRS 102, the LPF is accounted for as if the scheme were a defined contribution scheme based on actual contributions paid through the year. Further details can be found at note 8.

The Union entered into agreement with LPF to make additional annual contributions of £21,100 per annum towards the Scheme deficit until 31/03/2018. In line with requirements of FRS 102, to make these payments is recognised in provisions.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements, the trustees have made the following judgements:

- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.

- Fixed assets are also assessed as to whether there are indicators of impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

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Notes to the financial statements (continued)

1 Accounting policies (continued)

Taxation

The Union has been granted charitable status by HM Revenue and Customs and is a registered charity. The Union is not subject to corporation tax on any surpluses that have been derived in pursuing activities designed to carry out the main objects of its charitable status.

Funds

Unrestricted funds comprise donations and other incoming resources received or generated for charitable purposes. They are available for use at the discretion of the trustees in furtherance of the charity's general charitable objectives.

Restricted funds comprise donations and other incoming resources for which the purpose and use of those funds has been specified prior to their transfer to the charity, and which can only be applied for those specified purposes.

In 2018:

- £24,493 (2017: £7,107) was recognised from the Heriot-Watt Alumni Fund for specific projects;
- £1,500 (2017: £Nil) was recognised from Heriot-Watt University as a contribution towards the President's trip to Dubai campus.
- £9,600 (2017: £Nil) was recognised from Big Lottery for Suicide Prevention project.
- £2,000 (2017: £Nil) was recognised from Heriot Watt as a contribution towards setting up online trading.
- £300 (2017: £Nil) was recognised from Heriot Watt as a contribution towards the Open Day.

2 Donations and legacies

	Unrestricted £	Restricted £	2018 £	Unrestricted £	Restricted £	2017 £
Allocation from University	603,600	-	603,600	579,600	-	579,600
Donation from HWUSA	-	3,800	3,800	-	-	-
Donations - other	5,950	-	5,950	4,996	-	4,996
Donation from Suicide Prevention	-	9,600	9,600	-	-	-
Alumni Fund	-	24,493	24,493	-	7,107	7,107
	<u>609,550</u>	<u>37,893</u>	<u>647,443</u>	<u>584,596</u>	<u>7,107</u>	<u>591,703</u>

3 Other trading activities

	2018 £	2017 £
Commission on sales	1,946	3,476
Marketing income	5,246	8,848
Sundry income	765	5,526
	<u>7,957</u>	<u>17,850</u>

4 Income from investments

	2018 £	2017 £
Interest receivable	185	285

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Notes to the financial statements *(continued)*

5 Charitable activities

	Social space and ancillary trading £	Other charitable activities £	2018 Total £	2017 Total £
Income:				
Income from normal operations	1,818,237	44,673	1,862,910	1,882,571
	=====	=====	=====	=====
Expenditure:				
Staff costs	582,499	243,889	826,388	(836,800)
Sabbaticals	24,514	98,055	122,569	(104,503)
Property costs	156,687	5,656	162,343	(153,051)
Support costs	81,426	15,699	97,125	(80,363)
Welfare costs	31	49,226	49,257	(33,162)
Commercial cost of sales	1,142,601	-	1,142,601	(1,187,736)
Specific project costs	-	40,611	40,611	(9,825)
	-----	-----	-----	-----
	1,987,758	453,136	(2,440,894)	(2,405,440)
	-----	-----	-----	-----
Deficit	(169,521)	(408,463)	(577,984)	(522,869)
	=====	=====	=====	=====

Support costs include the following

	2018 £	2017 £
Bank charges	23,051	26,191
Computer expenses	6,118	13,137
Office expenses	12,344	10,620
Governance costs (note 6)	42,045	30,415
	-----	-----
	83,558	80,363
	=====	=====

Support costs are allocated between charitable activities according to the amount of staff time spent on these activities or by reference to floor space.

6 Governance costs

	2018 £	2017 £
Office-bearer's training costs	4,688	6,326
Election costs	1,642	2,397
Consultant's costs	26,952	12,793
Remuneration of auditors	7,765	8,000
Trustee meeting costs	998	899
	-----	-----
	42,045	30,415
	=====	=====

Notes to the financial statements *(continued)*

7 Staff costs and numbers

	2018	2017
	£	£
Wages and salaries	775,981	786,383
Social security costs	49,435	49,168
Pension costs	83,275	66,905
	<hr/> 908,691 <hr/>	<hr/> 902,455 <hr/>
Average number of employees (full time equivalents) during the period	<hr/> 38 <hr/>	<hr/> 40 <hr/>

No member of staff earns emoluments over £60,000 (2017: None). The President and Vice-Presidents are required by the constitution of the Union to be Sabbatical members of the Executive Committee and Trustees ex-officio and as such are remunerated for their work. Remuneration, including employer’s NI, and pension contributions of £96,513 (2017: £76,849) were paid to such 7 (2017: 8) trustees in the year. No remuneration was paid to any trustee in their capacity as trustee. 8 (2017: 4) trustees received reimbursement of expenses amounting to £2,521 (2017: £990) in the year.

The key management personnel are the Chief Executive officer, the President and Vice-Presidents and other members of the Senior Management Team whose total employment benefits for the year totalled £295,856 (2017: £290,378).

8 Pension contributions

The Association participates in the Lothian Pension Fund and the Universities Superannuation Scheme.

Lothian Pension Fund (LPF)

Heriot-Watt University Student Union participates in the Lothian Pension Fund (LPF) which is part of the Local Government Pension Scheme (LGPS) (Scotland), a multi-employer scheme. The LGPS is a defined benefit scheme based on final pensionable salary.

Under the Lothian Pension Fund, the contribution rate required for Heriot-Watt University Student Union is set on a grouped basis, combining the experience of the employer with other employers also participating in the Fund. Assets and liabilities of the Fund are not separately identified between the various employers participating as part of the triennial actuarial valuations. As a result Heriot-Watt University Students’ Association is unable to identify its relevant share of the underlying assets and liabilities in the Fund. These financial statements have therefore been drawn up in accordance with Financial Reporting Standard 102 on the basis that the pension cost is accounted for as a defined contribution scheme.

Information about the overall funding position of the Lothian Pension Fund has been obtained from the actuarial valuation of the Scheme as at 31 March 2014. The valuation showed that the overall funding of the Scheme as a whole was 91%, the deficit being £417 million. The contributions payable by the employers are based on the position of the Fund as a whole, which is reassessed at each triennial valuation, in line with the Administering Authority’s Funding Strategy Statement. The pension cost for the period ended 31 July 2017 was £71,125 and employer contributions for the year from 1 April 2017 have been set at 23.1% of pensionable pay plus a monetary amount of £21,100 per annum.

Notes to the financial statements (continued)

9 Fixed assets

	Building improvements £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 August 2017	551,758	31,292	503,449	92,778	1,179,277
Additions	-	3,000	61,040	-	64,040
	-----	-----	-----	-----	-----
At 31 July 2018	551,758	34,292	564,489	92,778	1,243,317
	-----	-----	-----	-----	-----
Depreciation					
At 1 August 2017	186,495	26,051	468,501	92,707	773,754
Charge for year	11,905	3,140	35,804	71	50,920
	-----	-----	-----	-----	-----
At 31 July 2018	198,400	29,191	504,305	92,778	824,674
	-----	-----	-----	-----	-----
Net book value					
At 31 July 2018	353,358	5,101	60,184	-	418,643
	=====	=====	=====	=====	=====
At 1 August 2017	365,262	5,242	34,948	71	405,523
	=====	=====	=====	=====	=====

10 Stock

	2018 £	2017 £
Bar	3,976	3,734
Shop	2,835	2,462
Catering	45,825	18,584
	-----	-----
	52,636	24,780
	=====	=====

11 Debtors

	2018 £	2017 £
Trade debtors	4,597	11,286
Other debtors	12,957	13,886
Heriot-Watt University	2,094	17,553
Prepayments	17,298	16,403
	-----	-----
	36,946	59,128
	=====	=====

Notes to the financial statements (continued)

12 Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	66,247	47,008
Heriot-Watt University	4,606	5,729
Other tax and social security	12,088	11,494
Other creditors	16,612	21,849
Accruals and deferred income	68,148	46,876
	<u>167,701</u>	<u>132,956</u>

Deferred income

	£
Deferred income at 1 August 2018	28,480
Resources deferred during the year	34,866
Amounts released from previous years	(24,493)

Deferred income relates to Alumni Funding received from Heriot-Watt University **38,853**

13 Creditors: Amounts falling due after more than one year

	2018	2017
	£	£
Deferred grant income	13,139	13,569

14 Provisions for liabilities and charges

	2018	2017
	£	£
At beginning of period	14,067	35,167
Amounts released in year	(14,067)	(21,100)
	<u>-</u>	<u>14,067</u>

15 Funds

	Balance at 1 August 2017 £	Income £	Expenditure £	Balance at 31 July 2018 £
Unrestricted funds				
General fund	585,025	2,480,602	(2,400,283)	665,344
Restricted funds				
Building improvements	81,544	-	(2,718)	78,826
Alumni Fund	-	24,493	(24,493)	-
Big Lottery fund	-	9,600	(9,600)	-
Other	-	3,800	(3,800)	-
	<u>81,544</u>	<u>37,893</u>	<u>(40,611)</u>	<u>78,826</u>
	<u>666,569</u>	<u>2,518,495</u>	<u>(2,440,894)</u>	<u>744,170</u>

Purpose of the fund

Building improvements – a capital fund for improvements financed by HWU against which depreciation is applied annually.

Alumni fund – grant awards from HWU for specific charitable projects and activities

National Lottery – Grant awarded for Suicide Prevention project.

Notes to the financial statements (continued)

16 Analysis of net assets between funds

	Unrestricted £	Restricted £	2018 £	Unrestricted funds £	Restricted funds £	2017 Total £
Fixed assets and investments	339,815	78,828	418,643	323,979	81,544	405,523
Net current assets	338,666	-	338,666	288,682	-	288,682
Creditors due in more than one year	(13,139)	-	(13,139)	(13,569)	-	(13,569)
Provisions for liabilities and charges	-	-	-	(14,067)	-	(14,067)
	<u>665,342</u>	<u>78,828</u>	<u>744,170</u>	<u>585,025</u>	<u>81,544</u>	<u>666,569</u>
17 Capital commitments					2018 £	2017 £
Authorised and contracted					-	30,345
18 Financial instruments					2018 £	2017 £
Carrying amount of financial assets						
Debt instruments measured at amortised cost					19,648	42,725
Carrying amount of financial liabilities						
Measured at amortised cost					116,762	92,983

Debt instruments measured at amortised cost comprises trade debtors and other debtors.

Liabilities measured at amortised cost comprises trade creditors.

19 Related party transactions

During the year, Heriot-Watt University allocated to the Students' Union £603,600 (2017: £579,600) in the form of block grant funding. Other grant funding from Heriot-Watt University amounted to £28,293 (2017: £31,421).

During the course of the Union's activities for the period, transactions with Heriot-Watt University took place. The total amount invoiced by the Union to the University for goods and services was £69,122 (2017: £96,302) and the total amount invoiced by the University to the Union for goods and services was £61,036 (2017: £69,980). At 31 July 2018 the University owed the Union a balance of £11,692 (2017: £33,839). Amounts owed by the Union to Heriot-Watt University amounted to £4,606 (2017: £5,729). £38,852 (2017: £28,480) of deferred income was also in creditors at the period end in relation to grant awards.

20 Ultimate controlling party

The charitable company is constituted by its Articles of Association and is controlled by its Board of Trustees.