



Annual Report 2024/25



*Professor Richard Williams, CBE FREng FTSE FRSE,
Principal and Vice-Chancellor*

Principal and Vice-Chancellor's Welcome and Commentary

The academic year 2024/25 has been a period of both achievement and challenge for Heriot-Watt University. As Principal and Vice-Chancellor, I am pleased to present this review, which reflects on our progress, acknowledges areas of development, and looks ahead with renewed determination.

A Year of Progress and Determination

This year, Heriot-Watt has continued to demonstrate resilience and adaptability in a volatile higher education environment. I am pleased to say that we have grown our overall income and continued to reduce our operating deficit. It is our intention to move towards a break-even position over this coming financial year. We continue to operate within all our financial covenants. Our global footprint—spanning Scotland, the United Arab Emirates and Malaysia, and our extensive online provision—continues to be a strategic asset, enabling us to weather sector-wide challenges and seize new opportunities for growth and innovation. Continued diversification of our income means that approximately only 14% of our income arises from the Scottish Funding Council. We have maintained a clear focus on our core mission: delivering pioneering education, excelling in research and enterprise, building flourishing communities, and strengthening our position as a globally connected university, while committing ourselves to bold sustainability goals. Our commitment to these strategic themes has been clearly demonstrated in every aspect of university life, from the vibrancy of our campuses to the impact of our research and the success of our students.

A major highlight was the successful development and approval of Strategy 2035, which sets a clear and ambitious direction for the University's future, and will commence in August 2026. The strategy development was delivered on schedule, with Court approval in July 2025 following extensive stakeholder engagement. Staff engagement also was particularly noteworthy, with two pulse surveys conducted during the year showing a strong overall engagement score of 77%, up from 72% in 2023. Staff appreciated improvements in leadership transparency, financial communication, and opportunities to contribute to strategic initiatives.

Academic excellence and student experience

While we have made significant improvements in several areas of student experience, the National Student Survey (NSS) result was disappointing. Despite some positive internal progress, our improvement lagged behind peer institutions, and our relative position has not met our ambitions. However, our internal survey data showed an 8% in-year improvement in students feeling part of a community, and we have seen strong engagement in Welcome Weeks and induction activities. Our reputation for graduate employability continues to be a core strength, with Heriot-Watt ranked 1st in Scotland and 2nd in the UK in the Graduate Outcomes Survey for positive undergraduate employment and further study destinations. We have also continued to innovate in our educational offer, with new programme launches, accreditations, and the expansion of our team of dedicated student advisors.

The University has enjoyed a collaborative and effective partnership with the Student Union (UK), Sports Union (UK), Student Association (Malaysia) and Student Council (UAE) working to support the Student Partnership Agreement and other initiatives. A comprehensive process of programme review has been undertaken for undergraduate, postgraduate and online provision to assure the student experience and operational effectiveness and efficiency. New programme activity has also been undertaken included the launch of the MSc Computer Science in partnership with Coursera, which exceeded expectations with enrolments ahead of target. While UK student enrolment growth was slower, Dubai campus expansion was supported by increasing student numbers and the timely, under-budget completion of the James Watt building. Enhanced operational alignment and closer strategic dialogue with Zhubayev University in Aktobe, Kazakhstan has been introduced, and student performance and processes have been enhanced.

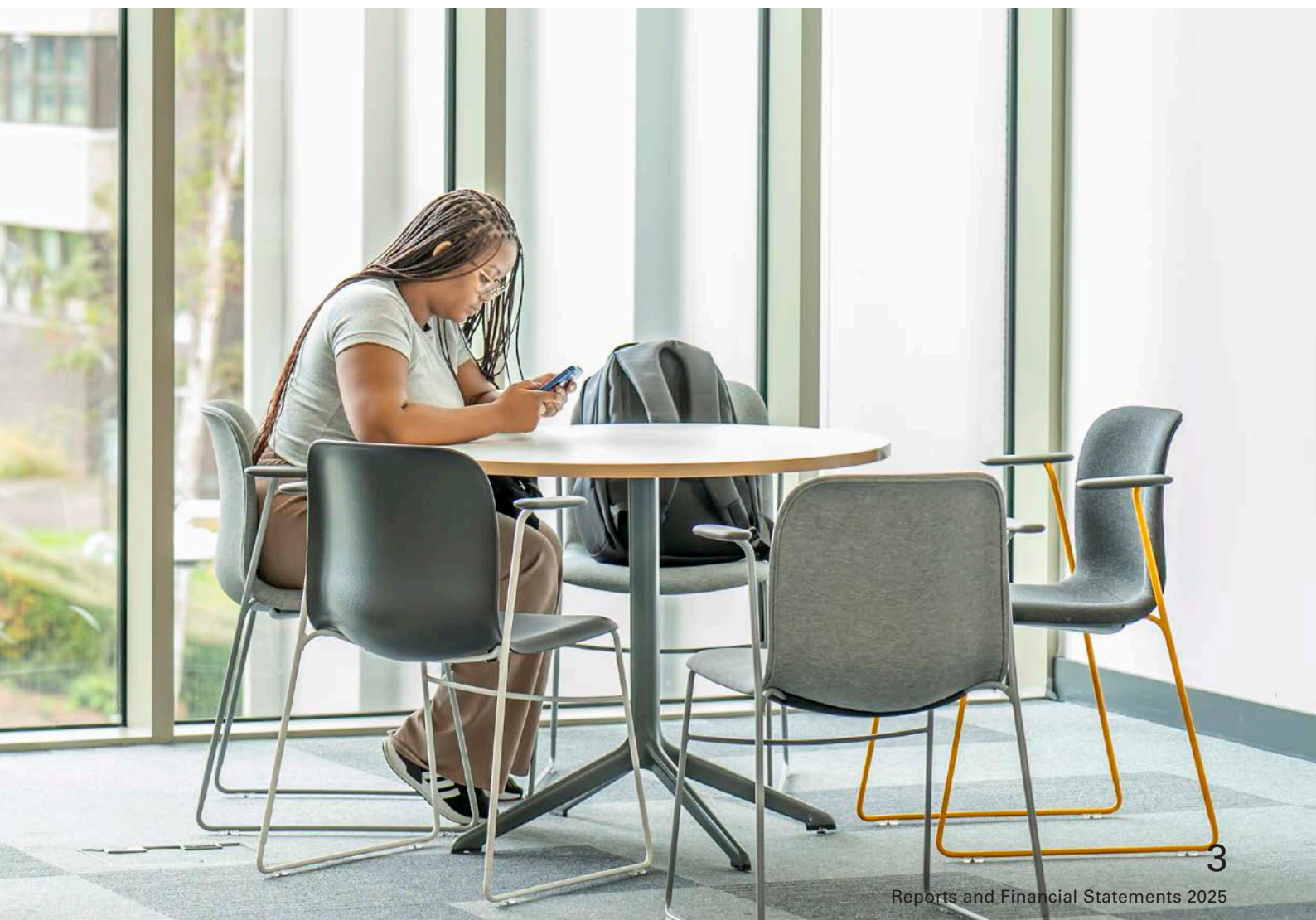


Research, innovation, and global impact

During the year, the University's enterprise profile was significantly strengthened. Heriot-Watt University was recognised as the most active Converge-winning institution, securing 24% of the market share in Scottish Enterprise high-growth spin-out funding and achieving record global engagement in enterprise activities, with 847 staff and students participating across all campuses.

In research, we celebrated major successes in quantum and optical sciences, securing new funding and forming leading consortia. We reaffirmed our global leadership in quantum science as the lead institution for the UK's Integrated Quantum Networks Hub. This flagship programme, involving 11 other universities and major industry partners, is advancing secure, scalable quantum networks and laying the foundations for a future quantum internet—underscoring our excellence in quantum physics and computing. We also launched the Global Research Institute in Health & Care Technologies, achieved the first significant UAE research income award for our Dubai campus, and saw numerous individual honours from the Royal Academy of Engineering, the Royal Society of Edinburgh, and the London Mathematical Society.

Our commitment to sustainability and the circular economy has transformed our standing in key league tables, embedding these principles into both strategy and operations. Policy impact has been notable in areas such as robotics (National Robotarium), fishing technology and ocean waste (Lyll Centre), gender diversity in Middle East boardrooms (Dubai), and inclusive research culture through EDICa, a flagship programme led by the School of Social Sciences. Additionally, our work on economic transformation with global sovereign wealth funds (Panmure House) continues to shape international policy and practice.



Despite this activity, and record results in quantum technologies, sustainability and health and care innovation, research income fell slightly short of our target for the year, at £52.5m. We continue to prioritise global challenges through new research hubs, successful funding bids, and high-profile partnerships. We have also celebrated the achievements of our staff and students in national and international arenas, from prestigious awards in photonics and engineering to impactful contributions in sustainability and social policy. We were disappointed that these achievements did not translate into the University's overall QS ranking which declined despite internal improvements, due to stronger relative performance by peer institutions and indicating areas for our own development in reputation and research citation enhancement.

Financial stewardship and strategic planning

The 2024–25 financial year was a period of strategic delivery and leadership resilience for Heriot-Watt University, marked by significant achievements and some notable challenges. Financial sustainability continues to be a central focus. The University has continued to operate within a challenging fiscal environment, marked by sector-wide pressures on income and costs. Our revenue was up by 6%, driven by increases in international students at our Dubai campus. We continued to reduce our underlying operating deficit from £10.1m to £7.9m, demonstrating disciplined financial management and continuing on the path to breaking even and moving into surplus thereafter. These measures were implemented without compromising the student or staff experience and were supported by regular, well-received staff briefings and financial updates.

The University's *Shaping Futures* Campaign, launched in October, progressed according to plan. A Global Council comprising a number of prominent individuals with links to Heriot-Watt was formed, and work with the American Friends of Heriot-Watt and USA alumni was especially productive, reflecting a significant investment of time in building a new board of directors for US fundraising. Cash received met its target of £2.1m, and pledges received, at £2.06m, exceeded the target of £1.5m. There was an increased number of asks (121 proposals versus 32 the previous year) with a higher average value (£207k versus £86k). A group of senior academics were assembled as prospect leaders, with assigned targets aligned to Campaign goals, providing further capacity to the overall campaign. The Campaign's Global Council has been effective in influencing and supporting strategy and encouraging the creation of local campaign boards in Norway and South-East Asia, which are currently under formation.

Community, culture, and sustainability

Our people are at the heart of our success. This year's Celebration Week, staff awards, and community events have reinforced the sense of belonging and shared purpose that defines Heriot-Watt. We have advanced our work on equality, diversity, and inclusion, wellbeing, and high-performance culture, with new strategies and action plans being developed and implemented across the University. Sustainability remains a cross-cutting priority. The University Committee for Global Environmental Sustainability has overseen significant progress, including the launch of the Climate Advocacy Course, the Lord Home Hall decarbonisation project, and recognition for our Student Sustainability Forum at the Green Gown Awards. Our commitment to reducing our environmental footprint and embedding sustainability in all we do is unwavering.

Welcoming new leadership and developing succession

At the end of the year, we welcomed two new members to the University Executive. Professor Chris Turney joined us as Deputy Principal for Research and Impact from the University of Technology Sydney, bringing

over 27 years of experience across the international higher education sector and industry. Professor Turney has led strategic research initiatives that have driven sustainably funded, world-class research and fostered strong engagement with external stakeholders. We are also delighted that Professor Tadhg O'Donovan, a familiar and highly respected leader within the Heriot-Watt community, has been appointed to the role of Deputy Principal Education and Student Life. Professor O'Donovan currently serves as the University's Chief Scientist and was previously the Deputy Vice Principal of the Dubai campus and brings a deep understanding of our values and ambitions.

New appointments elsewhere expanded our skills and commercial focus with an eye to assuring capabilities needed to deliver the new strategy. A new Vice Principal role embracing governance and operations was introduced incorporating the University Secretary's role. Governance and risk management were strengthened by appointing a Global Counsel, alongside major activity to provide enhanced risk assurance in several areas of operation. Our finance teams were enhanced, and a new management information pack was developed and well received across the Institution. Staff development and succession planning were advanced through the second cohort of the Global Leadership Programme, with both cohorts actively engaged in Strategy 2035 development.

Post balance sheet events

In September 2025 we were **shortlisted for University of the Year** by the Times Higher Education which cited our sustainability as an institution. This was reinforced in the QS Sustainability Rankings published in November 2025, when we rose 53 places into the global top 200 – we are ranked joint 158th (out of 1,994) in the world, and 38th (out of 108) in the UK.

On September 1st I announced that I would be retiring from the University at the end of September 2026, after 11 years of leading this very special University. I have been privileged to work with such a committed and caring community of staff, students, alumni, and partners across the world.

Looking ahead

As we reach the final year of Strategy 2025 and look towards the start of Strategy 2035, our focus remains on building a flourishing and purposeful global university community. We will continue to invest in our people, our students, and our research, while maintaining the financial discipline and strategic agility required to thrive in a rapidly changing world. Heriot-Watt is getting ready for a more resilient and competitive future as we bridge to close out Strategy 2025 and equip ourselves to deliver Strategy 2035 on a sound financial footing.

I am deeply grateful to all colleagues, students, alumni, and partners for their dedication, resilience, and ambition. Together, we are shaping the future of Heriot-Watt University and making a positive impact on the world. As I approach my final months at the University my commitment remains on key priorities including further improving the long-term financial position of the University, progressing the fundraising campaign, building reputation and delivering excellence - putting our students and staff at the heart of all we do. I will not be letting up!

Professor R A Williams

Principal and Vice-Chancellor

Strategic *Report*

Our *heritage*

The establishment of the School of Arts of Edinburgh in 1821 as the world's first Mechanics Institute saw the start of a worldwide movement that would revolutionise access to education in science and technology for ordinary people, with the purpose of addressing societal needs by incorporating fundamental scientific thinking and research into engineering solutions. As the institution developed through the Watt Institution and School of Arts (1852), Heriot-Watt College (1855) and - on receipt of its Royal Charter in 1966 - into Heriot-Watt University, there remained a focus on innovating by providing accessible work-based education, responding to the needs of business and industry, and building our global reach.



Our *teaching and research*

Our teaching and research are structured around six academic schools:

- **School of Energy, Geoscience, Infrastructure and Society (EGIS)**
- **School of Engineering and Physical Sciences (EPS)**
- **School of Mathematical and Computer Sciences (MACS)**
- **School of Textiles and Design (SOTD)**
- **School of Social Sciences – incorporating the Edinburgh Business School (SOSS/EBS)**
- **Global College, providing foundation pathways to our undergraduate and postgraduate degrees**



Our *values*

Inspire

curiosity to learn and find solutions that transform lives.

Belong

to a diverse, inclusive and international community working together across boundaries and cultures.

Collaborate

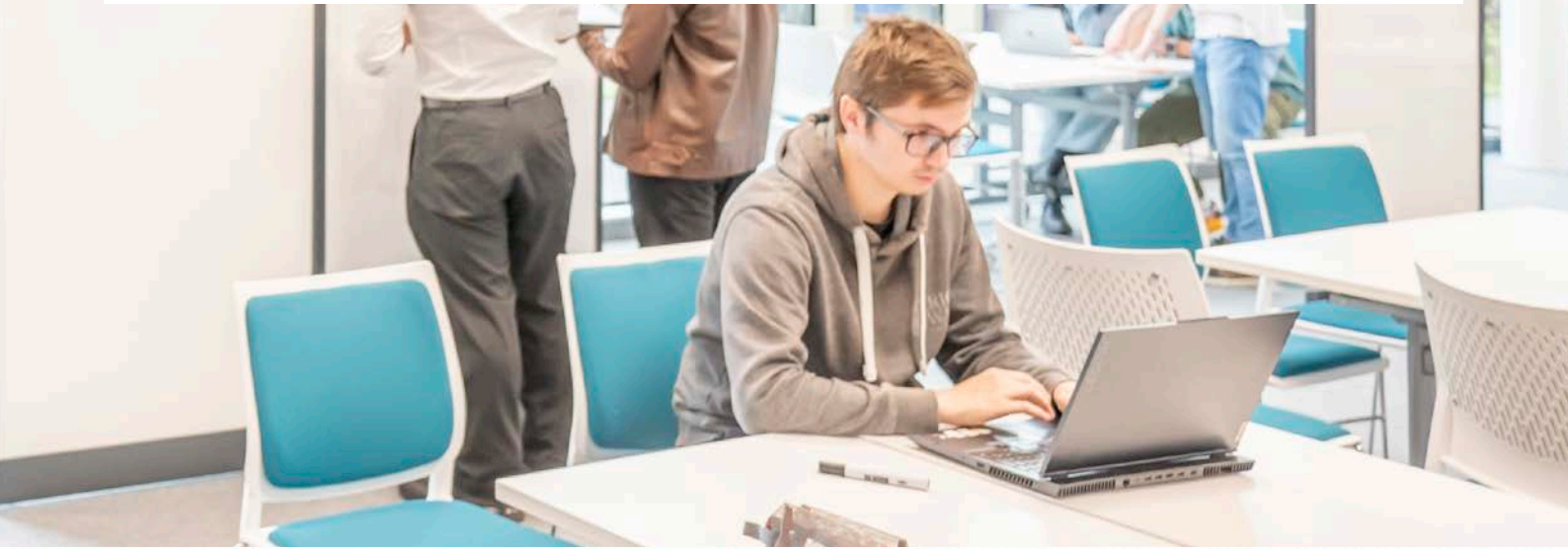
by working in partnership to shape the future whilst taking responsibility for our own actions.

Celebrate

excellence and take pride in the achievements of our students, staff and alumni.

Our *purpose*

From a pioneering institute born out of the Scottish Enlightenment in 1821, to a leader in transnational education, Heriot-Watt has become a global university through a commitment to its vision, mission and ethos.



Our *vision*

Our vision is to be world-leading within all our areas of specialism.

Our *mission*

Our mission is to create and exchange knowledge that benefits society.

Our *ethos*

We put our community of students, staff and alumni at the heart of everything we do. Our distinctive strengths will continue to build a global university that pioneers innovation in education, research and enterprise.

Strategy 2025

Our progress as an ambitious, innovative and globally-connected university is driven by our Strategy 2025 – Shaping Tomorrow Together. Strategy 2025 is delivered through four themes, which are:

- **Building Flourishing Communities**
- **Pioneering in Education**
- **Advancing as a Globally Connected University**
- **Excelling in Research and Enterprise**

Strategy 2025

Vision • Mission • Ethos

Belong

Inspire

Collaborate

Celebrate

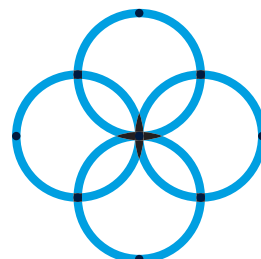
Pioneering in education



Excelling in research and enterprise



Building flourishing communities



Being a globally connected university



**Enhancing our systems,
processing and
infrastructure**

**Developing our people
and culture**

**Achieving efficiency
and effectiveness**

Environmental Sustainability

Heriot-Watt University's approach to sustainability

The University continues to make progress against its 10 institutional commitments under the headings of Leadership through action, Thought leadership and foresighting and World-leading research, teaching and enterprise. This year has focussed on the development of action pathways under the key themes outlined in our Climate Action Framework: Leadership and Governance, Estate and Energy, Biodiversity, Digital Sustainability, Research and Innovation, Sustainable Procurement and Supply Chain, Travel and Transport, Learning and Teaching.

Annual progress

The University has now established a dedicated Sustainability Unit. This follows the establishment of the formal governance structure for Sustainability, led by the University Committee for Global Environmental Sustainability, which held its inaugural meeting on 18 September 2024. Sustainability has also been embedded into the Terms of Reference for several key University committees, reinforcing its strategic importance. In addition, the [Global Environmental Sustainability Policy](#) was approved and published in 2025.

Significant progress has been made in strengthening global collaboration, with the launch of the Dubai Environmental Sustainability Committee (DESC) and the relaunch of the Malaysia Environmental Sustainability Committee (MESCC), enhancing collaboration across our campuses.

A major milestone was achieved in December 2024 with the publication of the QS Sustainability Rankings, where Heriot-Watt rose 277 places, ranking 211th globally, 42nd in the UK, and 8th in Scotland. Additionally, the University climbed to 6th in Scotland in the People & Planet University League and 1st in Scotland for its revised Investment Policy.

Core project delivery has also advanced, including the launch of the Climate Advocacy course to all new students in August 2024. In response to feedback, a course refresh is underway, with a renewed focus on enhancing engagement for students. The University's Learning and Teaching Academy have developed the Global Changemaker Curriculum Framework, a foundation for embedding learning for sustainable development across degree programmes, fostering staff development and inspiring practice on sustainability learning and teaching, and exploring staff and student engagement with sustainable development learning across the curriculum and co-curriculum.

2025 also saw the Edinburgh Super-Resolution Imaging Consortium (ESRIC) laboratory become the University's first group to gain certification through the Laboratory Efficiency Assessment Framework (LEAF). LEAF is a 3-tier award (Bronze, Silver, Gold) that can be sequentially progressed through to demonstrate the adoption of sustainability measures in standard laboratory operations, thereby improving the environmental performance of laboratories and enhancing awareness of sustainability themes for all lab users. In addition, our Dubai campus became the first academic institution in the UAE to achieve My Green Lab Gold certification, reflecting excellence in energy efficiency, sustainable procurement, and waste management in laboratory spaces.

Students continue to play a central role in advancing sustainability, contributing to the development of key documents and plans including the Waste Prevention and Management Plan and supported the Edinburgh Campus Travel Plan. A travel survey has been completed for the Borders campus, with additional campus surveys planned. Students continued to lead the annual Global Sustainability Week with activities including a clothes swap, sewing session and the annual Net Zero conference.

Engagement on the Dubai campus extended into the wider community through the second year of partnership with the Dubai Humanitarian and Dubai Expo City in the Packaging for Sustainability Programme. In 2024 the project culminated in a symposium and secured a platform for Heriot-Watt students to present at COP29 in Baku. This year, students had the opportunity to scale their projects with the external partners through the Business School Incubator and to co-publish with faculty researchers. These activities reinforce the University's role as a civic leader in sustainability dialogue and advocacy.



Roundtable of Chief Sustainability Officers led by Prof Mercedes Maroto-Valer (Deputy Principal, Global Sustainability) and Prof Mushtak Al-Atabi (CEO and Provost Malaysia), Heriot-Watt Malaysia campus, 6th March 2025.

Emissions

Heriot-Watt is required to report our emissions to the Scottish Government each November alongside other Universities and public institutions, in the Public Bodies Climate Change Duties report. Note: this therefore excludes our Malaysia and Dubai campus data, however, with the establishment of our global sustainability committees we are working to develop similar frameworks and metrics for all our campuses.

Comprehensive data is available for scope 1 and 2 emissions at our Scotland campuses. This encompasses gas and electricity use, vehicle and other fuel use and water use.

Our Scope 1 emissions result from the burning of gas and fuel – mostly onsite (e.g. for heating) and also in vehicles. These emissions have held steady over time, now forming almost half of our total recorded annual carbon footprint. To reduce these emissions, significant collaboration and feasibility analysis is underway to enable campus-scale energy efficiency and heating decarbonisation projects. Scope 2 emissions have decreased steadily over time, resulting more from the decarbonisation of the electricity which we use rather than from any specific action that we have taken as an institution.

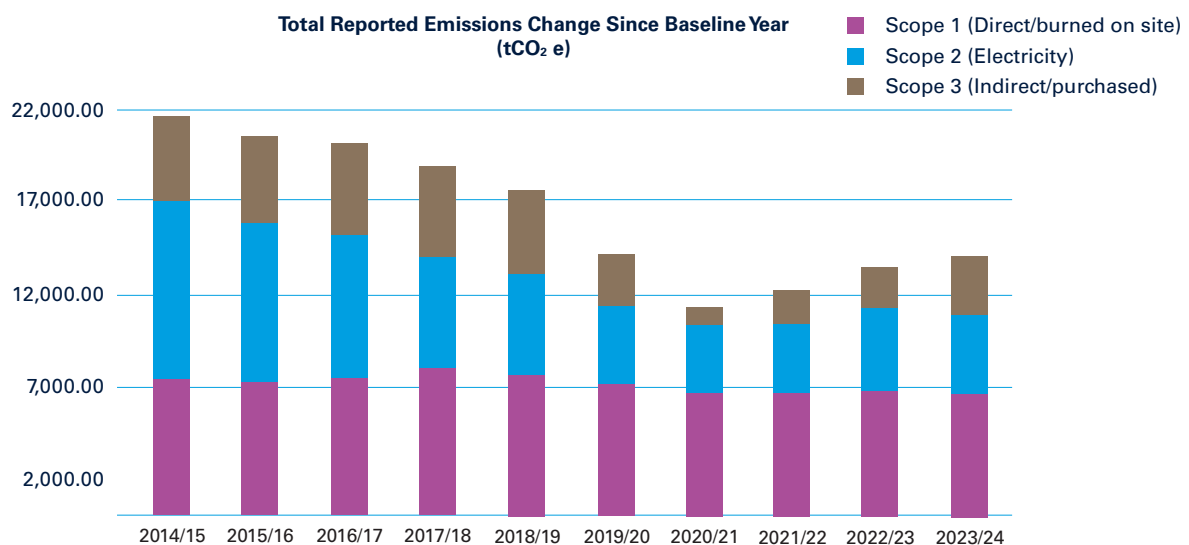
Scope 3 emissions at present focus on business travel, waste disposal and procurement as these are the indirect emissions for which we are most responsible.

This report displays the most recent annual emissions recorded in the year August 2023 - July 2024 as the 2024-2025 emissions data preparation takes place in September and October.

Emissions were reduced in 2019/20, 2020/21 and 2021/22 due to the Covid-19 pandemic. This put a stop to many activities, most notably business travel. The reduction in business travel, and subsequent re-uptake post-pandemic, was responsible for the shrinking of the University's scope 3 emissions between 2019 and 2021, and the re-growth from 2021 to 2024. Notably, scope 3 emissions in 2023/24 were around half of those in 2018/19, which may be due to the introduction of connected and hybrid working reducing the demand to travel.

Carbon emissions from gas usage for heating have held steady at around 7,000 tonnes of CO₂ per annum, while the reduction in electricity emissions is mainly down to decarbonisation in the grid. To reach its target of net zero by 2035, the University must work to decarbonise its estates. A Decarbonisation Working Group has also been established to develop a more aligned approach to future decarbonisation opportunities on our campuses. A notable step was taken in 2024-25, with the Air Source Heat Pump installation project at Lord Home Hall, which is estimated to deliver estimated savings of 150 tonnes CO₂ emissions per annum. This marks a promising start toward the broader transformation required across the University's built environment.

Heriot-Watt University's annual emissions from its Scotland campuses between 2014-2024



Building flourishing communities

As Strategy 2025 ends, the effort to support our global community persists. The plans for the Building Flourishing Communities strategic theme for this year were ambitious yet necessary. While overall progress has been positive, several objectives remain in progress. As we develop the operational plans for Strategy 2035, we will review and re-prioritise all these initiatives to ensure they fully align with Strategy 2035 objectives. This year, we focused sharply on the foundational Aligning People, Systems & Processes, resulting in the completion of all milestones under this subsection. This will provide the momentum needed to continue developing our community as we transition to the new strategy.

The strategy for building a high-performance culture is progressing, and several experiments are underway across the University to learn and develop before implementing initiatives. The second cohort of our Global Leaders Programme (GLP) completed their training during the year, and a third cohort has been advertised. Data demonstrates how the University has leveraged the GLP through existing organisational systems, with six GLP1 participants having since been promoted; five are pursuing an MBA, and all participants now lead or contribute to Strategy 2035, programme redesign, civic engagement, and institutional projects across schools and services. Additionally, the GLP has been shortlisted for two prestigious awards. It made the shortlist in two categories (Excellence in Public Service and Talent Management by [Personnel Today](#), and also in the Organisational Development category by [HR Network](#).

An overarching Equality, Diversity, and Inclusion Strategy is being further socialised with Global Equality, Diversity, and Inclusion Board members, with planned work throughout the year, and we will continue to develop and shape the strategy into the next academic year. We are also pleased that the Equality and Human Rights Commission (EHRC) and the Scottish Funding Council (SFC) have notified us that they have reviewed our Equality Mainstreaming Report and are so satisfied with the published documents that they have suggested including aspects of our report in a best practice case study. The development of a wellbeing and mental health strategy will continue in the current academic year, following changes in the constitution, terms of reference, and reporting lines of the Global Health and Wellbeing Group, which now reports into the University Executive (UE) via the Global Operations Executive (GOE). The School of Social Sciences was awarded its Bronze Athena Swan accreditation.

Measuring staff sentiment continues through short surveys. Two pulse surveys carried out during the year showed a strong overall engagement score of 77%, up from 72% in 2023. Staff expressed pride in their work, with 73% committed to helping deliver Strategy 2025 and 73% planning to stay at Heriot-Watt. Communication was praised, with 65% and 63% of respondents finding university-level and school/directorate-level updates relevant and informative.



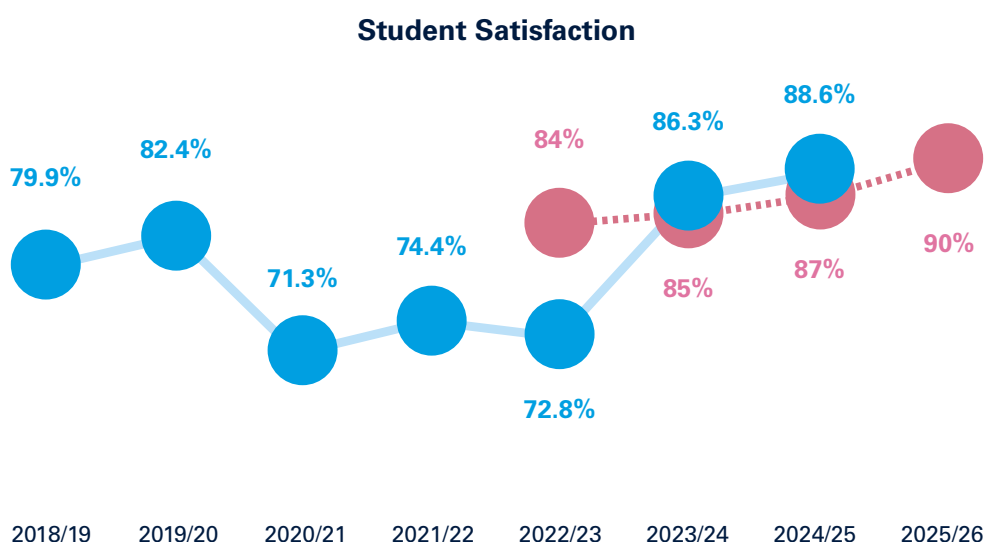
Pioneering in education

At Heriot-Watt, our students develop the capabilities, curiosity and sense of purpose that empowers them to shape their futures, pioneer in their careers, and make a positive impact on the global challenges of our time. This year our priority actions have been two-fold: firstly, securing an excellent student experience for all learners and, secondly, establishing the foundations for greater flexibility, innovation and effectiveness in our educational offer as we bridge into Strategy 2035.

Inspiring learning

The penultimate year of the current Learning and Teaching Strategy, with its Inspiring Learning vision has shown a very positive rate of progress in objectives related to portfolio, student experience, retention and in the priority areas of transforming the curriculum, teaching and assessment. Institutional priorities for enhancing the student experience were shaped by the overarching theme of “Community, Identity and Belonging”, with a focus on the key enhancement areas of Assessment and Feedback; Organisation and Management; and Student Voice. Educational leaderships roles and structures in schools have been clarified and standardised, underpinned by role-specific support and development. Recognition of the skills and capabilities of our educational leaders is evident in Heriot-Watt reaching the milestone of 100 Senior Fellows of the Higher Education Academy (a more than 16-fold increase from 2020).

Sustained ratings improvement (reaching 88.6% on a target of 87%) across a basket of internal and external surveys, particularly at the postgraduate taught level (following an extensive review of the PGT student experience), demonstrated the impact of institution-wide action. Postgraduate research students rated positively areas such as skills development, supervision and resources. Despite these gains, as mentioned by the Principal, our overall ranking for the key UK indicator of student satisfaction*, the National Student Survey, has remained significantly below our ambitions (falling from Q3 to Q4). This has led us to fundamentally review and reshape our approach, introducing a more localised, programme and course focused approach to driving improvement and securing consistency across the student experience through institution-wide baselines driven through our ‘Get Set for the Academic Year’ initiatives.



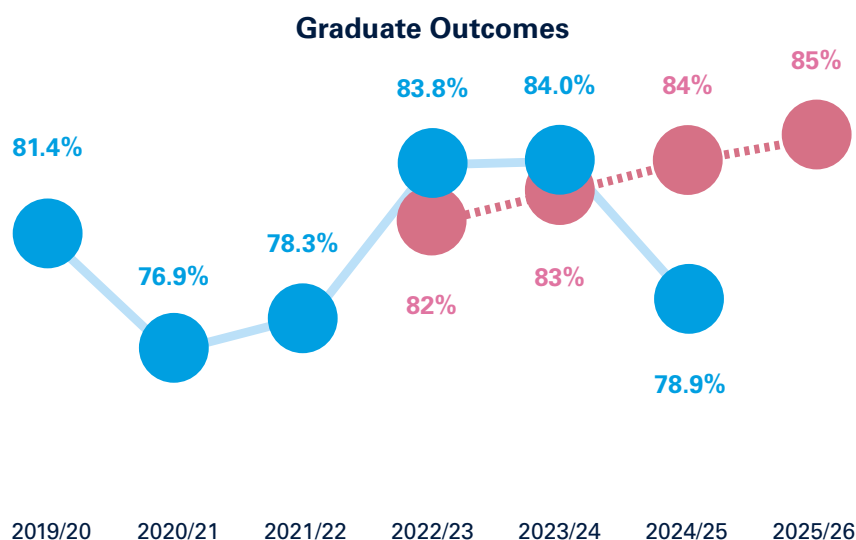
**Student Satisfaction Metric: Weighted annual average of all student satisfaction surveys: NSS, PTES, PRES, Early Experience, Wellbeing check-ins. 18/19 and 19/20 contains fewer student survey outcomes.*

Our commitment to partnership with our Student Representative Bodies (SRB) has underpinned our actions to drive enhancement, collaboratively developing our institutional approach to feedback on assessment – the Action Feedback Protocol – and driving student-staff collaborative action at discipline and course levels. 2024-25 saw our SRBs take a significant step in their global collaboration and connected action, amplifying student voice across key decision-making forum in the University.

Following a successful pilot across all Schools, the student support model has been reshaped, embedding the new posts of Student Advisors in disciplines where a concentrated effort on supporting student success will be most impactful. Across the institution, a distributed model based on academic staff (as Personal Tutors or Academic Advisors), School-based Student Advisors and centrally-based Student Success Advisors, alongside student peer mentors, provides an aligned framework of support at multiple levels. Underpinned by a new, cross-campus, more systematic and data-driven approach to student engagement, students at risk are now being identified and supported in a more proactive, timely way.

Our global community

Heriot-Watt University's strength is the diversity and creativity of its global community: our students, our staff, our alumni and the breadth of industry and civic partners we collaborate with to pioneer new routes into higher education and to embed industry-relevant applied learning across our offer. Our success in preparing students for their careers is evident in our continued success in the Graduate Outcomes survey: after 15 months of graduating from undergraduate degree programmes, 78.9% of HW graduates are in full-time professional level employment or further study. While this fell below the target we had set, we still ranked #1 in Scotland and #2 in the UK. Postgraduate graduate employability remains healthy with 71.2% of postgraduates reporting that they are in full-time professional employment or further study.



Graduate Outcomes Metric: % of graduating students in high skilled employment or further study. Scottish campuses only.

Building community for our campus-based students is strongly influenced by the spaces available for learning and extracurricular activities. We have invested in infrastructure projects to extend our Dubai campus and to enhance the High Mill on our Scottish Borders campus. Our online students have benefitted from greater opportunities to build connection and community, including introduction of an online community hub for MBA students and the development of proactive interventions and pastoral support.

Academic quality assurance

At its Annual Institutional Liaison Meeting with QAA Scotland, which reviews HWU's strategic approaches to assurance and enhancement across its global provision (campuses, partnerships, online) and the experience of all students (foundation to research), the University was commended for its robust, globally integrated quality framework and its use of data in evaluation, decision-making and action-planning. The University is continuing to enhance and embed its data driven approach, particularly in enhancing the student experience.

This affirmation of our academic quality is reflected globally. All 71 UG, PGT and PGR programmes at the Dubai campus have been accredited in the last two years and CAA licensure has been extended until July 2026. At the Malaysia campus, 49 UG and PGT programmes have been accredited by the MQA and institutional licensure remains in place until September 2027.

A comprehensive review of our portfolio of programmes (461 programmes across all schools and campuses), assessed the resource requirement to support programme delivery against the tuition fee income and market insights. A total of 146 recommendations have now been agreed and actions include changes to entry standards, consolidation of courses, withdrawal of programmes and the development of new marketable programmes. This approach will assure the financial sustainability of our portfolio and inform our portfolio strategy.

Heriot-Watt Online now offers the first UK MSc Computer Science on Coursera. With the global reach of this platform, the new programme enables non-Computer Science professionals to transition in tech. The Professional Academy was also launched, a global online learning platform offering over 50 credited bearing, stackable courses. These are designed for busy professionals aiming to upskill rapidly and build toward postgraduate qualifications like MSc or MBA.

This year has seen significant action to ensure effective alignment of our systems and processes with change in the external environment and our institutional ambitions and our cultural preparedness to step confidently into the next phase of our strategic development.

The University is progressing effectively with the implementation of the global Tertiary Quality Enhancement Framework (TQEF), realigning all of its quality processes and has been invited to showcase its approach, including student partnership, at sector level.

Excelling in research and enterprise

Heriot-Watt is a university built to grow entrepreneurial minds. We convene people who solve real problems, pairing researchers, students and industry in living labs and testbeds; ideas move quickly from insight to prototype to adoption. From quantum-secure communications to patient-centred diagnostics and robotics-enabled applications, our interdisciplinary culture lets people thrive and create valuable solutions for some of society's most pressing challenges.

This year our community secured £52.4m in research income across 1,086 projects with 300 funders. Most of these were co-created with industry and public bodies, reinforcing a model that accelerates funding success and collaborative innovation in our path towards impact.

As we close Strategy 2025 and ready Strategy 2035, we're doubling down on what makes Heriot-Watt different: frontier areas that will create the super-clusters of future industries, platforms that convene sectors, pathways that develop talent, and partnerships that scale outcomes. Our Global Research Institutes and GRID (our Business and Enterprise ecosystem) help provide the architecture; founders, doctoral researchers and our partners and collaborators provide the momentum.

Leading across frontiers

This year, our frontier research saw quantum and photonics moving decisively forward, from fundamental breakthroughs to real-world testbeds. We advanced the UK Government's quantum-secure communications ambition through the official launch of the £42m UKRI and joint-industry funded Integrated Quantum Networks Hub and opened the quantum-enabled optical ground station, a £2.5m asset that underpins secure satellite links and space data research. Just as importantly, these platforms bring engineers, physicists and industry together across four national UK quantum hubs; with teams co-designing trials, sharing facilities and imparting knowledge exchange.



Catalysing interdisciplinarity and national impact

Our Global Research Institutes continued to grow as strategic convening engines for innovation, creating an enterprising environment where interdisciplinary research flourishes and collaboration moves swiftly from idea to pilot to deployment, delivering measurable economic value and societal impact on global challenges.

- **Health and Care:** £28m in proposals submitted and £5.9m awarded directly to Heriot-Watt, with 16 health and care-focused spinouts in development and over £870k in translational funding secured to date. Public involvement infrastructure remains strong with the introduction of the Citizens Advisory Network (CAN), internal SEED funding to support PPIE activities, and membership of the VOICE network.
- **The National Robotarium:** The National Robotarium stands out as a flagship centre for robotics and AI innovation, with achievements this year including. Notably, the National Robotarium's growing national significance was recognised this year by its inclusion in the UK Government's Spending Review, highlighting its role as a national asset and a key contributor to future government investment and policy priorities.
- **Net Zero and Beyond:** Our global research institute for Net Zero and beyond, iNetZ+, advanced a pipeline with £2.5m awarded during the year, five spinouts in train, and over 100 industry partners engaged across existing national hubs and strategic research projects. The TransiT Hub (a multi-university, multi-partner national effort to decarbonise UK transport) progressed from post-balance-sheet award confirmation last year into delivery this year, anchoring a major industry-academic coalition.
- **The Lyell Centre:** Secured £5.3m in grants with 16 academics (more than £300k per academic) while expanding their significant policy influence nationally and globally.

Demonstrating societal impact

Our social research shaped services and policy. Studies warned that digitalising essentials risks widening inequalities for minoritised ethnic communities; Police Scotland recognised our work improving support for deaf survivors of domestic abuse; we supported scholarships to help provide equity of education for women in Zambia; and contributed to the UK's landmark destitution evidence base to encourage policy reform to improve outcomes for some of the most vulnerable stakeholder groups in our society.

Nurturing entrepreneurial minds

Our enterprise pipeline significantly matured in 2024/25, with our entrepreneurs and founders progressing fresh ideas to investible ventures, while winning competitions and delivering market traction.

Participation in our flagship Global Innovation Challenge remained strong. In 2025 the programme attracted 598 participants across our global community. This programme builds founder skills through workshops and mentoring and directly supports the University's pipeline for commercialisation.

Our participation in the national Converge Challenge (Scotland's largest inter-university entrepreneurial challenge) reinforced our enterprise-led trajectory. 36 of our entrepreneurs and founders submitted applications across all award categories, making Heriot-Watt the leading University in 2025. 17 of those applicants were shortlisted, again the most of any university. The winners of the Converge Challenge 2025 were announced at a gala dinner on 2 October.

Enterprising research

Our high-growth spinouts moved many ideas from concept to company this year, with awards from Scottish Enterprise's High-Growth Spinout funding totalling over £1.1M, our highest ever. Three projects secured high-value later-stage Company Creation awards – TissueMetrics, Aquazoa and Rockit. Six Opportunity Qualification and one Market Exploration awards were secured, including Quantum Connection, Intertangle, FreeForm Photonics and Atomic Architects, showcasing our quantum innovation landscape. Our successes within the SE High-Growth Spinout programme made Heriot-Watt the leading university in Scotland.

Awards and recognition

External commendation reflected breadth and depth of our delivery. We secured the Herald Education Awards' Outstanding Engagement with Business award; won the Edinburgh Chamber's Innovation in Business award; and celebrated double success at the Scottish Knowledge Exchange Awards. The National Robotarium's facility design won Project of the Year, underscoring the quality of our infrastructure for impact.

Global partnerships

We expanded international collaboration to accelerate deployment at scale, partnering with global National Central University in Taiwan on critical energy challenges, Age Scotland on enhancing lifelong independence for healthy ageing, and using the model that we developed at COP28 to deliver action-focused alliances across government, industry and academia.



Looking ahead

As we reflect on a year of significant progress and impact, it is clear that Heriot-Watt's distinctive approach — combining interdisciplinary research, entrepreneurial drive, and deep collaboration with industry and society — continues to deliver results that matter.

Advancing as a globally connected university

The “Globally Connected” strategic theme is at the heart of Heriot-Watt University's identity and ambition. In 2024/25, this theme has continued to shape our direction, drive our achievements, and define our response to a rapidly changing world. Our global reach—spanning five campuses across three countries, our global partnerships and extensive online provision—remains a source of resilience and opportunity, enabling us to deliver education and research with international relevance and local impact.

A truly global community

Heriot-Watt's global community is more than a network of campuses; it is a living ecosystem of students, staff, alumni, and partners who collaborate across borders and cultures. This year, our Welcome Weeks and induction activities were well attended across all locations, with internal surveys showing high levels of student satisfaction and a strong sense of belonging. Celebration Week in June brought the community together to celebrate staff achievements as well as the progress of our Shaping Futures Campaign, which was launched in October 2024 and has seen a marked increase in the range and ambition of our proposal for philanthropic and trust/foundation bids. A Global Council was established to support the Campaign, chaired by Professor Dame Heather McGregor and comprising a group of distinguished individuals around the world with connections to the University who are actively donating their time and resources to our goals. During the year we recorded £2.2m in donations received, an increase of 28% on the previous year, including the first instalment of a major gift to Panmure House.

Student mobility and global learning

The University's commitment to global engagement is reflected in the vibrancy of campus life. From the Dubai campus hosting Scotland's women's cricket team when they qualified for the T20 World Cup, to Malaysia's Global Sustainability Week and the launch of new one-week international student exchanges in semester 2, our campuses were hubs of activity and cross-cultural learning. The Go Global programme continued to facilitate longer-term student movement between campuses, enriching the educational experience and building lifelong networks.

Student mobility and global learning opportunities are central to the Globally Connected theme. This year, we have seen strong participation in international exchanges, field trips, and collaborative projects. Students from Dubai visited Milan Design Week, while online and on-campus marine science students participated in field trips in Orkney and Malaysia, exemplifying our commitment to experiential learning and global citizenship.

Our global approach to education is also reflected in the expansion of online learning. The Heriot-Watt Online MBA portfolio has seen significant growth, with a 32% increase on last year, and the successful launch of our new computer science masters programmes in partnership with Coursera. These initiatives ensure that our educational offer is accessible to learners worldwide, regardless of location or circumstance.

Financial sustainability and strategic growth

We continued to grow the revenue of the University towards our Strategy 2025 targets. Income performed well, with a strong January 2025 intake helping address a shortfall from the September 2024 intake and strong performance by the Global College adding new revenue over the summer through English language teaching.

Student recruitment represents half our income, and remains volatile, particularly in international markets, but we have seen positive trends in applications and acceptances in key areas, including strong growth at our Dubai campus. The University continues to adapt to changing market conditions, regulatory environments, and the evolving needs of our students and partners.

Looking ahead

As we approach the final year of Strategy 2025 and look towards Strategy 2035, the “Globally Connected” theme will remain central to our vision. We will continue to invest in our people, our students, and our research, while maintaining the financial discipline and strategic agility required to thrive in a rapidly changing world. Our global community—united by shared values and a commitment to excellence—will continue to shape the future of Heriot-Watt University and make a positive impact on the world.



Going concern *statement*

The University has assessed the going concern as noted on page 62. Basis of Preparation- The University's activities and the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 6-23. Its financial performance for the year ended 31 July 2025 is described in the Financial Review on pages 24-27 and the income and expenditure, assets, liquidity and cash flows are disclosed in more detail in the Financial Statements on pages 58-61 and in the Notes to the Annual Accounts on pages 62-98. The current forecasts and projections show that the University will manage its activities considering the relevant risks and uncertainties and will instigate any mitigating actions required to ensure compliance with funding requirements. The University Court considers that the University has adequate resources to continue in operation for the foreseeable future and for this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Mr. Bruce Pritchard
Chair of Court

Professor Richard A. Williams
Principal and Vice-Chancellor

Mr. Martin Pringle
Global Chief Finance Officer

Financial Performance

Overview

The University has made an underlying operational deficit of £7.9m in the 24/25 financial year. As with the prior year, the application of UK Accounting Standard FRS 102 continues to bring greater volatility to the reported financial position due to its treatment of non-cash items such as valuation of pension assets and liabilities as well as foreign exchange gains and losses and matching of research income with expenditure.

Reconciliation to operating deficit

		Consolidated Period Ended 31 July	
		2025	2024
	Notes	£'000	£'000
Total Comprehensive Income for the year	SOCI	(10,402)	49,033
Less material non-recurring items:			
i) Impact of pension costs	(a)	386	(61,588)
ii) Impact of FRS102 research adjustment	20	2,178	3,014
iii) Foreign Exchange	8	(72)	(608)
Underlying deficit for the year		(7,910)	(10,149)
a) Impact of Pension Costs:			
i) USS Pension provision	7	-	59,423
ii) USS Pension net finance costs	18	-	(1,329)
iii) LPF net pension charge	18	(345)	612
iv) LPF net finance costs	18	9	2,928
v) Scottish Teachers Superannuation Scheme	26	(50)	(46)
Pension gain		(386)	61,588

The University's focus is on ensuring its long-term financial sustainability and as such it is taking action to ensure it returns to a break-even position, followed by future operational surpluses.

The University continues to operate in a challenging external environment due to both sectoral difficulties and continually increasing costs. Despite tuition fee income being higher than the previous year, the stagnation in both Scottish Funding Council Grants and Research Grant funding coupled with the increase in Staff and Operating expenses has resulted in the University making an operational deficit as detailed next page.

Income

The Group Tuition fee income of £158.4m reflects an increase of 8% compared to the prior year (£146.9m). Scottish Funding Council Grants £46.9m (2024: £47.0m).

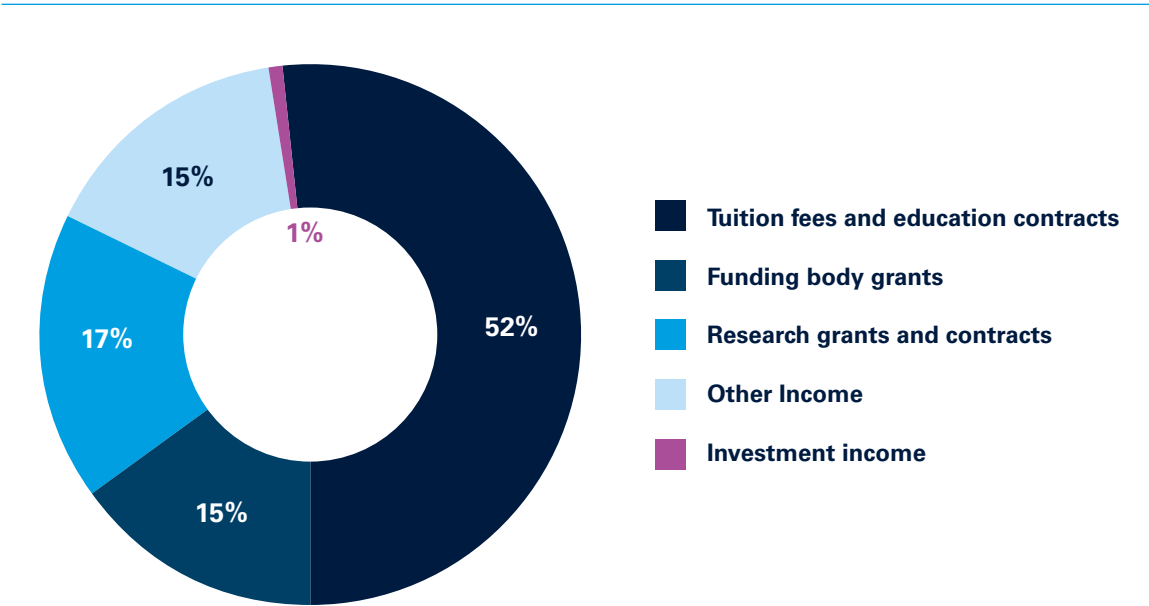
Income from research grants has fallen slightly to £52.5m (2024: £54.8m). Research grants are recognised as income when the University is entitled to the income. The University measures activity based on costs incurred to deliver the research.

Other Income increased to £44.8m (2024: £37.5m). £2.3m of this relates to ring-fenced funds received from the MOD to fund postgraduate research positions. Additionally, accommodation income has increased by £1.2m.

Investment Income was £3.8m (2024: £4.7m). The University has seen weaker investment returns in 2024-25 reversing the positive trend observed in 2023-24. Additionally, interest generated from operational bank accounts across the Group is lower than the previous year's levels.

Income from Donations & Endowments for the year was £2.2m (2024: £1.3m). The University secured £2.2 million in donations and endowments in FY 2024/25, exceeding last year's £1.3 million thanks to several major gifts from our donors. The uplift reflects successful fundraising efforts and a few standout contributions, such as a £141k legacy gift and targeted support for strategic initiatives like the Maths Gym and the Digital Twin.

Income



Expenditure

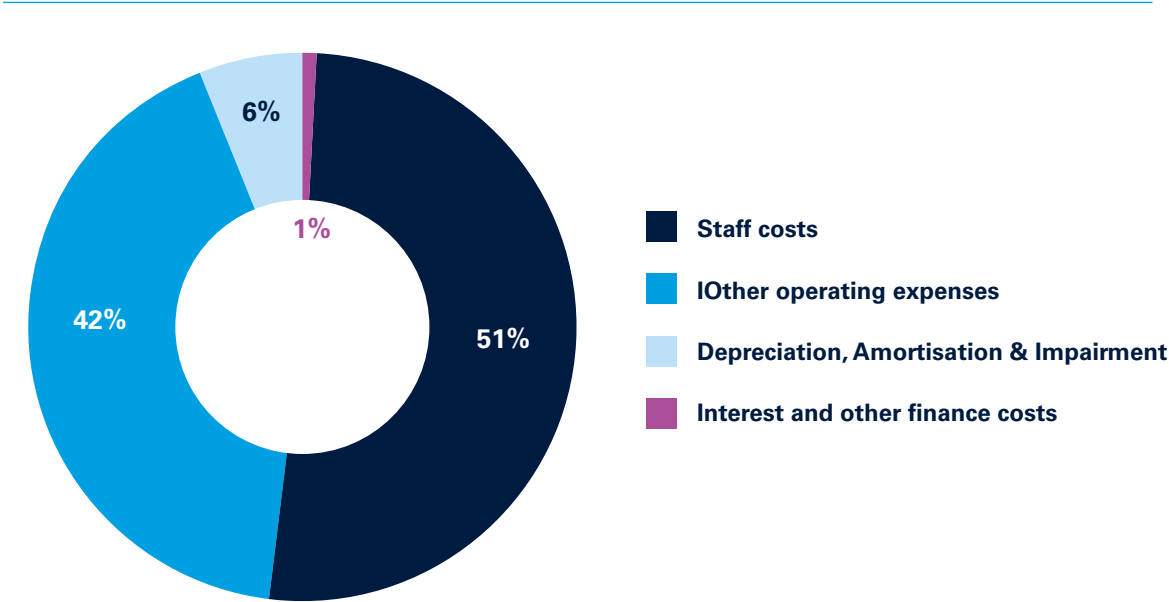
Staff costs have continued to increase to £161.4m, (2024: £151.7m) an increase of c.6% due to the increase in employers National Insurance, an increase in employee headcount and salary increases.

Other Operating Expenses have increased by c.5% to £133.3m (2024: £126.8m). This is despite the University having successfully initiated expense savings. Underlying costs have risen, particularly due to higher agents' commissions (reflected also in higher tuition fee income) and increased abatement costs.

Depreciation, Amortisation & Impairment has slightly reduced to £19.4m (2024: £20.2m), this is due to slightly lower capital spend.

Interest & Other Finance costs have more than doubled to £4.3m (2024: £2.2m). Overall these costs remain aligned with budget expectations. The primary contributors to these expenses are exchange differences and loan interest.

Total expenditure by category



Balance Sheet

The University continues to have a strong balance sheet with total assets of £441.1m (2024: £441.1m) at the year end. The Net current asset position has weakened in the year to £11.0m (2024: £28.7m) reflecting challenging market conditions and continued investment in assets. These balances included cash and cash equivalents of £66.4m (2024: £78.6m). To utilise its funds more effectively the University moved available cash balances of £10.3m (2024:£1.9m) to short-term investments.

Both Intangible assets £7.2m (2024: £7.6m) and Tangible assets £250.4m (2024: £249.4m) are in line with the prior year as the University closely monitoring it's cashflow and the implementation a spending freeze on certain projects in 2024-25.

Debtors

The overall debtors position has increased by £0.6m to £53.7m (2024: £53.1m). Within this both trade receivables and prepayments and accrued income have reduced, however, debtors in relation to research grants has increased significantly as a result of the increase in research activity in general.

Current liabilities

Current liabilities have increased by £14.5m from the prior year to £119.4m (2024: £104.9m). The two primary increases are Trade Creditors (our day to day suppliers) which has increased by £6.7m to £19.8m and Research grants which has increased by £5.5m to £42.5m. The research grants creditor reflects research income received in advance but yet to be recognised and this should flow through as future income.

Payment of suppliers

Unless special terms are agreed, it is Group policy to pay valid invoices within 30 days. At 31 July 2025 there were 32 days (2024: 26 days) of purchases in trade creditors. No interest was paid under the terms of the Late Payment of Commercial Debts (Interest) Act 1998.

Creditors: amounts falling due after more than one year

Creditors over more than 1 year has decreased slightly to £233.6m (2024: £237.7m). The majority of long-term creditors relate to the long-term loans that the University drew down in prior years. These borrowings total £144.5m (2024: £145.6m) and remained consistent with the previous year. These borrowings are long-term fixed priced in nature, and in the current interest rate environment represent a cost-effective source of capital. The other material long-term liabilities are deferred income which totals £86.0m (2024: £88.7m) and primarily relate to deferred capital grants which are released over the lifetime of the associated asset.

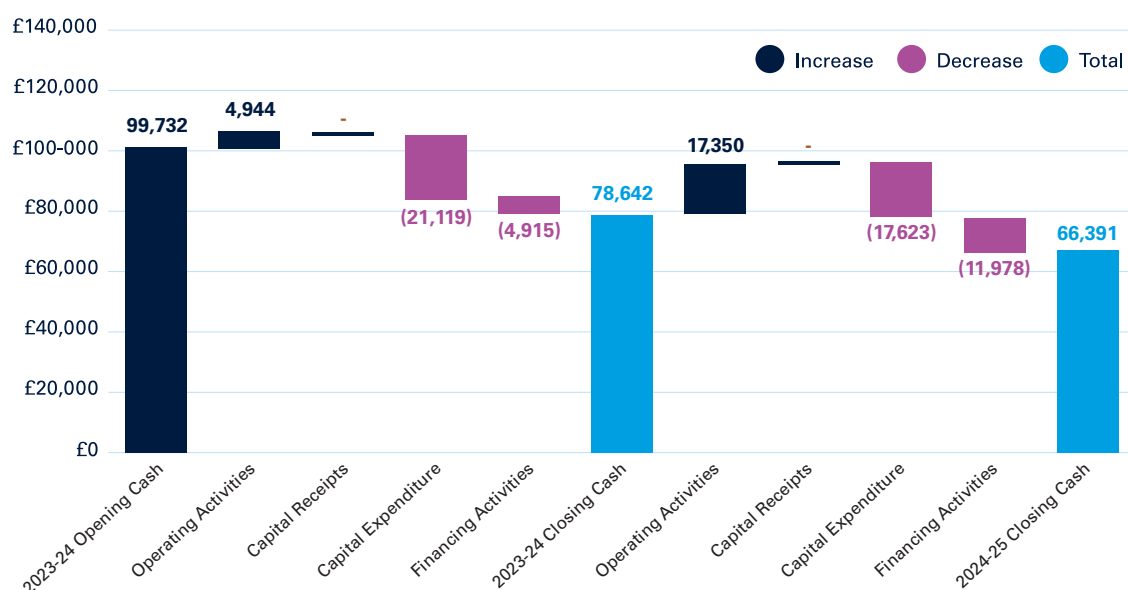
Reserves

Reserves have reduced from the prior year to £87.9m (2024: £98.3m). Movement to reserves in regards retained earnings, translation, endowments and restricted reserves. Adjustment to valuation of assets and the subsequent FRS102 adjustment from prior year balances resulted in movement between the revaluation reserve and the unrestricted reserve of £1.9m.

Cashflow and financing

Cash and cash equivalents decreased by £12.2m to £66.4m (2024: £78.6m). As detailed below the University generated c£17m due to its operating activities. The net outflow was largely driven the purchase of fixed assets of £17.6m and the financing costs of £5.0m. No new long-term debt was entered into during the year and the University met all financial covenants on existing long-term debt throughout the year. The first tranche of private placement funding is due to be repaid in 2027.

Cash, cashflows and loans



Principal Risks *and Uncertainties*

Corporate Governance Statement

Introduction

The University aims to achieve best practice in all aspects of its governance. This statement describes the principal governance provisions which are currently in place to support this aim. The University's governing body, the Court, keeps these provisions under review to take account of evolving best practice, and to remain responsive to the needs and expectations of the University's stakeholders. The University seeks to ensure that it conducts its business in accordance with the nine Principles of Public Life: public service; selflessness; integrity; objectivity; accountability; openness; honesty; leadership; and respect. The commitment of the University Court to these principles is explicit in the Court's [Statement of Primary Responsibilities](#) and in advice provided to prospective and new members of the Court and its committees.



Ruth Moir, University Secretary

During 2024/25, Universities across the Scottish Higher Education sector were asked to consider and respond to a number of external reports relating to governance effectiveness. These included the Gillies Report and the Scottish Funding Council report on Expectations of Good Governance. The final section of this Corporate Governance Statement addresses the University's approach in response to these reports in some more detail.

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

According to the University Charter, subject to the terms of the Charter and the Statutes and to the powers reserved to the Court, the Court delegates to the Senate all of its powers in relation to academic work and standards. The Senate is therefore the executive body responsible for the academic work and standards of the University. The supporting Ordinances to the Charter and Statutes further clarify the responsibilities delegated by the Court to the Chair of Court, the Principal, and the Secretary of the University.

Members of the Court are the charity trustees, as defined by the Charities and Trustee Investment (Scotland) Act 2005 and, as such, are bound by the duties and responsibilities set out in that Act.

Responsibilities and delegated authority

The University's Charter defines the powers of the Court as the governing body of the University with general control of the management and administration of the University. The key functions of the Court are to:

- Take ultimate responsibility for oversight of the affairs of the University.
- Set and approve the University's strategic direction, vision, and mission.
- Ensure the effective management and control of the University's affairs, property, and finances through the establishment of systems of internal control.
- Ensure the effective management and administration of the University's staff and the students.
- Determine the structure, staffing and overall composition of the University.
- Appoint the Chancellor, Pro-Chancellors, Principal, Vice-Principal, and the Secretary of the University.

The Court Statement of Primary Responsibilities sets out clearly the responsibilities of the Court, aligned to guidance provided in the Scottish Code of Good Higher Education Governance. The Court has established Standing Orders which govern the way in which the Court conducts its business and these Standing Orders also apply to Court committees. These are reviewed annually.

The Charter prescribes that the Court may delegate powers to other bodies as it may determine from time to time. The agreed delegations are set out in the schedule of delegation. The Charter, in article 7.4, stipulates the responsibilities which cannot be delegated by the Court to any other body.

In discharging its responsibilities, the Court met seven times during the year 2024/2025, including at two in person 'Strategy Days'. All meetings, except the Strategy Days were held online. During 2024/25, the Court established a set of clear priorities which were used to steer the business of the Court and its Committees and frame the University Executive Objectives. In 2024/25 the Court Strategy Days focused on the development of Strategy 2035 which would build on the strengths of Strategy 2025 and launch in August 2026. Throughout 2024/25, the development of Strategy 2035 was overseen by a Strategy Review Group with members of Court, the Executive Deans and members of the University Executive meeting regularly to advise and steer the work. The November Strategy Day, focused on the size and shape of the University, how the University could further leverage its global footprint to optimize outcomes, including the strategic vision for Heriot-Watt University Malaysia.

The May 2025 Strategy Day further advanced the Strategy which was approved by the Court in July 2025; this was one of the Court priorities and Executive objectives for the year.

At each of its ordinary meetings in the year reported, the Court received an executive briefing from the Principal, which updated the Court on topical higher education sector policy issues, matters concerned with the work and progress of the University, and the work of the University Executive. In addition, the Court received reports from the Senate and reports from each of the committees of the Court which had met in the preceding period. The full reports from the Court committees, which are presented by the respective committee Chairs, are provided to the Court for information, for comment and, where relevant, include matters for approval. At each ordinary meeting of the Court, the President and Vice-President Student Union members of the Court also reported to the Court on items of news and issues of interest to the Student Representation Bodies and the students they represent. The Court also received a regular report from the Vice-Principal and the Campus Vice-Principals and Provosts.

In addition, the Court receives the annual report of the Heriot-Watt University Student Union, The Dubai and Malaysia Campuses and Heriot-Watt Services Limited (Oriam).

The Annual Stakeholder Meeting (ASM), required by the Scottish Code of Good Higher Education Governance was held on the 30th May 2025. The event, which took place both in person at the Edinburgh campus and online, invited colleagues, students, alumni, and the University's partners to join a panel discussion.

Chaired by Bruce Prichard, Chair of Court with Professor Richard A Williams, Principal and Vice-Chancellor and panel members, the event included a comprehensive report on the University's financial and strategic performance for the past year.

[Annual Stakeholder Meetings - Heriot-Watt University \(hw.ac.uk\)](https://www.hw.ac.uk/annual-stakeholder-meetings)

Court membership

The Court comprises 25 members including the Chair, who is one of the 14 independent lay members of the Court who form the membership majority. Nine are elected or nominated to the membership from different constituencies, including two from the trade unions, and a further two are ex-officio members. The diversity of experience of Court members enhances the overall effectiveness of the Court. The members of Court are listed on page 48. While a governing body membership of 25 members is at the upper limit of good governance practice, according to earlier Scottish Code of Good Higher Education Governance advice, this number of Court members ensures that there is a sufficient number of individuals with a collective broad base of skills and experience available to support the work of the Court and all of its standing committees. The University's constitutional rules require that each standing committee of the Court shall include in its membership at least three members of the Court.

A register of skills is maintained for the appointed lay membership and this register informs the decisions of the Governance and Nominations Committee, both in determining the skill sets and experience sought through advertising of forthcoming vacancies, and in the recommendations for succession planning and appointments that it makes to the Court.

In addition to the Principal and Vice-Principal, who are members of Court, regular further attendees at meetings of the Court include the University Secretary (who is Secretary to the Court), the Global Director of Governance and Legal Services, the Global Chief Financial Officer, the Provosts of the Dubai and Malaysia Campuses and other members of the University Executive. This ensures that relevant additional advice and expertise is readily available to the Court when required during meetings. As and when particular agenda items require input of specific knowledge or expertise to add value to the discussion and the decision-making process, other members of the executive management team have been invited to attend part of an ordinary meeting of the Court to contribute to the discussion on that item of business.

During 2024/25, all non-Court members of the University Executive, together with co-opted independent lay members of each of the Court's standing committees and the Executive Deans were invited to attend Strategy Day meetings of the Court as full participants at those meetings.

The Court and the Senate hold an annual Joint Meeting. In March 2025, the joint meeting focused on Strategy 2035 and was held in person on the Edinburgh, Dubai and Malaysia campuses, connected together online. Break out discussion groups focused on the two growth strategies identified in Strategy 2035 – through HW Online and through Strategic Partnerships. Groups also reflected on the underpinning ethos of employability which is a distinctive strength core to the University's heritage and future.

Equality and diversity

The Court continues to encourage diversity in its membership, whether this be through independent lay member appointments or by encouraging a full diversity of individuals to stand for election in the elected positions, noting that part of the membership is constituted through nominations.

The Court membership does not currently meet the Gender Representation on Public Boards (Scotland) Act 2018 objective of 50% female membership. As of July 2025, of the 14 lay members, 10 were male and four female; of the Staff / Student representatives five were male and four female, giving an overall 32.0% female membership. Within the Court Committee group, the split is more even but still does not meet the objective of 50%.

Historically, reporting has focused on gender diversity and the statutory requirement to report on this. However, the University has also sought to ensure that the governing body is representative of the students and staff of the institution across all the protected characteristics. The Court and Court Committee annual EDI monitoring returns have therefore been benchmarked against the student and/or staff population wherever possible.

The Remuneration Committee, in line with the Court Statement of Primary Responsibilities, and as set out in its Terms of Reference, has delegated authority on behalf of the Court to: undertake, on behalf of the Court, to review and determine the salary, other remuneration (including individuals' performance and any performance linked reward payments, and retirement terms) of the Principal & Vice- Chancellor, the Vice- Principals, the Senior Deputy Principal, the Deputy Principals, the University Secretary, the Global Chief Operating Officer and the Global Chief Financial Officer, Professorial Staff, Directors of Professional Services, and all relevant or Grade 10 staff at each campus/site, and such other staff of the University as may be determined by the Court from time to time. The Senior Salary Review Procedures (approved by the Court in June 2021) set out the key principles and criteria that are applied when determining senior remuneration, including the use of appropriate benchmark information. In accordance with these procedures, the Remuneration Committee reports to the Court on an annual basis, with a summary report presented by the Chair of the Remuneration Committee.

The Scottish code of good higher education governance

In the opinion of the Governing Body, the institution complied with all the principles and provisions of the 2023 Scottish Code of Good Higher Education Governance through the year.

In line with the Code, the Court carries out an annual review of its own effectiveness, and, in 2023/24, the University's quinquennial external governance effectiveness review was carried out by AdvanceHE. The Senate also carries out an annual review of effectiveness and reports of all these reviews are used to drive an action plan of improvements in governance effectiveness.

The Executive Summary and Recommendations of the externally facilitated quinquennial review are published: [Effectiveness Review 2023-24 Executive Summary and Recommendations](#). The Governance And Nominations Committee received updates on the Effectiveness Review Action Plan at its October 2024 and March 2025 meetings. In June 2025, there was one remaining action R7: *When the new strategy is developed, the University reviews and updates its Committee structure, roles and responsibilities*. This action will be progressed now that Strategy 2035 has been approved.

The Governance and Nomination Committee also considered the Action Plan relating to the (internal) Annual Court Effectiveness Review Survey for 2024-25. This survey was divided into two sections: Key parameters for building an effective Court and Behaviours. Members were also asked to assess the effectiveness of the Committees they are a member of. The review highlighted a number of areas of good practice including: the objectivity of the Court; the induction programme; the Court understanding of strategy; the management of risk. There was also positive feedback on the behaviours of openness and transparency, corporate responsibility and constructive challenge. A number of areas for suggested improvement included: quality and timeliness of Court papers; appropriate succession planning for Court and Executive members; collective skills and experience of Court and diversity of Court members. The next set of annual surveys have been issued to Court and Court Committee members for completion. The Surveys will close early in September and will report into the October 2025 meeting of the Governance and Nominations Committee.

Conclusion

During Autumn 2025 the focus will be on the lessons learnt from the [Gillies Report](#) and associated publications. In June 2025, an initial briefing report was provided to Court members on the Gilles Report, regarding the robustness of the University's governance processes. Once the University had fully considered the 18 lessons learnt identified within the Report, a further interim report was developed.

In October 2025, the Court considered the University's draft response to the Gillies Report and its recommendations, presented by the University Secretary. The Court noted that the University had been undertaking detailed assurance work against the recommendations within the Gillies Report. At the request of the Audit & Risk Committee, these had been grouped into themes so that the University was not tracking every action individually. A recent report from the SFC on Expectations of Good Governance would be included within the report once analysis had been completed. An initial finding was that the SFC expected institutions to strengthen their practice regarding External Effectiveness Reviews. Heriot-Watt had undertaken its most recent External Effectiveness Review in 2023-24 (see above).

The University Sector response to the Gilles Report from the Committee of Scottish Chairs and Universities Scotland (October 2025) sector commitments will be included in the final review.

The report will lead to an action plan that will be provided to the Court and the Senate once developed. In preparation for this, the report was being shared widely with governance committees and Trade Union representatives for input and advice. There would also be an upcoming Internal Audit on business planning and stress testing to support the University's own assurance mapping.

Principal risks and uncertainties

The University has a published Risk Management Framework, updated Risk Appetite Statement and newly developed Ethical Business Statement, and associated procedures in place to effectively identify, assess, record, and effectively manage risk across the Heriot-Watt Group.

The University regularly reviews and updates its strategic and operational risk registers, and there is detailed reporting to the University Executive, Audit and Risk Committee and Court on both risk and audit matters. 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 University Executive, the Audit and Risk Committee, and the Court.

The following section sets out the University bodies with key responsibilities for governance, oversight, and management of risks to the institution:

Court is the University's Governing Body and has ultimate responsibility for risk management. Court oversees risk management and governance, monitoring risks, reviewing policies, ensuring compliance, and promoting transparency. It facilitates annual reporting, contributing to informed decisions and the institution's long-term sustainability and success.

The **Audit and Risk Committee** is a Committee of Court, whose purpose is to review the effectiveness of the University's corporate governance arrangements, financial systems, internal control environment, and risk management arrangements. The Committee provides appropriate assurances to the Court on these areas, ensuring transparency, efficiency, and value for money in all University operations. The Committee also commissions and reviews reports, assesses the University's risk management framework, and recommends improvements in internal control systems. The Committee also endorses the approval of the Annual Report and Financial Statements to the Court (jointly with the Finance Committee of Court).

The **University Executive**, with an enhanced membership drawn from the Global Operations Executive, meets on a quarterly basis to oversee the effective operation of the risk management policy, strategy, and framework. The Executive considers reports on strategic and operational risks, along with relevant internal audit reports and reports on the status of remediation of audit recommendations. The Executive also considers project risks when it convenes to review the status of the University's strategic project portfolio. The outputs of the University Executive's quarterly Audit and Risk agenda meetings are reported to the Audit and Risk Committee, and then onwards to Court.

Assurance and Legal Services is the division responsible for the co-ordination of risk management and risk reporting across the University. The division oversees the effective application of risk management across the University, co-ordinates risk reporting to the relevant governance bodies, and provides guidance and training on risk management to colleagues across the University. Additionally, the division is responsible for ensuring adequate insurance provision for the Group, maintenance of up-to-date Business Continuity Plans, relationship management of the outsourced Internal Audit provider, and providing in-house legal guidance and support to colleagues.

Primary Organisational Units within the University play a pivotal role in the institution's operational risk management. Senior Management, with the support of their designated Risk Champions, are responsible for identifying, assessing, and mitigating various risks related to their operational, financial, and administrative functions, analysing both internal and external factors, gauging the impact and likelihood of risks, and developing strategies to reduce their adverse effects. They also manage compliance and regulatory risks, handle financial risk management, ensure budget adherence, and contribute to the development and testing of business continuity and disaster recovery plans.

The University maintains a Strategic Risk Register, which is the University's institutional level risk register, detailing the significant risks affecting the University's ability to achieve its strategic objectives. Regular monitoring and reporting of the register supports the active management of risks and the timely progression of risk actions. The University proactively addresses strategic and operational risks by adjusting long-term strategic plans, and through policy, process and system improvements. Alongside the University's Strategic Risk Register, the senior management team and their risk champions maintain operational risk registers across the University's Primary Organisational Units, including: Schools, Global Research Institutes, Professional Service Directorates, Subsidiary Companies, and Campuses. Escalated operational risks are regularly reported to both the University Executive and Audit and Risk Committee. University risk registers are maintained on the University's Risk Management System 4Risk.

Internal Audit is carried out by RSM, a professional audit firm which has been appointed as the University's Internal Auditor. RSM follows an annual plan of approved audit reviews, which are focused on the key risks to the achievement of the University's strategic plan.

Recommendations from the auditor's work are followed up and remedial actions taken where required. On an annual basis, RSM provides an overall report on the effectiveness of operation of the internal controls based on the audit work performed.

Types of risks

Strategic Risks encompass the uncertainties and vulnerabilities that may affect the University's ability to achieve its strategic mission, academic excellence, and financial sustainability against its long-term strategy. Strategic risks include factors such as changing demographics of the student body, shifts in educational trends and demands, evolving technologies, funding uncertainties, competitive pressures, and the ability to adapt to external forces like economic, social, and political changes. The University proactively assesses and manages strategic risks by making informed decisions, setting clear objectives, and regularly reviewing and adjusting its strategic plans to ensure their continued relevance and success.

Operational risks encompass the potential for internal disruptions and failures in day-to-day operations that can result in financial losses, reputational damage, and disruptions in the University's ability to carry out its core functions, including teaching, research, and providing support services. This risk type is primarily associated with internal factors, such as human error, technology failures, regulatory compliance issues, and other operational shortcomings, and financial mismanagement. To mitigate operational risk, the University employs risk management strategies, internal controls, and comprehensive policies and procedures, to identify, assess, and minimise these risks while maintaining its commitment to providing a safe, effective, and reputable educational environment.

Project risk - The University's Project Management charter requires that all significant projects maintain a project risk register to ensure that all risks relating to change projects are effectively identified, managed, and reported in order to achieve the successful outcomes of a project. The Project Sponsor is responsible for ensuring that effective risk management is undertaken on their projects. The Global Project Management Office is in place to oversee the management of the University's strategic project agenda, including risk management of significant projects.

Risk management improvement plan

A plan of continuous risk management improvement remains in place to enhance the University's Risk Management Framework, and during 2024/25 has delivered further improvements to the University's approach to risk management, as follows:

- Codification of the University's Risk Management Framework into a single published document.
- Further rollout of the Risk Management system across the University.
- Refresh and update of the University's Risk Appetite Statement and development of an Ethical Business Statement.
- Further enhancement and development of the reporting to support the risk and audit agenda to University Executive, Audit and Risk Committee, and Court.
- Development of guidelines on the risks and opportunities presented by generative Artificial Intelligence to the University.
- Improved reporting and oversight of completion of risk actions across Primary Organisational Units.
- Further progression of guided Controls Risk Self-Assessment sessions with Primary Organisational Unit management.
- Ongoing development and training of the Risk Champions Group.
- Continuing engagement between the University's leadership and the Internal Auditor.
- Continuing oversight over the progress to completion of outstanding Internal and External audit recommendations.
- Continuing reporting of financial risks, including regular reporting on the status of remediation of external and internal audit Finance recommendations.
- Supporting progress on phase II Finance Improvement Project to implement further enhancements to the policies, systems, processes and controls within Finance.
- Further development and training on the University's Ethical Business Policy suite.
- Further development of the University's approach to Assurance Mapping.
- Further development of the University's Business Continuity Plans across the Group.

- Further development of the Global Project Management Office, which oversees the University's strategic change agenda including risk management of strategic projects.
- Progression of the Legal Implementation Plan including appointment of a General Counsel for the University in November 2024.
- Execution of specific assurance reviews at the request of Management including a review of aged and bad debt processes and controls, plus compliance with Scottish Funding Council Financial Memorandum.

Over the coming financial year, the University will continue to implement the risk management improvement plan, and intends to:

- Alignment of the risk registers with the updated Risk Appetite Statement and with the newly developed Strategy 2035.
- Undertaking further assurance work undertaken at the request of Management including follow up review of aged and bad debt processes and controls.
- Further progress embedding AI opportunities and risks into strategic and operational risk registers across the University.
- Internal review of the processes and controls surrounding University-wide aged and bad debt processes and controls.
- Conduct further development of the Risk Champions Group by providing additional risk training.
- Conduct further guided Controls Risk Self-Assessment sessions with Primary Organisational Unit Management.
- Enhance Anti Money Laundering processes and controls at all Campuses.
- Embed Failure to Prevent Fraud requirements within the Economic Crime and Corporate Transparency Act 2023 into the University's Ethical Business policy compliance framework.
- Provide further training on the University's Ethical Business Policy suite.
- Further develop and advance the University's Assurance Mapping reporting.
- Continue to mature the Global Project Management Office.
- Continue to progress the Legal Implementation Plan across all Campuses.
- Implementation of the Business Continuity Plan (BCP) policy and further enhancement to BCP plans at all Campuses.
- Conduct BCP simulation exercises for all Campuses.
- Development of foundational due diligence risk guidance.

Internal control – internal audit

Internal Audit at Heriot-Watt University is carried out by RSM. Based on their assessments, RSM agrees to management actions to improve internal processes, mitigate risks, and enhance overall efficiency and value-for-money. RSM's work provides the University's management and governing body with assurance that operations are running effectively, within an appropriately robust financial control framework for the systems and areas reviewed.

RSM's role as internal auditors for Heriot-Watt University is to independently evaluate and assess various aspects of the University's operations, ensuring that they are conducted efficiently, in compliance with regulations, and with proper controls in place. Their insights and management actions contribute to the University's overall governance and risk management efforts.

The Internal Auditor reports directly to the University Secretary and the Audit and Risk Committee, providing updates on the internal control system. Ultimately, the purpose of Internal Audit is to assist the University in achieving its objectives and providing assurance to both the Audit and Risk Committee and the University Secretary.

In order to discharge its responsibilities effectively, Internal Audit develops an audit strategy and an annual audit plan which outlines its programme of work. The strategy takes into consideration the entire governance framework and the other assurance mechanisms and processes which include the risk management processes developed and maintained by University management, updated annually. The annual audit plan, which encompasses the University's global operations, is reviewed and approved annually by the Audit and Risk Committee (ARC).

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's audit strategy and annual audit plan; audit reports on reviews undertaken; reports on the University's progress in actioning internal audit management actions; and the Internal Auditor's Annual Report.

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

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

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

RSM, as Internal Auditor, issues an annual internal audit opinion which is based upon and limited to the work performed, on the overall adequacy and effectiveness of the University's risk management, control, governance and economy, data quality, efficiency, and effectiveness processes.

For the year ended 31 July 2025, RSM has concluded, based on the internal audit work performed, that: "The organisation has an adequate and effective framework for risk management, governance, internal control and economy, efficiency, and effectiveness. However, our work has identified further enhancements to the framework for risk management, governance, internal control and economy, efficiency and effectiveness to ensure that it remains adequate and effective."

There are four options available to the Internal Auditor in respect of its annual opinion and the second most positive has been applied for the annual assessment.

The overall opinion is based on an assessment across the six compliance internal audits and a further advisory audit performed during the year. The six compliance audits performed were as follows:

- Student Retention, Attainment and Outcomes.
- Digital Strategy and IT Security.
- Global Project Management Office Framework.
- Global Research Institutes Operating Framework.
- Fundraising Framework.
- Data Quality: Transparent Approach to Costing (TRAC).

Two high-priority audit findings were identified during the year in respect of the Fundraising Framework compliance internal audit, as noted below:

- Enhancements required to (Due Diligence Testing) carried out by the Development and Alumni Office.
- Strengthening and enhancements required to the donor fund management process, and reporting of non-compliance of timely investment of funds.

Including the 2 management actions noted above, the reviews identified a total of 2 high, 13 medium, and 11 low management actions for improvement by management, of which 2 high, 14 medium and 10 low management actions remained open at the year end.

The relatively high number of open management actions at year end reflects the timing of audit work performed, with most audits being finalised later in the year. As a result, a significant number of management actions have target completion dates in FY2025/26. Management remains committed to addressing the management actions within agreed timeframes.

In respect of data quality and management, for FY 2024/25, RSM has concluded within its overall annual Internal Audit report that "Our data quality opinion for 2024/25 was informed by the outcome of our testing within our Data Quality: Transparent Approach to Costing (TRAC) (7.24/25) review, where we raised a total of three 'medium' and one 'low' priority management actions. Data related themes raised within this review, and other audits conducted over the past academic year relate to assurances around the completeness and accuracy of data held within the University's systems. We recognise the University is working to improve controls and checks undertaken to support the accuracy of data, including data in relation to the TRAC return."

An advisory audit of Strategic Workforce Planning was also performed by RSM during the year and identified 8 advisory recommendations for improvement by Management, categorised as 3 high and 5 medium actions.

An incident occurred at end June 2025 whereby the payroll run for the University's Dubai Campus was erroneously duplicated and relevant staff were paid twice. As a result, the University Secretary appointed RSM to conduct an independent advisory audit in addition to the agreed annual audit plan, to investigate the root causes of the incident and make recommendations for improvement. The final audit report was published in October 2025 and makes 23 advisory recommendations to make improvements to payroll processes and controls, as well as consider strategic options for future payroll processing across the Heriot-Watt Group. The University Executive and Audit and Risk Committee has reviewed and endorsed the report, and Management remains committed to addressing all actions identified.

Internal control – oversight by the audit and risk committee

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

- The comprehensive management information received by the University Executive on all of the University's operational activities.
- The controls that exist over planned expenditure and the regular reporting of actual expenditure and regular review of budgets and forecasts.
- The University Executive and managers across the University who are responsible for developing and maintaining the internal control framework.
- The work of the Internal Auditor (RSM), which submits regular reports to the Audit and Risk Committee that includes the independent and objective opinion on the adequacy and effectiveness of the University's systems of internal control, together with recommendations for improvement.
- Comments made by the External Auditor (EY) in its management letter and other reports issued in the course of their work.
- Reports issued from time to time by other external assurance providers.

Major Risks and Challenges

The major risks and challenges faced by the University have been categorised according to the strategic themes outlined in Strategy 2025. Strategy 2025 is in its final year, and the University will transition to its new strategy - Strategy 2035 from FY2026/27. The major risks and challenges highlighted below present both an outline of the key drivers of key risks as well as the University’s response to them.

The University continues to face a complex external risk landscape with a range of challenges and threats which are interlinked. These include significant ongoing risks faced by the Higher Education sector as a whole as well as the University, comprising ongoing international student recruitment challenges and related tuition fee income headwinds, and associated inflationary and related pay pressures, which pose challenges to the University’s long-term financial resilience and capacity to invest.

In addition, there are other challenges including global economic uncertainties, geopolitical conflicts and tensions, ongoing threat of cyber-attack, and climate change, as well as the risks and opportunities posed by the proliferation of generative AI. These factors all continue to present risks to the University’s student and staff experience, its operations, and pursuit of its strategic objectives.

In response to these challenges as noted earlier, the University has developed its new 10-year strategy, Strategy 2035 which will drive long-term growth and resilience using the University’s already established strengths in its global footprint and campuses, established TransNational Education (TNE) and other strategic partnerships, Global College, and online presence. This diversity introduces further complexity to the University’s operations but has allowed the University to continue to weather the ongoing student recruitment challenges.

The University also continues to proactively improve its risk management framework, as noted earlier, to ensure that there is a greater awareness and understanding of significant risks by Management, and that appropriate mitigations, controls and actions are identified to respond to risks. Regular reporting is also in place to provide assurance to Management over controls and mitigating actions in place for key risks.

The following tables outline the significant risks and challenges by strategic theme faced by the University along with the University’s response.

Major Risk and Challenges: **Financial**

Financial Sustainability	Response
<p>The Scottish Higher Education sector continues to face significant ongoing challenges to its long-term financial sustainability, as highlighted by the SFC's report on HE Scotland sector's financial sustainability, published in September 2025. The report highlights multiple factors including global geopolitical uncertainties, immigration and visa concerns, and inflationary challenges.</p> <p>The University achieved a reduction in its planned deficit in FY2024/25 and has set itself a break-even target in FY2025/26 and surpluses for FY2026/27 and beyond. These targets remain challenging and will require significant ongoing focus in the delivery of strategy and management of income and costs.</p>	<p>The University has developed its new 10-year strategy, Strategy 2035, which will drive long-term growth and resilience using the University's already established strengths which will emphasise rigorous financial management, targeted global growth, and a sustainable operating model for the University. The University continues to advance its diversification strategy through the further development of Global College, HW Online, and TransNational Education (TNE) partnerships.</p> <p>The University also continues to undertake a number of operational cost-control measures, including careful scrutiny of vacancies via its Resource Management Group (RMG), reduction in budgets for discretionary spend, and regular financial review and challenge with budget holders. The University has also completed an academic portfolio review and is currently implementing its recommendations.</p> <p>The University has also established a Long-Term Financing Group, which is a subgroup of the Finance Committee of Court. Its focus is to oversee the development of the long-term financing and liability management strategy for the University and regularly reports to the Finance Committee and Court.</p>
Financial Management	Response
<p>The University has been on a journey of improvement of its financial management processes for a number of years, through the implementation of its Enterprise Resource Planning (ERP) system and the development and ongoing execution of its Finance Improvement Plan.</p>	<p>The University is on a continuous improvement journey and has made significant improvements to its budget setting and monitoring, financial policies, systems, reporting, processes and controls. These include, for example, enhancements to the monthly Financial Management Information pack to include cashflow and covenant compliance reporting. Finance has identified a further set of improvements which will be implemented during FY2025/26 and will further strengthen the financial control framework across the University.</p> <p>The University underwent a rigorous development process in order to produce its three-year financial plan. Following approval, this was submitted to the SFC in June 2025 and will be used to monitor financial performance in the current and coming years.</p> <p>The University's risk management framework continues to be used to identify and monitor key financial risks and mitigation strategies, as well as the provision of assurance to relevant stakeholders over the effectiveness of mitigations in place.</p> <p>These developments align with the University's digital transformation ambitions and support the financial resilience and governance priorities outlined in Strategy 2035.</p>

Major Risk and Challenges: Artificial Intelligence (AI)

Artificial Intelligence	Response
<p>There are material risks, challenges and opportunities for the global Higher Education sector and the University posed by the rapid evolution of Artificial Intelligence across Learning and Teaching, Research and operational activities.</p>	<p>The University is taking a balanced and responsible approach to the use of AI, recognising both the significant opportunities it presents and the ethical, operational, and academic risks it introduces.</p> <p>An 'AI Futures Group' has been established to coordinate institutional oversight of the implementation of AI-related initiatives and their governance.</p> <p>The University has established solid foundations of institutional AI responses to be built on, including developing a comprehensive AI literacy programme. Work is also underway to promote digital confidence, awareness, and accountability across the University community, encouraging staff and students to engage with AI thoughtfully and responsibly.</p> <p>Management teams across the University are considering AI-related risks and opportunities in order to develop action plans, including areas for AI-driven process improvement. A Strategic AI Programme, sponsored by the Chief Scientist and overseen by the AI Futures Group, is in the formal planning stage. AI initiatives prioritised by the Futures Group for the strategic programme will be subject to business case approval.</p> <p>As AI tools become increasingly embedded in education and research, the University remains focused on ensuring their use aligns with its values, maintains academic integrity, safeguards data privacy, and supports a culture of innovation and inclusion. These developments directly support the ambitions of Strategy 2035 particularly around digital transformation, innovation in operations, and preparing the University for an AI-integrated future.</p>

Major Risk and Challenges: **Pioneering in Education**

Student Experience	Response
<p>The University rose in the overall UK National Student Survey (NSS) rankings in 2024, but saw some of these improvements reverse in 2025, due to some of its peers outperforming the University in making improvements to student experience.</p> <p>The University did, however, see improvements in its rankings within the 2025 Guardian University Guide, The Times and Sunday Times Good University Guide, and Daily Mail University Guide, all of which have a component of student experience within their assessments.</p> <p>Improving the quality of the student experience offered by the University to all students continues to be an area of significant focus for the University in the short-term and in the longer-term as described within Strategy 2035.</p>	<p>The Student Experience and Satisfaction Group (SESG) continues to oversee the implementation of the student experience improvement plan. The SESG, led by members of the University Executive, has been established, reporting to University Committee of Learning and Teaching (UCLT) and the University Executive. This Group brings together academic and support functions to provide a holistic approach to enhancing the student experience across all campuses and drawing on a broad range of data and evidence to measure progress.</p> <p>The SESG has identified key areas for targeted interventions at all campuses via the in-year Student Experience Action Plan, and this continues to be actioned. This includes an initiative to support enhancements to core digital systems via a revised Student Advisory System which was successfully piloted at Scottish Campuses, which aims to resolve pain points for students. Oversight of this work continues via SESG and UCLT. This aligns with Strategy 2035's focus on creating a values-led, student-centred learning environment supported by digital enablement.</p>
<p>Students continue to be adversely impacted at all campuses by the ongoing cost-of-living and inflationary challenges at all campuses.</p>	<p>The University's support includes offering a range of scholarships plus access to a Discretionary Hardship Fund. The University also has a range of mechanisms to provide guidance and support to students impacted by cost-of-living challenges which includes signposting and links to broader support available from external sources.</p> <p>The University continues to prioritise cost-of-living support at all campuses through funded interventions including hardship funding. Additionally, at the UK campus there is a free food provision, and paid work opportunities via the Unitemps initiative.</p> <p>A new £1,500 "travel home" bursary for first-year rest of UK (rUK) students has been introduced for 2025 to ease their transition to University life. These initiatives are consistent with the values-led approach outlined in Strategy 2035 which places strong emphasis on equity, student wellbeing, and inclusion across all campuses.</p>

Major Risk and Challenges: Building Flourishing Communities

Staff Wellbeing and Engagement	Response
<p>Staff wellbeing and engagement continues to be a significant concern for the University due to several factors including: the ongoing impacts of inflation and cost-of-living affecting staff, the financial constraints the University faces in relation to pay awards, workload concerns, and the pace of change across the University.</p>	<p>Work continues to be implemented by Management following an advisory internal audit on Staff Wellbeing in FY2024/25. It remains a strategic priority and is embedded within the values-led and people-centred vision of Strategy 2035. To support, additional focus has been given to a Global Health and Wellbeing group which now reports into the Global Operations Executive and is chaired by the Global Director of HR.</p> <p>The University continues to run an active programme of communications and engagement with staff at all campuses via regular All Staff Executive Briefings, plus regular newsletters, and cascade communications. There is also regular formal and informal engagement with the recognised Trades Unions in the UK. Work continues to be progressed in relation to equal pay/pay gaps, workload principles, workload/efficiency and casualisation.</p> <p>The University's UK pay structure was reviewed in March 2025 and we removed points 5 and 6 in line with our commitments to pay the Real Living Wage, as per the Fair Work Statement which was signed in June 2024 by the University and recognised UK Trades Unions.</p> <p>The University continues to address key pressures such as workload, cost-of-living, and hybrid working through strengthened wellbeing governance, leadership engagement, and targeted support, including mental health training. These actions are supported by investments in digital capability and agile leadership development.</p>
Climate Change	Response
<p>There are significant risks to the achievement of the University's ambition to be net zero carbon emitting by the Scottish Government's statutory deadline of 2045. The full financial cost of becoming net zero carbon emitting has not yet been fully calculated at this point; however it is recognised that even at this early stage, a material investment in the University's infrastructure and ways of working will be needed to meet the expected standards.</p>	<p>At the core of the University's sustainability strategy is our ambition to becoming a net-zero institution by 2035 at the latest. The University has a comprehensive Climate Action Framework that lays out our planned people centred approach to addressing the challenges of climate change and environmental sustainability. This Framework is overseen by the University Committee on Global Environmental Sustainability, chaired by the Deputy Principal for Global Sustainability, which reports directly to the University Executive.</p> <p>A Decarbonisation working group (Chaired by the University's Chief Scientist) has been formed to discuss opportunities, align our approach and engage on improving emissions data relating to campus infrastructure. Partnerships and grants remain key to achieving the University's transition to net zero. In 2024-25, the Air Source Heat Pump installation project was undertaken at Lord Home Hall, it is estimated to deliver estimated savings of 150 tonnes CO₂ e per annum. Funding for the Sustainability business unit and related programme activity has been incorporated. These commitments reflect and support the University's broader environmental sustainability ambitions set out in Strategy 2035.</p> <p>Beyond its operational focus, the University recognises its broader role in driving climate action on a global scale. The University aims to leverage its research, teaching, and policy influence to support transformative change beyond its campuses.</p> <p>The University's climate change Global Research Institute 'iNetZ+' continues to focus on research in this area.</p>

Major Risk and Challenges: **Excelling in Research and Enterprise**

Research and Enterprise Agenda	Response
<p>The University set very ambitious targets in Strategy 2025, and in the newly developed Strategy 2035, for the growth of its research and enterprise activities, and recognition of our high-quality research and impact, globally.</p> <p>Enabling all research-active staff to flourish, with support from globally talented research leaders whom we must attract and retain, remains challenging in a highly competitive, fiscally-constrained, sectoral environment. These factors collectively put at risk the achievement of the University's research objectives and targets.</p>	<p>Strategy 2035 sets a clear ambition to elevate the University's global research standing through mission-led, impact-focused activity. This includes aligning GRI portfolios to strategic themes, strengthening partnerships, and accelerating research-to-impact pathways. Resourcing of personnel and facilities will be key. The establishment of Health and Care Technologies as the University's fourth GRI reflects this direction. Further work is underway to align School-level research with GRI strategies and to develop agile, time-bound research teams, powered by our global network of industry, university, government and Third Sector partners.</p>

Major Risk and Challenges: **Globally Connected University**

Geopolitical risk	Response
<p>Given the University's global footprint, in relation to the locations of its campuses and global learning partnerships, as well as students studying remotely online, or travelling to study or perform research, the University faces significant risks due to geopolitical uncertainties and conflicts.</p>	<p>Geopolitical tensions remain an ongoing concern for the University, given its global footprint and reliance on international collaboration. In response to escalating instability, trade restrictions, and regional conflicts, the University continues to closely monitor these risks and associated impacts whilst dynamically adapting its strategic approach in relation to student recruitment, TNE activity, and research partnerships to take account of the evolving risk profile. Senior leaders and campus teams continue to monitor developments closely, supported by scenario planning and engagement with sector bodies. The University also continues to expand and diversify its global recruitment strategy and partnership portfolio to reduce specific regional exposure. These efforts align with Strategy 2035, which emphasises global resilience through strategic partnerships and a sustainable, diversified operating model.</p> <p>The University maintains Business Continuity Plans at all campuses and conducts periodic tests of plans to ensure that key members of senior management understand their roles and responsibilities, and that plans remain current.</p>
IT/Cyber threats	Response
<p>Similar to the rest of the Higher Education sector, the University continues to face significant and substantial risks from cyber and ransomware attacks to its IT systems and infrastructure.</p>	<p>The University continues to commit appropriate levels of resource in cyber security, information governance, and IT infrastructure, to mitigate this risk. To further strengthen resilience, cyber insurance has been procured to provide financial protection and support business continuity arrangements, and we have strengthened our managed security operations centre (SOC) provision. These investments support Strategy 2035's strategic aim of enabling a digitally capable, resilient global operating model.</p> <p>The University also continues to subscribe to a shared Chief Information Security Officer (CISO) with other HEIs in Scotland. Despite strong internal mitigations and response capabilities, the risk remains severe due to ongoing and evolving sector-wide threats including ransomware and data breaches.</p> <p>Ongoing vigilance and awareness remain essential across the entire University community, both staff and students alike. Promoting a culture of shared responsibility and accountability, led from the University Executive downward, continues to be a key focus in maintaining and strengthening cyber resilience.</p>

Going Concern & Conclusion

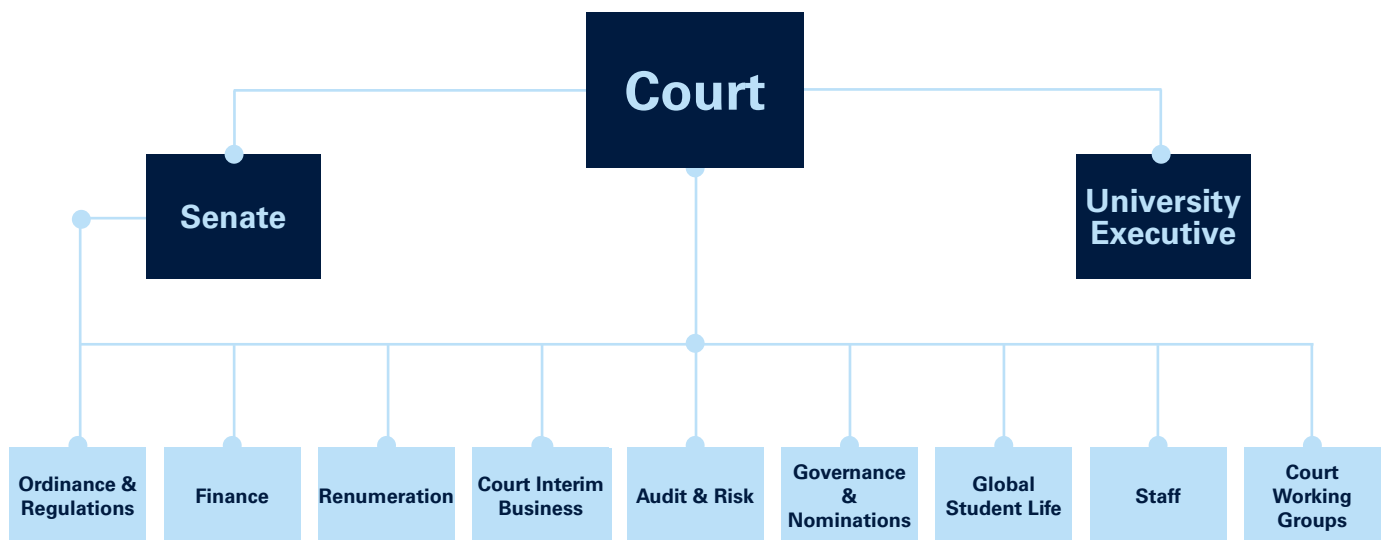
The University has assessed the going concern basis for a number of factors as described in the Strategic Report on pages 6-23 and on page 62, Basis of preparation. The University Court considers that the University has adequate resources to continue in operation for the foreseeable future and has a robust system of corporate governance in place. This corporate governance is in compliance with the principles of the 2023 Scottish Code of Good higher Education Governance, and a sound system of internal controls and effective risk management are in place.

Ms. Ruth Moir
University Secretary

Membership of Court and Committees

The Committees of Court, as identifies in the Corporate Governance statement are:

- **Ordinance & Regulations**
- **Finance**
- **Remuneration**
- **Court Interim Business**
- **Audit & Risk (ARC)**
- **Governance & Nominations**
- **Global Student Life**
- **Staff**
- **Court Working Groups**



The full terms of reference of each Court committee can be accessed via the following webpage. The Terms of Reference are reviewed annually and submitted to the Court with assurance reports which describe the ways in which each committee has fulfilled its remit and responsibilities in the past year:

[University Committees A-Z - Heriot-Watt University \(hw.ac.uk\)](https://www.hw.ac.uk/governance/committees)

Members of Court and Attendance

The following persons served on the committees of Court during the financial year reported in these accounts and up to the date of approval of the Accounts.

1 August 2024 – 27 November 2025

Court		Attendance at Meetings
Chair of Court	Mr Bruce Pritchard	5/5
Deputy Chair of Court	Mr Mike Tumilty	5/5
Principal and Vice-Chancellor	Professor Richard Williams	5/5
Vice-Principal and Provost	Professor Steve McLaughlin (from 20 May 2024)	5/5
Senate	Dr William MacPherson (until 31 July 2025)	3/4*
	Professor Yvonne McLaren-Hankin	5/5
	Professor Paul Dalgarno (from 1 August 2024)	5/5
	Professor Louise Delicato (from 1 August 2025)	1/1*
Trade Union	Mr Juergen Munz	5/5
	Professor David Jenkins	5/5
Staff	Professor Bruce Roberts	5/5
	Dr Laura Wicks (from 1 August 2024)	5/5
Graduate	Dr Brian Henderson	5/5
Student Union	Mr Cameron Fields (from 1 June 2024)	5/5
	Ms Holly McAdams (from 1 June 2024)	5/5
Independent Lay members of Court	Mr Graeme Dickson	4/5
	Mr Steve Heathcote	4/5
	Mr Gary Kildare	5/5
	Ms Marta Phillips	5/5
	Mr Ian Stevenson	4/5
	Ms Dorothy Wright	5/5
	Mr Alan Robertson	5/5
	Mr Paul Lewis	4/5
	Ms Hilary Hansen (from 1 August 2024)	5/5
	Ms Denise Thomas (from 1 August 2024)	5/5
	Mr Rodney Miller (from 1 August 2025)	1/1*

Audit and Risk Committee		Attendance at Meetings
Independent Lay members of Court	Mr Mike Tumilty (Chair)	6/6
	Mr Graeme Dickson	6/6
	Ms Sarah Morris	4/6
	Mr Ian Stevenson	5/6
	Ms Hilary Hansen	6/6
Co-opted Members	Mr Roger Murray	6/6
	Ms Debbie Walker	5/6
Court Interim Business Committee		Attendance at Meetings
Independent Lay members of Court	Mr Bruce Pritchard (Chair)	7/8
	Mr Mike Tumilty	7/8
	Mr Steve Heathcote	6/8
	Mr Brian Henderson	8/8
	Ms Marta Phillips	7/8
	Mr Alan Robertson	3/8
	Ms Dorothy Wright	8/8
Staff	Dr William MacPherson (until 31 July 2025)	3/6*
	Professor Yvonne McLaren-Hankin (from 1 August 2025 for CIBC)	2/2*
Student	Mr Cameron Fields	7/8
Ex Officio	Professor Richard A. Williams	3/8
	Professor Steve McLaughlin	8/8
Donations and Investments Committee		Attendance at Meetings
Independent Lay Members of Court	Dr Brian Henderson (Chair)	4/4
	Ms Marta Phillips	3/4
	Rodney Miller (from 1 August 2025)	1/1*
Co-Opted Members	Mr Alan Devine	4/4
	Mr Zain Sheikh	4/4
Student	Mr Cameron Fields	2/4
Ex Officio	Ms Ruth Moir	4/4
	Professor Richard Williams	3/3*
	Professor Steve McLaughlin (The Principal and Vice-Principal attend on an either/or basis)	1/1*

Finance Committee		Attendance at Meetings
Independent Lay members of Court	Mr Steve Heathcote (Chair from 1 August 2023)	6/6
	Dr Brian Henderson	5/6
	Mr Gary Kildare	2/6
	Mr Bruce Pritchard	6/6
	Mr Alan Robertson	2/5
	Ms Denise Thomas (from 1 August 2024)	4/6
Co-opted Members	Ms Rita Pasi	6/6
	Ms Maureen Bannerman (from 1 August 2024)	5/6
Staff	Mr Juergen Munz	5/6
Ex Officio	Professor Richard A. Williams	6/6
	Professor Steve McLaughlin (from 20 May 2024)	6/6
Global Student Life Committee		Attendance at Meetings
Independent Lay members of Court	Ms Marta Phillips (Chair)	4/4
	Dr Brian Henderson	4/4
	Mr Bruce Pritchard	4/4
Co-opted Member	Ms Kirsten Black	1/1*
Students	Mr Cameron Fields (from 1 June 2024)	4/4
	Ms Holly McAdams (from 1 June 2024)	3/4
	Ms Pearlyn Tee (from 1 June 2024)	4/4
	Ms Ridhima Shivkumar (until 31 May 2025)	3/3*
	Mr Kevin Antony Sahayaraj (from 1 June 2025)	1/1*
	Ms Alex Chan (until 31 May 2025)	3/3*
	Mr Vinny Pemberton (from 1 June 2025)	1/1*
	Mr Joshua Ahurome Eseigbe (until 31 May 2025)	1/3*
	Mr Ben Gustaffson (from 1 June 2025)	1/1*
Ex Officio	Professor Richard A Williams	2/4
Governance and Nominations Committee		Attendance at Meetings
Independent Lay Members of Court	Mr Bruce Pritchard (Chair)	4/4
	Mr Mike Tumilty	3/4
	Ms Dorothy Wright	4/4
	Mr Steve Heathcote	2/4
Student	Mr Cameron Fields	1/4
Staff	Mr Bruce Roberts	2/4
Ex Officio	Professor Richard A. Williams	3/4

Remuneration Committee		Attendance at Meetings
Independent Lay members of Court	Mr Mike Tumilty (from 1 August 2024)	4/4
	Mr Bruce Pritchard	4/4
	Mr Steve Heathcote	3/4
	Ms Dorothy Wright	4/4
	Mr Gary Kildare	3/4
Staff	Dr Yvonne McLaren-Hankin	3/4
Co-opted Members	Ms Evelyn Stevenson (until 31 July 2025)	2/2*
	Ms Lucy Da-Piedade (from 1 August 2025)	2/2*
Student	Mr Cameron Fields	3/4
Global People and Culture Committee		Attendance at Meetings
Independent Lay members of Court	Ms Dorothy Wright (Chair)	6/6
	Mr Bruce Pritchard	5/6
	Mr Paul Lewis	5/6
Co-opted Member	Mr Imtiaz Aziz	5/6
	Ms Julie Hotchkiss	6/6
Trade Union	Professor David Jenkins	4/6
Staff	Dr Laura Wicks (from 1 August 2024)	5/5
Ex Officio	Professor Richard Williams	3/6
	Professor Steve McLaughlin (attends on behalf of the Principal when required)	4/4
Infrastructure Committee		Attendance at Meetings
Independent Lay Members of Court	Mr Alan Robertson (Chair)	4/4
	Mr Gary Kildare (from 4 September 2023)	4/4
Co-opted Members	Mr John Fowlie	4/4
	Mr David Lister	4/4
	Mr Jeremy Smart	4/4
Student	Mr Cameron Fields	3/4
Staff	Professor Paul Dalgarno (from 1 August 2024)	4/4
Ex Officio	Professor Richard Williams	1/1*
	Professor Steve McLaughlin (The Principal and Vice-Principal attend on an either/or basis) (from 20 May 2024)	0/0*

* Indicates total number of meetings the member was eligible to attend during period of membership

Scottish Government Fair Work Agenda

Security

As part of our commitments to the Fair Work Agenda Heriot-Watt University is committed to ensuring all those engaged directly by the University are paid at least in line with the Voluntary or Real Living. This increases annually in November for implementation by May the following year.

To accommodate the increase to the Real Living Wage (RLW) the University made changes to the grade structure from 1 March 2025, which coincided with the implementation of the second part of the UCEA national annual pay award. As part of this change, we removed spine points 5, 6 and 7 altogether. Grade 2 is now a single spot point, point 8, equivalent to the Real Living Wage. This meant that anyone previously paid on grade 3, spine points 6, 7 or 8 was automatically moved to spine point 9 which is £12.62/hour.

We will continue to monitor and review our pay spine in line with the changes to the Real Living Wage.

Opportunity

We have made further advances on Equality, Diversity and Inclusion (EDI) accreditations, including our first Carer Positive Employer award, plus the renewal of our Disability Confident Employer Level 2 status.

Our extensive 50 point **Equality Outcomes Action Plan** was published and has been designed to fulfil the National Equality Outcomes whilst advancing our EDI commitment at Heriot-Watt University beyond the statutory requirements.

Moreover, as the most globally-reaching campus orientated Scottish higher education institution, EDI actions are being advanced in our Dubai and Malaysia campuses (e.g. accessibility, respect). Although not currently required, we have published pay gap data sets for Disability and Ethnicity, in addition to the usual analysis for Gender, plus diversity data for students, in a similar manner to our staff data sets.

Employment of disabled persons

The following table shows the breakdown of employees working on our Edinburgh, Borders and Orkney campuses as of July 2025.

Disability	Number	%
Known disability	190	8%
No known disability	2224	92%

UK Trade Union Facility Time Reporting for the period April 2024 to March 2025

1. Statutory Requirement

Under Section 13 of the Trade Union Act 2016 and The Trade Union (Facility Time Publication Requirements) Regulations 2017, relevant employers (including HEIs) have to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

The purpose of these regulations is to promote transparency and allow for public scrutiny of facility time. Employers are required to publish data in four tables (outlined in Schedule 2 of the Regulations) as detailed in the table set out below.

For the period 1 April 2024 to 31 March 2025

	No of Employees
Employees in organisation	1,501 to 5,000
Trade union representatives	14
FTE trade union representatives:	13.5
FTE time allocated across unions:	2.6
Percentage of time spent on facility time	
0%	0
1%-50%	14
51%-99%	0
100%	0
Paid trade union duties	
Hours spent on paid facility time (Duties and Activities):	3,880
Hours spent on paid trade union duties:	3,492
Hours spent on paid trade union activities:	388
Total pay bill and facility time costs	£
Total pay bill	£127m
Total cost of facility time	£146.7k
Percentage of pay spend on facility time:	0.12%

2. Recognition at Heriot-Watt

The University recognises the following unions: University and College Union (UCU), Unison, Unite and EIS. Formal paid Facility Time is approved each year by UE and the statutory return on paid facility time for April 2024 - March 2025 is published on our external HR Policy web page at this link: [Statutory Facility Time Return](#)

At the start of the 2024-25 FY, paid facility time was formally granted as 2.6 FTE for UCU, Unite and Unison, to be allocated across individuals as each union felt appropriate. It is recognised that Trade Union Representatives also carry out unpaid work as part of their Trade Union activities, but this return reflects the allocation and cost of paid facility time.

Independent Auditor's Report

to the University Court of Heriot-Watt University

Opinion

We have audited the financial statements of Heriot-Watt University ('the institution') and its subsidiaries ('the group') for the year ended 31 July 2025 which comprise the Consolidated and Institution Statement of Comprehensive Income and Expenditure, the Consolidated and Institution Balance Sheet, Consolidated Statement of cash flows, the Consolidated and Institution Statement of Changes in Reserves and the related notes 1 to 29, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the institution's affairs as at 31 July 2025 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law;
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for 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 below. We are independent of the group 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

In auditing the financial statements, we have concluded that the University Court's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and institution's ability to continue as a going concern for a period of 19 months to 31 July 2027.

Our responsibilities and the responsibilities of the University Court with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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 University Court is responsible for the other information contained in the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Scottish Funding Council's Financial (SFC) Memorandum

In accordance with the SFC's Financial Memorandum (effective 1 December 2014), we will also report to the University Court whether, in all material respects:

- the requirements of the SFC's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been applied properly 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 SFC have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) regulations 2006 requires us to report to you if, in our opinion:

- adequate and proper 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
- the information given in the financial statements is inconsistent in any material respect with the annual report; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the University Court

As explained more fully in the Court Statement of Primary Responsibilities set out on page 29, the University Court is responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the University Court determines 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 University Court is responsible for assessing the group's and the institution'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 management either intends to liquidate the group or the institution or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent institution and determined that the most significant are FRS 102 and Statement of Recommended Practice for Further and Higher Education.
- We understood how the group and parent institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Court minutes and papers provided to the Audit and Risk Committee at a Group level, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up.
- We have considered the culture of honesty and ethical behaviour of management and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.

- We assessed the susceptibility of the group and parent institution financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Court minutes to identify any non-compliance with laws and regulations, and inspection of any correspondence between the University and Scottish Funding Council.

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.

Use of our report

This report is made solely to the University Court, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the University Court 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 University and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP,
Statutory Auditor
London

Date:

Financial Statements

Consolidated and Institution Statement of Comprehensive Income and Expenditure for the year ended 31 July 2025

		Group		Institution	
		2025 £'000	2024 £'000	2025 £'000	2024 £'000
Income	Notes				
Tuition fees and education contracts	1	158,388	146,858	147,241	137,037
Funding body grants	2	46,903	47,064	47,020	46,945
Research grants and contracts	3	52,446	54,863	52,344	54,789
Other income	4	44,810	37,543	40,980	34,686
Investment income	5	3,753	4,672	4,126	4,576
Donations and endowments	6	2,156	1,278	2,156	1,278
		308,456	292,278	293,867	279,311
Expenditure					
Staff costs	7	161,422	151,738	153,494	144,531
Increase/(decrease) in USS Pension Provision	18,26	-	(59,423)	-	(59,423)
Other operating expenses	9	133,236	126,830	124,638	119,573
Depreciation, Amortisation & Impairment	11,12	19,369	20,159	18,109	19,022
Interest and other finance costs	8	4,317	2,185	4,844	1,992
		318,344	241,489	301,085	225,695
Surplus / (Deficit) before other gains and losses		(9,888)	50,789	(7,218)	53,616
Gain / (Loss) on disposal of fixed assets	12	17	8	17	-
Gain / (Loss) on investment property	13	2,000	(600)	2,000	(600)
Gain / (Loss) on investments		78	1,981	78	1,989
Gain/ (Loss) on research projects		(3)	-	(3)	-
Surplus/(Deficit) before tax		(7,796)	52,178	(5,126)	55,005
Taxation	10	(387)	53	(387)	-
Surplus/(Deficit) for the year		(8,183)	52,231	(5,513)	55,005
Other comprehensive income					
Restatements of overseas entities reserves		(2,599)	196	(1,266)	87
Actuarial gain/(loss)loss in respect of pension schemes	18,26	354	(3,540)	354	(3,540)
(Gain)/Loss on derivatives		-	-	-	-
Other Gains / Losses		26	146	1	(46)
Total comprehensive (expenditure)/income for the year		(10,402)	49,033	(6,424)	51,506
Represented by:					
Endowment comprehensive income for the year		38	924	38	924
Restricted comprehensive income for the year		(167)	(1,647)	(167)	(1,635)
Unrestricted comprehensive income for the year		(9,574)	49,560	(5,029)	52,130
Translation reserve comprehensive income for the year		(2,599)	196	(1,266)	87
Revaluation reserve comprehensive income for the year		1,900	-		-
Total		(10,402)	49,033	(6,424)	51,506

Consolidated and Institution Statement of Changes in Reserves

	Income and Expenditure reserve			Translation Reserve	Revaluation Reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000			
Consolidated						
Balance at 1 August 2023	12,258	11,575	22,555	(136)	3,058	49,310
Surplus/(deficit) from income and expenditure statement	1,297	1,367	49,567	-	-	52,231
Other comprehensive income	-	-	(3,199)	-	-	(3,199)
Transfers between revaluation and unrestricted reserve	-	-	(196)	196	-	-
Transfers between restricted and unrestricted reserve	-	(3,387)	3,387	-	-	-
Transfers between endowment and restricted reserve	(373)	373	-	-	-	-
Balance at 1 August 2024	13,182	9,928	72,115	60	3,058	98,342
Surplus/(deficit) from income and expenditure statement	498	2,011	(10,692)	-	-	(8,183)
Other comprehensive income	-	-	(2,219)	-	-	(2,219)
Transfer between revaluation reserve and unrestricted reserve	-	-	(1,900)	-	1,900	-
Transfers between translation and unrestricted reserve	-	-	2,599	(2,599)	-	-
Transfers between restricted and unrestricted reserve	-	(2,638)	2,638	-	-	-
Transfers between endowment and restricted reserve	(460)	460	-	-	-	-
Total comprehensive income for the year	38	(167)	(9,574)	(2,599)	1,900	(10,402)
Balance at 31 July 2025	13,220	9,761	62,541	(2,539)	4,958	87,941
Institution						
Balance at 1 August 2023	12,258	11,563	39,480	(620)	2,875	65,554
Surplus/(deficit) from income and expenditure statement	1,297	1,367	52,341	-	-	55,005
Other comprehensive income	-	-	(3,499)	-	-	(3,499)
Transfers between revaluation and unrestricted reserve	-	-	(87)	87	-	-
Transfers between restricted and unrestricted reserve	-	(3,375)	3,375	-	-	-
Transfers between endowment and restricted reserve	(373)	373	-	-	-	-
Balance at 1 August 2024	13,182	9,928	91,610	(533)	2,875	117,060
Surplus/(deficit) from income and expenditure statement	498	2,011	(8,022)	-	-	(5,513)
Other comprehensive income	-	-	(911)	-	-	(911)
Transfers between revaluation and unrestricted reserve	-	-	1,266	(1,266)	-	-
Transfers between restricted and unrestricted reserve	-	(2,638)	2,638	-	-	-
Transfers between endowment and restricted reserve	(460)	460	-	-	-	-
Total comprehensive income for the year	38	(167)	(5,029)	(1,266)	-	(6,424)
Balance at 31 July 2025	13,220	9,761	86,581	(1,799)	2,875	110,636

Financial Statements

Consolidated and Institution Balance Sheet for the year ended 31 July 2025

		Group		Institution	
		2025 £'000	2024 £'000	2025 £'000	2024 £'000
Non-current Assets	Notes				
Intangible assets and goodwill	11	7,243	7,649	7,243	7,649
Tangible assets	12	250,364	249,409	216,703	215,289
Investments	13	53,044	50,497	53,044	50,397
Investment in subsidiaries	13	-	-	6,100	5,471
		310,651	307,555	283,090	278,806
Current Assets					
Stock	14	17	19	-	-
Trade and other receivables	15	53,687	53,074	87,991	82,078
Cash and cash equivalents	21	66,391	78,642	56,743	67,584
Investments	13	10,320	1,879	9,599	1,879
		130,415	133,614	154,333	151,541
Less: Creditors; amounts falling due within one year	16	(119,449)	(104,922)	(120,979)	(104,447)
Net current assets / (liabilities)		10,966	28,692	33,354	47,094
Total assets less current liabilities		321,617	336,247	316,444	325,900
Creditors: amounts falling due after more than one year	17	(233,580)	(237,732)	(205,712)	(208,668)
Provisions					
Pension provisions	18,26	(96)	(172)	(96)	(172)
Total net assets		87,941	98,343	110,636	117,060
Equity					
Share capital		-	-	-	-
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	13,220	13,182	13,220	13,182
Income and expenditure reserve - restricted reserve	20	9,761	9,928	9,761	9,928
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		62,541	72,115	86,579	91,608
Translation reserve		(2,539)	60	(1,799)	(533)
Revaluation reserve		4,958	3,058	2,875	2,875
Total Reserves		87,941	98,343	110,636	117,060

* Trade and other receivables include amounts receivable within and after more than one year, as detailed in note 15.

The accounting policies on pages 62-72 and the notes on pages 62-98 form an integral part of these financial statements, which were approved by the University Court on 11 December 2025 and signed on its behalf by:

Professor Richard A. Williams

Principal and Vice-Chancellor

Bruce Pritchard

Chair of Court

Martin Pringle

Global Chief Financial Officer

Consolidated Statement of Cash Flows for the year ended 31 July 2025

		Consolidated	
		2025 £'000	2024 £'000
Cash flow from operating activities	Notes		
Surplus/(Loss) for the year before taxation		(7,796)	52,178
Adjustment for non-cash items			
Depreciation and impairment of tangible fixed assets	12	16,878	15,622
Amortisation and impairment of intangible fixed assets	11	2,304	5,002
Revaluation of assets held at depreciated replacement cost	12	-	(681)
Loss/(gain) on restatement of tangible fixed assets in overseas entities	12	523	(88)
Fair value adjustment on non-current investments	13	(75)	(1,981)
Decrease/(increase) in stock	14	2	(3)
(Increase)/decrease in debtors	15	(613)	(10,515)
Increase/(decrease) in creditors within one year	16	14,527	724
Disposals of fixed assets	12	-	-
(Decrease)/increase in creditors over one year	17	(4,152)	781
(Increase)/decrease in Fixed Asset debtors	15	807	-
Increase/(decrease) in fixed asset creditors	16	(4,155)	-
Increase/(decrease) in provisions	26	(78)	(58,124)
(Gain)/loss on investment land revaluation	13	(2,000)	600
Actuarial gain / (loss) in respect of pension schemes	18	354	(3,540)
(Decrease)/increase in cumulative translation of overseas operations		(2,599)	196
Increase/(decrease) in revaluation reserve		1,900	-
Other Gains / Losses		26	146
Adjustment for investing or financing activities			
Interest receivable	5	(3,099)	(2,038)
Net return/(charge) on pension assets	26	(9)	1,599
Interest payable	8	4,380	4,392
(Gain)/loss on disposal of tangible fixed assets	12	(17)	(8)
Repayments of amounts borrowed	17	629	629
Cash inflow from operating activities		17,737	4,891
Taxation		(387)	53
Net cash inflow from operating activities		17,350	4,944
Cash flows from investing activities			
Payments to acquire fixed assets	12	(14,908)	(15,672)
Payments to acquire intangible assets and goodwill	11	(1,908)	(5,447)
Payments in advance to construct fixed assets		(807)	(353)
Interest Received	5	3,099	2,038
Transfer from cash to investments	13	10,077	20
Net (return) / charge on pension assets	18,26	9	(1,599)
Net cash outflow from investing activities		24,592	(21,013)
Cash flows from financing activities			
Interest Paid	8	(4,380)	(4,392)
Net amounts drawn down		-	-
Repayments of amounts borrowed	17	(629)	(629)
Net cash outflow from financing activities		(5,009)	(5,021)
Increase/(decrease) in cash and cash equivalents in the year		(12,251)	(21,090)
Balance as at 1 August 2023	21	78,642	99,732
Balance as 31 July 2024	21	66,391	78,642
Movement		(12,251)	(21,090)

Statement of accounting policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education 2019 ("the SORP") and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements have been prepared in accordance with the historical cost convention (modified by the revaluation of heritage assets and investments).

The future impact on the financial performance and subsequent cashflows of the University have been considered as part of the University's adoption of the going concern basis in these financial statements and in developing a sustainable financial plan for the University. The current forecasts and projections show that the University is positioned to manage its activities successfully, having taken account of risk and uncertainty, along with arrangements in place to monitor and assess performance. As a result, these financial statements have been prepared on a going concern basis which the Court believes to be appropriate.

The University is well established and renowned for its excellence in teaching and research. As such the demand for the University remains strong, as evidenced in the student cohort for 2024/25 and the level of enrolments through the September 2025 intakes across our global campuses. Whilst teaching has primarily moved back to on campus lectures, the University has maintained the ability for students to learn away from campus either full time or through a model blended with online learning.

As at 31 July 2025 the University held net assets of £87.9m and net current assets of £11m. These assets included cash and cash equivalents of £66.4m - this has decreased to £58.3m as at 31 October 2025. Liquidity headroom of group was above operational cash requirements at 31 July 2025 and at 31 October 2025.

Borrowings amounted to £144.5m in unsecured loans. The unsecured debt is subject to financial covenants as set out in Note 17 and as at 31 July 2025 all financial covenants were met and are projected to be met throughout the going concern period to 31 July 2027.

A Financial Plan for 2024/25 through to 2027/28 has been approved by Court. This plan has been updated at the end of September 2025 as part of the rolling monitoring of performance undertaken by the University. The key changes to the forecast were to adjust for actual enrolments in September 2025.

In support of this forecast cashflow projections have been prepared to the 31 July 2027. On this basis the University is forecast to operate within its available committed facilities, meeting all financial covenants, with forecast liquidity headroom in excess of requirements throughout the going concern period to 31 July 2027.

In addition to the above the University has assessed whether it has sufficient resources to meet its obligation to repay the first tranche of loan repayments in October 2027 (just outside of the going concern period). The ring-fenced funds displayed in the tables in the previous sections include funds held within Royal London Asset Managers and Barclays Private Bank which are specifically set aside for this purpose. The University has assessed that it has sufficient liquidity to repay the first loan repayment as it falls due.

The University carefully and regularly monitors risks. Senior management have considered various scenarios in assessing these risks and any mitigations on future financial performance and cashflows. Should a severe downside scenario occur, a range of mitigating actions could be initiated by management depending on the scale of the situation, primarily through managing discretionary spend, together with restricting non-essential and non-committed capital expenditure.

In testing the robustness of the University's financial position, cashflow projections were also prepared on the most severe modelled scenario. In this example the University is still forecast to operate within its available committed facilities, meeting all financial covenants, with forecast liquidity headroom slightly above requirements and all financial covenants are met.

Based on the above analysis it remains wholly appropriate to prepare the consolidated financial statements on a going concern basis to 31 July 2027.

2. Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2025. The results of subsidiaries during the period are included in the consolidated statement of income and expenditure. No subsidiaries were acquired or disposed of during the period. Intra-group transactions are eliminated on consolidation.

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated. Balances between the institution and its associates and joint ventures are not eliminated. Normal trading transactions that are not settled by the balance sheet date are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the institution's share is eliminated.

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

3. Income recognition

Tuition fees and education contracts fee income is stated gross of any expenditure and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Education contracts are recognised when the institution is entitled to the income, which is the period in which students are studying, when performance conditions have been met.

Funding body grants

Recurrent grants from funding bodies are credited to income in the period in which they are receivable.

Government revenue grants including funding council teaching, research and other grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Capital grants from Funding Bodies are recognised in income over the expected useful life of the asset.

Research grants and contracts

Research revenue income from government sources is recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of such a

grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. Research capital grants from government sources are recognised in income over the expected useful life of the asset.

Research revenue income from other sources is recognised when receivable and when performance conditions have been met. Income received in advance of performance conditions being met is included in creditors as deferred income. Where there are no performance conditions, income is recognised when it is receivable. Research capital grants from other sources are recognised in income when the University is entitled to the funds subject to any performance-related conditions being met.

Other income

Income from the sale of goods and services is credited to income when the goods or services are supplied to the external customers against the orders received or the terms of the contract have been satisfied.

Investment income is credited to income on a receivable basis.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments.

Donations with no restrictions are recognised in the financial statements when the donation has been received.

Where a donor has specified that a donation must be used for a particular objective it is classified as a restricted donation and is recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with the restrictions, at which time it is released to general reserves.

Where donations are to be retained to the benefit of the University beyond the current year for purposes specified by the donors, other than the purchase or construction of tangible fixed assets, they are considered to be endowments. They are recognised as income when the University is entitled to the funds. Income is retained in the endowment reserve until such time that it is utilised in line with the terms of the endowment, at which time it is released to general reserves.

Where the University has the power to use the capital portion of an endowment it is categorised as an expendable endowment; where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective it is categorised as a permanent endowment.

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

Amounts received as agent

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

4. Accounting for 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).

The Group has implemented arrangements to meet the UK statutory requirement for employers to automatically enrol certain workers who are not already pension scheme members into a qualifying pension scheme. In addition to the existing pension schemes, the University allows staff to opt to join the National Employment Savings Trust (NEST).

Staff on Heriot-Watt Services Ltd contracts of employment are entitled to contribute to a defined contribution scheme.

None of the Group's other subsidiary undertakings operates any other pension schemes.

The accounting policies relating to each of the schemes are:

USS

The institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution 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. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme.

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 based on 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.

The LPF pension scheme remains in surplus through 2024/25. As such the University evaluated LPF against the guidance regards recognising a pension asset.

There are two mechanisms through which the University could potentially be required to recognise an asset related to its share of LPF.

1. **Reduced contributions:** in 2023 various accounting and audit bodies clarified that this should be assessed as the extent to which employer contributions are less than projected service costs for the life of the scheme. At 31 July 2025 the University's projected service costs for the scheme remained below that of the planned contributions, therefore it remains appropriate no asset is recognised on this basis.
2. **Refund from the scheme:** the accepted accounting practice continues to be not to recognise any pension asset based on a right to refund from the scheme for scheduled bodies of a Local Government Pension Scheme. This has been on the basis that the University has no functional way to recover the asset without giving notice to leave the pension fund which would require legislative change.

It was therefore determined that the University should not recognise the surplus in respect of the University's participation in the Lothian Pension Fund with a nil pension asset/liability recognised.

STSS

Heriot-Watt University participates in the Scottish Teachers' Superannuation Scheme, an unfunded multiemployer defined benefit statutory public service pension scheme with benefits underwritten by the UK Government. Because of the nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS 102, the University accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure is equal to the total of contributions payable by the employer in the year.

National Employment Savings Trust (NEST)

The scheme is a defined contribution scheme into which both the employer and the employee make a contribution. The cost charged to the statement of comprehensive Income and Expenditure is equal to the total of contributions payable by the employer in the year.

Heriot-Watt Services Ltd defined contribution pension scheme

Employees of Heriot-Watt Services can join that company's defined contribution pension scheme, into which both the employer and the employee make a contribution. Being a defined contribution scheme, the cost charged to the statement of comprehensive Income and Expenditure is equal to the total of contributions payable by the employer in the year.

5. Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits, such as holiday entitlements earned but not taken at the balance sheet date, are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

6. Finance leases

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

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

7. Operating leases

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

8. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

9. Intangible assets

Internally generated online course content which forms a separately identifiable asset either independently or in combination with software and/or intellectual property, is capitalised with an amortisation period over the useful economic life of the asset.

Intangible assets are amortised over their estimated remaining economic lives as follows:

- Software (including Enterprise Resource Planning (ERP) system): 3-10 years
 - Intellectual property: 7 years
 - Internally developed online course content: 3-5 years
- Intangible assets are subject to periodic impairment reviews as appropriate.

Intangible assets are subject to periodic impairment reviews as appropriate.

10. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured based on deemed cost, being the revalued amount at the date of that revaluation. No depreciation is charged on assets in the course of construction. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land

On adoption of FRS 102, the Group adopted the transitional provisions to measure land at fair value on the date of transition, and to use that fair value as its deemed cost. Land held at 31 July 2014 is shown in the balance sheet at the valuation on that date; land acquired after 31 July 2014 is shown at cost.

Costs incurred in relation to land after initial purchase and prior to valuation are capitalised to the extent that they increase the expected future benefits to the University.

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

Buildings

With the exception of Panmure House, buildings are included in the balance sheet at cost and are depreciated on a straight-line basis over their expected useful lives as follows:

- External fabric: 50 years
- Internal fabric: 35 years
- Mechanical & Engineering: 20 years

Costs incurred in relation to buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Panmure House is considered to have historical value and has been included in the balance sheet at depreciated replacement cost (see accounting policy 19 for further details). It will be depreciated on a straight-line basis as above.

Plant and Equipment

Equipment, including computers and software, costing less than £20,000 is recognised as expenditure, except where such expenditure relates to a project or where bought in large bundles of over £20,000. Projects create assets and may include items of expenditure less than £20,000 that, when accumulated, exceed the £20,000 threshold in order for the asset to be operational. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows: Equipment acquired for:

- Specific research projects: 3-5 years
- Administrative IT systems: 7 years
- Other equipment: 5 years
- Plant: 15 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Borrowing costs

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

11. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the income statement. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

12. Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at historic cost less any impairment in the University's accounts.

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

Heriot-Watt University has considered the impact of the Heriot-Watt Malaysia impairment on the institution financial statements as at 31 July 2025.

Heriot-Watt University holds an investment in the Malaysia subsidiary of £4.1m. The long-term cash position of Heriot-Watt Malaysia is forecast to return net cash inflows and therefore, the University does not consider the investment to be impaired. No adjustment has been made to the financial statements in respect of the investment in subsidiary held by Heriot-Watt University in Heriot-Watt Malaysia.

Heriot-Watt University is additionally due £4.7m from Heriot-Watt Malaysia as at 31 July 2025 through an intercompany loan which is repayable in 2039.

The University has considered the recoverability of this balance as at 31 July 2025 in light of our impairment assessment. The long-term cash position is forecast to return to be a net inflow and the University expects the balance to be repaid in full. No adjustment has been made to the financial statements in respect of the intercompany loan between Heriot-Watt University and Heriot-Watt Malaysia.

13. Stock

Stock is stated at the lower of the cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

14. Cash and cash equivalents

Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash or repayable within 3 months with insignificant risk of change in value. They can include term deposits at banks or investments in gilts.

15. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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

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

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

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed, where they arise, in the notes to the accounts.

16. Taxation

The University is an exempt charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator.

It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

Neither the University nor its subsidiaries receive any exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are not exempt from taxation. The subsidiaries, other than Heriot-Watt Malaysia Sdn Bhd, pay to the University, under the Gift Aid scheme, amounts as agreed by the directors of each subsidiary company. The charge for taxation is based on the taxable profit or loss for the year after the cost of any Gift Aid payment payable to the University.

17. Reserves

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

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

18. Prior year adjustment

Where material omissions from, and misstatements in, the University's financial statements for one or more prior periods have been identified these will be corrected, the prior year accounts will be restated and appropriate disclosure will be made.

19. Key sources of estimation, uncertainty and critical judgements in applying accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

a) Fixed Assets

Fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual value, where appropriate. The actual lives of assets and any residual value are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

The University presently undertakes annual structural inspections of the buildings which were identified as having reinforced autoclaved aerated concrete (RAAC) contained within their structures. In 2024 structural reviews were completed at the three campuses within the UK and the existence of RAAC was found to impact five buildings. Inspections are conducted in line with the new standard RAAC reporting methodology established by the Institute of Structural Engineers (IStructE) for all UK structural engineers to use as industry wide best practice. The latest inspections, completed in July 2025 using the IStructE's updated RAAC reporting standards, highlight the growing impact of ageing infrastructure and recommend continued regular inspection of the RAAC in the known buildings along with other related building elements such as roof coverings for water tightness etc, ingress from which could impact the condition of RAAC elements. All of the latest reports identify areas of concern which require monitoring and conclude that that no areas of buildings identified as having RAAC elements can be considered low risk.

The University therefore is currently actively assessing its long-term strategy for the continued operational use of the buildings which have RAAC along with related investment and to also establish contingency plans for how they would continue to operate if any one of the buildings were to have a significant RAAC failure occur and need to close. However, presently the University has concluded that the existence of RAAC in five parts of its estate does not currently result in any need for impairment of those assets due to the buildings remaining open.

Heriot-Watt Group has considered the impact of the Heriot-Watt Malaysia impairment assessment (prepared under Malaysian Financial Reporting Standards) and considered the indicators of impairment set out in FRS 102. The long-term cash position of Heriot-Watt Malaysia is forecast to return net cash inflows and therefore, the University does not consider the investment to be further impaired. No adjustment has been made to the financial statements in respect of the investment in subsidiary held by Heriot-Watt University in Heriot-Watt Malaysia.

b) Investment property

Investment properties are revalued according to market conditions as at 31 July each year. That valuation is informed by an externally sourced, professional property valuation.

c) Impairment of debtors

The University makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience of collection success.

d) Defined benefit pension

The Group has obligations to pay pension benefits to certain employees and to reflect the net funding position of the Lothian Pension Fund and of certain unfunded legacy pension arrangements. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the evaluation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Recognising that, the financial impact of that uncertainty is quantified in the sensitivity analysis of the principal assumptions used to measure the scheme liabilities included in page 89.

e) Pension schemes

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The University is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme.

Notes to the *Annual Accounts*

1. Tuition fees and education contracts

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Scottish Home Domiciled Students	15,391	12,900	15,323	12,917
Rest of UK Students	9,807	7,381	9,788	7,351
International Students	126,410	119,279	115,364	109,482
Higher education contracts	333	587	333	587
Research training support grants	4,303	4,739	4,303	4,739
Short course fees	1	9	1	9
Examination and graduation fees	2,143	1,963	2,129	1,952
	158,388	146,858	147,241	137,037

2. Funding body grants

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
SFC teaching grants	28,246	28,522	28,246	28,521
SFC research and knowledge exchange grants	14,751	14,522	14,751	14,522
Release of deferred capital grants	2,920	2,553	2,920	2,553
Other grants	986	1,467	1,103	1,349
	46,903	47,064	47,020	46,945

3. Research grants and contracts

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Research councils	30,802	32,713	30,802	32,713
Charities	3,242	3,223	3,242	3,223
UK Government	3,260	3,687	3,260	3,687
UK Industry	6,340	3,410	6,340	3,410
EU Commission	3,385	5,953	3,385	5,953
EU other	513	855	513	855
Other overseas	3,073	4,061	3,073	4,061
Other sources	1,831	961	1,729	887
	52,446	54,863	52,344	54,789

4. Other income

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Residences, catering and conferences	19,098	17,480	18,960	17,392
Income from governments and other funding bodies	8,567	6,452	7,854	6,129
Release of deferred capital grants	2,159	1,796	1,322	999
Other commercial income	11,466	8,668	8,318	6,788
Sports and exercise	3,348	2,938	127	128
Other income	172	209	4,399	3,250
	44,810	37,543	40,980	34,686

5. Investment income

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Investment income on endowments	665	567	665	567
Other investment income	3,088	4,105	3,461	4,009
	3,753	4,672	4,126	4,576

6. Donations and endowments

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
New endowments	289	316	289	316
Donations with restrictions	1,821	930	1,821	930
Unrestricted donations	46	32	46	32
	2,156	1,278	2,156	1,278

7. Staff costs

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Salaries	135,139	123,497	127,949	117,155
Social security costs	10,645	10,644	10,623	10,475
Employer's pension contributions (note 26):				
USS	11,699	12,813	11,699	12,813
LPF	2,915	3,892	2,915	3,892
Other	1,102	920	386	224
Movement in LPF and other pension provisions (note 18):				
(Decrease) in other pension provisions	(78)	(28)	(78)	(28)
Total staff costs before staff restructuring costs and movement in USS pension provision	161,422	151,738	153,494	144,531
Increase/(decrease) in USS provision (note 18)	-	(59,423)	-	(59,423)
Total staff costs	161,422	92,315	153,494	85,108
Analysed between staff working in:				
Academic schools	94,389	103,165	90,427	99,529
Administrative and central service functions	55,597	36,008	53,830	34,407
Premises functions	5,835	7,553	3,669	5,622
Residences and catering	5,601	5,012	5,568	4,973
Total staff costs before staff restructuring costs and movement in USS pension provision	161,422	151,738	153,494	144,531

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

	Consolidated		Institution	
	2025 Number	2024 Number	2025 Number	2024 Number
Academic schools*	1,389	1,354	1,254	1,235
Administrative and central service functions	847	903	738	765
Premises functions	141	137	129	131
Residences and catering	137	119	130	116
Total staff numbers	2,514	2,513	2,251	2,247

*Included within Academic schools is both academic and professional services staff dedicated to Academic schools

Emoluments of Principal and Vice-Chancellor

	Consolidated & institution	
	2025 £000	2024 £000
Professor Richard A Williams		
Salary	297	286
Benefits	39	35
Payment in lieu of pension	36	35
Pension contributions to USS	-	9
	372	365

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

The methodology for valuing the benefit in kind changed in 2023 to recognise accommodation based on rental value. There has been no change in the provision of accommodation.

Key Management Personnel

Aggregate KMP personnel compensation, including salary, benefits and employers' pension contributions.

Consolidated & institution	
2025 £000	2024 £000
1,556	1,216

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel. After a turnover and re-structuring of key roles within the University the key management personnel were reviewed in the reporting period and the University now defines its key management personnel as being the Principal and Vice-Chancellor, the Vice-Principal and Deputy Vice-Chancellor, the University Secretary, Provost and Vice-Principal Dubai. CEO and Provost Malaysia Global Chief Operating Officer, Global Chief Financial Officer. Previous Key management personnel were Principal and Vice-Chancellor, the Vice-Principal and Deputy Vice-Chancellor, the University Secretary, Global Chief Operating Officer, Global Chief Financial Officer.

Compensation for Loss of Office

In the year the University paid £82,000 (2024:£25,000) for loss of office of staff whose earnings were more than £100,000 per annum was:

Aggregate compensation paid
Number of payments

Consolidated & institution	
2025 £000	2024 £000
82	25
1	1

Severance arrangements for senior staff are overseen by the University's remuneration committee, and all compensation is paid in line with the severance guidance approved by the University Court and complies with SFC requirements.

Pay Multiples

Highest paid officer's remuneration (Principal and Vice-Chancellor)
Median total remuneration
Remuneration ratio

Consolidated & institution	
2025 £000	2024 £000
372	365
48	47
7.73	6.83

Remuneration of Higher Paid Staff, Excluding Pension Contributions

Consolidated	2025		2024	
	Key Management Personnel	Other Staff	Key Management Personnel	Other Staff £'000
100,001 - 110,000	-	40	-	14
110,001 - 120,000	-	30	-	9
120,001 - 130,000	-	23	1	8
130,001 - 140,000	1	14	-	4
140,001 - 150,000	-	11	-	2
150,001 - 160,000	1	5	-	-
160,001 - 170,000	-	4	2	3
170,001 - 180,000	1	3	-	2
180,001 - 190,000	1	1	1	-
190,001 - 200,000	-	-	-	-
200,001 - 250,000	-	1	-	2
250,001 - 300,000	1	1	-	-
300,001 - 350,000	1	-	1	-
	6	133	6	44

Institution	2025		2024	
	Key Management Personnel	Other Staff	Key Management Personnel	Other Staff £'000
100,001 - 110,000	-	40	-	14
110,001 - 120,000	-	30	-	9
120,001 - 130,000	-	22	1	8
130,001 - 140,000	1	14	-	3
140,001 - 150,000	-	11	-	2
150,001 - 160,000	-	5	1	-
160,001 - 170,000	-	4	2	3
170,001 - 180,000	1	3	-	1
180,001 - 190,000	1	1	1	-
190,001 - 200,000	-	-	-	-
200,001 - 250,000	-	1	-	2
250,001 - 300,000	1	1	-	-
300,001 - 350,000	1	-	-	1
	5	132	6	42

In line with the review of KMP as stated previously, we also reviewed pay banding across the University group and institution and have as a result expanded the reach to include all staff in all campuses in the current year. Retrospectively applying these criteria would have resulted in a total of 75 and 74 total persons being included in Consolidated and institution respectively.

Members of The University Court and its Committees

Members of the University Court are the trustees for charitable law purposes. The membership of the Court and its committees is laid out on pages 47-51 of these financial statements. The Chair of Court is the only member who receives any remuneration. Total Remuneration was £21.0k in 2025 (2024: £20.4K).

No other member of Court, nor any co-opted member of a Court Committee, received any remuneration nor waived any payments in respect of their membership of the University Court or of its committees during the year (2024: £nil). Reimbursements for travel expenses, where this meets the threshold for disclosure, have been disclosed as part of Note 29 Related Parties.

8. Interest payable and other finance costs

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Loan interest	4,331	4,368	4,331	4,368
Net charge on pension assets	9	(1,599)	9	(1,599)
Investment management charges	49	24	49	24
Exchange differences	(72)	(608)	455	(801)
	4,317	2,185	4,844	1,992

9. Analysis of operating expenses by activity

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Academic departments	28,877	16,823	28,596	16,399
Academic services	13,308	12,432	12,895	12,227
Administration and central services	44,299	51,789	40,955	48,462
Premises	34,439	30,480	30,386	27,528
Residences, catering and conferences	2,609	2,270	2,117	1,951
Research grants and contracts	9,704	13,036	9,689	13,006
	133,236	126,830	124,638	119,573

Other operating expenses include:

External auditor's remuneration audit	659	760	469	571
External auditor's remuneration non-audit services	9	16	1	16
Internal auditor's remuneration	140	114	140	114
Operating lease rentals				
- land and buildings	8,841	8,156	7,429	7,719
- other	52	91	43	35

10. Taxation

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
UK Corporation tax at 25% (2024: 25%)	-	53	-	-
Dubai Corporation Tax at 9% (2024:9%)	371	-	371	-
	371	53	371	-

The Dubai taxation charge represents the corporate tax liability attributable to the financial year in accordance with UAE tax regulations. Corporate tax is calculated on taxable income for the year and must be settled within nine months after the end of the financial year, as prescribed by Federal Decree-Law No. 47. The tax liability for the 2024 financial year was recognised in the 2025 financial statements.

For the year ended 31 December 2025, the applicable corporate tax rate was 0% (2024:0%) on taxable income up to AED 375,000 and 9% (2024:9%) on taxable income above this threshold. Corporation tax paid during the year amounted to £387,000 (2024: £53,000).

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

11. Intangible fixed assets

	ERP	Other	Assets in the course of construction	Total 2025
	£'000	£'000	£'000	£'000
Consolidated & Institution				
Cost or valuation				
At 1 August 2024	14,269	9,510	755	24,534
Additions	-	-	1,908	1,908
Completions	-	2,086	(2,086)	-
Foreign Exchange Movement	-	(10)	-	(10)
At 31 July 2025	14,269	11,586	577	26,432
Amortisation & Impairment				
At 1 August 2024	12,148	4,737	-	16,885
Charge for year	525	1,779	-	2,304
At 31 July 2025	12,673	6,516	-	19,189
Net Book Value				
At 31 July 2025	1,596	5,070	577	7,243
At 1 August 2024	2,121	4,773	755	7,649

Intangible assets comprise the development costs of new online course content and online education services.

Amortisation for the year is shown within "Depreciation, Amortisation & Impairment" in the Statement of Comprehensive Income and Expenditure.

Intangible assets in the course of construction comprises online course content not yet complete as at 31 July 2025.

12. Tangible fixed assets

	Land & Buildings	Panmure House	Equipment	Assets in the course of construction	Total 2025
	£'000	£'000	£'000	£'000	£'000
Consolidated					
Cost or valuation					
At 1 August 2024	343,461	4,000	44,022	7,407	398,890
Additions	628	-	36	18,399	19,063
Completions	439	-	6,132	(6,571)	-
Revaluation	-	-	-	-	-
Disposals	-	-	(7,246)	-	(7,246)
Adjustments	(2,098)	-	354	(2)	(1,746)
Foreign Exchange Movement	913	-	(16)	-	897
At 31 July 2025	343,343	4,000	43,282	19,233	409,858
Depreciation & Impairment					
At 1 August 2024	127,655	-	21,826	-	149,481
Charge for year	10,734	105	6,039	-	16,878
Disposals	-	-	(7,247)	-	(7,247)
Adjustments	(1,543)	-	505	-	(1,038)
Foreign Exchange Movement	1,346	-	74	-	1,420
At 31 July 2025	138,192	105	21,197	-	159,494
Net Book Value					
At 31 July 2025	205,151	3,895	22,085	19,233	250,364
At 1 August 2024	215,806	4,000	22,196	7,407	249,409

	Land & Buildings	Panmure House	Equipment	Assets in the course of construction	Total 2025
	£'000	£'000	£'000	£'000	£'000
Institution					
Cost or valuation					
At 1 August 2024	300,726	4,000	38,947	6,928	350,601
Additions	-	-	98	17,679	17,778
Completions	439	-	5,324	(5,764)	-
Disposals	-	-	(7,247)	-	(7,247)
Adjustments	(1,500)	-	360	-	(1,140)
Foreign Exchange Movement	766	-	(235)	-	531
At 31 July 2025	300,431	4,000	37,248	18,844	360,523
Depreciation & Impairment					
At 1 August 2024	117,459	-	17,853	-	135,312
Charge for year	9,733	105	5,894	-	15,732
Disposals	-	-	(7,247)	-	(7,247)
Adjustments	(1,543)	-	505	-	(1,038)
Foreign Exchange Movement	1,197	-	(136)	-	1,061
At 31 July 2025	126,846	105	16,869	-	143,820
Net Book Value					
At 31 July 2025	173,586	3,895	20,379	18,844	216,703
At 1 August 2024	183,267	4,000	21,094	6,928	215,289

The land and buildings of Heriot-Watt Services Ltd are subject to a first standard security in respect of the grants received from Sportscotland.

Included in cost for the Group is £19,232,000 (2024: £6,712,000) relating to assets in the course of construction, of which £13,296,000 (2024: £5,143,000) relates to freehold land and buildings and £5,935,000 of related equipment (2023: £2,107,000).

At 31 July 2025 land and buildings for the group included £5,188,000 (2024: £5,188,000) in respect of freehold land which is not depreciated. Panmure House included £900,000 (2024: £900,000) in respect of freehold land which is not depreciated.

For the year ended 31 July 2025 the University made adjustments to its Fixed Asset Register records to reflect prior year adjustments shown in the Financial Statements. These cause of these adjustments are as follows:

1. Due to a prior year revaluation of Panmure house(recorded in land & buildings) cost - £1,500,000 depreciation - £1,543,000. The transaction was shown correctly inthe Financial Statements, but was not processed in the Fixed Asset Register.
2. Due to the removal of equipment held on the FAR being donated to the University. The removal was inadvertently posted twice in the prior year.

13. Investments

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Non-current investments				
Investment in subsidiaries (a)	-	-	6,100	5,471
Investment properties (b)	16,500	14,500	16,500	14,500
Other investments (c)	36,544	35,997	36,544	35,897
	53,044	50,497	59,144	55,868

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Current investments				
Fixed term interest deposits	10,320	1,879	9,599	1,879
	10,320	1,879	9,599	1,879

(a) Investment in subsidiaries			Institution	
			2025 £'000	2024 £'000
As at 1 August			5,471	5,374
Fair Value adjustments			629	97
As at 31st July			6,100	5,471

(b) Investment properties			Institution	
			2025 £'000	2024 £'000
As at 1 August	14,500	15,100	14,500	15,100
Revaluation	2,000	(600)	2,000	(600)
As at 31 July	16,500	14,500	16,500	14,500

Other investments (c)			Institution	
			2025 £'000	2024 £'000
As at 1 August	35,997	33,408	35,897	33,408
Additions	10,881	10,677	10,881	10,577
Disposals	(14,334)	(10,123)	(14,234)	(10,123)
Fair Value adjustments	(983)	2,019	(983)	2,019
Change in FX rate	4,983	16	4,983	16
As at 31st July	36,544	35,997	36,544	35,897

The University investment in subsidiary companies is stated at cost.

Minority investments in unquoted companies are stated at cost and include investments made by the group in spinout companies.

Heriot-Watt University holds investment in the Malaysia subsidiary of £4.1m. Under the same assumptions as above for the loan, the University does not consider the investment to be impaired. No adjustment has been made to the financial statements in respect of the investment in subsidiary held by Heriot-Watt University in Heriot-Watt Malaysia.

14 Stock

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
General consumables	17	19	-	-

15. Trade and other receivables

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Amounts falling due within one year:				
Research grants receivables	43,066	33,966	43,066	33,966
Trade receivables	6,437	9,632	7,381	8,254
Trade debt provision	(772)	(989)	(715)	(819)
Prepayments and accrued income	4,956	10,465	4,365	9,129
Amounts due from group undertakings	-	-	19,771	17,826
	53,687	53,074	73,869	68,356
Amounts falling due after more than one year:				
Loans by parent undertakings	-	-	14,122	13,722
Prepayments and accrued income	-	-	-	-
	53,687	53,074	87,911	82,078

Research grants receivable represents only accrued research income.

Included in prepayments and accrued income is £0 (2024: £294,000) due after more than one year, which constitutes deemed consideration received by Heriot-Watt University from Borders College for the sale of its Galashiels site to the College in return for 17.5 years rent-free occupation of part of the site, commencing from the 1 February 2009, this being the practical completion date for the redevelopment of the site. This lease expires October 2026.

16. Creditor: amounts falling due within one year

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Unsecured loans	843	1,032	809	999
Grants in advance for research	42,484	36,957	42,235	36,675
Other grants in advance	926	2,482	926	2,482
Other creditors	1,589	891	1,519	891
Trade creditors	19,883	13,147	18,941	12,350
Other taxation and social security	8,224	4,169	8,306	4,100
Accruals and deferred income	45,500	46,244	43,327	42,805
Amounts owed to subsidiary undertakings	-	-	4,916	4,145
	119,449	104,922	120,979	104,447

17. Creditor: amounts falling due after more than one year

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Unsecured loans	143,686	144,626	143,416	144,296
Deferred income	85,974	88,740	62,296	64,372
Other creditors	3,920	4,366	-	-
	233,580	237,732	205,712	208,668

Analysis of secured and unsecured bank loans

	Consolidated		Institution	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Due within one year or on demand	843	1,032	809	999
Due between one and two years	337	445	303	412
Due between two and five years	30,130	22,971	29,996	22,872
Due in five years or more	113,219	121,210	113,117	121,012
	144,529	145,658	144,225	145,295

Unsecured loans outstanding at 31 July 2025

	Amount £'000	Repayable	Interest rate %	Borrower
Scottish Funding Council Salix loans	109	2025	0.00%	University
Legal & General Assurance Society Ltd	15,000	2027	2.14%	University
Massachusetts Mutual Life Insurance Co. (USD loan)	3,320	2027	2.99%	University
Great -West Life & Annuity Insurance Co.	226	2027	2.99%	University
NY Trust (Barings) (USD loan)	3,244	2027	2.99%	University
Great West Life & Annuity Insurance Co. (USD loan)	7,545	2029	3.08%	University
Scottish Funding Council Salix loans	747	2029	0.25%	University
Legal and General Assurance Society	30,000	2031	2.97%	University
LTA Tennis Association	303	2035		
Massachusetts Mutual Life Insurance CO	27,400	2036	3.22%	University
Great West Life & Annuity Insurance Co.	10,000	2036	3.22%	University
Great West Life & Annuity Insurance Co.	2,600	2036	3.22%	University
Scottish Funding Council Salix loan	1,054	2041	0.25%	University
Scottish Funding Council Salix loan	583	2041	0.25%	University
Great West Life & Annuity Insurance Co.	17,000	2041	3.31%	University
Pension Protection Fund	25,000	2046	3.31%	University
Scottish Funding Council Salix loan	398	Revolving	0.00%	University
	144,529			

18. Provision for liabilities

	Pension Provisions		Total £'000
	Lothian pension fund £'000	Unfunded pension benefits £'000	
Consolidated			
At 1 August 2024	-	174	174
Utilised in year	(2,915)	(78)	(2,993)
Additions	2,915	-	2,915
Release of provision	-	-	-
At 31 July 2025	-	96	96
Analysis of net movement in provision			
Charged to staff costs (note 7)	345	(78)	267
Net charge on pension assets (note 8)	(9)	-	(9)
Actuarial loss on pension schemes	(221)	-	(221)
Restriction of loss	(115)	-	(115)
Total movement	-	(78)	(78)
Institution			
At 1 August 2024	-	174	174
Utilised in year	(2,915)	(78)	(2,993)
Additions	2,915	-	2,915
At 31 July 2025	-	96	96
Analysis of net movement in provision			
Charged to staff costs (note 7)	345	(78)	267
Net charge on pension assets (note 8)	(9)	-	(9)
Actuarial gain on pension schemes	(221)	-	(221)
Restriction of surplus	(115)	-	(115)
Total movement	-	(78)	(78)

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arose from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. The most recent valuation was as at 31 March 2023. The value of the assets of the Scheme was £73.1 billion and the value of the Scheme's technical provisions was £65.7 billion indicating a surplus of £7.4 billion and a funding ratio of 111%. As at 31 July 2025, no contractual obligation with the USS to fund deficit payments exists and the provision has been released.

The assets and liabilities of LPF 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. The institution has established a provision to recognise the net value of those assets and liabilities.

This provision meets the cost of legacy pension benefits that are unfunded and paid, as and when they arise, direct to retired members by the University. The cost is charged against the provision established to meet the cost when it arose.

USS

The 2023 valuation which was completed 20 December 2023 and the changes arising on its completion were implemented in January 2024 and impacted the 2023/24 Financial Statements. As a result the University released its provision of £59.4m in 2023/24 and has no provision in the 2024/25 Financial Statements.

Lothian Pension Fund

The assets and liabilities of LPF 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. The institution has established a provision to recognise the net value of those assets and liabilities.

Unfunded pension benefits

This provision meets the cost of legacy pension benefits that are unfunded and paid, as and when they arise, direct to retired members by the University. The cost is charged against the provision established to meet the cost when it arose.

19. Endowment reserves

			Consolidated	
	2025	2025	2025	2024
	Restricted permanent endowments	Expendable endowments	Total	Total
Balances at 1 August 2024	£000	£000	£000	£000
Capital	9,368	2,318	11,686	10,868
Accumulated Income	1,306	191	1,497	1,390
	10,674	2,509	13,183	12,258
New endowments	103	189	292	158
Investment income	316	76	392	321
Expenditure	(128)	(332)	(460)	(373)
	10,965	2,442	13,407	12,364
Increase/(decrease) in market value of investments	(150)	(37)	(187)	818
As at 31 July 2025	10,815	2,405	13,220	13,182
Represented by:				
Capital	9,296	2,281	11,577	11,685
Accumulated income	1,519	124	1,643	1,497
	10,815	2,405	13,220	13,182
Analysis by type and purpose:				
Lectureships	1,936	1,246	3,182	3,169
Scholarships and bursaries	5,336	556	5,891	5,833
Prize funds	1,451	462	1,913	2,272
General	2,092	141	2,234	1,908
	10,815	2,405	13,220	13,182
Analysis by assets:				
Current and non-current asset investments			11,577	11,685
Cash and cash equivalents			1,643	1,497
			13,220	13,182

20. Restricted reserves

			Consolidated	
	Research	Donations	Total	2024
	£'000	£'000	£'000	£'000
Balances at 1 August 2024	4,291	5,637	9,928	11,575
New Grant	-	-	-	-
New donations	-	1,816	1,816	1,149
Investment income	-	204	204	182
Expenditure	(976)	(1,202)	(2,178)	(3,014)
Increase/(decrease) in market value of investments	-	(9)	(9)	36
As at 31 July 2025	3,315	6,446	9,761	9,928
Analysis of other restricted funds/donations by type and purpose:				
Lectureships	-	1,068	1,068	742
Scholarships and bursaries	-	1,658	1,658	1,680
Research support	3,315	-	3,315	4,291
Prize Funds	-	64	64	3,187
General	-	3,656	3,656	28
	3,315	6,446	9,761	9,928

21. Cash and cash equivalents

	Consolidated	
	2025	2024
	£'000	£'000
Balances at 1 August 2024	78,642	99,732
Cash flows in year	(12,251)	(21,090)
As at 31 July 2025	66,391	78,642

22. Consolidation reconciliation of net debt

	Consolidated	
	2025	2024
	£'000	£'000
Net debt 1 August 2024	(67,016)	(46,185)
Movement in cash and cash equivalents	(12,251)	(21,090)
Other non-cash changes	1,201	867
Changes in market value and exchange rates	(72)	(608)
Net debt as at 31 July	(78,138)	(67,016)
Change in net debt	(11,122)	20,831
Analysis of net debt:		
Cash and cash equivalents	66,391	78,642
Borrowings: amounts falling due within one year		
Unsecured loans	(843)	(1,032)
Borrowings: amounts falling due after one year		
Unsecured loans	(143,686)	(144,626)
Net debt as at 31 July 2025	(78,138)	(67,016)

23. Capital and other commitments

	Consolidated	
	2025	2024
	£'000	£'000
Provisions have not been made for the following capital commitments as at 31 July 2024		
Commitments Contracted	3,357	4,429
Authorised but not contracted	7,564	9,999
	10,921	14,428

24. Lease obligations

As at 31 July 2025 commitments under operating leases were as follow:

	31 July 2025			2025	2024
	Land & Buildings £'000	Plant and machinery £'000	Other leases £'000	Total £'000	Total £'000
Consolidated (Group)					
Payable during the year	8,841	5	43	8,888	7,583
Future minimum lease payment due					
Not later than 1 year	9,954	3	58	10,015	7,854
Later than 1 year and not later than 5 years	41,243	-	50	41,293	32,057
Later than 5 years	29,402	-	47	29,449	33,554
Total future minimum lease payment due	80,599	3	155	80,757	73,465
Institution					
Payable during the year	7,400	-	9	7,409	6,550
Future minimum lease payment due					
Not later than 1 year	8,529	-	53	8,582	6,515
Later than 1 year and not later than 5 years	33,243	-	45	33,288	25,382
Later than 5 years	2,763	-	44	2,807	6,108
Total future minimum lease payment due	44,535	-	141	44,676	38,005
Total Rental receivable under operating lease					
	As at July 2025			2025	2024
	Land & Buildings £'000	Plant and machinery £'000	Other leases £'000	Total £'000	Total £'000
Consolidated and Institution					
Future minimum lease payment due					
Not later than 1 year	1,476	-	58	1,534	838
Later than 1 year and not later than 5 years	5,774	-	97	5,871	2,776
Later than 5 years	46,484	-	-	46,484	43,623
Total future minimum lease payment due	53,734	-	155	53,734	47,237

Contingent rents receivable recognised in the Statement of Comprehensive income during 2025 were £899k (2024:£819k).

On 1 November 2024 Heriot-Watt Dubai entered into a new lease for occupancy of Building 10, Dubai Knowledge Park, Dubai and a separate lease for Building 9, Dubai Knowledge Park, Dubai. Both tenancy agreements entered into will terminate 30 November 2030, with an option to break the agreement 01 November 2027. After the fit-out period of 7 months from the date of the tenancy, payment will be for the sum of 1.587mAED and 0.301mAED respectively, per calendar month will be due. These agreements are in addition to the lease for building B and C, Dubai Knowledge Park, Dubai for the period 1 January 2021 through 30 November 2030.

On 25 June 2024 Heriot-Watt Malaysia entered into the third amendment of its lease on the Heriot-Watt Campus building, Suite 2-4 Level 2, Tower Block, Menara Millenium, Kuala Lumpa dated 20 August 2014, the First Supplemental Lease Agreement dated 1 August 2018, and the Second Supplemental Agreement dated 25 July 2019. The third amendment agreed that the lease payments would be reduced from RM9.0 per square foot for years 10 through expiry to RM3.00 per square foot for years 10 through 12, increasing by RM1.00 per square foot for every subsequent 3-year period until the expiry date with effect as of the rental period 1 February 2024. As a result, Heriot-Watt Malasia received a refund payment of RM5,045,475 in August 2024.

25. Subsidiary undertakings

The subsidiary companies (all of which are registered in Scotland), wholly owned or effectively controlled by the University are as follows:

Company	Principal activity	Number of shares	Percentage owned
Edinburgh Business School (Limited by Guarantee) SC173556	Dormant, this company is exempt from the requirements to prepare individual accounts virtue of s.394a of the Companies Act 2006	0	100%
Edinburgh Conference Centre Limited	Dormant, this company is exempt from the requirement to prepare individual accounts virtue of s.394a of the Companies Act 2006	100	100%
Heriot-Watt Services Limited	The management and operation of the National Performance Centre for Sport	100	100%
Heriot-Watt Trading Limited	The provision of consultancy, pipeline technology, language translation and interpretation services, management and business training and the manufacture of finished goods	2,000,000	100%
Scottish College of Textiles Limited	Dormant, this company is exempt from the requirement to prepare individual accounts by virtue of s.394a of the Companies Act 2006	6	100%

The Group also wholly owns and effectively controls the following overseas business:

Company	Principal activity	Number of shares	Percentage owned
Heriot-Watt University Malaysia Sdn Bhd	A private Higher Education Institution, registered by the Malaysian Ministry of Higher Education	20,000,000	100%

26. Pension Schemes

The total pension charge/(return) in the financial statements reflects the impact of the release of Universities Superannuation Scheme (USS) deficit provision along with the costs incurred by the group costs during the year a charge of £15,647,000, (2024: £42,096,000 return); and is analysed as follows:

	Employer Pension Contributions (note 7)	Net charge on pensions (note 18)	Provision movement (note 18)	Consolidated	
				2025 £'000	2024 £'000
Universities Superannuation Scheme	11,699	-	-	11,699	(43,952)
Lothian Pension Fund	2,915	9	-	2,924	964
Scottish Teachers Superannuation Scheme	50	-	-	50	46
Other pension costs	1,052	-	(78)	974	846
	15,716	9	(78)	15,647	(42,096)

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial funding valuations of the USS pertaining to these accounts was at 31 March 2023, of the Lothian Pension Fund (LPF) scheme on 31 March 2023, of the Scottish Teachers Superannuation Scheme on 31 March 2016.

Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is a UK-wide scheme which throughout preceding periods was a defined benefit only pension scheme. With effect from 1 October 2016, the scheme changed from defined benefit only to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Due to the mutual nature of the scheme, the scheme’s assets are not hypothecated to individual institutions, and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions’ employees who are members of the scheme and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, as is required by Section 28 of FRS 102, “Employee Benefits”, the University accounts for the scheme as a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in the year. The total cost charged to the statement of comprehensive income is £11,699,000 (2023: £12,813,000) as shown above.

On conversion to FRS 102, the University in previous years has recognised a provision for the present value of the deficit reduction plan for the USS scheme. As USS is now in surplus, the provision has been released in 2024.

The 2023 valuation was the seventh valuation for the Scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £73.1 billion and the value of the Scheme’s technical provisions was £65.7 billion indicating a surplus of £7.4 billion and a funding ratio of 111%.

The key financial assumptions used in the 2023 valuation are described below. More detail is set out in the Statement of Funding Principles which is available at: <https://www.uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles>.

CPI assumption	3.0% pa (based on a long term average expected level of CPI, broadly consistent with long term market expectations)
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.03%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: pre-retirement: 2.5% p.a.; post retirement: 0.9% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme’s experience carried out as part of the 2023 actuarial valuations. The mortality assumptions used in these figures as follows:

Mortality base table	103% of S2PMA “light” for males and 97% of S3PFA for females
Pension increases (subject to a floor of 0%)	CMI 2021 with a smoothing parameter of 7.5, an initial addition of 0.4% p.a. 10% w2020 and w2021 parameters, and a long-term improvement rate of 1.8% for males and 1.6% for females.

The current life expectancies used in the 2023 valuation on retirement at age 65 are:

	2025	2024
Males currently aged 65 (years)	24	23.7
Females currently aged 65 (years)	25.6	25.56
Males currently aged 45 (years)	26	25.4
Females currently aged 45 (years)	27.4	27.2

At 31 March 2023, the Scheme's assets exceeded the technical provisions and as such no recovery plan was needed.

The funding position of the scheme has since been updated on an FRS 102 basis.

	2023 Valuation	2020 Valuation
Scheme assets	£73.1bn	£66.5bn
Total scheme liabilities		
FRS 102 total scheme surplus/(deficit)	£65.7bn	£80.6bn
FRS 102 total funding level	£7.4bn	(£14.1bn)
	111%	83%

The March 2023 valuation (issued 20 December 2023) of the USS pension scheme shows the scheme returning to a surplus position of £7.4bn compared to a deficit of £14bn in March 2020. In October 2023 the UUK and UCU agreed a number of benefit improvements as well as reduction in employer and employee contribution rates. The proposals issued 20 December 2023 reduced the employer contribution rate of the University from 21.6% to 14.5% from 1 April 2024.

Lothian pension Fund

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 based on 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 comprehensive income represents the service cost expected to arise from employee service in the current year.

An actuarial valuation exercise has been undertaken by a qualified independent actuary in order to calculate pension expense as at 31 July 2025.

A net surplus of £(0.1)m as at 31 July 2025 (2024: £53.8m) resulted from the actuarial valuation. This surplus was not recognised as a pension asset in the financial statements as it does not meet the recognition criteria set out in FRS 102 as stated below:

1. Reduced contributions – In 2023 various accounting and audit bodies clarified that this should be assessed as the extent to which employer contributions are less than projected service costs for the life of the scheme. At 31 July 2025 the University's projected service costs for the scheme remained below that of the planned contributions, therefore it remains appropriate no asset is recognised on this basis.

2 Refund from the scheme – the accepted accounting practice continues to be not to recognise any pension asset based on a right to refund from the scheme for scheduled bodies of an LGPS. This has been on the basis that the University has no functional way to recover the asset without giving notice to leave the pension fund which would require legislative change.

The major categories of plan assets as a percentage of total plan asset

Period Ended	2025	2024
Equities	68%	68%
Bonds	19%	19%
Property	8%	8%
Cash	5%	5%

The major assumptions at 31 July 2025 used by the actuary

	2025	2024
Pension increase rate	2.80%	2.75%
Salary increase rate	3.50%	3.45%
Discount rate	5.75%	4.95%

Life Expectancy

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2024 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females.

Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

	Males	Females
Current Pensioners	20 years	23.1 years
Future Pensioners*	20.8 years	24.7 years

* Figures assume members aged 45 as at the last formal valuation date.

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements are shown below:

Period ending	Current pensioners	Future pensioners
31-Jul-25	CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.	CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value the Obligations in the Employer's Opening Position.

An allowance is included for future retirements to elect to take 70% of the maximum additional tax-free cash up to HMRC limits.

All other demographic assumptions are as per the latest funding valuation.

Changes in the fair value of plan assets, defined benefit obligation and net liability for year.

	2025			2024		
	Assets	Obligations	Net Asset / (Liability)	Assets	Obligations	Net Asset / (Liability)
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Position as at 31 July:						
Fair value of plan assets	174,494	-	174,494	162,882	-	162,882
PV of funded liabilities	-	120,514	(120,514)	-	(105,180)	(105,180)
Effect of the asset ceiling	(53,830)	-	(53,830)	-	-	-
PV of unfunded liabilities	-	150	(150)	-	(150)	(150)
Restriction applied to surplus	-	-	-	(57,552)	-	(57,552)
	120,664	120,664	-	105,330	(105,330)	-
Defined benefit costs recognised in Profit or (Loss)						
Service costs						
Current service cost	-	3,276	(3,276)	-	(3,296)	(3,296)
Past service cost (including curtailments)	-	-	-	-	-	-
	-	3,276	(3,276)	-	(3,296)	(3,296)
Net interest						
Interest income on plan assets	8,608	-	8,608	8,235	-	8,235
Interest cost on defined benefit obligation	-	5,954	(5,954)	-	(5,307)	(5,307)
Interest on the effect of the asset ceiling	(2,663)	-	(2,663)	-	-	-
Total net interest	5,945	5,954	(9)	8,235	(5,307)	2,928
Total defined benefit cost	5,945	9,230	(3,285)	8,235	(8,603)	(368)
Cashflows						
Plan participants' contributions	962	962	-	1,032	(1,032)	-
Employer contributions	2,915	-	2,915	3,892	-	3,892
Estimated benefits paid	(4,834)	(4,834)	-	(5,231)	5,231	-
Estimated unfunded benefits paid	(16)	(16)	-	(16)	16	-
Estimated contributions in respect of unfunded benefits paid	16	-	16	16	-	16
Effect of business combinations and disposals	-	-	-	-	-	-
Total cashflows:	(957)	(3,888)	2,931	(307)	4,215	3,908
Expected closing position before remeasurements	125,652	126,006	(354)	113,258	(109,718)	3,540
Remeasurements						
Changes in financial assumptions	-	(14,374)	14,374	-	2,894	2,894
Changes in demographic assumptions	-	375	(375)	-	2,373	2,373
Other experience	-	(1,089)	1,089	(1,550)	(16,213)	(17,763)
Return on assets excluding amounts included in net interest	(3,162)	-	(3,162)	5,234	-	5,234
Changes in the effect of the asset ceiling	(11,705)	-	(11,705)	-	-	-
Total remeasurements recognised in Other Comprehensive Income (OCI)	(14,867)	(15,088)	221	3,684	(10,946)	(7,262)
Restriction applied to surplus recognition	-	-	-	3,722	-	3,722
Closing Position as at 31 July	110,785	110,918	(133)	120,664	(120,664)	-
Represented by:						
Fair value of plan assets	178,983	-	178,983	174,494	-	174,494
PV of funded liabilities	-	110,785	(110,785)	-	(120,514)	(120,514)
PV of unfunded liabilities**	-	133	(133)	-	(150)	(150)
Restriction applied to surplus recognition	(68,198)	-	(68,198)	(53,830)	-	(53,830)
Closing Position as at 31 July	110,785	110,918	(133)	120,664	(120,664)	-

* The current service cost includes as allowance for administration expenses of 0.3% of payroll.

* * The unfunded obligation comprises £133,000 (2024:150,000) in respect of LGPS unfunded pensions and £0 in respect of Teachers' unfunded position.

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2025:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	1,868
1 year increase in member life expectancy	4%	4,437
0.1% increase in the Salary Increase Rate	0%	104
0.1% increase in the Pension Increase Rate (CPI)	2%	1,814

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

In order to quantify the impact of a change in the financial assumptions used, calculations and comparisons are made to the value of the scheme obligations at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the figures provided above, based on the profile (average member ages, retirement ages etc) of Heriot-Watt as at the date of the most recent valuation.

Goodwin Judgement

On 30 June 2020, in a case brought by Mrs Linda Goodwin (the Claimant), the Employment Tribunal ruled that a widower or surviving male civil partner of the Claimant shall be entitled to the same pension as he would if he were a widow or surviving female civil partner of the Claimant. This ruling has implications for liabilities in other schemes, including the Lothian Pension Fund. It impacts the survivor pensions of female members with pre-1988 service who die after 2005. The remedy remains uncertain. The University's actuaries have assessed the estimated cost of this judgement as below materiality and no adjustments have therefore been reflected in the financial statements at 31 July 2025.

Virgin Media Judgement

On 25 July 2024, the Court of Appeal upheld the *Virgin Media Ltd v NTL Pension Trustees II Ltd* judgment, confirming that amendments to salary-related contracted-out pension schemes made between 6 April 1997 and 5 April 2016 are void unless written actuarial confirmation under Section 37 of the Pension Schemes Act 1993 was obtained at the time of the change.

If the Company sponsored a defined benefit pension scheme that was contracted out during this period. The trustees should review historical amendments to confirm compliance with Section 37 requirements. If any amendments are found to be void, the scheme's liabilities could increase. The extent of any increase cannot be reliably estimated at this stage. No adjustment has been made to the defined benefit obligation in these financial statements. However, the matter may result in a material change to future obligations.

Scottish Teachers' Superannuation Scheme

The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded multi-employer defined benefit only pension scheme. Contribution rates to the Scheme for employees are tiered, in a range of 7.35% to 12.14% of pensionable salary and for employers are 26% (2024:22.4%) effective from 1 April 2024.

Under the definitions set out in FRS 102 the STSS is an unfunded multi-employer defined benefit scheme and as the University is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme.

The latest actuarial assessment was carried out as at 31 March 2016, with no further valuations completed to date. The Scheme had total liabilities, for service to 31 March 2016 of £22.8 billion and notional assets of £21.5 billion giving a notional past service deficit of £1.3 billion.

The total pension cost for the University was £50k (2023: £46k). This includes £6k (2024: £6k) of outstanding contributions at the year end.

National Employment Savings Trust (NEST)

The University and, prior to the business combination on 31 July 2019, Edinburgh Business School have implemented arrangements to meet the UK statutory requirement for employers to automatically enrol certain workers who are not already pension scheme members into a qualifying pension scheme. In addition to the existing pension schemes, staff can opt to join NEST.

The employer's costs for the year ended 31 July 2025 was £4k (2024: £16k).

Heriot-Watt Services Limited defined contribution pension scheme

Employees on Heriot-Watt Services Ltd contracts of employment are entitled to contribute to a defined contribution scheme.

The employer's costs for the year ended 31 July 2025 was £81,859 (2024: £77,673).

27. Financial instruments

	Consolidated	
	2025 £'000	2024 £'000
Financial assets		
Assets held at amortised cost	112,807	96,872
Cash & cash equivalents	66,391	78,642
	179,198	175,514
Financial Liabilities held at amortised cost		
Liabilities held at amortised cost	50,641	45,052
Loan held at amortised cost	143,686	144,626
	194,327	189,678

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 1 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.

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 that are not expected to fail.

	Consolidated	
	2025 £'000	2024 £'000
Financial assets		
Trade debtors and other receivables	48,731	42,609
Cash and cash equivalents	66,391	78,642
	115,122	121,251

Material 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

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

	Consolidated	
	2025 £'000	2024 £'000
Fixed rate instruments		
Financial liabilities	(143,686)	(144,626)
Variable rate instruments		
Financial assets	63,364	52,376

Currency rate risk

The 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 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 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 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.

	Consolidated	
	2025 £'000	2024 £'000
Trade debtors and other receivables	48,731	42,608
Cash and cash equivalents	66,391	78,642
Trade creditors and other payables	(50,641)	(45,052)
Long term borrowings	(144,529)	(145,658)

The following methods and assumptions were used to estimates 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

The Group has long term borrowings raised from the private placement market. These are in tranches that are due for repayment from 2027 through to 2046. The borrowings are subject to two covenant tests based on the annual financial statements: asset cover to net borrowing test and operating cashflow to debt service ratio.

28. Access funds

	International				Total 2024 £000
	Childcare 2025 £000	Hardship 2025 £000	Fund 2025 £000	Total 2025 £000	
At 1 August 2024	33	6	-	39	80
Repaid to funding body	(33)	(6)	-	(39)	(80)
Funding Council grants	53	208	6	267	234
Disbursed to students	(15)	(119)	(21)	(155)	(195)
Virements	-	(15)	15	-	-
Balance unspent at 31 July 2025	38	74	-	112	39
Repayable to funding body				112	39

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. The unspent balances repayable to the Funding Council are recorded on the Balance Sheet as a cash asset and an equal liability in creditors - amounts falling due within one year.

29. Related Parties

Due to the nature of the University's activities and the composition of Court being drawn from both public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Court may have an interest. From time to time, as supporters of the University, Court members may donate varying amounts to assist the University in achieving its goals. All transactions involving organisations in which a member of Court or of the Senior Officers may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Remuneration of key management personnel are disclosed in Note 7 to the accounts.

A register of the interests of the members of Court and of the University's senior officers is maintained and regularly updated. Court Members' interests can be viewed within their individual profiles on the University's website at <https://www.hw.ac.uk/about/profile/governance/court.htm>.

Included in these financial statements are the following transactions between the University and related parties where a member of the University Court or Senior Officer was also a director or trustee of the related party (as defined in Section 33 of FRS 102).

	Payments received	Payments made	Balance due to group at 31/07/25	Balance due from group at 31/07/25
	£'000	£'000	£'000	£'000
Heriot-Watt Student Union	123	1,129	12	3
Confederation of British Industry (CBI)	-	19	-	-
Department for Business and Trade	71	-	-	-
Entrepreneurial Scotland Foundation (University of Strathclyde)	-	7	-	-
University of Newcastle	-	48	-	-

The University has taken advantage of the exemption allowed by FRS 102 not to disclose transactions between wholly owned group companies.

In common with many universities, senior members of the University sit on Research Councils and other grant awarding bodies, or their sub committees, which have their own internal procedures to avoid potential conflicts of interest.