



University of the
Highlands and Islands
Oilthigh na Gàidhealtachd
agus nan Eilean

Report and Financial Statements

For the year ended 31 July 2025

Aithisg agus Aithrisean Ionmhais

A' bhliadhna a chrìochnaich
31 Iuchar 2025

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1. Report of the University Court for the year ended 31 July 2025

Nature, objects and strategy of the university

The University of the Highland and Islands (UHI) Court is the accountable body for both higher and further education performance in line with the Scottish Funding Council's (SFC) Outcomes Framework and Assurance Model. The University Court drives the strategic direction of the UHI partnership underpinning the transformation of the economic, social, and cultural life of our region by delivering a university for the region with national and international ambitions.

UHI is a globally recognised tertiary institution, and we are proud to celebrate our exceptional partnership of colleges, internationally recognised research institutions and specialist teaching centres. UHI is more than a traditional university and we pride ourselves on delivering further education, higher education, and world class research to over 31,000 students per year, across our campus of 47 teaching and learning centres.

The Post 16 Education (Scotland) Act 2013 identified the University of the Highlands and Islands as a regional strategic body with responsibilities for planning, delivery, monitoring, and efficiency savings in further education across our operating area. The main provisions of this Act came into force on 1 August 2014 and further education for the region has been funded through UHI from that date.

In 2023 the University launched its new 2030 Strategy 'Where learning means more' which was approved by the University Court in June 2023. Our 2030 strategy builds on our success to date and takes our ambition forward across five key strategic themes: teaching, learning and student support; research and innovation impact; enterprise and growth; environmental sustainability; and operational excellence. During the lifetime of this strategy, we will think, plan and act as one institution in delivering our mission and vision, and our strategic themes will be underpinned by significant transformation across our institution to deliver. Following the publication of the strategy the UHI Partnership has embarked on a significant transformational change programme, funded through the Scottish Funding Council. In December 2024 the Partnership completed an Outline Business Case (OBC) and during the course of academic year 2025/26 will deliver a Full Business Case (FBC) to deliver transformational change on behalf of the Partnership.

Each year, UHI contributes £560 million to the region, indirectly supporting 6,200 jobs. As a multiplier effect, UHI puts back at least £4 for every £1 spent into the economies of the Highlands and Islands, Moray, and Perthshire. Our philosophy is based on our founding values of creating sustainable education for students of all ages and abilities. This ethos is underpinned by our mission to have a transformational impact on our people, communities, and economy. We care passionately about our regions, and we demonstrate our commitment through our excellent student experience and by offering flexible and supported learning from access level to PhD, delivering direct skills and apprenticeship programmes linked to workforce demand, all within the same institution.

A fundamental part of our mission is to drive co-created education and research, enhanced by our unique landscape, heritage, and cultures, ensuring that learning outcomes are second to none. We are also committed to affirming all the languages, dialects and cultures throughout our regions, including the Gaelic language and culture. Across the UHI operating area we have centres of excellence and worldclass thinking that are pushing the boundaries of academic and applied knowledge, where staff, students, industry, and communities are collaborating to drive innovation and new ways of thinking.

In the Research Excellence Framework (REF) for 2021, 72% of the UHI research was recognised as excellent or world leading.

Students are at the heart of what we do. We take time to help our students find their unique learner journey. We care passionately not just about our students and staff but also our region, its people, communities, and future prosperity. In 2025 UHI officially recorded an overall undergraduate satisfaction rate of 86%, an increase of five percentage points on 2023-24's figure of 81%, and well above the Scottish sector average of 81%. This places UHI 4th in Scotland for overall satisfaction, its highest ever ranking in the National Student Survey (NSS). UHI improved its results in every question theme, outperforming the Scottish sector in all areas. Four degree programmes achieved 100% overall satisfaction demonstrating the breadth of high-quality teaching and student support across the university:

- BSc (Hons) Audio Engineering
- BA (Hons) Criminology
- BA (Hons) Food, Nutrition and Textiles Education
- BA (Hons) Theatre Industry Practice

Postgraduate students also ranked the University of the Highlands and Islands (UHI) as the best in Scotland for overall student satisfaction in the 2025 Postgraduate Taught Experience Survey (PTES). In this year's national survey, UHI achieved an overall satisfaction rate of 91% – the highest of any Scottish university and increased from the previous year's score of 88%. This places UHI 7th in the UK, out of 102 participating institutions. Coordinated by Advance HE, the Postgraduate Taught

Experience Survey invites taught postgraduate students from across the UK to rate their student experience. UHI also ranked highest in Scotland in three additional categories: teaching (90%), assessment (90%) and engagement (87%). The following courses each achieved a perfect 100% overall satisfaction score:

- MSc Advanced Nurse Practitioner
- MA Contemporary Art and Archaeology
- MA Health and Wellbeing
- MLitt History
- MSc Psychology Conversion
- MSc Sustainable Mountain Development
- PGCert Teaching qualification further education

UHI is a tertiary education institution and in accordance with the Act, further education funding is distributed by UHI to seven assigned colleges. The academic partners who were designated as assigned colleges are UHI Moray, UHI Perth, UHI Inverness, UHI North West and Hebrides, UHI Shetland, Orkney College UHI and UHI Argyll. In 2025 the College Student Satisfaction Survey (SSES) 2024-25 overall FE satisfaction was 96.2% for UHI, compared to 95.4% for 23-24, a 0.8pp increase (Scottish sector average is 94.8 for 24-25). UHI as a tertiary University partnership is incredibly proud to receive this feedback from our students across further education, higher education and research Strategic Report - Current and Future Development and Performance

Strategic Report – current and future development and performance

There were many developments across the University of the Highlands and Islands partnership during the 2024-25 academic year.

As part of the delivery of the 2030 Strategic Plan, during 2024-25, UHI has continued to focus on student outcomes as detailed above, financial sustainability, transformation, economic development and delivering excellent tertiary education to all of the communities within the UHI regions.

Financial sustainability remains a significant and key consideration for the University Court and Regional Strategic Body and during 2024-25, enhanced monitoring of the University financial position and the UHI Partnership was implemented following the creation of a dedicated Chief Financial Officer post in 2024. This dedicated resource has allowed the institution to deliver a focused financial strategy, which will deliver long term stabilisation and growth. Sitting alongside this role, has been the creation

of a dedicated post of Vice Principal Student Recruitment and Growth, focused on both HE and FE recruitment and driving an improved position in what continues to be a very challenging operating environment. These changes were also made in response to a challenging external funding climate where core funding streams from the Scottish Government are decreasing in real terms year on year, whilst inflation and employment costs continue to increase.

UHI is now recovering its post pandemic reduction in HE student numbers and FE has recovered significantly post pandemic. UHI continues to experience a significant excess demand for its FE provision and has been requesting an increase of FE credit funding from the Scottish Government for a number of years to meet economic demand across the regions which UHI serves.

Transformation remains and has been a key theme during 2024-5. Our UHI Strategic Plan 2030 commits us to thinking, planning and acting as one institution in delivering on our mission and vision, and in 2024-25 UHI delivered an outline business case to make the case for change for the whole of the UHI Partnership, to highlight the current challenges, and opportunities, and to be clear that the 'status quo' is not an option. Whilst UHI has achieved significant success and many notable achievements, the legacy founding mechanisms are now a barrier for UHI in a very challenging and underfunded education sector.

UHI is a highly valued institution, covering approximately two thirds of the landmass of Scotland and the partnership is collectively driving change to deliver significant and increased integration and benefit for UHI's students, staff, communities and economies, together with ensuring financial sustainability and a platform for growth and investment. This change comes in two main forms:

- A move towards a more integrated institution as per our 2030 strategy
- A fast-tracked approach to making UHI more effective and efficient by to reviewing current provision, structures, systems, governance and processes in order to drive an enhanced student experience together with a financially sustainable, growth focused institution.

The UHI regions (Highlands and Islands, Moray and Perthshire) have a hugely varied geography, from rural and island locations to urban cities, comprising of diverse communities. There is 'no one size fits all' in UHI, and flexibility, local delivery and innovation must remain at the heart of what the University was founded to provide. UHI as a tertiary university partnership serves its communities proudly, but we must do more; more resources devoted to our students; more embedded in our communities; more economic development as an anchor institution, and most importantly, continue to be true to our founding mission "to have a transformational impact on the people, communities and economies of our region".

University Court recognises that UHI provides a critical future for our young people who otherwise would have to leave the region to pursue their education, and as such

plays a vital role in addressing depopulation through successful, sustainable communities, despite the significant additional costs of delivering high quality education in rural and island locations. UHI, unlike other publicly funded bodies, is not eligible for the Distant Islands Allowance payments to its staff, and this policy decision creates an unfair burden for UHI compared with other publicly funded organisations such as the NHS, Scottish Government and Local Authorities.

The UHI Partnership continues to make strong progress on improving our student experience and delivering high quality education and research outcomes, but in order to drive the radical and integrated change, which is required, we need the support of our stakeholders, including dedicated funding support from the Scottish Government/Scottish Funding Council.

Our change is focused on seven enabling key principles, linked to our 2030 Strategic Plan, which have been agreed by the Partnership, and which will preserve the integrity of the current UHI Partnership, but also allow it to evolve to deliver its potential:

- Enhance our ability to deliver learning, teaching and research.
- Increase the proportion of the resources that are spent on our students to enhance their experience of studying with UHI, at whatever level, and the equity across that provision.
- Remain geographically dispersed, delivering the educational needs of our communities and enhance local economic growth and development.
- Ensure local accountability and empowerment and place-based approaches that underpin UHI with coherence and responsiveness across our regions.
- Provide for greater opportunities for our staff and their career development across corporate and tertiary academic provision.
- Enhance our decision making through single point accountability.
- Become fully tertiary and use this to lead the post-16 education agenda in Scotland.

During 2025 a Full Business Case (FBC) will be produced which will detail options for the future format and structure for the University Partnership. This process has been supported by the Scottish Funding Council and the University welcomes and recognises their ongoing support.

The Regional Strategic Body continues to work closely with all of the academic partners to monitor performance/outcomes and provide the required oversight and guidance. During 2024-25, the Regional Strategic Body (RSB) appointed new/interim Chairs to UHI Moray, UHI Inverness, UHI Shetland and UHI Perth. With specific regard to UHI Perth, the RSB worked closely with officers and Board members, following the resignation of the Principal and Board members, to stabilise

the college and to provide support on the UHI Perth financial recovery programme under the leadership of the Interim Principal and Interim Chair of the Board.

As the UHI regions continue to realise their economic potential, UHI remains a fundamental part of that regional success, developing and delivering a skilled workforce that supports the regional and islands economies, acting as an anchor institution for investment and growth. Opportunities which build on UHI's institutional success to date and support delivery of its 2030 strategic objectives are presented by various regional developments.

Inverness & Cromarty Firth Green Freeport, ScotWind, hydrogen, pumped hydro, ports and harbours, energy transmission, space ports and wider construction developments are of regional and national significance and will generate significant demand for education, training, research, and innovation within the regions that UHI serves.

The Economic Impact Assessment conducted for the Green Freeport alone outlines the creation of around 10,000 new jobs in the renewable energy, technical and supply chain and construction sectors, important to the entirety of UHI's regions, and the addition of over £6 billion to the regions' economy. UHI as a key partner has publicly stated its intention to directly support the Green Freeport by helping to train and educate the future workforce, by driving research and innovation in the renewable energy and life sciences sectors, and by working with public and private partners to ensure the Green Freeport has a transformational impact. Additional to this, with growth in regionally important and established wider sectors such as space, aquaculture, the 'blue economy' generally, tourism, the creative economy, and life sciences, it is clear that an increase in the population of the regions will be essential. The scale of the skilled workforce required by industry will drive an in-regions demand for FE and apprenticeships, as well as undergraduate and master's level qualifications.

The role of UHI in supporting the development of a skilled workforce in the key sectors as exemplified above is critically important, but UHI has an equally significant public responsibility to reflect the cultures, heritage, dialects, landscapes and seascapes in its core academic offering. In part UHI's academic offer in this respect relates to the provision of a skilled workforce, for example in support of tourism and in terms of the commitment to strengthening the use and visibility of Gaelic in the workforce across the UHI regions.

At the current time, UHI already has significant academic provision in both teaching and research in a diverse range of arts, humanities and science subject disciplines which reflect the rich cultural and historical context of the Highlands and Islands and beyond, but there is considerable potential for further growth and development. A major gap at the current time is the demand in excess of supply for FE provision, which remains underfunded and presents a significant challenge to providing a skilled workforce to employers in the UHI regions.

We pride ourselves on being a dynamic institution, focused on change, ambition and growth.

Our UHI Strategic Plan 2030 has provided the platform to deliver our appetite for success, thinking globally and acting locally to deliver world class education, research and innovation, underpinned by our founding mission to have a transformational impact on our people, communities and economy.

UHI hosts several world leading specialised research centres focused on key areas such as environmental and marine science, renewable energy, history, place-based archaeology, life sciences, and rural health to name a few. These research centres contribute to cutting-edge place-based research and innovation, addressing regional issues and global challenges, supported by our innovative STEM partnerships with business and industry.

UHI has a critical place in the regions it serves, and the reasons why UHI was founded as are critical today as they were at UHI's inception. Our UHI regions face unparalleled economic challenges and growth opportunities, combined with the need to link education, business, industry and innovation initiatives to deliver on Scotland's growth ambitions. These opportunities and challenges place UHI in a unique position to deliver on behalf of its communities, regions and for Scotland as a whole.

Academic Developments

Academic Year 2024/25 marked the second year of operation for UHI's new academic structures, and despite significant pressures in the wider environment—flat cash funding, declining HE demand and curriculum restructuring across several partners—there is clear evidence that the new tertiary model is beginning to deliver benefits.

The new faculties, Cognate Subject Groups (CSGs), and academic committees have enabled a more integrated approach across further education, higher education, research, and knowledge exchange. Throughout a challenging year, the Deans, Associate Deans, curriculum managers and senior colleagues across the partnership worked collectively to stabilise provision, safeguard programme quality, and minimise the impact of staffing fluctuations on students, maintaining exceptional student experience.

Academic Restructuring and Governance

The new governance structures, including Faculty Boards and refreshed CSG Committees, now cover the full breadth of tertiary activity. Their remit is strategically focused, supporting integrated academic planning and alignment with the UHI Strategic Plan 2030.

Early meetings of the Faculty Boards have concentrated on long-term ambition, sector drivers and shared priorities. CSG Committees have been configured flexibly to reflect size, complexity, and activity mix. This year they have created stronger communities of practice and improved cross-faculty visibility. Notable early impacts include:

- improved understanding between research teams and education programmes, enabling teaching contributions and shared expertise;
- increased awareness of FE–HE pathways and progression opportunities, supporting UHI's tertiary ambitions.

The new structures continue to mature, and their collective focus is now shifting toward a shared planning cycle, strategic external engagement and sharper alignment across FE, HE, research and KE.

Curriculum Change and Planning

Curriculum change across the partnership has been significant. This work is one component of maintaining the quality and currency of the curriculum, particularly during a period of unprecedented programme and module leader demission. Thanks to extensive effort by staff across the partnership alongside Associate Deans, the Academic Standards and Enhancement (ASE) team, and local curriculum leads, UHI has protected student experience—reflected in continued strong NSS and PTES results.

To strengthen long-term planning, a new **Collective Curriculum Planning Cycle** has been introduced. Meeting for the first time in October 2024, the group brings together academic partners, faculty teams, planning and performance colleagues, student recruitment and growth and sector intelligence. Its aims include:

- enabling earlier partnership-wide visibility and decision-making to align with UCAS and external deadlines;
- improving forecasting and evidence-based choices;
- coordinating curriculum reform and rationalisation;
- identifying risks through a new curriculum-focused risk register.

This new planning framework represents a major step toward a sustainable, coherent tertiary portfolio.

In addition to the regular cycle of quality monitoring, Subject Area Review was completed for Health, Social Care and Life Sciences

FE/HE Integration and Pathways

Work led by the Head of Further Education has begun mapping FE curriculum to CSG areas to highlight progression connections and strengthen FE-to-HE pathways. This will support UHI's ambitions for a more seamless tertiary offer and better data-led planning. A new progression dashboard to track student pathways between FE and HE has been developed.

Student Numbers and Demand

Ten-year data shows strong and steady growth in HE FTEs until 2020/21, followed by declines consistent with national trends linked to the pandemic. In 2024 there were early signs of stabilisation and areas of renewed growth—particularly in Graduate Apprenticeships, PGT programmes, and subject areas within both faculties.

- growth in Graduate Apprenticeships (to 245 FTE)
- growth in sport/fitness provision via UHI Perth partnerships;
- continued challenge in nursing recruitment, reflecting national trends;
- stronger-than-target recruitment in GTCS-accredited teacher education pathways including PGDE Secondary and BA (Hons) Gaelic and Education;

Enrolment profiles remain uneven across the partnership. However, the new planning cycle will enable earlier interventions and improved forecasting.

New Programme Development

Despite pressures, significant programme development has continued across both faculties. Highlights include:

Transnational Education (TNE)

- Successful franchise approval for BAH Hospitality Management with the Asian Institute of Technology and Management (AITM), Nepal.
- Further TNE opportunities under consideration for business, management, computing and other pathways.

New and Repositioned Programmes

- Repositioning of the BSc (Hons) Environmental Science scheme to support international recruitment.
- New proposals including MSc Freshwater Conservation Management, integrated Masters in Applied Marine Science, Graduate Apprenticeship in Engineering, MA Social Work, Optometry CPD/PGCert awards.

- In Arts, Humanities, Business and Education (AHBE): MSc Digital Archaeology, MLitt Early Modern European Studies, BAH Drama and Film, MA Accounting, and ongoing development of an increasingly collaborative MBA.

SFC Outcome Agreement – performance in further education and higher education

Up until 2023-24 colleges and universities in Scotland were required to complete outcome agreements to demonstrate their contribution to SFC priorities and provide assurance and accountability for the use of allocated funding and investment. From 2024-25 a new outcome framework and accountability model (OFAM) has replaced outcome agreements. The OFAM does not require SFC to agree in advance with the bespoke outcomes and activities that colleges and universities will specifically deliver in the following academic year. Instead, SFC will use the OFAM to monitor what colleges and universities have delivered in the previous academic year.

HE Measures (*measures focus on Scottish domiciled undergraduate entrants (SDUE), rather than funded FTEs which are the basis for the SFC targets*):

| | 2024-25* | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|--------------------------------|----------|---------|---------|---------|---------|
| Number of FT SDUE | 2,045 | 2,005 | 1,840 | 2,045 | 2,475 |
| SIMD20 FT UG Entrant | 10.7% | 11.8% | 11.9% | 10.5% | 7.7% |
| Care experienced FT UG Entrant | 2.9% | 3.1% | 2.2% | 1.5% | 1.8% |

*as calculated in the SFC Self-Evaluation Action Plan.

The shift between 2022-23 and 2020-21 highlights the different impacts on student behaviour and external environment during the Covid-19 pandemic, impacts of Brexit on our region and the cost-of-living crisis.

FE Credits (*measures focus on credits, for 2024-25 the total credits delivered subject to final SFC audit were*):

| RSB regional summary 2024-25 | SFC minimum threshold | Delivered | Variance number | Variance % |
|------------------------------|-----------------------|-----------|-----------------|------------|
| 2024-25 data | 101,632 | 103,370 | 1,738 | 2.0% |

The total number of credits delivered in 2024-25 was lower than in 2023-24 due to a reduction in credits allocated by SFC. At RSB level, UHI demand continues to significantly exceed allocated SFC credits.

Key performance indicators

Higher Education student numbers

| Total | 2024/25 | 2023/24 | 2022/23 | 2021/22 |
|-----------------------|---------|---------|---------|---------|
| Heads | 10,154 | 10,035 | 10,051 | 10,847 |
| Full-time equivalents | 6,525 | 6,618 | 6,674 | 7,263 |

These figures again highlight the impact and longer-term influence of the pandemic, Brexit and cost-of-living on higher education student choices.

Scottish Funding Council fundable students

The university has targets for higher education non-controlled subjects and controlled subjects (nursing and initial teacher education). From 2021-22, funding for new entrants to graduate apprenticeships moved from SDS to SFC and are now subsumed within the non-controlled subject target.

| | Non-controlled fundable | | | | Controlled fundable | | |
|---------|---------------------------|------------------|--------|---------------------|---------------------|--------|---------------------|
| | Actual undergraduate FTEs | Actual PGT FTEs* | Target | 2% tolerance target | Actual FTEs | Target | 3% tolerance target |
| 2024-25 | 4,830 | 275 | 5,561 | 5,450 | 427 | 440 | 427 |
| 2023-24 | 4,827 | 311 | 5,703 | 5,588 | 507 | 603 | 585 |
| 2022-23 | 4,862 | 273 | 5,879 | 5,761 | 608 | 724 | 702 |
| 2021-22 | 5,392 | 339 | 5,950 | 5,831 | 636 | 678 | 658 |

**Fundable PGT are included in any clawback calculations.*

For further education, the 2023-24 regional position highlights the impact of the SFC reduced credit funding on UHI's ability to meet identified and growing demand in the region, especially with recovery in full-time study. SFC moved to minimum thresholds from 2023-24 which included foundation apprenticeships. Previously core targets plus specific FA targets had been set:

| Academic Year | SFC target | | RSB | Variance |
|---------------|--------------------------|-----------|---------|----------|
| | Target/minimum threshold | Deferred* | Actual | |
| 2024-25 | 101,632 | - | 103,370 | 2.00% |
| 2023-24 | 101,632 | - | 108,367 | 6.60% |
| 2022-23 | 112,925 | - | 115,842 | 2.60% |
| 2021-22 | 112,382 | 2,981 | 107,729 | -6.60% |

**Linked to COVID impacts*

Student success/retention

The Higher Education Statistics Agency (HESA) has published annual UK university performance indicators for many years. One of these was a measure of full-time student non-continuation from year of entry with calculated sector benchmarks for each institution. However, the last release of this performance indicator was in March 2022 for entrants starting in 2019-20. A review of performance indicators by HESA has not yet been completed or reported.

The Scottish Funding Council publishes college sector performance indicators including student outcomes. 2024-25 performance indicators will be published in 2026. The latest available data for full-time FE students at RSB level is:

Percentage of full-time further education students successfully completing their studies:

| | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|-----------------------------|----------------|----------------|----------------|----------------|
| Students completing studies | 71.0% | 67.2% | 63.9% | 63.4% |
| Benchmark | 67.0% | 63.7% | 59.0% | 60.9% |

Outcomes for students in recent years will have been impacted by Covid-19 across the sector.

Student satisfaction

Taught postgraduate:

- UHI students once again rated their experience as the best in Scotland in the 2025 Postgraduate Taught Experience Survey (PTES). UHI received a score of 91% student satisfaction, the highest rating of any Scottish university and an increase of three percentage points on the previous year, with a UK ranking of seventh out of the 102 participating institutions.

Undergraduate:

- The 2025 National Student Survey results improved on UHI's strong performance over recent years. Overall student satisfaction was 86%, above the Scottish sector average of 81% and an increase of five percentage points on performance in 2024. The results placed UHI fourth in Scotland, two places higher than in 2024.

Further Education:

- The latest data for Scottish Funding Council Student Satisfaction and Engagement Survey results for FE students at an RSB level is:

| | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|----------------------------------|---------|---------|---------|---------|
| UHI overall student satisfaction | 95.4% | 94.9% | 93.9% | 89.7% |
| Scottish figure | 94.9% | 94.9% | 93.1% | 89.2% |

(Source: SFC)

Graduate destinations

The Higher Education Statistics Agency conducts an annual survey of graduate destinations. The current Graduate Outcome survey was introduced for 2017-18 leavers and collects destinations 15 months after graduation. The latest data is for 2022-23 leavers, HESA publishes this data in a series of interactive tables on their website. Currently HESA has not developed a specific performance indicator for graduate employment.

Comparative data from the Graduate Outcome survey:

| | 2022-23 leavers | | 2021-22 leavers | | 2020-21 leavers | | 2019-20 leavers | |
|--------------------------------------------------------|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|
| | UHI | Scotland | UHI | Scotland | UHI | Scotland | UHI | Scotland |
| In work or further study | 91% | 89% | 90% | 90% | 89% | 91% | 88% | 90% |
| Other including travel, caring for someone, or retired | 8% | 6% | 8% | 5% | 8% | 5% | 7% | 5% |
| Unemployed | 2% | 5% | 2% | 5% | 3% | 5% | 5% | 5% |

The Scottish Funding Council also publishes results of the college leavers' destinations survey. The latest results for our regions' FE leavers are:

Proportion of leavers in a positive destination, 3 – 6 months after qualifying:

| | 2022-23 leavers | 2021-22 leavers | 2020-21 leavers | 2019-20 leavers |
|-------------------|-----------------|-----------------|-----------------|-----------------|
| UHI FE qualifiers | 95.3% | 95.4% | 94.9% | 91.8% |
| Scottish figure | 95.0% | 93.7% | 95.8% | 93.9% |

(Source: SFC)

Research and knowledge exchange

Despite the financial pressures affecting staff research time and capacity across the sector, UHI's research and KE environment has continued to strengthen and diversify. The new roles of Vice Principal Research & Innovation and Dean of Research and Innovation signalled a renewed institutional focus on strategic research and impact.

Research achievements

As across the sector, the financial context to support research continues to be challenging. Restructuring activity has impacted some of our research institutions. A focus on disciplinary depth and connections across the partnership is recognised as an important element to support resilience in research teams' Building on last year's progress, UHI has seen:

- Major external funding success, including £1.6m Arts and Humanities research Council (AHRC) funding for a Centre for Environmental Archaeology.
- Ongoing interdisciplinary development through the OneHealth research theme, linking environmental, human and animal health.
- Enhanced PGR visibility, with new initiatives in public engagement and researcher development delivered through faculties and research clusters.
- Re-approval of the area of Health for the purposes of delivering postgraduate research degree programmes for a period of 6 years.

Knowledge Exchange growth

KE activity is becoming more embedded across the tertiary system, supported by:

- revitalised Knowledge Exchange Sectoral Groups (KESGs);
- a new Knowledge Exchange & Innovation Fund (KEIF) framework that aligns with national KPIs;
- improved visibility of KE success across FE and HE.

Recent KE achievements include:

- multiple national awards (including Scottish Knowledge Exchange Awards and KTP Awards);
- seven live KTPs with several more in development;
- strengthened industry partnerships across energy, marine science, heritage, culture and technology sectors;

- enhanced promotion of PGR research aimed at inspiring FE learners and highlighting progression routes.

The KEIF five-year plan (2024–2029) is now shaping UHI’s KE environment, with a focus on:

- curriculum alignment and embedding KE across FE and HE;
- improved visibility and internal pathways for innovation;
- expansion into new strategic sectors such as space and hydrogen;
- stronger support for spin-outs, start-ups and commercialisation;
- integrated internal and external KE ecosystems.

External engagement and regional impact

External engagement continues to grow as a core strength of UHI’s mission. Faculty Deans have conducted visits across the partnership to strengthen regional understanding and link curriculum, research and KE activity to local context.

Significant opportunities emerging this year include:

- The Inverness and Cromarty Firth Green Freeport, expected to create up to 10,000 roles, offering major opportunities for skills, research and innovation activity across the faculties
- Expanding relationships with the energy sector and supply chain, including SSE, and wider sector connections around energy transition, marine environments, sustainable development and infrastructure
- Culture and heritage collaborations, including AHBE leadership involvement in the Inverness Castle Project
- Expansion of the UHI STEM team across the UHI region and into North-East Scotland, in collaboration with NesCol, funded by industry to support regional STEM capability
- Growing activity in the space sector, with UHI well positioned in a rapidly evolving regional industry ecosystem

These engagements highlight the importance of UHI’s place-based mission and its role as an anchor institution for the Highlands and Islands, Moray and Perthshire.

Strategically focused enhancement and quality assurance activity

Leadership and coordination of strategically focused learning and teaching enhancement activity and initiatives continued to be undertaken in the first part of

2024/25 by the recently restructured Learning and Teaching Directorate, comprising the two distinct but cooperative functions of Academic Professional Development and Academic Standards and Enhancement, with the directorate under the leadership of the Dean of Learning and Teaching.

Key activities included the continued implementation of the Learning and Teaching Enhancement Strategy (LTES), the Academic Professional Development Plan for 2024/25 and the newly formed UHI Staff Development Group. These initiatives strengthen scholarship, teaching practice, and leadership capacity across the tertiary partnership, and provide equitable opportunities for all Academic Partners to access enhancement-focused support. In doing this, there is central costing and funding of various activities (including external subscriptions and professional association inputs) that each Academic Partner would otherwise have to directly incur.

The commitment to equitable access to services and provision also continued to apply to the quality assurance processes, regulations and provision that are provided centrally from within Learning and Teaching, including in supporting programme development and approval, in operating exam boards and student awarding and progression, and supporting collaborative and external partnerships.

In January 2025, the Learning and Teaching directorate was merged with the Student Experience directorate, creating the combined Learning, Teaching and Students directorate. This has presented important opportunities for the stronger integration and supporting of strategically focused enhancement initiatives, and related staff and student services, with key priorities being the LTES, the Retention Strategy and working group, increased provision for postgraduate students who teach or are aspiring to teach, supporting a step-change in how the institutional Virtual Learning Environment is being used, and engaging with the new national Tertiary Quality Enhancement Framework.

The performance development review process also remains a key mechanism for individual development planning and aligns staff development with wider institutional priorities.

Conclusion

This year has demanded resilience, collaboration and substantial collective effort across the partnership. Despite financial pressures and sector-wide recruitment challenges, UHI continues to progress toward a more integrated tertiary model, with improvements in curriculum stability, student satisfaction, research impact, and external engagement.

The faculties, CSGs, planning groups and new academic governance structures are playing an increasingly important role in aligning FE, HE, research and KE. Together, they form a strong foundation for the next phase of UHI's Strategic Plan 2030 and for delivering our mission: to have a transformational impact on the people, communities and economy of our regions.

Strategic Report – Resources and principal risks

Risk management

The University Court reviews its Risk Policy and Risk Appetite statements on an annual basis. The following policy statements were reviewed and re-approved by the University Court on 6th November 2024.

Risk policy statement

Risk policy: The University's general approach is to minimise its exposure to risk. It will seek to recognise risk and mitigate the adverse consequences. However, the University recognises that in pursuit of its mission and academic objectives it may choose to accept an increased level of risk. It will do so, subject always to ensuring that the potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

Risk appetite: The University will take a portfolio approach to risk management – i.e. whilst at any one time it may be carrying a high level of risks in one or more parts of its business, it will ensure that the number of areas exposed to high risk at any time are minimised and balanced with a low risk approach in other areas.

The portfolio of risk will be regularly reviewed by the Senior Executive Team, Finance and General Purposes Committee, Audit Committee and Court.

High risk areas will be very closely aligned to strategic priorities and aligned to high returns i.e. the university should not be exposed to high levels of risk if returns are likely to be minimal or if the activity is not business critical.

The elapsed time over which the university is exposed to a high level of risk in any area should be minimised as much as possible.

| RISK MAP (for Gross risk and residual risk) | | TIMESCAL E 3 YEARS | | | |
|---------------------------------------------|----------------------|-----------------------|---------------------|-------------------|---------------------------|
| IMPACT | | | | | |
| 5 – Catastrophic | 5 | 10 | 15 | 20 | 25 |
| 4 – Major | 4 | 8 | 12 | 16 | 20 |
| 3 – Significant | 3 | 6 | 9 | 12 | 15 |
| 2 – Minor | 2 | 4 | 6 | 8 | 10 |
| 1 – Insignificant | 1 | 2 | 3 | 4 | 5 |
| | 1 - Very Rare | 2 – Unlikely | 3 – Possible | 4 – Likely | 5 – Almost Certain |
| | LIKELIHOOD | | | | |

Attention should also be paid to risks that are very rare or unlikely that could cause a catastrophic impact.

Information security risk management

The Scottish Government requires all public bodies, including universities and colleges to hold Cyber Essentials accreditation. Accreditation is subject to an annual external verification audit and the University retained whole organisation certification on 27 February 2025.

The university is a partner in the Chief Information Security Officer (CISO) shared service, provided by HE/FE Shared Technology and Information Services (HEFESTIS), the same organisation that provides the university’s data protection officer (DPO). The university has adopted HEFESTIS’s information security risk management framework based on an information security maturity model of controls and a governance structure to manage those controls. This aligns with the Scottish Government’s cyber resilience framework, that all public bodies in Scotland are required to comply with and report progress against.

Information risk working group (IRWG)

The IRWG comprises practitioners and senior managers with responsibility for identifying and implementing appropriate mitigation for identified information risks. This group is led by the Director of IT and Digital Infrastructure with the following key personnel in attendance: Chief Information Security Officer, Information Security Officer, University Data Protection Officer, University Deputy Secretary, University Archivist and Records Manager, and three academic partner staff representatives with similar roles and responsibilities.

Information security working group (ISWG)

The ISWG is made up of ICT professionals from across the partnership with the aim of consistent implementation of technical controls to ensure best practice and compliance with relevant policies.

Section 172(1) statement – Companies Act 2006

The directors acknowledge and understand their duties and responsibilities, including that of section 172. of the Companies Act 2006.

A director of the University, as with all UK companies, must act in a way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operating on the local community and the environment;

- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as a member of the company.

The directors recognise that the long-term success of the University is dependent on the way we interact with a large number of stakeholders including our colleagues, students, and stakeholders.

The directors have had regard to the interests of our stakeholders while complying with their obligations to promote the ongoing success of the university in line with section 172. of the Companies Act.

Ahead of all meetings, the directors are supplied with board papers that highlight stakeholder considerations and performance metrics.

Decision making considers both risk and reward in the pursuit of delivering the long-term aim of the university and acknowledging and understanding the current and potential risks to the business, both financial and non-financial, are fundamental to how we manage the university.

The directors, both individually and collectively, consider the decisions taken during the period to 31 July 2025 were in conformance of their duties under section 172 of the Companies Act.

Decision making

The University Court's role is to behave responsibly and ensure that the business operates in a responsible manner with the aim of maintaining a reputation for high standards of business conduct and good governance.

The Court is collectively responsible for the long-term success of the University and, as part of their induction programme, directors are briefed on their duties under the Act. Directors also have access to ongoing training and development to provide them with the relevant skills and knowledge to conduct their duties as directors on the Board.

The directors fulfil their duties partly through a governance framework that facilitates delegation of day-to-day decision making to senior managers in the university. Delegation of all areas of the university's activities below Court level, as well as the financial parameters of authority, are set out in the scheme of delegation. This scheme ensures that unusual or material transactions are brought to the Court for approval.

The Court maintains oversight of the university's performance including financial reporting, risk management, governance and internal control processes through its regular meetings, its committee structures and meetings with senior managers.

2030 Strategic Plan

In June 2023, the University Court formally approved the 2030 Strategic Plan, setting a clear and ambitious direction for the institution's future. The plan was developed through extensive engagement with staff, students, and external stakeholders, and reflects the University's mission, values, and long-term aspirations. During the reporting period, implementation of the strategy has progressed across all areas of the University, supported by a robust governance framework to monitor delivery, ensure accountability, and drive continuous improvement.

Communication with staff

UHI employs a dual approach to internal communication with staff. This involves communication at both a regional and partnership level, reaching all staff, as well as through individual employers, who engage directly with their respective staff groups.

With a partnership encompassing over 2000 staff, ensuring consistency in messaging from senior teams is crucial. This coordination is managed through partner communications practitioners' groups, allowing messages to be tailored and delivered at the local level in a manner that aligns with staff expectations.

To ensure staff across the partnership stay informed, UHI Corporate Communications provides daily updates on the UHI Partnership Staff and UHI Staff Hubs on SharePoint. These updates facilitate smooth and timely communication throughout the UHI network, covering news, events, and training opportunities.

Contributions come from various departments across the partnership, including Gaelic; Human Resources; Equality, Diversity and Inclusion; Libraries, Research; and Student Experience.

In addition, the UHI Corporate Communications Team produces a weekly news digest email for university-employed staff and a fortnightly version for other partnership staff. These digests compile SharePoint news items, ensuring staff receive important information through multiple channels tailored to their preferences and needs.

By leveraging these tools and strategies, UHI can gain actionable insights into how news content performs, driving improved communication and engagement across the SharePoint environment. Engagement and online community is further reinforced through our internal social network Viva Engage, individual department SharePoint hubs and externally facing social media platforms.

At individual employer level this is enhanced by face-to-face briefings in person or via Microsoft Teams as well as individual departmental updates, institutional updates and team briefings.

To maintain a consistent and strategic approach, regular briefings from the Partnership Council are delivered to all staff. These briefings highlight key strategic initiatives and announcements and are cascaded by each of the 10 principals, including the university principal, to their respective staff groups.

Finally, UHI has adapted its communication strategies to respond to evolving priorities and staff needs, ensuring alignment with the dynamic nature of the partnership and its goals.

Communication with students

The COVID-19 pandemic highlighted the critical importance of clear, coordinated communication in delivering a positive and satisfying student experience. Effective communication remains a top priority as we strive to meet the evolving needs of our diverse student community.

We work closely with the Highlands and Islands Students' Association (HISA) to ensure strong engagement, meaningful feedback, and active participation from students. This collaboration plays a vital role in shaping the student experience and fostering a culture of inclusivity and responsiveness. HISA representatives hold seats on all major governance boards and committees across our partnership and at the institutional level, ensuring students have a strong voice in decision-making at the highest levels.

By maintaining open and transparent communication channels and actively involving students in governance, we continue to prioritise the integration of the student voice in shaping the partnership's future.

As with staff communication, student communication is coordinated across the partnership for key announcements and messaging. This coordination is crucial for keeping students informed, especially given our geographically dispersed student body and their diverse levels of engagement across further and higher education. Template messaging has been particularly effective, allowing messages to be tailored to specific audiences by campus or course.

Students also have access to a wide range of information online, including all partnership websites, social media, the student MyDay portal, newsletters, digital screens on campus, and directly through their course contacts via our virtual learning environment, Brightspace.

The impact of the university on the region

The University of the Highlands and Islands (UHI) 2030 Strategic Plan places a strong emphasis on impact, reflected in our mission to have a transformational impact on people, communities, and the economy of the Highlands and Islands, Moray, and Perthshire.

For Education and Research:

- UHI aims to deliver co-created education and research that is deeply connected to the region's unique landscape, heritage, and cultures.
- The strategy supports flexible and supported learning from access level to PhD, with direct links to workforce demand through skills and apprenticeship programmes

For Innovation and Growth

- The university acts as a catalyst for economic growth, using education, knowledge exchange, and cutting-edge research to help businesses and industries thrive
- UHI is committed to fostering entrepreneurial talent through a future-focused curriculum

For Sustainability and Operational Excellence

- The strategy includes a commitment to environmental sustainability and operational excellence, aiming to streamline the institution for greater efficiency and financial sustainability

The University offers infrastructure that is crucial in guiding the future economic and social direction of the Highlands and Islands, Moray and Perthshire by responding to the needs of business, industry and the wider community. In 2024 / 2025, we have continued to work together with regional bodies, local and national governments, strategic partners, supporters, our staff and our students to increase the positive impact that the university has on our region and our communities:

- UHI and its academic partners are heavily involved in delivering the Growth Deals for their areas and are active members in their local communities, strongly focused on delivering what their local economies need
- The University offers infrastructure that is crucial in guiding the future economic and social direction of the Highlands and Islands, Moray and Perthshire by responding to the needs of business, industry and the wider community
- We are deeply aligned with regional needs and have become a respected anchor institution within local communities
- Our goal is to act as a force for good, reducing the outmigration of young people by fundamentally transforming the offering of post-school learning
- We are helping to change the mindsets of young people about remaining in the area and have become a vehicle for enhancing key frontline services in the public sector
- As well as its economic impact, the University has become a distinctive organisation with a tertiary education offering that reflects the region it has grown from, encompassing past heritage, current needs and future evolution
- We are a technology-rich organisation, built around connecting the region. Our virtual learning environment was ahead of its time when it was designed and allows the networked delivery of courses across an area which is equal to the size of Belgium. Our networked delivery has brought about a step change in the range of options available, particularly so for the most remote and rural parts of the region. Our reputation in this field has drawn interest from other countries that are interested in our delivery model
- We are the only tertiary education provider in Scotland and able to offer qualifications at every level from NC and VQ qualifications up to Masters and PhDs
- The curriculum offers a range of specialist courses that are grounded in the fabric of the region. While 89% of the University's students are from the Highlands and Islands, Moray and Perthshire, the remainder are drawn in by a growing range of specialist courses, particularly in higher education, such as those offered by the School of Adventure Studies at West Highland College, archaeology studies in Orkney, environmental science in Thurso and marine science in Oban

Value for money

The University of the Highlands and Islands has continued to deliver its Value for Money Strategy through improved procurement processes to reduce costs, rigorous budget challenge exercises and a number of initiatives to share services and costs across the partnership, whilst improving efficiency and reducing the projected operating deficit as part of a financial recovery plan.

Review of financial activities

Comprehensive income

The total comprehensive income for the year is a deficit of £2.4m, compared to a surplus of £4.3m in 2023/24.

Total income for the year is £130.9m, down £4.4m compared to 2023-24 (£135.3m). This is in part due to the release of deferred income in 2023-24 for prior year grant recovery provisions, and reduced tuition fees and research grants and contracts.

Staff costs for the year are £15.9m, an increase of £4.6m on 2023-24 (11.3m). This is mainly due to the movement in USS pension provision recognised in 2023-24 (a credit of £4.3m), and increased restructure costs generated from the voluntary severance scheme implemented in 2024-25.

Other operating expenses are £116.8m, an increase of £1.1m on 2023-24 (£115.7m), due to a combination of increased academic related expenditure, and the recognition of a bad debt provision for loans given to UHI academic partners in financial distress, partially offset by reductions in administration and central services costs.

Statement of financial position

The total net asset position at the end of the year is £8.2m (2023-24 £10.6m).

The value of fixed assets has decreased by £2.5m compared to the previous year, as a result of the disposal of two buildings – Bryden Lodge and An Lochran. All buildings were revalued for the year end position, and a further impairment adjustment was provided for both Ness Walk and student residences at Elgin and Dornoch.

Total cash balances are £7.9m (2023-24 £17.3m), with a further £5.1m held in short-term investments in-line with the University treasury management policy. Overall, cash balances, including short-term investments, have reduced by £4.4m compared to 2023-24, due to both the in-year operating position, and the recovery of funds by SFC relating to 2022-23 SFC HE teaching grant, previously held in restricted funds.

Net current liabilities are £2.8m (2023-24 £2.8m), similar to the position in 2023-24, with reduced cash balances offset by improved working capital management.

Payments to suppliers

The University of the Highlands and Islands comply with the CBI Prompt Payment Code and has a policy of paying its suppliers at the end of the month following the month of invoice, or on the suppliers' terms, if earlier.

The effect of the University's policy is that its trade creditors at the year-end (excluding academic partner balances and transactions) represent 5.4 days purchases (2023/24 – 7 days) which is 1.47% of purchases (2023/24 – 1.91%).

There was no interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 in 2024-25.

Public sector climate change duty

Sustainability Strategy and governance

The University developed and approved its first Sustainability Strategy 2023–30 and accompanying Sustainability Policy in June 2023, following extensive consultation with internal and external stakeholders. These documents replaced earlier versions and set out a clear framework for embedding sustainability across all areas of university activity. During 2023/24, the University strengthened its governance arrangements in this area through the establishment of the Sustainability Strategy Implementation Group (SSIG). This group brings together key stakeholders from across the partnership and is responsible for ensuring compliance with the policy and driving forward the actions required to meet the objectives and targets set out in the strategy. In support of this, 40 staff training places were purchased from the Environmental Association for Universities and Colleges (EAUC) to enhance climate change literacy among senior staff. The University has also developed collaborative relationships with public sector bodies and agencies including Highlands and Islands Enterprise, NatureScot, and Highland Council to explore regional approaches to sustainability, climate adaptation and mitigation, and knowledge exchange. UHI remains an active member of the EAUC and continues to submit its Public Bodies Climate Change Duties (PBCCD) report to the Scottish Government via the Sustainable Scotland Network.

Energy Consumption and efficiency reporting

The university consumes electricity, gas, water and transport equivalents for its own use. Consumption figures have been computed from utility bills provided by providers. The energy consumption in kWh and other measurements for each category and the carbon footprint in tCO₂e, for the period April '24 – March '25, are disclosed as follows:

| | 2024/25 | 2024/25 | 2023/24 | 2023/24 |
|-----------------------|----------------------|--------------------|--------------------|--------------------|
| Emission | Units | tCO ₂ e | Units | tCO ₂ e |
| Electricity | 1,483,320 kWh | 307.1 | 1,859,970 kWh | 418.5 |
| Natural Gas | 1,886,933 kWh | 345.1 | 1,867,230 kWh | 341.6 |
| Water Supply | 5,473 m ³ | 0.4 | 929 m ³ | 0.1 |
| Water Treatment | 5,473 m ³ | 0.9 | 929 m ³ | 0.2 |
| Car | 54,758 km | 14.1 | 66,234 km | 17.8 |
| Taxi | 1,600 km | 0.3 | 836 km | 0.2 |
| Flights | 219,633 km | 52.9 | 159,128 km | 37.1 |
| Rail | 90,856 km | 3.2 | 73,746 km | 2.6 |
| Mixed Recycling | 19 tonnes | 0.1 | 38 tonnes | 0.8 |
| Refuse – Landfill | 26 tonnes | 12.7 | 1 tonne | 0 |
| Homeworking Emissions | 28% | 28.3 | 48% | 63.2 |
| Total | | 765.1 | | 882.1 |

Statement on employment of disabled persons

The Equality, Diversity, and Inclusiveness Policy outlines the University's commitment and approach towards promoting equal opportunities for staff with protected characteristics, including disabled people.

The University is committed to promoting opportunities for current and prospective staff with disabilities and makes every reasonable effort to provide or arrange necessary support, adaptations, equipment and staff development in order to enable staff to fulfil their potential.

Our Equality Duty commitments, under the Public Sector Equality Duty and the Equality Act 2010, are reviewed bi-annually and this provides an effective focus for helping to evaluate, develop and improve our support to disabled staff, as well as reviewing the University's broader equality and diversity objectives and outcomes.

Our 2025 report on Public Sector Equality Duty – Mainstreaming and Outcomes is published on our website and available to view at the following [link](#).

Facilities time data

The university recognised the University and Colleges Union on 14 February 2024. For this accounting period, no facilities time has been utilised, a clear process for claiming such time is available to the trade union and therefore this is expected to change for future years.

Modern Slavery Act 2015

The University of the Highlands and Islands is committed to carrying out procurement of goods and services in an environmentally, socially, ethically and economically responsible manner and to enter into agreements and contracts with suppliers that share and adhere to this commitment.

Much of the university's procurement of goods and services is carried out through APUC (Advanced Procurement for Universities and Colleges) Ltd of which it is a member. APUC require all suppliers to sign a supply chain code of conduct to acknowledge their compliance with the code in respect of their organisation and their supply chain. The code of conduct includes confirmation that the supplier does not use forced, involuntary or underage labour, provides suitable working conditions and terms and treats employees fairly.

As part of APUC Ltd's standard template for supplier's tendering for the award of a contract a pass/fail question: "Does the supplier meet its obligations under the Modern Slavery Act?" requires to be answered. A further (non-mandatory) question allows the tender to be scored on a graded basis as part of the award criteria: "What measures will you take to ensure slavery and human trafficking is not taking place in your supply chains?"

The university uses the same supply chain code of conduct for suppliers who are sourced directly by the university and asks all potential suppliers to respond to the pass/fail question above.

Fair work commitment at UHI

At UHI, we are fully committed to fostering fair, inclusive, and fulfilling employment opportunities for all our staff. Our approach to employment practices is deeply aligned with the principles of the Fair Work agenda, which reflects and supports the university's core organisational values. We continue to promote, develop, and implement policies that enhance working conditions and employee well-being across the institution.

The key pillars of our Fair Work commitment include:

Real living wage

UHI continues to pay the Real Living Wage. We voluntarily commit to paying all employees no less than the hourly rate set by the Living Wage Foundation, ensuring that every member of staff receives fair and sustainable compensation for their work.

Employee voice and representation

We actively support and promote meaningful employee engagement and representation. In recognition of the importance of collective dialogue, UHI has formally acknowledged the University and College Union (UCU) as its recognised trade union. A Joint Consultation and Negotiation Committee (JNCC) has been established to support effective consultation and negotiation. Facility time arrangements are in place to enable UCU to participate meaningfully in university discussions. Additionally, UHI has launched an Employee Experience (EX) programme aimed at amplifying the employee voice and encouraging staff-led initiatives that contribute to a positive and inclusive workplace culture, this group is currently forming a staff survey to provide a base line of understanding for future activity.

Workforce development

Despite ongoing financial challenges across the sector, UHI remains committed to investing in the professional growth of its staff. We continue to offer a range of development opportunities, including training, upskilling, and career progression pathways, to ensure that our workforce remains skilled, resilient, and supported.

Zero hours contracts

UHI takes a measured and responsible approach to the use of zero hours contracts. Their use is limited to exceptional circumstances, such as at the express request of the employee or where the nature of the work is periodic. This ensures we maintain fair and secure employment wherever possible.

Gender pay gap

The university continues to monitor and report on its gender pay gap in line with statutory requirements. Our current gender pay gap aligns with the sector average, at approximately 15%. However, we remain committed to taking meaningful action to reduce this disparity, building on the significant progress made over the past decade.

Flexible and family-friendly policies

We offer a wide range of flexible and family-friendly working arrangements. These include hybrid working (with up to 60% remote work), both short-term and long-term flexible working options, enhanced maternity and family leave provisions, and support for shared parental leave. Our policies are designed to adapt to the diverse and evolving needs of our workforce, promoting work-life balance and inclusivity.

Opposition to fire and rehire practices

UHI opposes the use of “fire and rehire” practices and does not engage in such actions.

Constitution

The University of the Highlands and Islands (previously UHI Millennium Institute) is a company limited by guarantee, incorporated on 24 December 1993 and has been established under the Further and Higher Education Act 1992. It is an exempt charity for the purposes of the Charities and Trustee Investment (Scotland) Act 2005. Under the terms of the Fundable Bodies (University of the Highlands and Islands) Order 2011, which came into effect in March 2011, the University of the Highlands and Islands was designated as an institution eligible to receive support from funds administered by the Scottish Funding Council (prior to March 2011, UHI Millennium Institute was designated as an institution eligible to receive support from funds administered by the Scottish Funding Council under the terms of the Designation of UHI Millennium Institute (Scotland) Order 2001).

Leadership

Alastair MacColl was appointed to the role of Chair of Court and Senior Lay member in accordance with the requirements of Section 7 of the Higher Education Governance (Scotland) Act 2016 with effect from 1st August 2021.

In March 2024 University Court appointed Mrs Vicki Nairn as UHI’s fourth Principal and Vice Chancellor.

Fiona Mclean (former independent member and Vice Chair of Court) was re-elected to the role of Rector with effect from 1st August 2024. The Rector is an ex officio member of the University Court.

Court appointed Mr Angus Campbell as the new FE Regional Lead following an open recruitment process in October 2021.

Chancellor

The Chancellor of the University is HRH the Princess Royal. The announcement of the appointment was made in November 2011 and Her Royal Highness was installed as Chancellor in June 2012.

Equal Opportunities and widening participation

The University is focused on improving access to further and higher education opportunities for people living in dispersed and sparsely populated areas of the Highlands and Islands.

Our 2025 report on equality mainstreaming, equality outcomes, staff data and pay gaps is published on our website and available to view at the following [LINK to uhi-psed-2025-29.pdf](#)

Elections

The company has elected to:

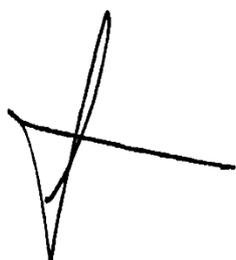
- dispense with the laying of Accounts and Reports before the Company in general meeting in respect of the year ending 31 July 2003 and subsequent financial years.
- dispense with the holding of the Annual General Meeting for 2003 and subsequent years.
- dispense with the obligation to appoint Auditors annually.

Company Secretary

The University's Company Secretary is Lorna Walker (Chief Operating Officer and University Secretary). Lorna was appointed as Secretary on 1st January 2025 and replaced Sheena Stewart following her retirement from the University on 31st December 2024.

In signing this report, the University Court Members confirm that they have approved the Strategic Report in their capacity as Company Directors of the University of the Highlands and Islands.

Signed on behalf of the University

A handwritten signature in black ink, consisting of a stylized 'A' followed by a horizontal line extending to the right.

Mr Alastair Angus MacColl

Chairman

UHI House

Old Perth Road

INVERNESS

IV2 3JH

Date: 17 December 2025



2. Corporate Governance and Internal Control for the year ended 31 July 2025

Introduction

The University Court (Court) is the governing body of the University of the Highlands and Islands, and governs in accordance with the Articles of Association of the University of the Highlands and Islands (formerly UHI Millennium Institute), as amended by resolutions dated 6 March 1997, 21 September 1998, 23 March 2001, 4 November 2003, 23 June 2005, 27 March 2007, 22 September 2009, 15 February 2011, 8 July 2014 and 19th June 2019 pursuant to Sections 4 and 381A of the Companies Act 2006. The Court is committed to exhibiting best practice in all aspects of corporate governance. The Court is also the Board of Directors of the University of the Highlands and Islands.

A revised Scottish Code of Good Higher Education Governance was published in 2023 which replaced the 2017 Scottish Code of Good Higher Education Governance.

In the opinion of the Governing Body, the University complies with all the principles and provisions of the 2023 Scottish Code of Good Higher Education Governance. As the Regional Strategic Body for further education in the Highlands and Islands, the University is also required to comply with the principles and guidelines set out in the Code of Good Governance for Scotland's Colleges, a revised version of which was published in May 2024.

The University complies as far as is possible with the Code of Good Governance for Scotland's Colleges. Areas of non-compliance with the FE Code are:
As a university it cannot comply with the collective agreements placed on it through national collective bargaining for colleges as staff terms and conditions are different in each sector.

The further education regional lead is appointed by the University Court in line with our constitution.

Structure

The Court is responsible for the strategic direction of the University, for the University's system of internal controls, approval of major developments and capital projects, health and safety, and human resources matters, and receives reports from senior managers on the operation of the day-to-day business of the University. The Court is expected to meet at least four times per year under the 2023 Code and met seven times in the period from 1 August 2024 – 31 July 2025: six times to discuss and transact normal business and one conference. The meetings varied between entirely on-line and in-person with the option for members exceptionally to join the meeting on-line. There is a clear division of responsibility between the roles of the Chair and the Principal and Vice-Chancellor of the University. Under the Articles of Association, the University Court delegates academic business to the Academic Council.

Company secretary

Lorna Walker was appointed Chief Operating Officer and University Secretary, and Roger Sendall was appointed as Deputy University Secretary from 1st January 2025.

All Court members have access to the Chief Operating Officer and University Secretary, and to the Deputy University Secretary who is also the Clerk to the Court. The University Secretary is responsible to the Court for ensuring that the Court complies with the requirements of the Scottish Funding Council, relevant legislation and sectoral norms for governance processes and procedures.

Training and development of court members

All Court members are given induction training on joining the University and ongoing development sessions are held with Court members on topics of importance to the University and to the higher and further education sectors more widely.

Effectiveness reviews

In accordance with the Scottish Code of Good Higher Education Governance, Court is expected to review its own effectiveness each year and to undertake an externally facilitated evaluation of its own effectiveness and that of its committees at least every five years. Consistent with this requirement, the University commissioned Advance HE to facilitate an effectiveness review in December 2022. The results of that review are published on the University website at the following link [Microsoft Word – UHI Final Report.docx](#). The next externally facilitated review will be progressed before 31st December 2027.

University Court – Membership

The following table provides a summary of Court membership for the period 1 August 2024 to 31 July 2025 and any subsequent changes (correct at [09/10/2024]). The composition of the University Court is prescribed within Article 12.1 of the University’s Articles of Association.

The Chair of Court is appointed for a period of three years, extendable by one further consecutive period of three years. Independent Governors are appointed for a period of three years and may each be re-appointed for two consecutive periods of three years.

No member of the Court other than ex officio members may hold appointment for more than ten years in total.

| Category of membership | Period of office | Date appointed | NAME |
|--------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------|
| <i>Independent Chair – elected in accordance with Higher Education Governance (Scotland) Act 2016.</i> | <i>3 years (renewable)</i> | <i>01/08/2021 Appointment renewed 01/08/2024</i> | <i>Mr Alastair MacColl</i> |
| <i>Principal and Vice-Chancellor</i> | <i>Ex officio</i> | <i>27/10/2022</i> | <i>Mrs Victoria Nairn</i> |
| <i>Rector – elected Rector by the UHI Foundation</i> | <i>Ex officio</i> | <i>01/08/2021 Appointment renewed 01/08/2024</i> | <i>Ms Fiona Combe Maclean</i> |
| <i>Staff member – elected by and from the staff</i> | <i>3 years</i> | <i>01/03/2021 Resigned 05/09/2024</i> | <i>Dr Mei-Li Roberts</i> |
| <i>Staff member – elected by and from the staff</i> | <i>3 years</i> | <i>05/09/2024</i> | <i>Dr Audrey Decou</i> |
| <i>Staff member – elected by and from the staff</i> | <i>3 years</i> | <i>15/09/2017 Appointment renewed</i> | <i>Rosemary McCormack Re-elected for 3rd term 30/08/2024</i> |
| <i>Student Governor – elected by the students</i> | <i>Ex officio</i> | <i>01/10/2023 Resigned 30/06/2025</i> | <i>Mr William Campbell Re-elected 01/07/2024</i> |
| <i>Student Governor – elected by the students</i> | <i>Ex officio</i> | <i>01/07/2025</i> | <i>Mr Alexander William Mcdade</i> |
| <i>Student Governor – elected by the students</i> | <i>Ex officio</i> | <i>01/07/2025</i> | <i>Miss Holly Lousie Kayes (aka Pearce)</i> |
| <i>Student Governor – elected by the students</i> | <i>Ex officio</i> | <i>01/07/2024 Resigned 22/04/2025</i> | <i>Ms Shannon MacCallum</i> |
| <i>Appointed Governor – Academic Partner Chair</i> | <i>3 years (renewable)</i> | <i>10/04/2018 Resigned 12/12/2024</i> | <i>Mr David Sandison</i> |
| <i>Appointed Governor – Academic Partner Chair</i> | <i>3 years (renewable)</i> | <i>24/02/2025 Resigned 17/10/2025</i> | <i>Ms Rosemary Allford</i> |
| <i>Appointed Governor – Academic Partner Chair</i> | <i>3 years (renewable)</i> | <i>19/10/2022</i> | <i>Mr Derek Compton Lewis</i> |
| <i>Independent – FE Regional Lead</i> | <i>3 years (renewable)</i> | <i>09/09/2020</i> | <i>Mr Angus Campbell Originally appointed as Independent member by HIE to</i> |

Corporate Governance and Internal Control for the year ended 31 July 2025

| | | | |
|-----------------------------------------------------------------------------------------|----------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------|
| | | | <i>replace Mr Dodds. Appointed to FERL role 25/10/2021</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>18/09/2017</i> | <i>Mrs Andrea Robertson Appointed Vice Chair 17th March 2021</i> |
| <i>Independent – appointed by the Chief Executives of each of the Local Authorities</i> | <i>3 years (renewable)</i> | <i>10/04/2020</i> | <i>Mr Malcolm Burr</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>09/02/2018 Resigned 27/11/2024</i> | <i>Dr Poonam Malik</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>15/01/2025</i> | <i>Mrs Elizabeth-May Stewart</i> |
| <i>Independent – appointed by Highlands and Islands Enterprise</i> | <i>3 years (renewable)</i> | <i>05/01/2022</i> | <i>Mr Calum Ross</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>01/06/2023</i> | <i>Mr Allan Clow</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>01/06/2023</i> | <i>Mr Alex Paterson</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>17/07/2023</i> | <i>Ms Helen Macinnes</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>14/08/2023</i> | <i>Miss Heather Offord</i> |
| <i>Independent – appointed by Court</i> | <i>3 years (renewable)</i> | <i>28/08/2023</i> | <i>Mr Paul Travill</i> |
| <i>Trade Union Member – nominated by and from UCU</i> | <i>3 years (renewable)</i> | <i>07/10/2024</i> | <i>Mr Jeremy Taylor</i> |
| <i>Trade Union Member - nominated by and from EIS-FELA</i> | <i>3 years (renewable)</i> | <i>01/06/2025</i> | <i>Mr Scott Innes</i> |
| <i>Co-Opted Independent Committee members</i> | | | |
| <i>Audit</i> | <i>3 years (renewable)</i> | <i>From 09/2023 – appointed as Independent Court member 02/2025</i> | <i>Mrs Stewart</i> |

Corporate Governance and Internal Control for the year ended 31 July 2025

Attendance at the University Court is recorded at each meeting. Generally, inadequate attendance is dealt with by self-regulation in discussion with the Chair and Secretary of the Court. The Court reviews its performance by periodic external scrutiny from UHI's internal auditors and by periodic measurement against national guidelines.

In common with most higher education institutions and other registered charities, there is no remuneration directly associated with membership of Court for ordinary members, however, the University does meet reasonable expenses incurred in connection with certain activities undertaken on behalf of the University and the Articles of Association also allow for reasonable remuneration or directors' fees to be paid to the Chair of the Court, the FE Regional Lead and the Vice Chair of Court for services rendered by them to the University.

The Court is committed to the Nolan Principles regarding standards to be adopted in public life. It maintains a Register of Interest of its members which is publicly available for inspection and current interests of members are published on the University's web site.

Attendance at the University Court

| | Court | Audit Committee | Finance & General Purposes Committee | Remuneration Committee | Partnership Forum | People Committee | |
|--------------------|-------|-----------------|--------------------------------------|------------------------|-------------------|------------------|--------------------|
| Alastair MacColl* | 6/6 | | | | | | Alastair MacColl* |
| Victoria Nairn** | 6/6 | 5/5 | 4/4 | | 5/6 | | Victoria Nairn** |
| Fiona Maclean | 6/6 | | | | | 1/1 | Fiona Maclean |
| Mei-Li Roberts | 1/1 | | | | | | |
| Rosemary McCormack | 6/6 | | | | 5/6 | 1/1 | Rosemary McCormack |
| William Campbell | 5/5 | | | | 6/6 | 1/1 | William Campbell |
| David Sandison | 3/3 | | | | 2/2 | | David Sandison |
| Rosemary Allford | 2/2 | | | | 2/2 | | Rosemary Allford |
| Derek Lewis | 6/6 | | 4/4 | | 6/6 | | Derek Lewis |
| Angus Campbell | 5/6 | | 4/4 | 2/2 | 6/6 | | Angus Campbell |
| Andrea Robertson | 4/6 | 2/2 | | ½ | | | Andrea Robertson |
| Malcolm Burr | 5/6 | 1/5 | | | | | Malcolm Burr |
| Poonam Malik | 2/2 | | 0/1 | | | | Poonam Malik |
| Calum Ross | 6/6 | | 4/4 | | | | Calum Ross |
| Allan Clow | 4/6 | 5/5 | | | | | Allan Clow |
| Alex Paterson | 6/6 | | ¾ | 2/2 | | | Alex Paterson |

Corporate Governance and Internal Control for the year ended 31 July 2025

| | | | | | | | |
|---------------------|-----|-----|-----|-----|--|-----|--------------------------|
| Helen Macinnes | 4/6 | 2/5 | | | | | Helen Macinnes |
| Heather Offord | 3/6 | 0/3 | | | | 1/1 | Heather Offord |
| Paul Travill | 6/6 | | 3/4 | 2/2 | | | Paul Travill |
| Audrey Decou | 3/5 | | | | | | Audrey Decou *** |
| Jeremy Taylor | 5/5 | | | | | | Jeremy Taylor *** |
| Shannon MacCallum | 4/5 | | | | | | Shannon MacCallum *** |
| Scott Innes | 1/1 | | | | | | Scott Innes |
| Liz Stewart | 1/3 | 5/5 | | | | | Liz Stewart |
| Holly Keyes *** | | | | | | | Holly Keyes *** |
| Alexander Mcdade*** | | | | | | | Alexander Mcdade*** |

Committees of the University Court

The Court exercises its role with the support of several committees. The Court approves the remits and memberships of the committees. The decisions and recommendations of these committees are formally reported to the Court. The Committees comprise the Finance and General Purposes Committee, the Audit Committee, the Nominations Committee, the Remuneration Committee, the Honorary Awards Committee, the People Committee and Partnership Forum (formerly Regional Strategic Committee). The remit of each of the Court committees is set out below.

Attendance Summary (1 August 2024 – 31 July 2025) University Court and Senior Committees

- * As the chair is an ex officio member of every committee of Court (other than the Audit Committee) his attendance at individual meetings has not been included within the above table. The Chair's attendance at committee meetings is recorded within the minutes of each meeting.
- ** The Principal and Vice Chancellor is in attendance at Audit Committee meetings but is not a member.
- *** Appointed after 31/07/25

Audit Committee

The Audit Committee meets four times per annum and advises and reports to the Court on external and internal audit matters and keeps under review the effectiveness of the risk management, control and governance arrangements and in particular reviews the external auditor's management letter, the internal auditor's reports and management responses and the annual report of the internal auditor.

Financial & General Purposes Committee

The Finance and General Purposes Committee meets on a regular basis (usually once every eight weeks) to advise the Court on a range of financial and related matters, to oversee the system of financial control and administration, to recommend budgets, monitor progress against these, approves activities within its delegated authority from the Court.

Remuneration Committee

The Remuneration Committee is chaired by an independent member of Court. The Committee is delegated by the Court to implement the remuneration policy approved by the Court including setting the salaries of senior staff and approving any changes thereto. The Committee also approves any general movements in staff salaries e.g. annual inflationary rises. In respect of the former task the Committee commissions external advice drawn both from the university and college sector and elsewhere. In respect of the latter the Committee consider annual inflationary trends, national and local market forces and benchmarks including salary movements implemented by the University's academic partners.

Partnership Forum (formerly Regional Strategy Committee)

The primary role of the Partnership Forum is to bring together university court members and the chairs of the academic partners to ensure the university partnership delivers high quality tertiary education strategically across the university partnership. The remit and membership were amended during the 2021/22 session to (a) provide a more succinct remit; and (b) extend the membership to all of the chairs of the academic partners rather than a sub-set as there was previously. The change took effect from September 2022.

The functions of the forum include:

- To advise on and monitor the implementation of the university's strategic plan across the region and report thereon to the University Court regarding priorities and the ways in which the Academic Partners are implementing it
- To advise the University Court, through the Finance and General Purposes Committee, on- the allocation of funding to the Academic Partners and the priorities for capital expenditure
- To ensure that funding and curriculum provision across the university ensures equality of access to education
- To ensure that strategy and resource allocation are based on future regional and national needs
- To oversee development of, and advise University Court on, the outcome agreement with the SFC, ensuring that each Academic Partner is accountable for its delivery

- To ensure that risks associated with the University's strategic plan are managed in line with the University's risk management policy
- To encourage collaboration, innovation, and sustainable development within the University
- To have oversight of effective communication with internal and external stakeholders and representative groups

Nominations Committee

The Nominations Committee is chaired by the Vice Chair of the Court. The Committee meets at least twice each year and as required to review the membership of the University Court, to seek new members when vacancies arise and to ensure that the committees of the Court are fully populated by members in line with their agreed remit and composition. In seeking new members of Court, the Nominations Committee draws up a specification of the balance of skills and professional expertise which is deemed useful to the Court and seeks to implement the University's policies in respect of equality and diversity. This committee also has responsibility for ensuring that appropriate effectiveness reviews of Court and Committees of Court are completed in accordance with obligations contained within the Code of Good Governance.

Honorary Awards Committee

The Honorary Awards Committee is chaired by the Chair of Court and meets on an "as required" basis to recommend potential recipients of university fellowships and honorary awards.

People Committee

The People Committee is chaired by the University's Rector. The Committee will meet at least three times per year and as required to advise the university court on all employment, industrial relations, health and safety and equality and diversity issues.

Foundation

Foundation, a body through which the people of the Highlands and Islands may influence and support the development of the University of the Highlands and Islands, is an important element in the constitution of the University. Foundation requires to be consulted on any proposal to amend the mission statement of the University, and its approval is required for constitutional change and for changes to academic partner agreements. The Foundation is chaired by the Rector and meets at least three times a year, with one being held in combination with the University's annual public stakeholder's event.

Academic Council

The Academic Council is responsible for issues relating to research, scholarship, teaching and courses of the University, the development of academic activities and the granting and conferring of degrees and other academic awards.

Going Concern and Financial Sustainability

In line with the Financial Reporting Council's guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis. The Group's financial statements for 2024/25 have been prepared on a going concern basis.

In considering the position for 2024-25, the significant factors identified in 2023-24 have been reviewed and revisited to assess whether there have been any movements (positive or negative) in relation to UHI's going concern assessment.

The directors conclude that there are no material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Economic context

The key factors for the university in terms of financial sustainability are relatively flat-cash grant settlements from the Scottish Founding Council, the need to prioritise student number growth and income diversification, the increasing staffing costs, general cost inflationary pressures and a number of grant funding streams coming to an end. The most significant factor in driving grant income is the achievement of SFC student activity targets given the direct impact on grant income retained by UHI Ltd via the current topslice calculation.

The uncertainty as to the future impact on the financial performance and cashflows, as a result of the current economic conditions and inflationary pressures, has been considered both as part of the Group's adoption of the going concern basis in these financial statements and in developing a sustainable financial recovery plan over the five-year period to 2029-30.

Closing financial position

At 31 July 2025, the company has a surplus in its unrestricted fund of £6.8m, compared to a surplus of £9.0m in 2023/24. The group reported a deficit before other gains and losses of £2.8m, compared to a surplus of £4.6m in 2023/24 and overall, the group is reporting net assets of £8.2 million, compared to net assets of £10.6 million in 2023/24.

Corporate Governance and Internal Control for the year ended 31 July 2025

The movement in the net asset position is mainly due to the reduction in both fixed assets (as are result of the disposal of two buildings in the year) and reduced cash balances.

Net current liabilities remain at the same level as 2023-24 (£2.8m).

Cash balances at the end of 2024-25 are £7.9m, with a further £5.1m held in short-term investments. Of the total cash reserves of £12.9m, £8.9m are restricted for confirmed commitments, leaving £4.0m in unrestricted reserves. Given the current financial climate, cashflow forecasts are regularly updated and reviewed by management and committee and Court.

5 Year Outlook

A 5-year financial recovery plan and budget was approved by University Court in June 2025, endorsing the medium-term financial strategy presented by management of achieving an operating cash break-even position by the end of academic year 2026/27.

This will be delivered through a combination of operational efficiencies, investing in growth, growth and diversification of income streams, with a particular focus on commercial income, and an organisational redesign to better fit our staffing resource to the strategic priorities and needs of the partnership during a period of transformational change.

The 5-year financial recovery plan proposed to take £3.0m of net cost out of the operating budget for 2025/26 and returning to a cash breakeven position in academic year 2026/27, with unrestricted cash reserves maintained at sustainable levels through a combination of tight cashflow management strategies and further divestment of surplus estate.

An updated financial forecast was presented to University Court in September 2025, maintaining the original financial recovery plan with updated key drivers and underlying assumptions, along with positive progress updates on the implementation plans for all deficit mitigation measures.

The financial outcome of the financial recovery plan is an expected operating cash deficit of £1.2m in 2025/26, returning to a small surplus each year thereafter as the full year impact of the financial recovery plan takes effect.

Given the current funding climate, which is presenting the University and College sectors with unprecedented challenges to financial sustainability, there are some key financial challenges that will be a priority over the coming year, and these are set out below:

- Right size the operational cost base to fit both the funding envelope and strategic priorities
- Student number growth, and academic financial contribution

Corporate Governance and Internal Control for the year ended 31 July 2025

- Growth of commercial income and contribution, capitalising on the significant economic investment and growth within the UHI area
- Investment for growth
- Protection of unrestricted cash reserves

UHI Partnership Financial Position and the role of the Regional Strategic Body (RSB)

In 2024/25, most UHI academic partners reported an operating cash deficit and several required additional liquidity support to cover both operating commitments and back-dated pay awards. The SFC, in its role as the national strategic funding body, provided additional funds in the form of both loans and advances of grant. UHI, in its role as the Regional Strategic Body (RSB), is not responsible for the supply of additional grant or loan funding over and above those awarded by the SFC.

The purpose of the RSB is to distribute funds from the SFC for HE/FE and Research and to ensure that there is appropriate use of those funds in line with appropriate financial management and the regional outcome agreement in each of the Academic Partners (AP). This is in line with the conditions of the Financial Memorandum (FM) in place between the RSB and the Partners, which is noted below:

- UHI – AP FM – Page 8, section 15 – What the College can expect from the Regional Strategic Body – The Regional Strategic Body will allocate and pay grant to the College in accordance with its current policies and procedures. The College will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels
- UHI-AP FM – Page 9 , section 17 – The Regional Strategic Body’s governance requirements of the College – The College plans and manages its activities to remain sustainable and financially viable. A College is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands

The RSB is purely the statutory and regulatory funding mechanism, put in place by SFC and Scottish Government, in relation to the assigned academic partners. The RSB does not hold any funds or reserves of its own and therefore has no assets over and above what funding is distributed to the RSB by the SFC. Furthermore, it has no responsibility to provide funds to academic partners, unless it chooses to, via loan mechanisms.

Corporate Governance and Internal Control for the year ended 31 July 2025

For clarity, the role of the RSB should not be confused with the University (UHI Limited), and which trades in its own right as a higher education academic partner.

The University holds the degree and research awarding powers of the University together with also providing corporate governance and professional services to the UHI partnership which is reflected in the UHI legislation/Articles of Association.

In considering the position for 2024-25, the significant factors identified in 2023-24 have been reviewed and revisited to assess whether there have been any movements (positive or negative) in relation to UHI's going concern assessment.

Funding Support to Academic Partners Agreed during 2024-25 – In line with the position previously set out to Court in December 2023, the RSB has engaged with SFC on behalf of a number of Academic Partners with regard to financial support, recognising that the RSB is not the lender of last resort and that the significant restricted cash reserves held by the RSB relate to potential clawback from prior years due to the SFC for under delivery against HE Student targets. In essence these are SFC funds held pending any decision on recovery by SFC.

During 2024-25, advances of grant were requested by several academic partners in order to support operational cashflow requirements, with funds released by the SFC to the RSB, for onward distribution to the academic partner. As a result, these grant advances from the SFC sit in both the University receivables (debtors) and creditors, resulting in a nil impact on total net assets.

Approach to Further Financial Support to Academic Partners – Further discussions have taken place with SFC with regard to access to restricted funds to support transformation (operating model) and where any further advances to partners are required by the SFC. In 2024-25 the SFC has provided grant advances to a number of partners to support their liquidity. The only additional funding support provided to an academic partner by UHI in 2024-25 was £90,000 provided as a loan to Highland Theological College to support its liquidity. Discussions continue with SFC over the further funding requirements for academic partners for 2025-26.

Whilst discussions with the SFC to date have made it clear that it is not the responsibility of UHI to fund the ongoing financial problems arising in some Academic Partners, as the RSB it can and does strongly support its Academic Partners within funds available and in furtherance of the delivery of the mission of the University. It also does so by, for example, forms of support such as provision of staff resources for key projects and sourcing funding for strategic investments from SFC including for UHI Transformation.

UHI has and will continue to represent the interests of Academic Partners by putting forward cases for funding to the SFC and to Scottish Government in relation to those partners in financial distress as part of recovery plans.

The Role of the Regional Strategic Body – The RSB is the statutory funding mechanism, put in place by SFC and Scottish Government, in relation to the assigned Academic Partners. The purpose of the RSB is to distribute funds from the

Corporate Governance and Internal Control for the year ended 31 July 2025

SFC on behalf of the SFC and Scottish Government for HE/FE and Research and to ensure that there is appropriate use of these funds by each of the Academic Partners in line with relevant financial management and with the regional outcome agreement. The RSB has no legal responsibility to provide funds to Academic Partners over and above the funding provided by the SFC and does not hold any funds or reserves of its own and therefore has no assets. It is therefore not in a position to fund Academic Partners.

For clarity, the RSB responsibilities should not be confused with the University (UHI, the company), which trades as a higher education academic partner, and which holds the degree and research awarding powers together with also providing several 'central' services to Academic Partners. The University Court has responsibility for discharging the responsibilities of UHI Ltd and the RSB to deliver the strategic priorities of our University Partnership and on behalf of the students and communities we serve.

This includes obligations to administer the funds provided by SFC and to monitor the performance of assigned colleges and their financial affairs. Each of the colleges is a separate legal entity, with a board of management responsible for ongoing financial sustainability.

The formal relationship between UHI and the Scottish Funding Council (SFC) and UHI and its' Academic Partners is set out in financial memoranda between the respective bodies. The key provisions of these memoranda which describe the Regional Strategic Body and UHI's responsibilities are set out below for reference.

- UHI – AP Financial Memorandum (FM) – Page 8, section 15 – What the College can expect from the Regional Strategic Body – The Regional Strategic Body will allocate and pay grant to the College in accordance with its current policies and procedures. The College will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels
- UHI-AP FM – Page 9, section 17 – The Regional Strategic Body's governance requirements of the College – *The College plans and manages its activities to remain sustainable and financially viable. A College is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands*
- UHI-AP FM – Page 10, Part 2, section 2 – *It is a term and condition of grant payment from the Regional Strategic Body that the governing body of the College and its designated officers comply with the requirements set out in this FM*

- SFC_UHI FM – Page 6, section 1 – Responsibilities of the Scottish Funding Council – SFC is the national, strategic body with responsibility for funding further and higher education, research and other activities in Scotland’s colleges, universities and other HEIs. Its funding decisions support the Scottish Government’s national priorities
- SFC-UHI FM – Page 8, section 17 – SFC requires the governing body to comply with the principles of good governance set out in the Scottish Code of Good HE Governance. SFC also requires the governing body to ensure that public funds are used in accordance with relevant legislation, the requirements of this FM and only for the purpose(s) for which they were given. Strategic, Capital or other grant funding must only be used for the purpose for which it is provided by SFC
- SFC-UHI FM – Page 9, section 18 – As well as being accountable directly to the governing body for the proper conduct of the institution’s affairs, the chief executive officer is also accountable directly to SFC’s Accountable Officer for the institution’s proper use of funds deriving from the Scottish Ministers and its compliance with the requirements of this FM.

Key Risks

The impact of The United Kingdom leaving the European has compounded the impact of the Covid-19 pandemic. Because EU students are no longer eligible for free university undergraduate provision, the places available for Scottish domiciled students has expanded. In addition, the ending of Labour mobility seems to have created a very tight labour market in our region. Taken together, with the impact of the pandemic, these have created significant challenges to the University’s recruitment which create a risk to future funding. We are mitigating these risks with recruitment activity, our curriculum review and engagement with the SFC. The current general UK and Scottish operating environment has increased the likelihood of some of our agreed common risks occurring. The risk of financial failures resulting from economic pressures including inflation, a diminishing Unit of Resource, failure to achieve core HE student numbers and risks associated with the loss of key staff via compulsory and voluntary redundancy schemes are high on the University’s risk register and a wide range of mitigating actions are in place.

Long term sustainability

The University Court’s framework for long term sustainability primarily consists of provisions set out in its Articles of Association, which include restricting the activities of the university “to carry on and conduct the activities of a further and higher education institution”, that “the income and property of the University shall be applied

solely towards promotion of its objects” and require that true accounts shall be kept of the sums of money received and expended by the University.

The 2030 Strategic Plan for the University forms the overarching enabling strategy identified for financial sustainability and states that “the financial strength of the university and our academic partners is vital if we are to achieve our overarching vision, achieve global reach and become a distinctive, world-class institution. Financial sustainability requires us to secure a fair share of public funding for both our further and higher education, including for research. Importantly, however, it will require us to further supplement our core public funding through improved grant capture and increased philanthropic and commercial income, the latter including from self and employer-funded students. It also requires us to further enhance the economy, effectiveness and efficiency of our activities, whilst maintaining a broad range of geographically dispersed activity, including teaching, research and support functions, across our university partnership. Our approach to risk and how this is managed and applied to the breadth of our research, commercial and teaching activities across our diverse partnership underpins financial sustainability.

This requires an increasingly collective and collaborative approach to the strategic management of our university partnership and activities, but one which is sensitive to the diversity within the partnership and the need to remain responsive to local and sub-regional needs. Greater financial independence and sustainability will enhance our institutional confidence and staff morale, as well as allowing a longer-term strategic view to be taken. This will maximise the use of resources across the university partnership. Financial sustainability will allow us to grow, make strategic investments, move to the next phase in our development and be agile and responsive to the opportunities which arise.”

The Court monitors the performance and financial sustainability of the institution as follows:

- Setting and monitoring critical performance indicators on operational and financial performance, linked to the key strategic objectives and risks
- level of annual surplus achieved across the partnership, and key performance indicators on achievement of non-public sector income and philanthropic giving and monitoring against these.
- Setting a financial strategy to reduce dependency on public sector funding
- Review and challenge of 3-year financial forecasts, annual budgets and quarterly performance against budget
- Annual assessment of the organisation as a going concern

Disclosure of information to auditor

The members of the University Court who were members at the time of approving the accounts are listed on pages 36 to 37. Having made enquiries of fellow University Court members and the University's auditor, each of these Court members confirms that:

- to the best of each Court member's knowledge and belief, there is no information relevant to the preparation of their report of which the University's auditor is unaware; and
- each Court member has taken all the steps a member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the University's auditor is aware of that information

The statement on the system of internal control

The University Court is responsible for the System of Internal Control and for reviewing its effectiveness. It is the responsibility of the Chief Financial Officer to ensure that an effective system of internal financial control is maintained and operated by the University of the Highlands and Islands. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the University Court;
- regular reviews by the University Court of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- the adoption of formal project management disciplines where appropriate.

The University of the Highlands and Islands has an internal audit process, which operates in accordance with the requirements of the Scottish Funding Council. The work of the internal audit function is informed by an analysis of the risks to which the University is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the University Court on the recommendation of the Audit Committee. At least annually, the Internal Auditors provide the University Court with a report on internal audit activity in the University.

Corporate Governance and Internal Control for the year ended 31 July 2025

The report includes the Internal Auditors' independent opinion on the adequacy and effectiveness of the University's system of Risk Management, Control and Governance.

There is a process for identifying, evaluating and managing the University's significant risks. The risk management policy has been approved by the University Court and the high-level risk register of the University is regularly reviewed by a Risk Review Group, the Audit Committee and approved by the University Court. UHI's review of the effectiveness of the system of internal control is informed by a number of factors: (i) the work of the internal auditor; (ii) the Audit Committee which oversees the work of internal audit and external auditor; (iii) the executive managers within the University who have responsibility for the development and maintenance of the internal control framework; and (iv) the work of the University's external auditor.

On the basis of the work carried out since 1 August 2024, the Internal Auditors conclude that where scope to improve controls was identified management actions have been agreed to address these. There is sufficient evidence of controls and procedures to provide reasonable assurance that the University has adequate and effective arrangements for risk management, control and governance.

On the basis of the work carried out since 1 August 2024, the Internal Auditors conclude that the University has in place a Value for Money Policy and Procedures which confirms the University's commitment to achieving value for money from all its activities, regardless of the method of funding. It further defines the scope, responsibilities, concept of value for money and approaches to assessing value for money to help promote and secure value for money within the University.

There is sufficient evidence (subject to compliance with the Value for Money Policy and Procedures and the provision of appropriate assurances from Academic Partners) that there are processes and procedures to provide reasonable assurance that the University has adequate and effective arrangements to promote economy, efficiency and effectiveness (value for money).

Signed on behalf of the University



Alastair MacColl
Chair of University Court

Date: 17 December 2025



Victoria Nairn
Principal and Vice-Chancellor

Date: 17 December 2025

3. Statement of the Responsibilities of the University Court for the year ended 31 July 2025

The Court of the University of the Highlands and Islands is responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Court of the University of the Highlands and Islands is required to present audited financial statements for each financial year. Within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the University of the Highlands and Islands, the University, through its Principal and Vice-Chancellor, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions – and which give a true and fair view of the state of affairs of the University and the result for that year.

In preparing the financial statements, the University is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the University will continue in operation.

The University of the Highlands and Islands is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the University. The University must ensure that the financial statements are prepared in accordance with the relevant legislation of the company and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the University and to prevent and detect fraud and other irregularities.

The University Court is responsible for ensuring that funds from the Scottish Funding Council are used only in accordance with the Financial Memorandum with the Council and any other conditions that the Council may from time to time prescribe. The University Court must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly.

Statement of the Responsibilities of the University Court for the year ended 31 July 2025

In addition, the University Court is responsible for securing economical, efficient and effective management of the University's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Council are not put at risk.

Signed on behalf of the University

A handwritten signature in black ink, appearing to be 'Alastair MacColl', with a stylized, angular shape.

**Alastair MacColl
Chairman**

Date: 17 December 2025

A handwritten signature in black ink, appearing to be 'Victoria Nairn', written in a cursive style.

**Victoria Nairn
Principal and Vice-Chancellor**

Date: 17 December 2025

4. Independent Auditor's Report to the Members of the University Court of the University of The Highlands & Islands

Opinion

We have audited the financial statements of the University of the Highlands and Islands ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2025 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Statement of Financial Position, Consolidated Cash Flow Statement, and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting for further and higher education 2019.

In our opinion, the financial statements:

- give a true and fair view of the group's and of the University's state of affairs as at 31 July 2025 and of the group and University's income and expenditure, recognised gains and losses, and statement of cash flow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006

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 and parent institution 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.

Emphasis of matter

We draw attention to the "Going concern" accounting policy on page 65 to 66 of the financial statements which outlines the economic uncertainties faced by the University. Our opinion is not modified in respect of this matter.

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 University's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the University Court with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report set out on pages 3-52, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

Independent Auditor's Report to the Members of the University Court of the University of The Highlands & Islands

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of 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 Memorandum with Higher Education Institutions

In our opinion, in all material respects:

- the requirements of the Scottish Funding Council'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 Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council 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 where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Report of the University Court is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the University Court

As explained more fully in the Statement of the University Court's Responsibilities set out on page 51, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the group's and the parent 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 the University Court either intend to liquidate the group or the parent institution or to cease operations, or have 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(l)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts 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.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and knowledge of the University to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the University through discussions with directors and other management and review of appropriate industry knowledge. Key laws and regulations we identified during the audit were FRS 102, the Statement of Recommended Practice: Accounting for Further and Higher education 2019, the Scottish Funding Council Accounts Direction, the Companies Act 2006, UK Tax Legislation, Health and Safety legislation, and Data Protection regulations;
- we assessed the extent of compliance with the laws and regulations identified above by making enquiries of management and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the University's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Independent Auditor's Report to the Members of the University Court of the University of The Highlands & Islands

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships;
- tested journal entries recorded on the Company's finance system to identify unusual transactions that may indicate override of controls;
- reviewed key judgements and estimates for any evidence of management bias.
- reviewed the application of accounting policies with focus on those with heightened estimation uncertainty.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation; and
- Enquiring of management to identify actual and potential litigation and claims.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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

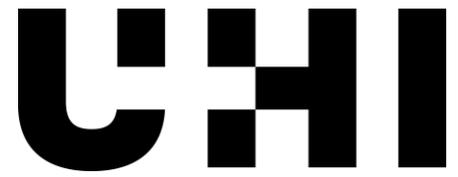
Use of our report

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

Martin Johnston CA (Senior statutory auditor)

For and on behalf of
Armstrong Watson Audit Limited
Statutory Auditor
Glasgow

Date:



5. Financial Statements

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

| | Notes | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|---------------------------------------------------------------------------|-------|-------------------------|----------------------|-------------------------|----------------------|
| | | Consolidated £'000 | Institution £'000 | Consolidated £'000 | Institution £'000 |
| Income | | | | | |
| Tuition fees and education contracts | 1 | 12,409 | 12,409 | 13,120 | 13,120 |
| Funding body grants | 2 | 101,062 | 101,062 | 103,738 | 103,738 |
| Research grants and contracts | 3 | 3,196 | 3,196 | 4,350 | 4,350 |
| Other income | 4 | 13,369 | 13,657 | 12,798 | 13,035 |
| Investment income | 5 | 269 | 269 | 766 | 766 |
| Gain on revaluation of investment | 13 | 89 | 89 | 87 | 87 |
| Total income before endowments and donations | | 130,394 | 130,682 | 134,859 | 135,096 |
| Donations and endowments | 6 | 497 | 497 | 469 | 469 |
| Total Income | | 130,891 | 131,179 | 135,328 | 135,565 |
| Expenditure | | | | | |
| Staff costs | 7 | 15,941 | 15,941 | 11,334 | 11,334 |
| Other operating expenses | 9 | 116,835 | 119,961 | 115,700 | 116,023 |
| Depreciation | 10 | 1,668 | 1,622 | 1,561 | 1,515 |
| Impairment of fixed assets | 10 | (498) | 457 | 2,289 | 1,936 |
| Impairment of investment | 13 | - | - | - | - |
| Interest and other finance costs | 8 | (249) | (249) | (184) | (237) |
| Total Expenditure | | 133,697 | 137,732 | 130,700 | 130,571 |
| Surplus/(deficit) before other gains/losses | | (2,806) | (6,553) | 4,628 | 4,994 |
| Gain/(loss) on disposal of fixed assets | 10 | 423 | 423 | - | - |
| Gain/(Loss) on revaluation of investment property | 10 | - | - | - | - |
| Surplus/(deficit) before tax | | (2,383) | (6,130) | 4,628 | 4,994 |
| Taxation | | - | - | (16) | - |
| Surplus/(deficit) for the year | | (2,383) | (6,130) | 4,612 | 4,994 |
| Actuarial gain in respect of pension schemes | 29 | (55) | (55) | (307) | (307) |
| Total comprehensive income/(expense) for the year | | (2,438) | (6,185) | 4,305 | 4,687 |
| Represented by: | | | | | |
| Restricted comprehensive income/(expense) for the year | | (194) | (194) | (266) | (266) |
| Unrestricted comprehensive income/(expense) for the year | | (2,244) | (5,991) | 4,571 | 4,953 |
| | | (2,438) | (6,185) | 4,305 | 4,687 |
| Surplus/(deficit) for the year attributable to: | | | | | |
| Institution | | (2,383) | (6,130) | 4,612 | 4,994 |
| Total Comprehensive income/(expense) for the year attributable to: | | | | | |
| Institution | | (2,438) | (6,185) | 4,305 | 4,687 |
| All items of income and expenditure relate to continuing activities | | | | | |

Consolidated and Institution Statement of Changes in reserves for the year ended 31 July 2025

| Consolidated | <i>Restricted</i> £'000 | <i>Unrestricted</i> £'000 | Total £'000 |
|-------------------------------------------------------------|----------------------------|------------------------------|-----------------------|
| Balance at 1 August 2023 | 1,891 | 4,452 | 6,343 |
| Surplus/(Deficit) from the income and expenditure statement | (266) | 4,878 | 4,612 |
| Other comprehensive income/(expense) | - | (307) | (307) |
| Total comprehensive income/(expense) for the year | (266) | 4,571 | 4,305 |
| Balance at 1 August 2024 | 1,625 | 9,023 | 10,648 |
| Surplus/(Deficit) from the income and expenditure statement | (194) | (2,189) | (2,383) |
| Other comprehensive income/(expense) | - | (55) | (55) |
| Total comprehensive income/(expense) for the year | (194) | (2,244) | (2,438) |
| Balance at 31 July 2025 | 1,431 | 6,779 | 8,210 |

| Institution | <i>Restricted</i> £'000 | <i>Unrestricted</i> £'000 | Total £'000 |
|-------------------------------------------------------------|----------------------------|------------------------------|-----------------------|
| Balance at 1 August 2023 | 1,891 | 8,973 | 10,864 |
| Surplus/(Deficit) from the income and expenditure statement | (266) | 5,260 | 4,994 |
| Other comprehensive income/(expense) | - | (307) | (307) |
| Total comprehensive income/(expense) for the year | (266) | 4,953 | 4,687 |
| Balance at 1 August 2024 | 1,625 | 13,926 | 15,551 |
| Surplus/(Deficit) from the income and expenditure statement | (194) | (5,936) | (6,130) |
| Other comprehensive income/(expense) | - | (55) | (55) |
| Total comprehensive income/(expense) for the year | (194) | (5,991) | (6,185) |
| Balance at 31 July 2025 | 1,431 | 7,935 | 9,366 |

Consolidated and Institution Statement of Financial Position for the year ended 31 July 2025

| | Notes | As at 31 July 2025 | | As at 31 July 2024 | |
|---------------------------------------------------------|-------|-----------------------|----------------------|-----------------------|----------------------|
| | | Consolidated £'000 | Institution £'000 | Consolidated £'000 | Institution £'000 |
| Non-current assets | | | | | |
| Fixed assets | 10 | 39,801 | 37,912 | 42,369 | 41,389 |
| Investments | 13 | 1,093 | 1,093 | 1,065 | 1,065 |
| Investment in Subsidiary Companies | 11 | - | 869 | - | 869 |
| | | 40,894 | 39,874 | 43,434 | 43,323 |
| Current assets | | | | | |
| Trade and other receivables | 12 | 17,908 | 18,270 | 13,893 | 14,213 |
| Amounts due from subsidiaries | 12 | - | 1,937 | - | 4,774 |
| Investments | 13 | 5,060 | 5,060 | - | - |
| Cash and cash equivalents | 19 | 7,884 | 7,791 | 17,266 | 17,124 |
| | | 30,852 | 33,058 | 31,159 | 36,111 |
| Less: Creditors: amounts falling due within one year | 14 | (33,679) | (33,709) | (33,970) | (33,908) |
| Net current(liabilities)/assets | | (2,827) | (651) | (2,811) | 2,203 |
| Total assets less current liabilities | | 38,067 | 39,223 | 40,623 | 45,526 |
| Creditors: amounts falling due after more than one year | 15 | (29,857) | (29,857) | (29,975) | (29,975) |
| Provisions | | | | | |
| Pension provisions | 16 | - | - | - | - |
| Total net assets | | 8,210 | 9,366 | 10,648 | 15,551 |
| Restricted Reserves | | | | | |
| Income and expenditure reserve - restricted reserve | 17 | 1,431 | 1,431 | 1,625 | 1,625 |
| Unrestricted Reserves | | | | | |
| Income and expenditure reserve - unrestricted | | 6,779 | 7,935 | 9,023 | 13,926 |
| Total Reserves | | 8,210 | 9,366 | 10,648 | 15,551 |

The financial statements were approved by the Governing Body and were signed on its behalf by:



Alastair MacColl
Chairman
Date: 17 December 2025



Victoria Nairn
Principal and Vice-Chancellor
Date: 17 December 2025

Consolidated Cashflow for the year ended 31 July 2025

| | Notes | Year ended 31 July 2025 | Year ended 31 July 2024 |
|---------------------------------------------------------------------|-------|----------------------------|----------------------------|
| | | £'000 | £'000 |
| Cash flow from operating activities | | | |
| Surplus(Deficit) for the year | | (2,438) | 4,305 |
| Adjustment for non-cash items | | | |
| Depreciation | 10 | 1,668 | 1,561 |
| Release of Deferred capital grants on asset disposals | 18 | 2,411 | - |
| Deferred capital grants released | 18 | 344 | 24 |
| Impairment of investment/(Gain on revaluation) | 13 | (89) | (87) |
| Impairment of tangible fixed assets | 10 | (498) | 2,289 |
| Gain/(loss) on disposal of fixed assets | | (423) | - |
| Decrease/(increase) in debtors | 12 | (4,015) | (2,233) |
| Increase/(decrease) in creditors | 14/15 | (3,163) | (5,474) |
| Increase/(decrease) in pension provision | 16 | - | (4,219) |
| Increase/(decrease) in other provisions | 16 | - | - |
| Adjustment for investing or financing activities | | | |
| Investment income | 5 | (269) | (766) |
| Interest payable | 8 | 18 | 71 |
| Net cash inflow/(outflow) from operating activities | | (6,454) | (4,529) |
| Cash flows from investing activities | | | |
| Investment income | 5 | 269 | 766 |
| Payments made to acquire fixed assets | 10 | (147) | (679) |
| Proceeds from sales of tangible assets | 10 | 1,968 | - |
| Payments to acquire investments | 13 | (5,000) | - |
| Withdrawal of deposits | 13 | - | 6,000 |
| | | (2,910) | 6,087 |
| Cash flows from financing activities | | | |
| Interest paid | 8 | (18) | (71) |
| New Loans | | - | - |
| | | (18) | (71) |
| Increase/(Decrease) in cash and cash equivalents in the year | | (9,382) | 1,487 |
| Cash and cash equivalents at beginning of the year | 19 | 17,266 | 15,779 |
| Cash and cash equivalents at end of the year | 19 | 7,884 | 17,266 |

Statement of Principal Accounting Policies for the year ended 31 July 2025

Basis of preparation

The University of the Highlands and Islands is a limited company incorporated in Scotland. Its registered office is UHI House, Old Perth Road, Inverness, IV2 3JH. The University is also a registered Scottish charity.

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019, Financial Reporting Standards (FRS102), and in accordance with the accounts direction issued thereunder by the Scottish Funding Council.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention, modified to include listed investments at their market value.

The financial position and strategy of the University are set out in the Report of the University Court on pages 3 to 28. The financial statements continue to be prepared on a going concern basis as the University Court considers that the University has adequate financial resources to continue in operational existence for the foreseeable future.

The financial statements of the University were authorised for issue by the University Court on 17 December 2025. The functional currency of the University is pound sterling, and the financial statements have been prepared to the rounded £000.

Going concern

In line with the Financial Reporting Council's guidance on going concern, the University Court undertake an annual exercise to review the appropriateness of the continued use of the going concern basis.

The University Court have prepared the financial statements on a going concern basis notwithstanding the uncertainties caused by the current national economic situation.

The University Court have prepared cashflow forecasts for a period beyond 12 months from the date of approval of these financial statements which indicate that taking into account reasonably possible downturns, the University will have sufficient funds through its operating cashflows and cash reserves to meet its liabilities as they fall due for that period. The assessment and forecasts have been conducted in line with the Statement of Recommended Practice: Accounting for Further and Higher Education and FRS102 and include consideration of both financial and non-financial factors. The assessment covers all available information about the future and involves sensitivity testing of future financial plans and forecasts, together with rigorous challenge and scrutiny of the assumptions that underpin the University's

Statement of Principal Accounting Policies for the year ended 31 July 2025

financial strategy. Details of this assessment are set out within the Corporate Governance report on pages 42 to 48.

On this basis the University Court considers that the University is a going concern and that the financial statements have been prepared on this basis.

Basis of consolidation

The consolidated financial statements include the University and its subsidiaries for the financial year to 31 July 2025. Intra-group transactions are eliminated on consolidation.

Although the Post 16 (Scotland) Education Act 2013 and the Assigned Colleges (University of the Highlands and Islands) Order 2014 assigned the incorporated colleges (Inverness College, North, West and Hebrides College, Moray College, and Perth College) to the University in its role as Regional Strategic Body, giving the University powers to appoint the majority of the board of these colleges, the University does not consider that it was in a position to exercise “dominant influence” over these colleges during the year sufficient to class them as “subsidiary undertakings” as defined by the Companies Act 2006 and FRS102. As a result, the University has not consolidated the incorporated colleges’ accounts into the group accounts in 2024/25. As the nature of the relationship between the University and the incorporated colleges continues to evolve while the full effects of the legislation come into force, the University will review this position on an ongoing basis.

Income recognition

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

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

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

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

Grant funding

Government revenue grants including funding council block grant and research 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.

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

Donations and endowments

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

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

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS).

USS

The institution participates in Universities Superannuation Scheme. 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 accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme and the deficit recovery contributions paid under the scheme's recovery plan.

Where a scheme valuation determines that the scheme is in deficit on a technical provision's basis (as was the case following the 2020 valuation), the trustee of the scheme must agree a Recovery Plan that determines how each employer within the scheme will fund an overall deficit. The institution recognises a liability for the contributions payable that arise from such an agreement (to the extent that they relate to a deficit) with related expenses being recognised through the income statement. Further disclosures relating to the deficit recovery liability can be found in note 16.

LGPS

The LGPS scheme is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The fund is valued every three years by professionally qualified independent actuaries.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The Group should recognise a liability for its obligations under defined benefit plans net of plan assets.

This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Employment benefits

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

Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

In June 2021, the University purchased two Special Purpose Companies which owned two of the 5 residences which were held under Service Concessions and terminated the Service Concession contract for all 5 residences.

Leases

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.

Leased assets: the Company as lessee:

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods.

The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Sale and Leaseback:

Where a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by the future lease payments at

below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

Foreign currency

Transactions in foreign currencies are translated 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 Surplus or Deficit.

Investment properties

Certain of the University's properties are held for long-term investment. Investment properties are accounted for as follows:

- Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure
- Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Land and buildings

Freehold land where it can be separately identified and valued, is not depreciated as it is considered to have an indefinite useful life.

Freehold buildings and land which cannot be separately valued are depreciated on a straight-line basis over their expected useful lives over 50 years. Buildings under construction are not depreciated until they come into use.

Where buildings are acquired with the aid of specific government grants, they are capitalised and depreciated in accordance with the above policy, with the related

Statement of Principal Accounting Policies for the year ended 31 July 2025

grant being credited to a deferred income account and released to the income and expenditure account over the expected useful economic life of the related building.

Leasehold improvements costing more than £5,000 are capitalised and depreciated over the term of the lease. Where they have been acquired with the aid of specific government grants, the related grant is credited to a deferred income account and released to the income and expenditure account over its expected useful economic life.

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its expected useful life as follows:

| | |
|---------------------------------|---------|
| Computer Equipment | 3 years |
| Research & Specialist Equipment | 5 years |
| Furniture and fittings | 5 years |

Where equipment is acquired with the aid of specific government grants, they are capitalised and depreciated in accordance with above policy, with the related grant being credited to a deferred income account and released to the income and expenditure account over the expected useful economic life of the related equipment.

The Celtica and Theological Collections are not depreciated, as the University is required to maintain the collections in such condition that their value is not impaired over their life.

Investments

Endowment asset investments relate to restricted endowments held and controlled by UHI and are included in the balance sheet at valuation. Income less expenditure and net movements in the valuation are included in the Statement of Comprehensive Income and Expenditure.

Other listed investments are included at market value.

Investments in subsidiary are measured at cost less accumulated depreciation.

Cash and cash equivalents

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

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

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.

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 Para 1 of Schedule 6 to the Finance Act 2010 and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator (charity no. SC022228).

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 Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Accordingly, amortisation is provided on the following basis:

Goodwill – 10% on cost

The full balance of the goodwill arising on the acquisition of the Special Purpose Companies which own 2 student residences has been impaired as management consider that this is not supportable by the underlying assets/profitability.

Notes to the Financial Statements for the year ended 31 July 2025

1. Tuition fees and education contracts

Statement of Principal Accounting Policies for the year ended 31 July 2025

| | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|---------------------|-------------------------|---------------|-------------------------|---------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Scotland fees | 9,133 | 9,133 | 9,581 | 9,581 |
| EU fees | 178 | 178 | 128 | 128 |
| RUK (new fee rates) | 1,457 | 1,457 | 1,135 | 1,135 |
| Non-EU fees | 1,598 | 1,598 | 1,292 | 1,292 |
| Education contracts | 43 | 43 | 984 | 984 |
| | 12,409 | 12,409 | 13,120 | 13,120 |

2. Funding body grants

| | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|--------------------------------------------------|-------------------------|----------------|-------------------------|----------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Recurrent grant | | | | |
| General Fund - Teaching | 32,470 | 32,470 | 34,752 | 34,752 |
| General Fund - Research and Knowledge Exchange | 4,090 | 4,090 | 4,388 | 4,388 |
| Release of deferred capital grants | 11 | 11 | 24 | 24 |
| Specific grants | | | | |
| Strategic funding | - | - | - | - |
| Capital maintenance grants | 749 | 749 | 640 | 640 |
| Grants for FE provision | 60,659 | 60,659 | 61,038 | 61,038 |
| Ring-fenced grants funded by Scottish Government | 3,083 | 3,083 | 2,896 | 2,896 |
| | 101,062 | 101,062 | 103,738 | 103,738 |

3. Research grants and contracts

| | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|------------------------------|-------------------------|--------------|-------------------------|--------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Research councils | 1,368 | 1,368 | 1,293 | 1,293 |
| Research charities | 156 | 156 | 793 | 793 |
| Government (UK and overseas) | 1,467 | 1,467 | 2,000 | 2,000 |
| EU | 29 | 29 | 57 | 57 |
| Industry and commerce | 79 | 79 | 82 | 82 |
| Other | 97 | 97 | 125 | 125 |
| | 3,196 | 3,196 | 4,350 | 4,350 |

Notes to the Financial Statements for the year ended 31 July 2025

4. Other income

| | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|------------------------------------|-------------------------|---------------|-------------------------|---------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Other revenue grants | 7 | 7 | 326 | 326 |
| Enterprise Agency grants | - | - | - | - |
| Other grant income | 112 | 112 | 60 | 60 |
| Other capital grants | 2,743 | 2,743 | 248 | 248 |
| Apprenticeship Grants | 2,554 | 2,554 | 2,596 | 2,596 |
| Other income | 3,729 | 4,017 | 5,374 | 5,611 |
| Residences Income | 2,524 | 2,524 | 2,444 | 2,444 |
| Other income generating activities | 1,700 | 1,700 | 1,750 | 1,750 |
| | 13,369 | 13,657 | 12,798 | 13,035 |

5. Investment income

| | Notes | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|-------------------------|-------|-------------------------|------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £'000 | £'000 | £'000 | £'000 |
| Other investment income | | 269 | 269 | 766 | 766 |
| | | 269 | 269 | 766 | 766 |

6. Donations and endowments

| | Notes | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|-----------------------------|-------|-------------------------|------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £'000 | £'000 | £'000 | £'000 |
| Donations with restrictions | 17 | 497 | 497 | 469 | 469 |
| | | 497 | 497 | 469 | 469 |

Notes to the Financial Statements for the year ended 31 July 2025

7. Staff costs

| | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|-------------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | Consolidated £'000 | University £'000 | Consolidated £'000 | University £'000 |
| Salaries | 12,514 | 12,514 | 12,170 | 12,170 |
| Social security costs | 1,322 | 1,322 | 1,224 | 1,224 |
| Pension contributions paid | 1,845 | 1,845 | 2,166 | 2,166 |
| Pension net service cost | 260 | 260 | 90 | 90 |
| Movement on USS provision | - | - | (4,316) | (4,316) |
| Total | 15,941 | 15,941 | 11,334 | 11,334 |
| Analysis by Activity: | | | | |
| Administration and Central Services | 8,520 | 8,520 | 8,471 | 8,471 |
| Premises | 176 | 176 | 175 | 175 |
| Research Grants and Contracts | 1,129 | 1,129 | 1,413 | 1,413 |
| Academic/Teaching Departments | 2,428 | 2,428 | 2,504 | 2,504 |
| Academic/Teaching Support Services | 2,170 | 2,170 | 2,398 | 2,398 |
| Movement on pension provision | 260 | 260 | (4,226) | (4,226) |
| Restructuring costs | 1,258 | 1,258 | 599 | 599 |
| | 15,941 | 15,941 | 11,334 | 11,334 |

Emoluments of the Vice Chancellor

| | Year ended 31 July 2025 £'000 | Year ended 31 July 2024 £'000 |
|-----------------------|-------------------------------------|-------------------------------------|
| Salary | 210 | 189 |
| Pension contributions | 41 | 39 |
| | 251 | 228 |

The Principal and Vice Chancellor was appointed to permanent post in March 2024 (£210,000), having previously been in interim post since October 2022. The salary for the period August 2023 to March 2024 was £175,000.

The remuneration of the Principal equates to 5.71 x the median annualised full time equivalent basic salary of all other employees and 5.88 x the median total remuneration.

Remuneration of other higher paid staff, not including the Principal and Vice-Chancellor disclosed above, excluding employer's pension contributions:

| | Year ended 31 July 2025 No. | Year ended 31 July 2024 No. |
|----------------------|-----------------------------------|-----------------------------------|
| £100,000 to £109,999 | 0 | 1 |
| £110,000 to £119,999 | 0 | 1 |
| £120,000 to £129,999 | 3 | 1 |
| | 3 | 3 |

Notes to the Financial Statements for the year ended 31 July 2025

Average staff numbers by major category:

| | Year ended 31 July 2025 | Year ended 31 July 2024 |
|-------------------------------------|----------------------------|----------------------------|
| | No. | No. |
| Administration and Central Services | 149 | 156 |
| Premises | 4 | 4 |
| Research Grants and Contracts | 18 | 24 |
| Academic/Teaching Departments | 36 | 39 |
| Academic Services | 42 | 46 |
| | 249 | 269 |

Most teaching staff are employed and paid by the University's academic partners and are therefore not included in the numbers above.

Key management personnel

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.

Key management personnel include the following roles: Principal and Vice-Chancellor, Deputy Principal Academic & Research, Chief Operating Officer and University Secretary, Chief Financial Officer and the Vice-Principal for Student Recruitment and Growth.

| | Year ended 31 July 2025 | Restated Year ended 31 July 2024 |
|---------------------------------------|----------------------------|-------------------------------------|
| | £'000 | £'000 |
| Key management personnel compensation | 842 | 764 |

Note: the prior year comparative figure for 2023/24 has been restated to reflect the inclusion of employer pension and NIC contributions.

Court members

The University Court members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of the Court, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Court may have an interest. All transactions involving organisations in which a member of Court may have an interest, including those identified below, are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement procedures.

Notes to the Financial Statements for the year ended 31 July 2025

A Register of Interests is maintained and published on the University's website.

| | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|------------------|-------------------------|--------------|-------------------------|--------------|
| | Hours claimed | Remuneration | Hours claimed | Remuneration |
| Alastair MacColl | 855 | £32,718 | 855 | £32,718 |
| Angus Campbell | 247 | £9,450 | 264.5 | £10,445 |

The total expenses paid to or on behalf of 24 court members was £16,405 (2024 - £13,211 to 20 court members). This represents travel and subsistence expenses incurred in attending Court, Committee meetings and other events in their official capacity.

8. Interest and other finance costs

| | Notes | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|------------------------------|-------|-------------------------|------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £'000 | £'000 | £'000 | £'000 |
| Net charge on pension scheme | 29 | (315) | (315) | (256) | (256) |
| Loan Interest | | 18 | 18 | 71 | 19 |
| Investment Purchase Premium | | 48 | 48 | - | - |
| Other Interest Payable | | - | - | 1 | - |
| | | (249) | (249) | (184) | (237) |

9. Analysis of total expenditure by activity

| | Year Ended 31 July 2025 | | Year Ended 31 July 2024 | |
|-----------------------------------------------------------------------|-------------------------|------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Academic and related expenditure | 95,316 | 95,316 | 93,605 | 93,605 |
| Administration and central services | 8,333 | 8,327 | 9,712 | 9,734 |
| Premises (including service concession cost) | 1,673 | 1,673 | 1,603 | 1,604 |
| Residences, catering and conferences | 3,763 | 4,061 | 3,777 | 4,074 |
| Research grants and contracts | 5,268 | 5,268 | 6,665 | 6,665 |
| Agency Staff | - | - | - | - |
| Other expenses | 2,482 | 5,316 | 338 | 341 |
| | 116,835 | 119,961 | 115,700 | 116,023 |
| Other operating expenses include: | | | | |
| External auditor remuneration in respect of audit services - current | 107 | 107 | 101 | 101 |
| External auditor remuneration in respect of audit services - previous | 8 | 8 | 25 | 25 |
| External auditor remuneration in respect of non-audit services | - | - | - | - |
| Internal auditor remuneration in respect of internal audit services | 83 | 83 | 60 | 60 |
| Operating lease rentals: | | | | |
| Land and buildings | - | - | - | - |
| Other | 41 | 41 | 43 | 43 |

10. Fixed assets

| Fixed assets comprise: | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|-----------------------------------------|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Property, plant and equipment - at cost | 35,321 | 33,432 | 37,889 | 36,909 |
| Investment properties - at fair value | 4,480 | 4,480 | 4,480 | 4,480 |
| | 39,801 | 37,912 | 42,369 | 41,389 |

The investment property was valued by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued, in accordance with the current edition of the RICS Valuation – Global Standards which incorporate IVSC International Valuation Standards.

Movements in the fair value of investment property is as follows:

| Fair value | Consolidated | University |
|---------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| At 1 August 2024 | 4,480 | 4,480 |
| Additions | - | - |
| Gain/(Loss) on revaluation of investment property | - | - |
| Change of use adjustment | - | - |
| As at 31 July 2025 | 4,480 | 4,480 |

The historic cost of investment property is £5.7m (University and Consolidated).

Notes to the Financial Statements for the year ended 31 July 2025

Movements in property, plant and equipment – consolidated position:

| | Freehold Land and Buildings | Asset under Construction | Finance Lease Assets | Leasehold Improvement | Celtica and Theological collections | Equipment | Total |
|------------------------------------|--------------------------------|-----------------------------|-------------------------|--------------------------|-------------------------------------------|---------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | | |
| At 1 August 2024 | 20,450 | - | 24,981 | - | 82 | 11,979 | 57,492 |
| Additions | - | - | - | - | - | 147 | 147 |
| Revaluation | - | - | - | - | - | - | - |
| Disposals | (4,266) | - | - | - | - | - | (4,266) |
| At 31 July 2025 | 16,184 | - | 24,981 | - | 82 | 12,126 | 53,373 |
| Depreciation and impairment | | | | | | | |
| At 1 August 2024 | 6,802 | - | 2,584 | - | - | 10,218 | 19,603 |
| Charge for the year | 363 | - | 817 | - | - | 488 | 1,668 |
| Impairment | (498) | - | - | - | - | - | (498) |
| Disposals | (2,721) | - | - | - | - | - | (2,721) |
| At 31 July 2025 | 3,946 | - | 3,401 | - | - | 10,706 | 18,052 |
| Net book value | | | | | | | |
| At 31 July 2025 | 12,238 | - | 21,580 | - | 82 | 1,420 | 35,321 |
| At 1 August 2024 | 13,648 | - | 22,397 | - | 82 | 1,761 | 37,889 |

Notes to the Financial Statements for the year ended 31 July 2025

Movements in property, plant and equipment – university position:

| | Freehold Land and Buildings £'000 | Asset under Construction £'000 | Finance Lease Assets £'000 | Leasehold Improvement £'000 | Celtica and Theological collections £'000 | Equipment £'000 | Total £'000 |
|------------------------------------|-----------------------------------------|--------------------------------------|----------------------------------|-----------------------------------|----------------------------------------------------|--------------------|----------------|
| Cost or valuation | | | | | | | |
| At 1 August 2024 | 18,993 | - | 24,981 | - | 82 | 11,979 | 56,036 |
| Additions | - | - | - | - | - | 147 | 147 |
| Revaluation | - | - | - | - | - | - | - |
| Disposals | (4,266) | - | - | - | - | - | (4,266) |
| At 31 July 2025 | 14,727 | - | 24,981 | - | 82 | 12,126 | 51,917 |
| Depreciation and impairment | | | | | | | |
| At 1 August 2024 | 6,325 | - | 2,584 | - | - | 10,218 | 19,127 |
| Charge for the year | 317 | - | 817 | - | - | 488 | 1,622 |
| Impairment | 457 | - | - | - | - | - | 457 |
| Disposals | (2,721) | - | - | - | - | - | (2,721) |
| At 31 July 2025 | 4,378 | - | 3,401 | - | - | 10,706 | 18,485 |
| Net book value | | | | | | | |
| At 31 July 2025 | 10,349 | - | 21,580 | - | 82 | 1,420 | 33,432 |
| At 1 August 2024 | 12,668 | - | 22,397 | - | 82 | 1,761 | 36,909 |

Notes to the Financial Statements for the year ended 31 July 2025

At 31 July 2025, freehold land and buildings included £0.293m (2024 - £0.532m) in respect of freehold land and is not depreciated.

The majority of the assets across the partnership are owned by the University's academic partner colleges and are therefore not included in the numbers above.

The Celtica and Theological book collections are not depreciated, as the university is required to maintain the collections in such condition that their value is not impaired over their life. Due to the nature of the books in the collection, and the limited historical value, these have not been deemed to be heritage assets.

11. Investment in subsidiary

The University acquired 100% of the share capital of MPI Elgin Ltd and MPI Dornoch Ltd on 11 June 2021. Upon acquisition a fair value assessment in line with FRS 102 section 19 was carried out to assess the fair value of the assets and liabilities acquired.

| Consideration | Year ended | Year ended |
|---------------------------------------|--------------|--------------|
| | 31 July 2025 | 31 July 2024 |
| | £'000 | £'000 |
| Cash | 856 | 856 |
| Overpayment refunded | (2) | (2) |
| Directly attributable costs | 15 | 15 |
| Total investment in subsidiary | 869 | 869 |

12. Trade and other receivables

| | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|---------------------------------------|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts falling due within one year: | | | | |
| Research grants receivables | 177 | 177 | 290 | 290 |
| Other trade receivables | 13,213 | 13,213 | 7,667 | 7,683 |
| Prepayments and accrued income | 4,518 | 4,880 | 5,936 | 6,240 |
| Amounts due from subsidiary companies | - | 1,937 | - | 4,774 |
| | 17,908 | 20,207 | 13,893 | 18,987 |

The amounts due from subsidiaries companies have been written down from £4.77m to £1.94m. Amounts held in other trade receivables include a loan to UHI North, West and Hebrides of £4.8 m (£4.1m 2023-24) with a repayment profile beyond 12 months. The loan has no interest charge.

13. Investments

| Non Current Investments | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|-------------------------------|-------------------------|--------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| As at 31 July 2024 | 1,065 | 1,065 | 978 | 978 |
| Additions - Market Securities | - | - | - | - |
| (Loss)/Gain on valuation | 29 | 29 | 87 | 87 |
| As at 31 July 2025 | 1,093 | 1,093 | 1,065 | 1,065 |

The investments held relate to a legacy bequeathed to the university.

| Current Investments | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|----------------------------|-------------------------|--------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| UK Government GILTs | | | | |
| As at 31 July 2024 | - | - | - | - |
| Additions | 5,000 | 5,000 | - | - |
| (Loss)/Gain on valuation | 60 | 60 | - | - |
| As at 31 July 2025 | 5,060 | 5,060 | - | - |

The university purchased £5.0m of UK Government GILTs in May 2025, with a 3-year maturity period (March 2028) on a fixed interest rate of 4.375%. The University intends to close this position within 12 months, hence its presentation as a current investment.

14. Creditors: amounts falling due within one year

| | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|--------------------------------------------|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Finance lease creditor | 617 | 617 | 602 | 602 |
| Trade payables | 1,299 | 1,299 | 2,241 | 2,241 |
| Social security and other taxation payable | 146 | 146 | 189 | 173 |
| Accruals and deferred income | 25,266 | 25,296 | 30,447 | 30,401 |
| SFC Loan | 491 | 491 | 491 | 491 |
| SFC Advance of Grant | 5,860 | 5,860 | - | - |
| | 33,679 | 33,709 | 33,970 | 33,908 |

Notes to the Financial Statements for the year ended 31 July 2025

Deferred income

Included with accruals and deferred income are the following items which have been deferred until specific performance related conditions have been met.

| | Notes | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|-------------------------------------|-------|-------------------------|---------------|-------------------------|------------|
| | | Consolidated | University | Consolidated | University |
| | | £'000 | £'000 | £'000 | £'000 |
| Accruals | | 5,222 | 5,252 | 7,448 | 7,446 |
| Research grants received on account | | 1,444 | 1,444 | 840 | 840 |
| Grant income | | 11,787 | 11,787 | 12,757 | 12,713 |
| Deferred tax liability | | - | - | - | - |
| Deferred Government Capital Grants | 18 | 6,600 | 6,600 | 9,208 | 9,208 |
| Other income | | 213 | 213 | 194 | 194 |
| | | 25,266 | 25,296 | 30,447 | 30,401 |

15. Creditors: amounts falling due after more than one year

| | Year ended 31 July 2025 | | Year ended 31 July 2024 | |
|------------------------|-------------------------|---------------|-------------------------|------------|
| | Consolidated | University | Consolidated | University |
| | £'000 | £'000 | £'000 | £'000 |
| Finance Lease Creditor | 22,041 | 22,041 | 22,658 | 22,658 |
| SFC Loan | 7,816 | 7,816 | 7,317 | 7,317 |
| | 29,857 | 29,857 | 29,975 | 29,975 |

Loans repayable, included within creditors, are analysed as follows:

| | Group | | University | |
|--------------------|--------------|-------|--------------|-------|
| | 2025 | 2024 | 2025 | 2024 |
| | £'000 | £'000 | £'000 | £'000 |
| Current (< 1 Year) | 491 | 491 | 491 | 491 |
| 1 - 2 Years | 491 | 491 | 491 | 491 |
| 2 - 5 Years | 1,474 | 1,474 | 1,474 | 1,474 |
| 5 Years + | 4,261 | 5,352 | 4,261 | 5,352 |
| Long Term | 1,590 | - | 1,590 | - |
| | 8,307 | 7,808 | 8,307 | 7,808 |

The loan from the SFC University Financial Transactions Programme relates to the purchase of UHI house and is repayable over 20 years at a fixed interest rate of 0.25%.

Notes to the Financial Statements for the year ended 31 July 2025

The university has received further loans from the SFC specifically for university academic partner colleges, and as a result, are also disclosed in receivables once the funds are dispersed to the academic partner. To date, UHI Shetland (£600k 23/24) and UHI Moray (£990k 24/25) have received SFC loan funding for liquidity support purposes (UHI Shetland) and to support the cost of voluntary severance schemes (UHI Moray). The terms of the loans confirm that repayment will be agreed when the colleges are in a more positive and sustainable financial position.

16. Provisions for liabilities

| Consolidated and University | Obligation to fund deficit on USS Pension £'000 | Defined Benefit Obligations (Note 29) £'000 | Total Pensions Provisions £'000 |
|------------------------------------|----------------------------------------------------------|------------------------------------------------------|------------------------------------------|
| At 1 August 2024 | - | - | - |
| Utilised in year | - | - | - |
| Additions in 2024/25 | - | - | - |
| Unused amounts reversed in 2024/25 | - | - | - |
| At 31 July 2025 | - | - | - |

As at 31 July 2025, no deficit position existed in both schemes.

USS deficit/(surplus)

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to deficit payments in accordance with the deficit recovery plan. In calculating the provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions and further information is provided in note 29.

17. Restricted reserves

Reserves with restrictions are as follows:

| Donations | Consolidated and University | |
|-----------------------------------------------------------|-----------------------------|------------------------|
| | 2025 Total £'000 | 2024 Total £'000 |
| Balances at 1 August | 1,625 | 1,891 |
| New donations | 497 | 469 |
| Expenditure | (691) | (735) |
| Total restricted comprehensive income for the year | (194) | (266) |
| At 31 July | 1,431 | 1,625 |

| Analysis of other restricted funds /donations by type of purpose: | 2025 Total £'000 | 2024 Total £'000 |
|-------------------------------------------------------------------|------------------------|------------------------|
| Research support | | 19 |
| Course development | | - |
| Student support | 497 | 450 |
| | 497 | 469 |

18. Deferred capital grants

Group and University

| | Funding Council £'000 | Other £'000 | Total £'000 |
|---------------------------------------------|--------------------------|----------------|----------------|
| At 1 August 2024 | 54 | 9,154 | 9,208 |
| Reallocation | (13) | 13 | - |
| Cash received and assets donated: | | | |
| Land & buildings | - | - | - |
| Equipment | - | 147 | 147 |
| | - | 147 | 147 |
| Released to income and expenditure account: | | | |
| Land and buildings | - | (2,457) | (2,457) |
| Equipment | (13) | (285) | (298) |
| | (13) | (2,742) | (2,755) |
| At 31 July 2025 | | | |
| Land and buildings | - | 6,067 | 6,067 |
| Equipment | 28 | 505 | 533 |
| | 28 | 6,572 | 6,600 |

19. Cash and cash equivalents

| | At 1st August 2024 £'000 | Cash Flows £'000 | At 31st July 2025 £'000 |
|---------------------------|--------------------------------|------------------------|-------------------------------|
| Consolidated | | | |
| Cash and cash equivalents | 17,068 | (9,435) | 7,633 |
| Student support funds | 198 | 53 | 251 |
| | 17,266 | (9,382) | 7,884 |
| University | £'000 | £'000 | £'000 |
| Cash and cash equivalents | 16,926 | (9,386) | 7,540 |
| Student support funds | 198 | 53 | 251 |
| | 17,124 | (9,333) | 7,791 |

Consolidated reconciliation of net debt:

| | 31 July 2025 £'000 |
|---------------------------------------|-----------------------|
| Net debt 1 August 2024 | 13,802 |
| Movement in cash and cash equivalents | (9,382) |
| New loans | - |
| Other non-cash changes | 24,521 |
| Net debt 31 July 2025 | 28,941 |
| Change in net debt | 15,139 |

Analysis of net debt:

| | 31 July 2025 £'000 | 31 July 2024 £'000 |
|----------------------------------------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | 7,884 | 17,266 |
| Borrowings: amounts falling due within one year | | |
| Secured loans | 6,351 | 491 |
| Finance leases | 617 | 602 |
| | 6,968 | 1,093 |
| Borrowings: amounts falling due after more than one year | | |
| Secured loans | 7,816 | 7,317 |
| Finance leases due after one year | 22,041 | 22,658 |
| | 29,857 | 29,975 |
| Net debt | 28,941 | 13,802 |

20. Capital and other commitments

There were no capital commitments at the Balance Sheet date.

21. Lease obligations

| | Group and University | | | 31 July 2024 |
|-----------------------------------------------|----------------------|---------------------|------------|--------------|
| | Land and Buildings | Plant and Machinery | Total | |
| Total rentals payable under operating leases: | £'000 | £'000 | £'000 | £'000 |
| Payable during the year | 0 | 41 | 41 | 43 |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | 118 | 176 | 294 | 107 |
| Later than 1 year and not later than 5 years | 470 | 24 | 494 | 137 |
| Later than 5 years | 0 | 0 | 0 | 0 |
| Total lease payments due | 588 | 200 | 788 | 244 |

| Lessor | 31 July 2025 | 31 July 2024 |
|----------------------------------------------|--------------|--------------|
| Future minimum lease payments due: | | |
| Not later than 1 year | 86 | 60 |
| Later than 1 year and not later than 5 years | 145 | 166 |
| Later than 5 years | - | - |
| Total lease payments due | 231 | 226 |

| | 31 July 2025 | 31 July 2024 |
|----------------------------------------------|--------------------|--------------------|
| | Land and Buildings | Land and Buildings |
| Total rentals payable under finance leases: | £'000 | £'000 |
| Payable during the year | 602 | 588 |
| Future minimum lease payments due: | | |
| Not later than 1 year | 617 | 602 |
| Later than 1 year and not later than 5 years | 2,625 | 2,562 |
| Later than 5 years | 19,416 | 20,096 |
| Total lease payments due | 22,658 | 23,260 |

The finance lease relates to the student residences accommodation at Inverness and Fort William and is valued at the discounted present value of future cash flows, based on the rents prevailing at the date of recognising the asset. Future changes in rents are contingent rents and recorded in the income and expenditure statement in the year they occur and not recognised in the liability recognised in the balance sheet.

22. Events after the reporting period

There were no events to report.

23. Subsidiary undertakings

The subsidiary companies (registered in Scotland), wholly owned by the University, are as follows:

| Company | Principal Activity | Status |
|---------------------------------|-------------------------------------------------------------------------------------------|------------|
| UHI Research and Enterprise Ltd | Delivery of commercial research, knowledge exchange, consultancy and work-based learning. | 100% Owned |
| MPI (Elgin) Ltd | Ownership and leasing of student residences. | 100% Owned |
| MPI (Dornoch) Ltd | Ownership and leasing of student residences. | 100% Owned |

During the year the subsidiary companies had net losses of £(46,288) (23/24 £63,641 surplus).

Net assets at 31 July 2025 are £4,254 (23/24 £348,435).

24. Related Party Transactions

Due to the nature of the University's operations and the composition of the University Court (being drawn from local 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. All transactions involving organisations in which a member of the Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and usual procurement procedures. The ultimate controlling party is the University Court.

The University has 10 constituent partners at the end of the year in order to deliver a range of higher education services throughout the Highlands and Islands. The transactions with all of these partners during the financial year are outlined in the table below:

Notes to the Financial Statements for the year ended 31 July 2025

| Partner | Invoiced to | Payments to | Amounts due to | Amounts due from |
|--------------------------|--------------|----------------|----------------|------------------|
| | Partners | Partners | Partners at | Partners at |
| | £000 | £000 | 31 July 2025 | 31 July 2025 |
| | | | £000 | £000 |
| Argyll College | 116 | 5,205 | 8 | 3 |
| HTC | 10 | 393 | 2 | 1 |
| Inverness College | 802 | 22,037 | 105 | 130 |
| Moray College | 406 | 14,733 | 25 | 47 |
| North, West and Hebrides | 528 | 27,597 | 136 | 196 |
| Orkney Islands Council | 2 | - | 135 | - |
| Orkney UHI | 344 | 4,472 | - | - |
| Perth College | 484 | 24,464 | 9 | 120 |
| SAMS | 67 | 2,343 | 35 | 2 |
| Shetland Islands Council | 2 | - | - | - |
| Shetland UHI | 107 | 2,054 | 14 | 2 |
| SMO | 21 | 1,124 | (1) | - |
| | 2,889 | 104,422 | 468 | 501 |

25. Hardship funds and childcare funds

| | NMDF | HE Childcare | HE Discretionary | 2024/25 | 2023/24 |
|--------------------------------|----------|--------------|------------------|----------|----------|
| | £000 | £000 | £000 | Total | Total |
| | | | | £000 | £000 |
| Balance brought forward | - | - | - | - | - |
| Allocation received in year | 17 | 5 | 361 | 383 | 416 |
| Income | - | - | 4 | 4 | 2 |
| Expenditure | (17) | - | (240) | (257) | (310) |
| Virements | - | - | - | - | - |
| To be returned to SAAS | - | (5) | (125) | (130) | (108) |
| Balance carried forward | 0 | 0 | 0 | 0 | 0 |

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

26. Federal student aid

| | US \$000 | £000 |
|---------------------------------|------------|-----------|
| Received and distributed | | |
| Federal Direct Unsub Loan | 52 | 39 |
| Federal Direct Sub Loan | 12 | 9 |
| PLUS | 61 | 46 |
| | 125 | 94 |

Federal Student Aid Loans are available solely for students. UHI acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. Tuition fees payable are retained on specific instruction from the student.

27. Contingent liabilities

The University of the Highlands and Islands receives funding from SFC for distribution to academic partners for the furtherance of Higher Education activities, and also for Further Education activities following its appointment as Further Education Regional Strategic Body. The University relies on confirmation from its academic partners, its knowledge of the number of HE and FE students in each college and expected benchmark cost of providing HE and FE to confirm that the funding issued to academic partners is expensed on Higher Education and Further Education activities. In the event that monies transferred were not expensed on Higher Education and Further Education activities then the academic partners would be liable to return this funding to the University, and the University would in turn be liable to refund these monies to SFC. The University is confident from reports on the quality of its academic partners' HE and FE output and the review of the above information that no such refund will be required.

28. Securities

None to disclose.

29. Pension schemes

Different categories of staff were eligible to join one of three different schemes:

- (i) Universities Superannuation Scheme (USS)
- (ii) Local Government Pension Scheme (LGPS)
- (iii) NEST

The two main schemes, being USS and LGPS, are both defined-benefit schemes contracted out of the State Second Pension (S2P) the assets of which are held in separate trustee administered funds. No staff are currently enrolled in the NEST scheme.

The Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS).

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 FRS102 "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. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore, an expense is recognised through the Statement of Comprehensive Income.

The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. The percentage for the year was 14.5%, which has been in place since 01 April 2024. The rate prior to this was 21.6%.

Notes to the Financial Statements for the year ended 31 July 2025

The total charged to the profit and loss account is £869k (2024 £994k). Deficit recovery contributions due within one year for the institution are £Nil (2024 £Nil).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2023 (the valuation date) and was carried out using the projected unit method.

Since the institution cannot identify its share USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

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 have sufficient and appropriate assets to cover their technical provisions (the statutory funding objective). 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 (uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles).

| | |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Price Inflation - Consumer Price Index (CPI) | 3.0% p.a. (based on a long-term average expected level of CPI, broadly consistent with long-term market expectations) |
| RPI/CPI gap | 1.0% p.a. to 2030, reducing to 0.1% p.a. from 2030. |
| Pension increase (subject to a floor of 0%) | Benefits with no cap: CPI assumption plus 3bps Benefits subject to a "soft cap" of 5% (providing inflationary increases up to 5% and half of any excess inflation over 5% up to a maximum of 10%) CPI assumption minus 3bps |
| Discount rate | 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 valuation. The mortality assumptions used in these figures are as follows:

| | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality base table | 101% of S2PMA "light" for males and 95% of S3PFA for females |
| Future improvements to mortality | CMI 2021 with a smoothing parameter of 7.5, an initial addition of 0.4% p.a., an initial addition of 0.4% p.a., 10% w2020 and w2021 parameters, and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females. |

Notes to the Financial Statements for the year ended 31 July 2025

The current life expectancies on retirement at age 65 are:

| | 2025 | 2024 |
|-----------------------------------|------|------|
| Males currently aged 65 (years) | 23.8 | 23.7 |
| Females currently aged 65 (years) | 25.5 | 25.6 |
| Males currently aged 45 (years) | 25.7 | 25.4 |
| Females currently aged 45 (years) | 27.2 | 27.2 |

A deficit recovery plan was put in place as part of the 2020 valuation, which required payment of 6.2% of salaries over the period 1 April 2022 until 31 March 2024, at which point the rate would increase to 6.3%. No deficit recovery plan was required under the 2023 valuation because the scheme was in surplus on a technical provisions' basis. The institution was no longer required to make deficit recovery contributions from 1 January 2024 and accordingly released the outstanding provision to the profit and loss account.

The Local Government Pension Scheme

The Highland Councils LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds.

The total contribution made for the year ended 31 July 2025 was £1,248k (2024 £1,459k) of which employers' contributions totalled £939k (2024 £1,109k) and employees' contributions totalled £309k (2024 £349k).

The following information is based upon the pension expense calculation as at 31 July 2025.

Valuation method

As required under the Accounting Standard, the projected unit credit method of valuation has been used.

Demographic/mortality assumptions

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 are summarised below:

Notes to the Financial Statements for the year ended 31 July 2025

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 22.1 years | 23.8 years |
| Future Pensioners* | 22.8 years | 25.4 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:

Current and Future Pensioners: 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.

The mortality assumptions used to value the obligations in the employer's closing position are different to those used to value the employer's opening position.

A commutation allowance is included for future retirements to elect to take 65% of the maximum additional tax-free cash up to HMRC limits.

Financial Assumptions

| | 31-Jul-25 | | 31-Jul-24 | | 31-Jul-23 | |
|-------------------|-----------|-------|-----------|--------|-----------|--------|
| | % p.a. | Real | % p.a. | Real | % p.a. | Real |
| RPI Increases | 3.00% | 0.00% | 3.15% | 0.00% | 3.15% | -0.35% |
| CPI Increases | 2.75% | 0.00% | 2.75% | -0.25% | 3.00% | 0.25% |
| Salary Increases | 3.55% | 0.00% | 3.55% | -0.25% | 3.80% | 0.25% |
| Pension Increases | 2.75% | 0.00% | 2.75% | -0.25% | 3.00% | 0.25% |
| Discount Rate | 5.80% | 0.80% | 5.00% | -5.00% | 5.05% | 1.55% |

Expected Return on Assets for the Scheme

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 August 2024 for the year to 31 July 2025). The expected return on assets assumption is set equal to the discount rate.

Analysis of movement in the fair value of scheme assets

| | Year to 31-Jul-25 £'000 | Year to 31-Jul-24 £'000 |
|-----------------------------------------------------------|-------------------------------|-------------------------------|
| Fair value of assets at the start of the year | 46,696 | 46,834 |
| Expected return on assets | 2,578 | 2,384 |
| Actuarial gain on assets | 1,264 | (3,076) |
| Actual contributions paid by university | 1,583 | 1,465 |
| Actual member contributions | 309 | 349 |
| Actual benefit payments | (1,147) | (1,260) |
| Fair value of scheme assets at the end of the year | 51,283 | 46,696 |
| | | |
| Present value of liabilities at the start of the year | 40,276 | 39,835 |
| Current service cost | 1,026 | 1,094 |
| Past service costs | 817 | 417 |
| Interest cost on defined benefit obligation | 2,263 | 2,031 |
| Actual member contributions | 309 | 349 |
| Actual benefit payments | (1,147) | (1,260) |
| Changes in financial assumptions | (6,310) | (1,724) |
| Changes in demographic assumptions | 123 | (466) |
| Other experience adjustments | (394) | - |
| Present value of funded liabilities | 36,963 | 40,276 |
| | | |
| Fair value of scheme assets at the end of the year | 51,283 | 46,696 |
| Present value of funded liabilities | (36,963) | (40,276) |
| Adjustment for Asset Ceiling | (14,320) | (6,420) |
| Net Asset/(Liability) in Balance Sheet | - | - |

Analysis of the amount charged to UHI Statement of Comprehensive Income and Expenditure

| | Year to 31-Jul-25 £'000 | Year to 31-Jul-24 £'000 |
|----------------------------------------------|-------------------------------|-------------------------------|
| Current service cost * | 1,026 | 1,094 |
| Past service costs | 817 | 417 |
| Interest on obligation | 2,263 | 2,031 |
| Expected return on scheme assets | 1,264 | 1,648 |
| Actuarial loss in respect of pension schemes | 7,845 | (886) |
| Total | 13,215 | 4,304 |

*The current service cost contains an allowance for administration expenses of 0.7% of payroll.

Sensitivity analysis to UHI obligations and service costs

| | Approx. % increase to Employer Liability | Approx. monetary amount £000 |
|-------------------------------------------|------------------------------------------------------|---------------------------------------|
| 0.1% decrease in Real Discount Rate | 2% | 776 |
| 1 year increase in member life expectancy | 4% | 1,659 |
| 0.1% increase in Salary Increase Rate | 0% | 49 |
| 0.1% increase in Pension Increase Rate | 2% | 748 |

Reconciliation of opening and closing asset position

| | Year to 31-Jul-25 £'000 | Year to 31-Jul-24 £'000 |
|------------------------------|-------------------------------|-------------------------------|
| Asset at beginning of year | 6,420 | 6,999 |
| Current service cost | (1,026) | (1,094) |
| Past service cost | (817) | (417) |
| Employer contributions | 1,583 | 1,465 |
| Other finance income | 315 | 353 |
| Actuarial (loss)/gain | 7,845 | (886) |
| Adjustment for asset ceiling | <u>(14,320)</u> | <u>(6,420)</u> |
| Deficit at end of the year | <u>-</u> | <u>-</u> |

Projected pension expense for the year to 31 July 2026

| | Year to 31-Jul-26 £'000 |
|------------------------|-------------------------------|
| Service cost * | 820 |
| Interest cost | 2,403 |
| Return on assets | (3,237) |
| Total | <u>(14)</u> |
| Employer contributions | 939 |

*The current service costs include an allowance for administration expenses of 0.7% of payroll.

Notes to the Financial Statements for the year ended 31 July 2025

The above figures should be treated as estimates and may need to be adjusted to take account of:

- Any material events such as curtailments, settlements or the discontinuance of the Employer's participation in the fund.
- Any change to accounting practices.
- Any change to the Scheme benefits or member contribution rates; and or
- Any full funding valuation that may have been carried out on the employer's behalf.

The monetary amount of the projected service cost for the period to 31 July 2026 may be adjusted to take account of actual pensionable payroll for the period.

30. Accounting estimates and judgements

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the balance sheet date and the amounts reported for income and expenses during the year. These estimates will, by definition, seldom equal the related actual results particularly given changes in economic conditions and the level of uncertainty regarding their duration and severity.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most important estimates and judgements are set out below.

USS Pension Scheme

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 that provided by USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS 102. The directors are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements. As at July 2023, the institution's balance sheet included a liability of £4,219k for future contributions payable under the deficit recovery agreement which was concluded on 30 September 2021, following the 2020

Notes to the Financial Statements for the year ended 31 July 2025

valuation when the scheme was in deficit. No deficit recovery plan was required from the 2023 valuation, because the scheme was in surplus. Changes to contribution rates were implemented from 1 January 2024 and from that date the institution was no longer required to make deficit recovery contributions. The remaining liability of £4,219k was released to the profit and loss account in 2023/24. Further disclosures relating to the deficit recovery liability can be found in note 16.

LGPS

The costs of defined benefit pension plans pension benefits 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 valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant judgement.

Impairment

The university is required to carry out impairment testing on any assets that show indications of impairment. This testing involves exercising management judgements about future cashflows and other events which are by their nature uncertain.

Where there are indicators of impairment of individual assets, the University performs impairment test based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 years and do not include restructuring activities that the University is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the Financial Statements for the year ended 31 July 2025

31. US Department of Education Financial Responsibility Supplement Schedule

In satisfaction of its obligations to facilitate students' access to US Federal financial aid, the University of the Highlands and Islands is required, by the US Department of Education, to present the following supplementary schedule in a prescribed format.

The amounts presented within the schedule have been:

- Prepared under the historical cost convention, subject to the revaluation of certain assets.
- Prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Accounting for Further and Higher Education (2019 Edition).
- Presented in pounds sterling.

The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

| Note | Primary Reserve Ratio | | 31-Jul-25 £'000 |
|---------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------|
| Statement of Financial Position | Statement of Financial Position - Net Assets without donor restrictions | Unrestricted reserves | 6,779 |
| Statement of Financial Position | Statement of Financial Position - Net Assets with donor restrictions | Restricted reserves | 1,431 |
| Note 24 | Statement of Financial Position - Unsecured related party receivable | Amounts due from partners | (8,579) |
| Note 10 | Statement of Financial Position - Property, Plant and Equipment - pre-implementation | Net book value excluding Finance Lease Asset L&B | (13,741) |
| Note 10 | Statement of Financial Position - Lease right of use asset - pre-implementation | Net book value of Finance Lease Asset L&B | (21,580) |
| Statement of Financial Position | Statement of Financial Position - Post-employment and pension liabilities | Pension provisions | - |
| Note 15 | Statement of Financial Position - Long term debt for long term purposes | Loans repayable | 8,307 |
| | Modify for post implementation debt not related to purchase of assets | | - |
| Note 22 | Statement of Financial Position - Lease of right of use asset liability | Finance Lease Creditor <1 year + Finance Lease Creditor >1 year | 22,658 |
| | | Expendable Net Assets | (4,725) |

Notes to the Financial Statements for the year ended 31 July 2025

| Note | Primary Reserve Ratio | | 31-Jul-25 £'000 |
|-----------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------|--------------------|
| Statement of Comprehensive income | Statement of Comprehensive Income - Total operating expenses | Total expenditure less fair value movement | 133,697 |
| Statement of Comprehensive income | Statement of Comprehensive Income - Other gains (losses) | Exceptional items less fair value movement less taxation | - |
| Total expenses and losses | | | 133,697 |
| Equity ratio | | | |
| Statement of Financial Position | Statement of Financial Position - Net Assets without donor restrictions | Unrestricted reserves | 6,779 |
| Statement of Financial Position | Statement of Financial Position - Net Assets with donor restrictions | Restricted reserves | 1,431 |
| Note 24 | Statement of Financial Position - Unsecured related party receivable | Amounts due from partners | (8,579) |
| Modified Net Assets | | | (369) |
| Statement of Financial Position | Statement of Financial Position - Total assets | Tangible fixed assets + investments + current assets | 71,746 |
| Note 24 | Statement of Financial Position - Unsecured related party receivable | Amounts due from partners | (8,579) |
| Modified Assets | | | 63,167 |
| Net income ratio | | | |
| Statement of Financial Position | Statement of Financial Position - Change in net assets without donor restrictions | Change in unrestricted reserves | (2,244) |
| Statement of Comprehensive income | Statement of Comprehensive income - Total operating revenue - unrestricted | Total income less donations | 130,817 |
| Statement of Comprehensive income | Statement of Comprehensive Income - Investment return appropriated for spending | Investment income | (269) |
| Total Revenue and Gains | | | 130,548 |