UHI MILLENNIUM INSTITUTE

Report and Financial Statements
For the year ended 31 July 2007

Contents

The UHI Millennium Institute is a company limited by guarantee incorporated on 24th 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 Act 1993. Under the terms of the Designation of UHI Millennium Institute (Scotland) Order 2001, which came into effect on 1 April 2001, UHI was designated as an institution eligible to receive support from funds administered by the Scottish Higher Education Funding Council (now the Scottish Funding Council). The Company is linked to a partnership of thirteen Academic Partners and two Associated Institutions.
The mission of the UHI Millennium Institute is:

> *"To create in the Highlands and Islands of Scotland a collegiate university which will reach the highest standards and play a pivotal role in our educational, economic, social and cultural development."*

With its constituent partners, it delivers a wide range of higher education services throughout the Highlands and Islands. These include undergraduate and post-graduate courses, continuing professional development and research activities for over 6,700 students.

UHI differs from the more traditional model of HEIs. It seeks to harness existing provision, both in terms of the physical estate and the staff of colleges and institutes, to build and grow a university. Instead of building and staffing a separate university alongside existing further education provision, UHI delivers higher education, training and research utilising the existing infrastructure, facilitating transition from further education to higher education and providing integrated and articulated learning opportunities throughout this vast area of the United Kingdom.

Funding

UHI is funded for teaching by annual grant-in-aid allocated by the Scottish Funding Council (SFC) and for research by SFC and other research funders. In addition to funding from the SFC UHI has, however, received funding from a diverse range of sources including the Millennium Commission, HIE (Highlands and Islands Enterprise), European Funding, both ERDF and ESF, and private donations.

Payment of Suppliers

UHI complies 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 UHI's policy is that its trade creditors at the year-end represent 7 days purchases (2006 - 6 days) which is 2% of invoices (2006 1.5%).

Equal Opportunities and Widening Participation

UHI has a particular focus to improve access to higher education opportunities for people living in dispersed and sparsely populated areas of the Highlands and Islands. In 2005 UHI completed an equality charter, which provides the over arching ethos of promoting equality and diversity for the whole organisation. The Race, Disability and Gender Equality Duties are strong drivers to ensure that these values are mainstreamed into the policies and processes of the organisation, and the implementation of the action plans flowing from the equality duties is overseen by the Equal Opportunities Committee. UHI has established links with Equality Forward, which provides advice and support for all Scotland's colleges and universities, and is funded directly by SFC. UHI is hosting one of their development advisors. There is an established group of the equal opportunities committee undertaking impact assessment of all UHI policies, procedures and practices. UHI has a programme of staff training to cover all the strands of discrimination, which is compulsory for all staff, and subject to regular review and monitoring. UHI plans to undertake a survey of all staff who deliver higher education throughout the network. This survey will be done by means of a questionnaire, and the results will inform the areas that need priority in our various statutory action plans. Another survey for students will inform the areas that need to be addressed first, to seek to establish equality of the opportunities for students.

Disability

UHI recruitment, training, career development, and continuing employment practices do not differentiate able from disabled persons; UHI is committed to ensuring that staff who are disabled are enabled to complete their roles with the same efficiency and effectiveness as any other staff. UHI has a Disability Scheme and is implementing a consequent action plan attached. The action plan details the many actions that UHI is committed to, to ensure the implementation of disability legislation. UHI is consulting with local and national disability groups as well as staff and students to establish a baseline statistic, as a means of charting continuous improvement over future years and as a basis for regular reviews of current policies and practices.

Review of Financial Activities

UHI's income rose by £7.9 million or 21.8%% in the year. This reflects a significant increase in research grants and contracts of £4.1m, mainly relating to the ARC project. In addition, activity related and inflationary increases of £2.4m were provided on teaching and research grants by the Funding Council. UHI's student full-time equivalents rose from 4,211 to 4,299, an increase of 2%.

The increases in funding council income and project funding were reflected in an increase of £2.7m in payments to Academic Partners for delivery and development of UHI's academic and research programmes. Staff costs rose from £3.4m to £3.8m as UHI continued its investment in Health related faculty and research staff.

The outturn surplus is on target with UHI's financial strategy of investing its incoming resources in delivering and developing its academic resources. The outturn is higher than the previous year partly due to the pensions credit required by FRS 17 accounting, and partly to the timing of spend on academic development. .

As required by GAAP, UHI continued to implement FRS 17. As a result UHI is required to disclose a liability relating to current commitments of £0.3m (prior year £1.1m) on its balance sheet, reducing net assets to £5.7m (prior year £4.0m). The Actuarial gain on the pension scheme in the year of £695k (prior year gain of £245k) is included in the Statement of Total Recognised Gains and Losses.

Future Developments

During 2005-06, as part of a process which is still ongoing, UHI underwent detailed scrutiny by a panel of assessors appointed by the QAA (the Quality Assurance Agency) for the acquisition of taught degree award powers. This is one of two major steps towards the acquisition of title; the other is through a collaborative agreement with the Universities of Aberdeen, Edinburgh and Strathclyde. The Board and other UHI Committees approved a new draft constitution to be implemented on the acquisition of University title.

UHI has now embedded the ARC programme as a major and initial step in securing a boost to its research funding as part of its mission to be a significant research institution. UHI is engaged in further dialogue with stakeholders to deliver further funding for on-going task of addressing research capacity.

Professional Advisors

External auditors:	Ernst & Young LLP
Bankers:	Clydesdale Bank plc
Internal auditors:	Deloitte and Touche LLP
Solicitors:	Ledingham Chalmers

Elections

The company has elected to:

(i) 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.
(ii) dispense with the holding of the Annual General Meeting for 2003 and subsequent years.
(iii) dispense with the obligation to appoint Auditors annually.

Company Secretary

The Secretary to UHI, James M Fraser, is also the Company Secretary.

Colin MacKay CBE
Chairman
Ness Walk
INVERNESS
IV3 5SQ

18 December 2007

Copy documents may be requested from the above address.

Corporate Governance

Introduction

The Board of Governors is the governing body of UHI Millennium Institute, and governs in accordance with the Articles of Association of UHI Millennium Institute, as amended by resolutions dated 6 March 1997, 21 September 1998, 23 March 2001, 4 November 2003, 23 June 2005 and 27 March 2007 pursuant to Sections 4 and 381A of the Companies Act 1985. The Board is committed to exhibiting best practice in all aspects of corporate governance. The Board is also the Board of Directors of the UHI Millennium Institute. The Board conforms to the principles and practice set out in the Committee of University Chairmen (CUC) Guide for Members of Higher Education Governing Bodies in the UK, issued in November 2004, and has included in its Articles of Association the seven principles of public life. In the opinion of the Board of Governors, UHI complies with all the provisions of the Combined Code in so far as they relate to the Higher Education sector.

The Board of Governors is responsible for the ongoing strategic direction of UHI, for UHI's system of internal controls, approval of major developments and capital projects, health and safety, and human resources matters, and is in receipt of reports from senior managers on the operation of the day-to-day business of UHI. The Board is required to meet at least three times per year and in fact met eight times in the period from August 2006 – July 2007.

There is a clear division of responsibility between the roles of the Chairman on the one hand and the Principal of UHI on the other. Under the Memorandum and Articles of Association the Board delegates academic business to the Academic Council.

All governors have access to the Secretary to the UHI, who is the Clerk to the Board and Secretary to the Company. The Secretary is responsible to the Board for ensuring that the Board complies with the requirements of the Scottish Funding Council, relevant legislation and sectoral norms for governance processes and procedures.

Disclosure of information to Auditors

The governors who were members of the Board of Governors at the time of approving the accounts are listed on page 6. Having made enquiries of fellow governors and the institute's auditors, each of these governors confirms that:

- to the best of each governor's knowledge and belief, there is no information relevant to the preparation of their report of which the Institute's auditors are unaware; and
- each governor has taken all the steps a governor might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Institution's auditors are aware of that information.

Board of Governors – Membership

The Board of Governors during 2006-07 consisted of the following persons; changes throughout the period are shown in italics.

	Period of Office	Date of Appointment	Date of Cessation	
Ex Officio				
Principal of UHI	N/A			Robert Cormack
President - Students' Association	N/A	01-07-06		Amy Allan
Elected				
Two members of staff from amongst the Staff Register of UHI of whom one is a teaching member and one a non-teaching member	3 years	19-12-06 29-02-07		*Janet Hackel* *Fiona Skinner*
Appointed				
7 Chairs of Boards of Management of Academic Partners	3 years	07-09-04 19-12-06 19-12-06 19-12-06 19-12-06 19-12-06 01-12-07 05-11-03 05-11-03 05-11-03 05-11-03 05-11-03 05-11-03	07-09-07 18-06-07 19-12-06 19-12-06 19-12-06 19-12-06 19-12-06 19-12-06	Lews Castle College: Kenneth Murray *HTC: Alex Murray* *Moray: Robin MacLeod* *SAMS: John Arbuthnott* *Lochaber: Michael Foxley* *Shetland: Drew Ratter* *Shetland: Andrew Hughson* *Argyll: Wilma Campbell* *Inverness: Ken Mackie* *NHC: Philip Arthur* *Orkney: Roderick McLeod* *Perth: Penny Brodie* *SMO: Farquhar Macintosh*
Independent				
9 members appointed by the UHI Board	3 years (renewable)	05-11-03 05-11-03 05-11-03 05-11-03 05-11-03 05-11-03 05-11-03 28-09-04 20-02-06		Colin MacKay Philip MacKenzie Calum MacLeod Lord Prosser Anne Clark Jean Urquhart Jack Watson Hugh Morison Bill Bound
2 members appointed by Highlands & Islands Enterprise	3 years (renewable)	01-03-04 28-06-05 01-06-07	 03-10-06	Andrew Rogers Peter Timms *Mary Campbell*
3 members appointed by Foundation	3 years	07-09-04 07-09-04 07-09-04	11-09-07	Muriel Jones Geoff Payne Thomas Prag

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

Committees of the Board of Governors

The Board exercises its role with the aid of several committees. The Board approves the remits and memberships of the committees. The decisions and recommendations of these committees are formally reported to the Board. The Committees comprise the Audit Committee, the Equal Opportunities Committee, the Finance and General Purposes Committee, the Health & Safety Committee, the Nominations Committee, the Remuneration Committee and the Student Affairs Committee.

Colin MacKay (Chair)	Remuneration, Nominations, Finance & General Purposes, Equal Opportunities, Student Affairs.
Philip Mackenzie	Finance & General Purposes, Remuneration
Calum MacLeod	Finance & General Purposes, Remuneration
William Prosser	
Hugh Morison	Finance & General Purposes, Health & Safety
Anne Clark	Equal Opportunities
Jean Urquhart	Equal Opportunities, Remuneration
Jack Watson	Finance & General Purposes
Bill Bound	
Kenneth Murray	Student Affairs
Alex Murray	
Robin MacLeod	Nominations
John Arbuthnott	Nominations
Michael Foxley	
Drew Ratter	
Mary Campbell, HIE[1]	
Andy Rogers, HIE	Finance & General Purposes
Muriel Jones, Fdn[2]	Audit, Student Affairs
Thomas Prag,Fdn	Audit, Development Trust
Geoff Payne, Fdn	Audit, Student Affairs, Equal Opportunities

Nominations Committee

The Nominations Committee is a sub-committee of the Board chaired by the Chair of the Board. The Committee meets on an "as required" basis to review the membership of the Board, to seek new members when vacancies arise and to ensure that the committees of the Board are fully populated by Board members in terms of their composition. In seeking new members the Nominations Committee has drawn up a specification of the balance of skills and professional expertise which is deemed useful to the Board and seeks to implement UHI's policies in respect of equal opportunities.

[1] HIE – Highlands and Islands Enterprise
[2] Fdn – UHI Foundation

The Remuneration Committee

The Remuneration Committee is a sub-committee of the Board. The Committee is entrusted with 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 universities 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 within UHI Academic Partners.

The Foundation

The Foundation, a body through which the people of the Highlands and Islands may influence and support the development of UHI, is an important element in the constitution of UHI. Its approval is required for constitutional change and for changes of full Academic Partners.

The Foundation met regularly throughout the year to receive a report from the Principal on the work of UHI, to receive annually the audited accounts of UHI and, as necessary, to appoint such members as it may be required to appoint to the Board of Governors.

The Foundation may of its own accord discuss and declare an opinion on any other matter relating to UHI and its resolution or opinion on any matter aforesaid shall be conveyed by the Principal to the next meeting of the Board of Governors.

Executive Board

The Executive Board comprises the Principal *(ex officio)* and the Principal or Director of each of the UHI Academic Partners. Directors of Associated Institutions are invited to attend and participate in meetings, but do not have voting rights.

Subject to the overall authority of the Board of Governors (in respect of policy, strategy, and matters reserved to it), the personal responsibilities of the Principal and Director and the autonomy of the Academic Council in academic matters, the Executive Board is authorised to consider and determine any matter concerned with the planning, development and operation of UHI.

The Executive Board ensures that there is a regular input into the strategy and operation of UHI from the senior management of the Academic Partners. Following upon the constitutional review the Executive Board was strengthened through the establishment of a number of committees.

Colin MacKay CBE
Chairman

Professor Robert Cormack
Principal

18 December 2007

Statement of the Responsibilities of the Board of Governors

The Board of Governors of UHI Millennium Institute is responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Board of Governors of the UHI Millennium Institute 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 UHI Millennium Institute, UHI through its Principal, 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 Institute and the result for that year.

In preparing the financial statements, UHI 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 Institute will continue in operation.

UHI is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of UHI. UHI 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 Institute and to prevent and detect fraud and other irregularities.

The Board of Governors is responsible for ensuring that funds from the 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 Board of Governors must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, the Board of Governors is responsible for securing economical, efficient and effective management of the institute'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 Institute

Colin MacKay CBE
Chairman

18 December 2007

Statement on the System of Internal Control

It is the responsibility of the Accounting Officer to ensure that an effective system of internal financial control is maintained and operated by UHI Millennium Institute. 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 governing body;
- regular reviews by the governing body 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.

UHI Millennium Institute has an internal audit service, which operates in accordance with the requirements of the Scottish Funding Council's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the institute is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by UHI's Governing Body on the recommendation of the Audit Committee. At least annually, the Internal Auditor provides the Governing Body with a report on internal audit activity in the Institute. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the Institute's system of internal control, including internal financial control.

There is a process for identifying, evaluating and managing UHI's significant risks. This has been formalised in line with the internal control guidance for Directors on the Combined Code as amended by the British Universities' Finance Officers Group and applied in 2003-04. The Risk Management Policy has been approved by the Board of Governors and the Risk register by the Executive Board and by the Board of Governors.

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 auditors; (ii) the Audit Committee which oversees the work of the internal auditors; (iii) the executive managers within the Institute who have responsibility for the development and maintenance of the financial control framework; and (iv) the work of the Institute's external auditors.

Colin MacKay CBE
Chairman

Professor Robert Cormack
Principal

18 December 2007

Independent Auditors' Report to the Board of Governors of UHI Millennium Institute

We have audited the Institute's financial statements for the year ended 31 July 2007 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's Board of Governors, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's Board of Governors those matters we are required to state to them in an auditors' 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 company and the company's Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and Auditors

The Board of Governors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of the Responsibilities of the Board of Governors.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Board of Governors Report is consistent with the financial statements.

We also report to you if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board of Governors remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board of Governors, the Corporate Governance Statement and the Statement on the System of Internal Control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

The maintenance and integrity of the UHI Millennium Institute's web site is the responsibility of the members of the Board of Governors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Basis of Our Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Institute's affairs at 31 July 2007 and of its income and for the year then ended;

- The financial statements have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions and the Institute's Memorandum of Association;

- Funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the institution have, in all material respects, been applied only for the purposes for which they have been received;

- Income has in all material respects, been applied in accordance with the Institute's Memorandum of Association and, where appropriate, with the financial memorandum with the Scottish Funding Council; and

- The information given in the Board of Governors' Report is consistent with the financial statements

Ernst & Young LLP
Registered Auditor
Inverness

Date: 18 December 2007

UHI Millennium Institute
Income and Expenditure Account for the year ended 31 July 2007

	Notes	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Income			
Funding Council Grants	2	22,385,425	20,043,603
Tuition fees and education contracts	3	4,785,468	4,198,435
Research Grants and Contracts	4	4,889,626	854,485
Other income	5	3,904,335	3,044,982
Endowment and Investment income	6	156,699	91,725
Pension Scheme Net Expected Return on Assets	11	46,000	16,000
Total Income		**36,167,553**	**28,249,230**
Expenditure			
Staff costs	7	3,756,927	3,409,615
Other operating expenses	9	31,448,258	24,332,553
Interest payable	10	-	403
Depreciation	14	316,802	269,955
Total Expenditure		**35,521,987**	**28,012,526**
Surplus/(deficit) on continuing operations after depreciation of tangible fixed assets and disposal of assets and before tax		645,566	236,704
Taxation	12	-	-
Transfer from Development Reserve	18	-	-
Surplus on continuing operations after depreciation of assets, disposal of assets and tax and transfer from development reserve		**645,566**	**236,704**

The income and expenditure account is in respect of continuing activities.

UHI Millennium Institute
Statement of Total Recognised Gains and Losses
for the year ended 31 July 2007

	Notes	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Surplus on continuing operations after depreciation of assets, disposal of assets and tax and transfer from development reserve		645,566	236,704
Actuarial (Loss)/Gain on Pension Scheme	23	695,000	245,000
Total Recognised Gains relating to the Period		1,340,566	481,704

Reconciliation		
Opening reserves	**1,759,108**	**1,277,404**
Total Recognised (losses)/gains for year	1,340,566	481,704
Closing reserves	**3,099,674**	**1,759,108**

UHI Millennium Institute
Balance Sheet as at 31 July 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	14	**4,946,186**	**4,745,296**
Current assets			
Debtors	15	2,480,000	1,840,896
Cash at bank and in hand		2,885,362	2,069,159
		5,365,362	3,910,055
Creditors: amounts falling due within one year	16	4,394,259	3,538,633
Net current (liabilities)/assets		971,103	371,422
Total assets less current liabilities		**5,917,289**	**5,116,718**
Creditors: amounts falling due after one year		-	-
NET ASSETS EXCLUDING PENSION LIABILITY		**5,917,289**	**5,116,718**
Pension Liability	23	(307,000)	(1,117,000)
NET ASSETS INCLUDING PENSION LIABILITY		**5,610,289**	**3,999,718**
Deferred capital grants	17	**2,510,615**	**2,240,610**
General reserve	18	3,029,674	1,689,108
Development Reserve	18	70,000	70,000
Total Reserves		**3,099,675**	**1,759,108**
TOTAL		**5,610,289**	**3,999,718**

The financial statements on pages 12 to 37 were approved by the governing body on 18 December 2007 and were signed on its behalf by: -

C MacKay CBE
Chairman

Prof R Cormack
Principal

UHI Millennium Institute
Cash Flow Statement for the Year ended 31 July 2007

	Notes	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Cash inflow from operating activities	19	754,711	(327,831)
Returns on investments and servicing of finance	20	156,699	91,725
Capital expenditure and financial investment	21	(95,206)	23,458
(Decrease)/Increase in cash in the period		**816,204**	**(212,648)**

Reconciliation of net cash flow to movement in net funds

(Decrease)/Increase in cash in the period	816,204	(212,648)
Movement in net funds in period	816,204	(212,648)
Net funds at 1 August 2006	2,069,158	2,281,806
Net funds at 31 July 2007	**2,885,362**	**2,069,158**

UHI Millennium Institute

Notes to the Financial Statements for the Year ended 31 July 2007

1. Principle of Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions September 2003 and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of Consolidation

The Institute had no subsidiary undertakings during the period.

Recognition of income

Income from grants, contracts and other services rendered, including research grants and contracts, is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Funding Council are recognised in the period in which they are recoverable.

Non-recurrent grants from the Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students.

Pension schemes

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

The LGPF Scheme is a defined benefit scheme and has been fully disclosed under FRS17 regulations in the accounts and notes.

On the advice of an independent qualified actuary, contribution payments are made to the plan to ensure that the plan's assets are sufficient to cover future liabilities. Pension plan assets are measured using market values. Pension plan
liabilities are measured using the projected unit method and discounted by the yield available on long-dated, high quality corporate bonds. Any increase in the present value of the liabilities of the defined benefit pension plan expected to arise from employee

service in the period is charged against operating surplus. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in income and expenditure. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The USS Scheme is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Tangible fixed assets

Land and Buildings

Land, where it can be separately identified and valued, is not depreciated.

Buildings, and land which can not be separately valued, are depreciated over their useful economic life on a straight-line basis over 50 years.

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

Equipment
Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. Computer equipment and Research equipment costing between £1,000 and £5,000 is capitalised, but written off in the year of purchase. All other equipment is capitalised at cost.

Assets are depreciated over their useful economic life as follows:

Computer equipment costing more than £5,000	-	33.3% per annum
Research equipment costing more than £5,000	-	20% per annum
Furniture and Fittings	-	20% per annum

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

Celtica and Theological Collections are not depreciated, as the Institute is required to maintain the collection in such condition that its value is not impaired over life.

Leased assets

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Foreign currency translation

Foreign currency transactions are translated at the exchange rate ruling on the date the transactions occurred. Where income is received on behalf of European project partners and passed on with no translation to sterling, both income and expenditure are translated using the year-end closing exchange rate. At the balance sheet date, monetary assets and liabilities are translated using the closing exchange rate.

Taxation

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

Accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Institute receives no similar exemption in respect of Value Added Tax.

Provisions

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

2. Funding Council Grants

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
SFC recurrent grant	18,691,000	17,434,000
SFC specific grants	3,694,425	2,562,027
Deferred capital grant release	-	47,576
	22,385,425	**20,043,603**

3. Tuition Fees and Education Contracts

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
UK Higher Education students	4,204,584	3,966,440
European Union (EU) (excluding UK) students	77,936	50,040
Non-EU students	471,078	148,984
Research Training Support	31,870	32,971
	4,785,468	**4,198,435**

4. Research Grants and Contracts

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
European Commission	1,693,263	337,593
Other Grants and Contracts	3,196,363	516,892
	4,889,626	**854,485**

5. Other Income

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Other income generating activities	1,160,581	1,068,469
Other grant income	2,200,074	1,485,062
Other income	391,200	337,962
Deferred capital grant release	152,480	73,748
Other deferred grant release	-	79,741
	3,904,335	**3,044,982**

6. Endowment and Investment Income

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Other interest receivable	156,699	91,725
	156,699	**91,725**

7. Staff Costs

The average monthly number of persons (including senior post-holders) employed by the Institute during the year, expressed as full-time equivalents, was:

	Year ended 31 July 2007 Number	Year ended 31 July 2006 Number
Administration and central services	106	91
	106	**91**

	Year ended 31 July 2007	Year ended 31 July 2006
Analysed as:		
Staff on permanent contracts	77	76
Staff on short-term and temporary contracts	29	15
	106	**91**

All teaching staff are employed and paid by the Institute's Academic Partners.

7. Staff Costs (continued)

Staff costs for the above persons:		**Year ended 31 July 2007**	**Year ended 31 July 2006**
		£	**£**
Wages and salaries		3,115,761	2,746,124
Social security costs		270,144	230,924
Other pension costs - contributions		440,022	369,567
- current service cost in excess of contributions	22	109,000	63,000
- past service costs		(178,000)	-
		3,756,927	**3,409,615**
Administration and central services		3,756,927	3,409,615
Total		**3,756,927**	**3,409,615**

	Year ended 31 July 2007	**Year ended 31 July 2006**
	£	**£**
Employment costs for staff on permanent contracts	3,329,752	3,133,110
Employment costs for staff on short-term and temporary contracts	427,175	276,505
	3,756,927	**3,409,615**

The number of staff, including senior post-holders and the principal, who received emoluments in the following ranges was:

	Year ended 31 July 2007		**Year ended 31 July 2006**	
	Number senior post-holders	**Number Other Staff**	**Number senior post-holders**	**Number Other Staff**
£ 70,001 to £ 80,000	-	1	-	-
£ 80,001 to £ 90,000	-	-	1	-
£ 90,001 to £100,000	1	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	1	-	1	-
	2	1	2	0

8. Senior Post-holders' Emoluments

	Number 2007	Number 2006
The number of senior post-holders including the principal was:	2	2
Senior post-holders' emoluments are made up as follows:	**£**	**£**
Salaries	210,079	197,663
Social security costs	23,474	22,024
Benefits in kind	5,270	4,221
Pension contributions	30,445	28,348
Total emoluments	**269,268**	**252,256**

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year Ended 31 July 2007 £	Year Ended 31 July 2006 £
Salary	116,076	113,245
Benefits in kind	2,691	2,155
	118,767	115,400
Pension contributions	16,251	15,854

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Local Government Pension Scheme/Universities' Superannuation Scheme and are paid at the same rate as for other employees.

The members of the Institute other than the principal and the staff member did not receive any payment from the Institute other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9. Other Operating Expenses

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Administration and central services	5,066,149	4,808,676
Funding to Academic Partners	19,406,535	16,703,618
Premises costs	265,775	179,812
Other income generating activities	744,044	821,004
Other expenses	5,927,966	1,556,389
Millennium Commission grants to partners	37,789	263,054
Total	**31,448,258**	**24,332,553**

Other operating expenses include:	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Auditors' remuneration:		
external audit – Ernst & Young	19,301	20,000
external audit – Baker Tilly balance	-	3,795
internal audit	36,754	20,874
Hire of plant and machinery - operating leases	16,217	18,707
Hire of other assets - operating leases	57,615	5,202

10. Interest Payable

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Finance lease interest	-	403

11. Pension Scheme Net Expected Return on Assets

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Expected return on pension scheme assets	403,000	311,000
Interest on pension liabilities	(357,000)	(295,000)
Net return	46,000	16,000

12. Taxation

The company is recognised by the Inland Revenue as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988.

13. Surplus on Continuing Operations for the Period

The surplus on continuing operations for the period is made up as follows:

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Institute's surplus/(deficit) for the period	645,566	236,704
Total	**645,566**	**236,704**

14. Tangible Fixed Assets

	Freehold Land & Buildings £	Celtica & Theological Collections £	VC Equipment £	Computer Equipment £	Research Equipment £	Office Equipment £	Total £
Cost							
At 1 August 2006	4,658,418	81,962	1,573,212	4,231,522	-	152,198	10,697,312
Additions		-	101,764	27,025	388,903	-	517,692
At 31 July 2007	4,658,418	81,962	1,674,976	4,258,547	388,903	152,198	11,215,004
Depreciation							
At 1 August 2006	180,286	-	1,521,166	4,157,364	-	93,200	5,952,016
Charge for year	85,700	-	55,519	88,722	70,017	16,844	316,802
At 31 July 2007	265,986	-	1,576,685	4,246,086	70,017	110,044	6,268,818
Net book value At 31 July 2007	**4,392,432**	**81,962**	**98,291**	**12,461**	**318,886**	**42,154**	**4,946,186**
Net book value At 1 August 2006	**4,478,132**	**81,962**	**52,046**	**74,158**	**-**	**58,998**	**4,745,296**
Financed by capital grant	**2,044,312**	**81,962**	**36,123**	**-**	**318,886**	**29,332**	**2,510,615**
Other	**2,348,120**	**-**	**62,168**	**12,461**	**-**	**12,822**	**2,435,571**
Net book value At 31 July 2007	**4,392,432**	**81,962**	**98,291**	**12,461**	**318,886**	**42,154**	**4,946,186**

15. Debtors: amounts falling due within one year

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Trade Debtors	501,749	629,025
Prepayments and accrued income	1,978,251	1,211,871
Total	**2,480,000**	**1,840,896**

16. Creditors: Amounts Falling Due Within One Year

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Payments received in advance	2,177,506	1,330,143
Trade creditors	650,752	386,856
Other taxation and social security	26,475	96,093
Accruals	1,468,421	1,348,679
Bursaries and Other Student Support Funds	71,105	376,862
	4,394,259	**3,538,633**

17. Deferred Capital Grants

	Total £
At 1 August 2006	**2,240,610**
Cash Received	
Land & buildings	
Equipment	422,485
Released to income and expenditure account	
Land and buildings (note 4)	44,974
Equipment (note 4)	107,506
Total	**152,480**
At 31 July 2007	
Land and buildings	2,044,312
Equipment	466,303
Total	**2,510,615**

18. Movement on Reserves

	General Reserve £	Development Reserve £	Total £
Income and Expenditure Account Reserve			
At 1 August 2006	**1,689,108**	**70,000**	**1,759,108**
Prior Year Adjustment			
Surplus on continuing operations for the year to 31July 2007	645,566	-	645,566
Actuarial (Loss)/Gain on Pension Scheme	695,000	-	695,000
At 31 July 2007	**3,029,674**	**70,000**	**3,099,674**

The Development Reserve is to be used for future planned curriculum development activities. It is expected that these will arise as a result of the Institute's application for University Title.

19. Reconciliation of Operating Surplus/(Deficit) to Net Cash Inflow from Operating Activities

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Surplus on continuing operations after depreciation of assts at valuation	645,566	236,704
Depreciation (note 14)	316,802	269,955
FRS 17 Pension adjustment	(115,000)	47,000
Deferred capital grants released to income (note 17)	(152,480)	(121,323)
Decrease/(Increase) in debtors	(639,104)	(305,832)
Increase in creditors	855,626	(362,609)
Interest receivable (note 6)	(156,699)	(91,725)
Net cash inflow from operating activities	**754,711**	**(327,831)**

20. Returns on Investments and Servicing of Finance

	Year Ended 31 July 2007 £	Year Ended 31 July 2006 £
Other interest received	156,699	91,725
Net cash inflow from returns on investment and servicing of finance	**156,699**	**91,725**

21. Capital Expenditure and Financial Investment

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Purchase of tangible fixed assets	(517,691)	(81,817)
Deferred capital grants received	422,485	105,275
Net cash (outflow) from capital expenditure and financial investment	**(95,206)**	**23,458**

22. Analysis of Changes in Net Funds

	At 1 August 2006 £	Cashflows £	Other changes £	At 31 July 2007 £
Cash at bank and in hand	2,069,158	816,204	-	2,885,362
Total	**2,069,158**	**816,204**	**-**	**2,885,362**

23. Pension and similar obligations

The Institute's employees belong to two principal pension schemes, the Universities Superannuation Scheme (USS) and the Local Government Pension Scheme (LGPS), which are defined benefits schemes. The LGPS is administered by the Highland Council Pension Fund (HCPF).

Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement aged 65 are:

Males	19.8 years
Females	22.8 years

23. Pension and similar obligations (continued)

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.
Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

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

23. Pension and similar obligations (continued)

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than matching the assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants to the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31st March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost of the institution was £103,926 (2006 £76,989). This includes £0 (2006 £6,051) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

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 2007 was £522,342 of which employers' contributions totalled £368,525 and employees' contributions totalled £153,817. The agreed contribution rates for future years are 14.7% for employers and 6 % for employees.

Proportion of members' accrued benefits covered by the actuarial value of the assets 83%.

The following information is based upon pension expense calculation as at 31 July 2007. The latest formal actuarial valuation for the fund for the purposes of setting employers' actual contributions was at 31 March 2005. The next formal valuation is due as at 31 March 2008.

Assumptions	At 31 July 2007	At 31 July 2006	At 31 July 2005	At 31 July 2004	At 31 July 2003
Inflation	3.5%	3.1%	2.8%	2.9%	2.6%
Rate of increase in salaries	5.0%	4.6%	4.3%	4.4%	4.1%
Rate of increase for pensions	3.5%	3.1%	2.8%	2.9%	2.6%
Discount rate for liabilities	5.8%	5.1%	5.0%	5.8%	5.5%

23. Pension and similar obligations (continued)

The assets in the scheme (of which the Institute's share is estimated at 0.76%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2007	Value at 31 July 2007 £000	Long-term rate of return expected at 31 July 2006	Value at 31 July 2006 £000	Long-term rate of return expected at 31 July 2005	Value at 31 July 2005 £000	Long-term rate of return expected at 31 July 2004	Value at 31 July 2004 £000	Long-term rate of return expected at 31 July 2003	Value at 31 July 2003 £000
Equities	7.8%	589,152	7.7%	515,400	7.3%	438,700	7.9%	360,000	8.0%	364,100
Gilts*	4.8%	69,841								
Other Bonds	5.8%	62,915	4.7%	122,900	4.7%	110,800	5.4%	99,000	5.0%	85,300
Property	5.8%	96,225	5.7%	81,800	5.4%	65,000	6.7%	29,000	6.0%	10,000
Cash	5.8%	13,935	4.8%	17,200	4.5%	8,500	4.5%	10,000	3.5%	5,300
Total Market Value of assets	7.1%	832,068	6.9%	737,300	6.6%	623,000	8.3%	498,000	7.4%	464,700

* Gilts included with Other Bonds at 2006

	Year Ended 31 July 2007 £000	**Year Ended 31 July 2006 £000**	**Year Ended 31 July 2005 £000**	**Year Ended 31 July 2004 £000**	**Year Ended 31 July 2003 £000**
Institute's estimated asset share	6,652	5,603	3,828	2,857	2,451
Present value of scheme liabilities	(6,959)	(6,720)	(5,143)	(3,866)	(3,352)
Deficit in the scheme	(307)	(1,117)	(1,315)	(1,009)	(901)

23. Pension and similar obligations (continued)

Analysis of the amount charged to income and expenditure account

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000	Year Ended 31 July 2004 £000	Year Ended 31 July 2003 £000
Service cost	477	379	283	229	125
Past service cost	(178)	-	-	76	-
Total operating charge	298	379	283	305	125
Analysis of net return on pension scheme					
Expected return on pension scheme assets	403	311	217	188	104
Interest on pension liabilities	(357)	(295)	(233)	(193)	(114)
Net return	46	16	(16)	(5)	(10)
Amount recognised in the statement of total recognised gains and losses (STRGL)					
Actual return less expected return on pension scheme assets	194	389	481	23	(145)
Experience gains and losses arising on the scheme liabilities	-	150	(12)	-	139
Change in financial and demographic assumptions underlying the scheme liabilities	501	(294)	(719)	(6)	(468)
Actuarial gain / (loss) recognised in STRGL	695	245	(250)	17	(474)
Movement in deficit during year					
(Deficit) in scheme at 1 August	(1,117)	(1,315)	(1,009)	(901)	(477)
Movement in year:					
Current service charge	(477)	(379)	(283)	(229)	(125)
Contributions	368	316	243	185	184
Past service costs	178	-	-	(76)	-
Net interest / return on assets	46	16	(16)	(5)	(10)
Actuarial gain or loss	695	245	(250)	17	(473)
Deficit in scheme at 31 July	(306)	(1,117)	(1,315)	(1,009)	(901)
History of experience gains and losses					
Difference between the expected and actual return on assets:					
Amount £m	(194)	(389)	(481)	(23)	(145)
Value of assets	6,653	5,603	3,828	2,857	2,451
% of scheme assets	(2.9%)	(6.9%)	(12.6%)	(0.8%)	(5.9%)
Experience gains and losses on scheme liabilities:					
Amount £m	-	150	(12)	-	139
Present value of liabilities	6,959	6,720	5,143	3,865	3,352
% of scheme liabilities	-	(2.2%)	(0.2%)	-	4.1%
Total amount recognised in STRGL					
Amount £m	695	245	(250)	17	(474)
Present value of liabilities	6,959	6,720	5,143	3,865	3,352
% of scheme liabilities	(10.0%)	(3.6%)	(4.9%)	0.4%	(14.1%)

24. Financial Commitments

At 31 July 2007 the Institute had annual commitments under non-cancellable operating leases as follows:

	Year ended 31 July 2007 £	Year ended 31 July 2006 £
Land and Buildings		
Expiring within one year	30,039	5,202
Expiring within two and five years inclusive	-	-
Expiring in over five years	30,478	-
	60,517	**5,202**
Other		
Expiring within one year	-	-
Expiring between two and five years inclusive	16,217	18,707
Expiring in over five years	-	-
	16,217	**18,707**

The lease on the storage unit in Nairn expired in May 2005. Renewal documents have not been received, but 3 months notice is normally required for termination of the lease. Units are being leased in the Greenhouse, which expired on 15th June 2007, with a 2 month notice period thereafter. A lease on property at Fairways commenced in July 2007, for a period of 10 years, with an option to terminate after 5 years.

25. Related Party Transactions

Due to the nature of the Institute's operations and the composition of the Board of Governors (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 board of governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the Institute's financial regulations and normal procurement procedures. The ultimate controlling party is the Board of Governors.

The Institute has 15 constituent partners 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 period are outlined below:

Partner	Invoiced to Partners	Payments to Partners	Amounts due to Partners at 31 July 2007	Amounts due from Partners at 31 July 2007
	£	£	£	£
Argyll College	4,635	201,643	1,920	1,656
Highland Theological College	802	218,042	1,211	6,661
Inverness College	131,981	4,085,225	25,697	34,844
Lews Castle College	47,986	1,623,679	3,601	6,485
Lochaber College	36,372	226,468	12,214	11,555
Moray College	104,444	3,234,120	11,599	66,385
North Atlantic Fisheries College	17,696	264,534	-	12,966
North Highland College	73,598	3,294,259	28,057	11,791
Orkney College (OIC)	16,167	1,003,540	23,845	2,152
Perth College	136,093	4,706,282	4,767	26,719
SAMS	8,450	2,945,041	327,010	1,948
Shetland College (SIC)	24,143	451,739	2,822	2,741
Sabhal Mor Ostaig	8,498	579,586	2,968	5,479
Ness Foundation	1,175	406,787	2,931	185
SDRC	2,562	81,542	-	2,284
	614,602	**23,332,487**	**448,642**	**193,851**

Provisions totalling £15,017 (2006 - £20,735) have been made in respect of these balances.

26. Hardship Funds and Childcare Funds

	Hardship	Childcare
Balance B/Fwd	18,509	24,945
Funds received in year	227,654	242,383
Expenditure	(276,571)	(156,233)
Repayable to funding body (clawback)	(12,151)	(22,764)
Virements	64,887	(64,887)
Balance C/Fwd	**22,328**	**23,444**

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.

27. Contingent Liability

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

28. Securities

The Clydesdale Bank and The Millennium Commission have been granted standard securities over the property at Ness Walk.

29. Capital Commitments

There were no capital commitments at 31st July 2007.

30. Post Balance Sheet Events

There were no events after the date of the balance sheet requiring disclosure.

31. Losses and special payments

There were no losses or special payments during the year.