

Queen Margaret University, Edinburgh

**Strategic Report and Financial
Statements**

for the year ended 31 July 2025

Registered No. SC007335

Scottish Charity No. SC002750

CONTENTS

SECTION	PAGE
Principal's Report	3
Strategic Report	6
Report of the Governing Body	16
Corporate Governance Statement	20
Responsibilities of the University Court	26
Independent Auditor's Report	27
Statements of Comprehensive Income and Expenditure	31
Statements of Changes in Reserves	32
Balance Sheet	33
Statement of Cash Flows	34
Statement of Principal Accounting Policies	35
Notes to the Financial Statements	43

PRINCIPAL'S REPORT

for the year ended 31 July 2025

While Queen Margaret University continues to weather the financial storms facing the higher education sector through careful financial stewardship and enterprising approaches, the financial outturn in 2024/25 was nevertheless an operating deficit of £3.2m, as the growth in our income is unable to keep pace with continued inflationary pressures, including the unforeseen increase in employer national insurance. We are also managing great pressure on budgets in the next year and beyond.

We have been entrepreneurial in growing and diversifying our income in recent years as public funding in higher education has diminished. We continue to enjoy high levels of application relative to several of our competitors, and have expanded and diversified our student population through regional, national and international partnerships. We have managed to do so against the backdrop of a real terms funding cut to higher education of around 20-30% over the past decade, increased volatility in international student recruitment markets, continued inflationary pressures and changing needs of students, employers and partners.

Reflecting our proactive approach to the changing operating environment, we have responded to the challenges by addressing directly the balance and nature of our business. In the last year, we have witnessed over 200% growth in the number of students on the QMU Online suite of flexible on-demand online Masters' courses launched in 2022, and were delighted to celebrate the first cohort of such students graduating in summer 2025. As an early adopter of transnational education (TNE), our TNE partnerships are continuing to grow in terms of both student numbers (from 5,144 to 7,233 FTE) and income, diversifying our income stream and aligned with our academic purpose.

However, recruitment to many on-campus programmes remains challenging, reflecting the increasing competition for Scottish and RUK students. The total number of on-campus fee-paying students at QMU in 2024/25 stood at 3,825 FTE versus 4,045 FTE in the previous year. Total undergraduate home numbers have reduced from a peak of 3,150 FTE in 2020/21 to 2,530 FTE in 2024/25, with this trend driven primarily by EU students leaving the cohort post Brexit, and the compound effect of successive reductions in entrants. Rest of UK and Republic of Ireland undergraduate numbers have remained stable over the past few years. Many factors have contributed to the reduced attractiveness of the UK to international students. However, QMU has been able to weather this to the extent that some of the downturn in Scottish and RUK students has been offset by a sustained steady growth in international undergraduate numbers. While total FTE are modest for QMU, we have seen a sustained increase since 2021/22, with 2024/25 numbers some 58% higher than the previous year. While the home postgraduate market remains dampened by economic factors, witnessing an 11% FTE reduction year on year since 2021/22, international postgraduate numbers have returned to pre-COVID levels.

Student recruitment is one of many factors contributing towards a challenging financial environment across the Scottish Higher Education sector. Despite our successful efforts to grow and diversify income, this growth has not been sufficient to offset continued inflationary pressures across our cost base. Despite the financial challenges, we have managed to reduce debt and retain access to liquidity through successfully refinancing to a Revolving Credit Facility with Santander earlier in the year. This allows us to be flexible in our use of the facility, maintaining sufficient cash balances in line with our robust treasury policy, reducing borrowing costs when we can, but also allowing us to continue to be able to make sensible strategic investments to protect the integrity of our assets, grow income and promote operational efficiency when opportunities arise.

Part of that investment has been directed to our change project, the objective of which is to review and reposition our business model and optimise our associated operating model. This project has assumed greater importance over the last year, reflecting the increasingly tough operating environment in which the higher education sector is working. In responding to that imperative, we are focussed on delivering high impact and sustainable efficiencies, with the original scope of the project being extended beyond professional services to include

Strategic Report & Financial Statements 2025

consideration of academic areas and also shared services opportunities across the organisation. In parallel with this programme, we have launched a Voluntary Exit scheme for staff.

Further areas of focussed investment this year includes the expansion of our course portfolio to include Digital and Graphic Design and Business Psychology, further development and digitisation of processes, and investment in digital infrastructure.

Crucially, we continue to invest in, and to safeguard, the quality of the student experience at QMU, and were rewarded this year with pleasing National Student Survey (NSS) results. In this year's NSS, we are ranked top amongst the five Edinburgh-based higher education institutions for overall student satisfaction, with a number of courses receiving a 100% overall satisfaction rate. While the University exceeded its benchmarks for over half of the questions in the survey, it remained significantly below its benchmark for several of the questions relating to assessment feedback and course organisation. In the Postgraduate Research Experience Survey (PRES) 2024, we were ranked first among all participating institutions for doctoral students' overall satisfaction of their research degree programme.

In January of this year, we successfully launched our new financial system, Uni-Fi. Implementing any new system is challenging, and thankfully not done every year. Careful planning and hard work from all involved in the system development and implementation meant that the transfer to the new system went smoothly. Not only has the new system contributed to the streamlining of our financial processes and will contribute to robust financial controls, it has also provided an opportunity for us to reflect on how we can continue to successfully complete projects of this size and scope in the future.

Another significant development this year has been construction of the Edinburgh Innovation Hub (EIH). Enabled through funding from the Edinburgh and South East Scotland City Region Deal, the Hub is designed to become a nationally significant centre for innovation-driven business growth and to create new high value employment. It is being delivered through a joint venture between QMU and East Lothian Council. We anticipate that the EIH can also help us deliver on our commitment to community-wealth building, as will our adoption this last year of the Bright Red Triangle model of entrepreneurial support first developed at Edinburgh Napier University. This development means that more students, graduates and researchers in the Edinburgh city region will have the opportunity to access resources and expertise to support their entrepreneurial ambitions.

Indeed, community wealth building (CWB) is central to our new Knowledge Exchange and Innovation Strategy, which was published this last year. With our long-standing commitment to social justice and economic inclusion, QMU is well positioned as a model for national implementation of CWB, which is rooted in people-centred economic development.

Relevant to inclusive economic growth is the strong alignment between QMU's expertise and the development of the wellbeing economy. For example, digital transformation is changing the way that healthcare is being delivered. It is enabling care to move away from hospitals into community settings, a greater emphasis on wellbeing and the prevention of ill health, and increasingly efficient, effective and precise use of health data. QMU has a range of research and knowledge exchange projects in this area. Another knowledge exchange highlight for us this year was progress on new footwear technology developed at QMU which is transforming the lives of people with foot-drop – a condition which makes it difficult for people to lift the front part of their foot and often results in falls.

The year 2025 is the 150th anniversary of our founding, and we have been celebrating that historic milestone in a considered and cost-conscious way through activities that can add value to teaching and learning, and that are designed to leave a positive legacy for future years.

It was a particular pleasure to install a new Chancellor in this anniversary year as successor to Dame Prue Leith, who served with distinction. The career of Patrick Grant - the designer, entrepreneur, writer, and advocate for sustainability and sustaining communities - resonates

Strategic Report & Financial Statements 2025

strongly with QMU's strong social justice ethos, and with our commitment to building strong communities and acting as a force for good.

On top of that, we were named Higher Education Institute of the Year at the prestigious Herald Higher Education Awards 2025, with the judges noting our enduring commitment to academic excellence, community engagement, inclusion, innovation and student support.

We recognise that we will need to continue to harness our combined experience and expertise to ensure our sustainability and to protect our continued ability to fulfil our purpose to best effect. However, it is that very expertise and experience that leads me to conclude with a celebration of our achievements this last year. Assuming that we act with pace and imagination - as we will - QMU will be well positioned for the future, and will continue to thrive and grow in its work shaping a better society through education, research and innovation, and providing a supportive and creative learning environment in which students and staff thrive.



Sir Paul Grice, FRSE, FAcSS
Principal and Vice-Chancellor
19 December 2025

Strategic Report & Financial Statements 2025

STRATEGIC REPORT

Status

Queen Margaret University, Edinburgh is an autonomous Scottish higher education institution. The University's governing instruments and arrangements are set out under the Queen Margaret University, Edinburgh (Scotland) Order of Council 2007, amended from 1 October 2019 through the Queen Margaret University, Edinburgh (Scotland) Amendment Order of Council 2019. The 2007 Order is made under section 45 of the Further and Higher Education (Scotland) Act 1992. The University is registered under the Companies Acts as a company limited by guarantee, with its registered office at Queen Margaret University Drive, Musselburgh, East Lothian, EH21 6UU. The University has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland.

Scope of the Financial Statements

The primary financial statements presented on pages 31 to 34 comprise the consolidated results of the University and its subsidiary company, QMU Enterprises Limited. QMU Enterprises Limited undertakes commercial consultancy work, utilising the expertise of the University's academic and technical staff, and also deals with vacation letting of the University's student accommodation. Separately, the University holds 50% of the issued share capital of Edinburgh Innovation Park Joint Venture Company Limited. Activity has increased in the Joint Venture, and development of the hub has progressed substantially through the 2024/25 financial year.

The financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice – Accounting for Further and Higher Education 2019 (SORP 2019), with the Accounts Direction issued by the Scottish Funding Council (SFC) and with the United Kingdom Companies Acts. Information on the process which has been undertaken to inform the decision to prepare the financial statements on a going concern basis is set out in section (A) in the statement of principal accounting policies.

Strategic Plan 2020-25

The University's 2020–25 Strategic Plan outlined five core goals:

- delivering distinctive, accessible, high-quality education;
- advancing transformative research and innovation;
- fostering partnerships and collaboration;
- investing in the long-term future of the institution; and
- embedding sustainability across all its activities.

Over the lifetime of the strategy, notable progress has been achieved in educational provision, research, and partnership development. Examples include the successful introduction of initial teacher education and paramedic science programmes and a growing range of fully online, asynchronous postgraduate programmes, the development of a commercially viable alternative to palm fat for the bakery sector, and the expansion of college partnerships in Scotland alongside new transnational education partnerships in Uzbekistan, India, and Sri Lanka.

However, progress on investment in the University's long-term future and embedding sustainability has been more constrained, reflecting external challenges such as the impact of Covid-19, Brexit-related reductions in EU student numbers, tightening immigration policy, and sustained real-terms reductions in core funding from the Scottish Funding Council.

Strategic Report & Financial Statements 2025

Work on the new strategic plan is well underway in collaboration with the University Court. While some continuity will remain, the external environment and financial outlook require a change to our strategy development approach. The new strategy will therefore adopt Lafley and Martin's "Playing to Win" framework, focusing on clear choices regarding the University's markets, programme delivery channels, and capabilities (including shared services where appropriate) to enable the University's competitive advantage and long-term sustainability. It will articulate how the University will deliver value to students and stakeholders in a context characterised by volatility, demographic change, technological disruption, and increasing competition. The emphasis will be on defining a compelling roadmap that enables the University to generate the surplus required for investment, while maintaining its commitment to quality, accessibility, and innovation.

Results for the year

The Group's consolidated results for the year to 31 July 2025 are summarised as follows:-

	2024/25 £million	2023/24 £million
Total income	53.0	54.1
Total expenditure	(56.2)	(51.0)
Surplus / (Deficit) for the year	(3.2)	3.1
Actuarial gain / (loss) in respect of pension schemes	8.5	(0.9)
Unrealised surplus / (deficit) on revaluation of land and buildings	-	2.1
Total comprehensive income / (expenditure) for the year	5.3	4.3

The main changes in the outturn position for FY2 2024/25 compared to FY 2023/24 were:-

- A decrease in SFC Grant income of £2.5 million due to recognising SFC recovery for under recruitment of non-controlled home students;
- An increase of £1.1 million in income from tuition fees and education contracts with additional students on new programmes, including across our trans-national partnerships, as well as through new online courses;
- A reduction of £0.4 million in income from research grants and contracts reflective of grants awarded, with a decrease in the number of successful grants and reflective of the wider research funding environment;
- An increase of £0.7m in other operating income, with strong performance from our residences, including relating to our summer lets, as well as continued efforts to utilize the estate for conferences and events;
- An increase of £0.6m in staff costs with spinal point increments driving increases across all staff, as well as the unforeseen increase in employer's national insurance; and
- An increase of £1.7m in other operating expenses, while inflationary pressures were experienced across the cost base, more notable increases were incurred on expenditure relating to professional services and consultancy to support initiatives across the university, as well as increases in IT costs and marketing spend.
- An expense of £0.7m was included within FY 2024/25 Other Operating expenditure, but related to SFC recovery for under recruitment of Scottish students in FY 2023/24.
- Prior year's expenditure included a non-cash credit of £1.9m relating to the USS pension scheme, which reduced reported expenditure but did not impact operating performance.

QMU Enterprises Ltd generated a profit of £616,000 (2023/24: £476,000), which was passed to the University via gift aid under deed of covenant.

Strategic Report & Financial Statements 2025

Cash Flows and Liquidity

The result for the year, adjusted for the effect of non-cash items and interest, was a net cash inflow of £2.4 million on operating activities (2023/24, £5.0 million inflow). Overall cash balances decreased by £14.0million (2023/24; £1.2 million increase), with unrestricted cash balances at 31 July 2025 of £4.6 million (2024: £18.6 million) represented 31 days' expenditure (2023/24: 148 days). The movement in cash position is due to the refinancing of the Barclays loan from 2023/24 with a £15m unsecured revolving credit facility ("RCF") with Santander UK plc, which as at 31 July 2025 had £2.5m drawn. This has allowed for a significant reduction in commercial debt of £13.3m, with total debt reducing by £14.0m, and still retaining access to £12.5m of liquidity, which is accessible on demand.

Management of Principal Risks and Uncertainties

In common with other universities, Queen Margaret University has to manage its activities whilst facing significant pressures on its funding and its cost base. Significant risks facing the University include:

- Scottish Government funding of tertiary education, allocated through the Scottish Funding Council (SFC), will continue to experience real-terms reductions over the next few years.
- Competition for Scottish domiciled, Rest of UK and International students traditionally recruited by the university, including those identified as widening participation, will increase, as competitors re-position their recruitment focus and diversify their market focus.
- Without action to address, pressure on staff costs will continue to build, both in terms of pay awards (where the University continues to participate in the UK-wide national negotiating framework) and also in terms of the cost of employers' pension contributions.
- Long term inflationary pressure on non-staff costs will continue.
- Cyber security threats continue to grow in both scale and sophistication, and without continued investment into technology, processes, and training, there is a risk of data loss, compromised systems, and interruption to University operations.

The identification and management of risks is embedded within the University's governance arrangements. The institutional corporate risk register, which includes a description of actions undertaken to mitigate risks, is reviewed formally by the Senior Leadership Team and the Audit & Risk Committee as well as being discussed by the University Court. The Court also undertakes, from time to time, an exercise to agree its appetite for risk, and to ensure that residual risks, after the application of mitigating actions, sit within the agreed tolerance. A review of the risk management strategy adopted by the University Court in 2021 was progressed during the reporting period, with revised Risk Management Policy, incorporating Risk Appetite, due to be signed off by the University Court by the end of the calendar year 2025.

Financial Sustainability and Going Concern

The University has assessed the going concern as noted on page 35 under the basis of preparation. The University's activities and the factors that will affect its future development, performance and financial position are described within this Strategic Report. The financial performance for the year ended 31 July 2025 is disclosed within the Financial Statements, with further detail contained within the Notes to the Financial Statements. The current forecasts show that the University will manage its activities, considering relevant risks and uncertainties, and is committed to implementing any mitigating actions required to ensure compliance with loan covenants to retain access to liquidity.

The University Court considers that the University has adequate resources to continue in operation throughout the going concern assessment period to 31 July 2027, and for this reason it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Strategic Report & Financial Statements 2025

Borrowings

The University's external borrowings as at 31 July 2025 totalled £4.7 million (year ended 31 July 2024: £18.7m). Of this amount, £2.5m relates to an unsecured Revolving Credit Facility with Santander UK Plc, and £2.2 million related to an unsecured loan from the Scottish Funding Council under the Financial Transactions scheme. The University's secured borrowings from Santander, as described above are subject to covenant terms. Loan covenants are tested as at the year end, and the University was fully compliant with those covenant tests for the year ended to 31 July 2025.

During 2024/25, and as a result of the refinance to the RCF, the University has significantly reduced both borrowing but also cash balances. This has significantly reduced finance costs to the university, which benefits the overall financial performance, however, it is therefore important that the University retain continued access to the RCF to support liquidity. As at 31 July 2025, the University had liquid reserves (cash and investments) equivalent to approximately one months' operating cash requirements, and retains access to £12.5m of liquidity through the Santander RCF.

Social Inclusion

Queen Margaret University is committed to widening participation amongst those who have previously been inhibited from entering Higher Education for social, economic or cultural reasons, and to taking active steps to maximise their persistence and success. Our Widening Participation Strategy focuses on increasing participation from non-traditional groups, including those that are: first generation to go to Higher Education; from low progression schools; reside in communities in the lowest 20% and 40% of the Scottish Index of Multiple Deprivation (SIMD20/40); articulating students from Scotland's Colleges; disabled students; BAME students; male students studying Nursing and Allied Health programmes; ex-service/armed forces; estranged students; student carers and those who are care experienced.

Our approach to widening access offers built-in tailored support throughout the learner journey, including at points of transition. We work to raise awareness of higher education within target communities, including those local to the University. Our contextualised admissions process provides the basis for fair offers to study at the University. We publish our standard and minimum entry requirements for undergraduate programmes in our University prospectus and on our website. The prospectus includes information presented in simple, clear language and developed in accordance with the 'Common Language' guidelines produced by Universities Scotland.

We commit to making offers at the published minimum entry requirements to identified groups where we recognise that a range of factors has influenced attainment. We deliver a range of recruitment, outreach, pre and post entry activities to raise aspiration, encourage access and maximise retention from under-represented groups in line with our Student Experience strategy, Mainstreaming Report and Equality Outcomes.

Fair Work First

We are committed to advancing the Fair Work First criteria, and address this commitment in the following ways:

We have an appropriate channel for effective employee voice

We engage in constructive dialogue with our employees and their Trade Union representatives to address workplace issues and disputes.

Through our Joint Negotiation and Consultation Committee, we negotiate and consult with our recognised Trade Unions on agreed areas for such negotiation and consultation. Our recognised TUs are represented on major committees, including the University Court, Health and Safety and

Strategic Report & Financial Statements 2025

Equality and Diversity Committees. We provide facility time to promote and support regular engagement between our Trade Unions and their members.

We are committed to ongoing staff listening activities, including running a staff engagement survey every two years. We are in the process of establishing an Employee Experience Group, meeting three times per year, to provide a further forum for all staff to maintain regular dialogue with senior colleagues on issues that impact on their working lives.

Our governance arrangements also provide for staff and student voices to be heard through membership of all senior decision-making bodies.

We invest in workforce development

Formal and informal learning is delivered and encouraged across the workforce, with learning opportunities for employees at all levels delivered through our YourDevelopment calendar. Specific development opportunities for academic staff are provided through our Learning Enhancement and Academic Development (LEAD) team, and through our Research, Knowledge Exchange, and Development Unit (RKEDU).

We are committed to providing apprenticeships and other opportunities for young people. We provide training for employees to become Mental Health First Aiders, who volunteer to offer confidential support to other employees in times of vulnerability.

We hold an institutional Athena Bronze Award and participate in the Disability Confident Employer scheme.

We do not use zero-hours contracts inappropriately

We abolished the use of zero hours' contracts in 2014. We are committed to minimising our use of casual and fixed term contracts through the implementation of our Appropriate Contract Use Policy. We have a clear process in place to allow workers to move from a casual engagement to a temporary or open-ended contract where a longer-term need for the work has been identified.

We take action to tackle the gender pay gap and create a more diverse and inclusive workplace

Our equality outcomes support several actions to ensure we continue to understand any actual or perceived barriers to employment and progression. We gather data to understand our workforce diversity and pay gap information and report on our progress annually through our Equality and Diversity committee to the University Court.

We support flexible working across the University, offering a wide range of working options, with all employees entitled to apply for flexible working from day one of employment. We offer the vast majority of employees the opportunity to adopt hybrid working, supporting employees to find the appropriate balance of home and on campus working.

We are committed to a working environment where carers and those with caring responsibilities are valued and supported

We are a Disability Confident employer, encouraging the employment and retention of disabled people and those with health conditions. We make reasonable adjustments for employees with a disability or who have a short or long-term impairment that could affect their ability to work.

We commit to paying the Real Living Wage

We are an accredited Living Wage employer. The Living Wage commitment sees everyone working at QMU, regardless of whether they are permanent employees or third-party contractors, receive a real Living Wage. The University's third-party contractors adopt the Living Wage as and when existing contracts are renewed.

We offer flexible and family-friendly working practices for all staff

Strategic Report & Financial Statements 2025

These include Part time and term time working arrangements, Flexible and Hybrid Working, Maternity Leave, Partner Leave and Shared Parental Leave, Time off for Care of Dependents, Parental Bereavement Leave / Baby Loss Leave, Fertility Leave, Career Break, and Bereavement Leave.

We oppose the use of fire and rehire practice

We only consider affecting change where there is a legitimate business need. We are committed to working with our Trade Unions to ensure there is effective consultation and negotiation relating to significant organisational change.

Student Satisfaction

The University's National Student Survey (NSS) saw a welcome increase in positive responses compared to 2024. Benchmark data indicated that QMU exceeded the benchmarks by up to 4% in 14 of the 27 core questions. In 2024, programmes with results significantly below their benchmark were asked to produce NSS-specific action plans, and all but one of those programmes saw significant improvements in their 2025 results. For the University as a whole, the theme results with the greatest improvements were:

- 72.6% responded positively to questions relating to 'Organisation and Management' compared to 62.5% in 2024 (+10.1%)
- 80.4% were satisfied overall with the quality of their course compared to 72.7% in 2024 (+7.7%)
- 80.1% responded positively to questions relating to 'Assessment and Feedback' compared to 74.4% in 2024 (+5.7%)

QMU's most positive score was in response to the question, 'How good are teaching staff at explaining things?', with a result of 93.4%. For the second year running, the Students Union scored the highest among Scottish Higher Education Institutions for the question, 'How well does the students' union (association or guild) represent students' academic interests?', achieving a score of 84%, a score that was 8% and 12.2% higher than the average UK and Scottish results, respectively.

Graduate Employment

The University offers a coherent, distinctive portfolio of programmes in healthcare, social sciences, creative arts, business, management and enterprise, and primary and secondary teaching - with a particular focus on meeting the employment needs of the public sector in Scotland. Consequently, over half of our undergraduate and postgraduate programmes provide students with the qualifications necessary to enter the health and education sectors. A significant proportion of those programmes (Nursing, Paramedic Science, and Initial Teaching Education) fall under the SFC's controlled funded places.

The University offers the widest range of allied health programmes in Scotland and is one of only two providers in speech and language therapy, audiology, and in therapeutic radiography. Similarly, in addition to delivering the BA (Hons) Education Studies (Primary), our largest single cohort of students, we deliver postgraduate initial teaching education provision in Home Economics (PGDE Secondary), acknowledged by SFC as a 'hard to fill' PGDE Secondary subject. We expanded our PGDE Secondary provision for 2023-24 to include another hard to fill subject, Religious, Moral and Philosophical Studies, as well as Business Education. These developments demonstrate the University's ongoing commitment to ensuring its provision directly addresses the workforce needs of the Scottish public sector. Going forward, we will continue to review areas where we continue to expand provision in line with these needs.

Strategic Report & Financial Statements 2025

Our focus on graduate employability is being advanced through our Employability Strategy, which outlines the measures we take to create an environment in which students develop the skills and attributes needed to flourish in a rapidly changing labour market. It represents an agreement on the focus and priorities of the Careers and Employability team, programme teams and our external partners over the period 2021-2026. Developed against the backdrop of the COVID-19 pandemic, it includes projects which support students to navigate uncertain labour markets and the economic downturn, and to maximise opportunities presented by changing working practices across all industries and sectors.

Our annual Employability Strategy report includes data and reflections on a range of achievements. These include increased uptake of internships, the continued growth of our [Employer Mentor Scheme](#), and success in the 2024 [WhatUni Student Awards](#) (ranking first in Scotland for career prospects). Our Careers and Employability Team also piloted a programme of input to our undergraduate Education Studies, Psychology and Sociology degrees.

Our HESA Graduate Outcomes data (July 2025) shows that we are within the top six of Scottish universities for the number of graduates in full-time employment 15 months after they have graduated. 84% of respondents were in high skilled work 15 months after they had graduated, placing QMU third top among Scottish higher education institutions on this measure. We were also pleased to see a [100% graduate employment rate for seven of our programmes](#).

In September 2024, we launched the Careers Registration Framework, providing an important new source of data on undergraduate students' career readiness. The headline results show that most QMU students are in paid employment and therefore have limited capacity for extra-curricular activities. The responses also show that not all students are seeking graduate level employment, although there may be confusion around the wording of this question. We are analysing this year's data to see if there are any changes in cohort reporting and/or trends within subjects. However, we anticipate that we will only really be able to make reasonable predictions for more informed interventions once we have three years of data (to understand the full undergraduate cycle).

Thus far, we have used the data to send more personalised information, for example, around internship opportunities. We will also use the data to create a communications plan and identify areas where students may benefit from additional support or resources.

In 2024-25, we also reflected on skills development for our doctoral community through an analysis of all Researcher Skills Development Plans (RSDP) submitted since the introduction of this requirement in 2023-24. This showed that the RSDP process is well embedded, highlighting the importance of good communication with candidates about the benefits of tracking skills and identifying gaps, as well as support for supervisors in this area.

Sustainability & Environmental Issues

The University recognises the wide range of climate change impacts that will influence our environment both locally and globally. While these have the potential to pose a significant threat to the sustainability of the University, we embrace our role in contributing to the delivery of real change through reductions in our own carbon emissions, as well as influencing the understanding and behaviour in our staff and students. To support our commitment, the University has signed up to the UN backed campaign 'Race to Zero for Universities and Colleges' and completes annual Public Bodies Climate Change Duties reporting, in compliance with the Climate Change (Scotland) Act 2009.

Senior leadership responsibility for climate change action sits with the Chief Operating Officer as part of the sustainability remit. Operational aspects are delivered through the Campus Services Directorate which has responsibility for Estates, Engineering, Campus Operation and Commercial Services. Procurement responsibility sits within Finance and is delivered via an embedded role of Head of Procurement through a partnership with the sector body Advanced Procurement for Universities and Colleges (APUC). Academic activity related to teaching, learning, and research is governed by the Senate. Operationally, academic program reviews include an assessment of

Strategic Report & Financial Statements 2025

sustainability within the course content and work to curate resources on how to embed within the curriculum by our Learning Enhancement and Academic Development (LEAD) is being taken forward.

Overarching aspects of the University's sustainability activity, including climate change, fall within the remit of the Sustainability Committee, which reports directly to the Senior Leadership Team. In 2024/25 the Sustainability Committee's remit was updated and was reconvened as the Sustainability Advisory Committee at the beginning of the 2025/26 academic year.

The University made a significant contribution to green house gas emission reduction when moving campus in 2007. This was recognised through the accreditation of BREEAM excellent and CEEQUAL standards, with the former achieving the highest ever score recorded for an HE institution. The campus development reduced our annual operational greenhouse gas emissions by 38% and the holistic approach we adopted to environmental sustainability has ensured that further operational based awards have been achieved. These include recognition for our low carbon IT solutions, renewable fuel sources and a range of active travel awards.

Our future ambitions are set out clearly in the University Climate Change and Net Zero Strategy – A Shared Common Future, approved by the Court in February 2023. We continue to deliver on the Climate Emergency and sustainability across the three pillars – environmental, economic, and social. The current target in our Climate Change and Net-Zero Strategy is for the University to be net-zero by 2044 with an interim reduction target of 42% by 2030 (scope 1 and 2 emissions), based on a 2020/21 baseline. The University remains on track to achieve the interim reduction target by 2030, however, achieving net zero will require the development of and investment into sustainability initiatives.

As part of the annual operational planning process the Campus Services Directorate will establish targets for energy efficiency, waste management, travel and transport, as well as landscape and biodiversity. These are subsequently tracked through a series of key performance indicators relating to carbon, energy and waste management, with an annual review conducted. Substantive progress is being made towards this interim target, with the potential that this will be achieved significantly ahead of schedule. Progress toward net zero, as reported through annual Public Bodies Climate Change Duties reporting is summarised below:

	2020/21	2021/22	2022/23	2023/24	2024/25
Scope 1 & 2 emissions (tCO2e)	2,501	1,910	1,789	1,671	1,535
% Baseline	100%	76%	72%	67%	61%

The University is working to align spending with emissions reduction through the supply chain. The Procurement Strategy includes an objective to embed sound ethical, social and environmental policies within the procurement function and to comply with relevant Scottish, UK and EU legislation in performance of the Sustainable Procurement Duty. The University will also seek to take account of climate and circular economy in its procurement activity. Consideration of environmental, social and economic issues and how benefits can be delivered through the procurement will be made, where appropriate and on a contract-by-contract basis. The University is also using the 'From Now to 2030' (FNT2030) templates, to plan its approach to reducing carbon emissions in line with the Primary Impact Area for Climate Change (PIACC) Guide. Additionally, the University does not directly hold any investments in fossil fuel companies.

Since January 2025 the College has also invested in a shared services partnership to secure additional resource to support emissions reduction through a Sustainability Project Manager, who is based at the Environmental Association of Universities and Colleges (EAUC) and shared with Borders College and Forth Valley College. As an initial priority during 2024/25, the Sustainability Project Manager has been developing the University's approach to climate risk and adaptation, including undertaking an institution-wide benchmarking exercise and Climate Change Risk Assessment.

Strategic Report & Financial Statements 2025

While decarbonisation is a core element within the strategy, a holistic University-wide approach beyond simple carbon reduction is proposed which demonstrates committed leadership on climate change. It reflects our roles as a civic partner and in educating and inspiring future generations and researching the impacts of real-world climate change on society. The strategy draws on the role of the University as an enabler in educating and inspiring future generations in influencing sustained and embedded change rather than a focus purely on carbon metrics or the physical and operational boundaries on the University operations.

Future Developments

The funding environment for Scottish higher education remains challenging, with sector-wide evidence that public funding for teaching and research does not cover the full cost of delivery. In response, our future developments will focus on cost containment and growth in net-income generating activities.

To take advantage of further opportunities as they arise, the University continues to focus on ensuring that its academic, infrastructure, digital, human resources and financial strategies are closely aligned. While we have made good progress in a number of areas, we will accelerate our efforts during the next planning period through the Change Programme and through the refresh and refocusing of our Strategic Plan, currently under development and subject to consultation at the time of this publication.

We do so against a background of:

- an operating context notable for its uncertainty and volatility, for example, domestic and international events and the potential for domestic policy change (reserved and devolved) affecting the university sector;
- continuing pressure on public spending by both UK and Scottish Governments;
- a likely increase in demand for reform to make the operation of universities more efficient and ensure public investment in universities is well spent;
- the impact on future recruitment of greater competition in the HE sector, in addition to alternative pathways for learning and training, population movement and demographic change;
- changing needs and expectations from students (on-campus and online), employers, and other stakeholders, and a changing HE workplace; and
- technological change, with both opportunities and threats from generative AI

Whilst there will be some continuity from the previous strategic planning period, this context, coupled with the current financial outlook for the University, demands change. Critically, the new Strategy will aim to provide a more explicit definition of our desired future and the road map to it, a simple, clear and compelling set of coordinated choices.

Key elements of our published proposition will remain, namely, progressing developments in three main areas, as follows:

- Increasing postgraduate student numbers;
- Developing new online provision at scale; and
- Growth in transnational education partnerships.

Notable progress has been made in two of three development areas identified above.

The University successfully commenced its first online course in 2022, and now has an offering of fifteen courses, and 603 students registered. Transnational partnerships were extended into new markets in Uzbekistan and Sri Lanka, and extended in long-established markets including in Egypt, India, and with our longest standing collaborator in Greece. This has delivered significant growth in TNE headcount, which the University forecasts to continue as programmes mature and further new opportunities are developed. However, the University recognises the continuing challenging recruitment environment with respect to postgraduate students, which has limited our ability to increase student numbers.

Strategic Report & Financial Statements 2025

Notwithstanding the challenging environment, we are actively working to increase our on-campus international student population; however, given the volatility of this market, we will adopt a conservative approach to income projections from this source. Our primary growth strategy will concentrate on expanding online and transnational education.

To support these priorities and meet the expectations of a post-Covid on-campus community, the University is aligning its operating structures and processes with these strategic objectives. We have engaged external expertise to develop a Professional Services Blueprint, which will define the vision for professional services, service delivery models, channels, structural implications, and workforce requirements. This blueprint will also provide high-level organisational design focused on key capabilities and team structures.

On behalf of the University Court



Pamela Woodburn
Chair

19 December 2025

REPORT OF THE GOVERNING BODY (THE UNIVERSITY COURT)

This statement sets out how members of the governing body of the University ('University Court'), in their capacity as directors of Queen Margaret University, Registered company No. SC007335, and as trustees of the Queen Margaret University, Scottish Charity No. SC002750 have acted both to promote the success of, and in the interests of the University.

In doing so, the members of a governing body, collectively and individually, have committed upon their appointment to the University Court to act in accordance with the ethical and behavioural standards set out in the Nine Principles of Public Life in Scotland, which incorporate the seven 'Nolan Principles'. These principles are the foundation for the governing body's behaviour and its decision-making processes.

The governing body's intention is to behave responsibly and to ensure that the University operates in a responsible manner, maintaining a reputation for high standards of conduct and aligning fully within accepted principles of good governance, including those applying specifically to Universities in Scotland. The governing body is collectively responsible for the long-term success of the University and, as part of their induction programme, members are briefed on their duties as Directors and Trustees. Members have access to ongoing training and development to provide them with the relevant skills and knowledge to conduct their duties, further information on which is set out in the Corporate Governance Statement later in this report.

Employee Involvement

The University recognises the benefits of keeping employees informed of its financial and academic performance. Information on matters of interest to employees is given through regular staff briefing sessions, Senior Leadership Team staff listening sessions, through staff involvement in stakeholder groups, and through regular communication from the Principal.

Student Involvement

The University consults with, and takes account of the views of the student body in a number of ways. The Student President (Academic) and the Student President (Activities) are full members of the University Court and of the Senate. Student members constitute 10% of the membership of the University Senate, and student representation is embedded in all senior committees of the University. Senior members of staff, including the Principal, engage directly with the Students' Union to consult upon or explain aspects of the University's operations and plans and to answer questions from student representatives. The Deputy Principal and Deputy Vice-Chancellor, The Vice-Principal & University Secretary and the SU Sabbatical Officers meet every six weeks as the Student Union Partnership Board to discuss issues of common concern and interest.

Our [Student Partnership Agreement](#) covers the period 2024-26 and will be reviewed in 2025-26. At this stage, we are considering strengthening the content around communication, based on student feedback around communication gaps, but also communication overload. To inform this discussion, we are considering NSS (and other survey) data under the Organisation and Management category.

Through our Student Partnership Project, we are reflecting on alignment with sector reference points. Features of the Ambition Statement under active consideration include reward and recognition for students and diversity of representation. The QAA Quality Code has been helpful in developing our thinking around recognition and celebration. In terms of diversity, there are ongoing efforts to reach the wider student population, including our QMU Online community. From 2026 we plan to introduce an annual report on the Effectiveness of Partnership Working.

Strategic Report & Financial Statements 2025

Directors' and Officers' Liability Insurance

During the year the University maintained a Directors' and Officers' liability insurance policy to provide cover against any civil liability attaching to Court members or Officers of the University in connection with their University activities.

Members' Liability

The liability of each member of the University upon winding up of the Company is limited to 50p. Distributions to members are not permitted by the Articles of Association of the Company.

Employment of Disabled Persons

The University's policy remains to afford equal opportunity to all, including disabled people whether registered or not, to apply for employment and, during employment, to receive the support and development they require to enable them to make a full contribution to the University. As a Disability Confident Level 2 employer, we are on a continuous learning journey, seeing to evolve and improve our practice, with support from the Disability Confident scheme resources. Our aim is to be better equipped to nurture a workforce where every member feels valued and empowered to contribute their unique talents.

Creditors' Payment Policy

Unless special terms are agreed, it is the University's policy to pay invoices 30 days from the date of the invoice (in accordance with the CBI prompt payment code). Within the last Payment Practices reporting period to July 2025, the average time taken to pay invoices was 21 days (equivalent to 31 July 2024 13 days), with 69% being paid within 30 days, and only 2% being greater than 61 days. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. At 31 July 2025, trade creditors represented 26 days of relevant expenditure (2024: 32 days). Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was £nil (2023/24: £nil).

Going Concern

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, which also includes information on cash flows and borrowing facilities, and the University Court's assessment of going concern. Further information on the assessment of going concern is also set out in the section on accounting policies on page 35. The University Court believes that the University is well placed to manage its business risks successfully.

Strategic Report & Financial Statements 2025

MEMBERSHIP OF THE UNIVERSITY COURT 2024-25

Name	Appointed/retired date	Attendance Record	Interests / occupation
Pamela Woodburn (Chair)	Appointed 1 April 2021	5/6	Manager, Christian Aid
Professor John Harper (Vice-Chair)	Appointed 1 December 2020	6/6	Former Principal & Vice-Chancellor, Robert Gordon University
Janet Archer	Appointed 1 October 2022	5/6	Chief Executive, Edinburgh Printmakers
Patrick Bartlett	Appointed 1 February 2024	6/6	Chartered Accountant
Jay Brown	Retired 9 June 2023	4/5	Student President – Academic Life
Professor Richard Butt	Appointed 1 September 2016	6/6	Deputy Principal and Deputy Vice-Chancellor <i>Ex Officio</i>
Silvia Cardinale	Appointed 10 June 2024	6/6	Student President – Student Activities
Julie Churchill	Retired 30 September 2025	5/6	Staff Member, Appointed by Senate
Karen Cullen	Retired 31 May 2025	4/5	Elected Support Staff Member
Dr Maria Giatsi-Clausen	Retired 30 September 2025	5/6	Nominated Trade Union Member – Academic Staff
Sir Paul Grice	Appointed 1 October 2019	5/6	Principal & Vice-Chancellor, <i>Ex Officio</i>
Ann Hill	Appointment 1 November 2025	4/4	Further and Higher Education Consultant
Steven Hendry	Appointed 1 June 2021	6/6	Director, Capital Markets Team, CBRE
Ellenore Hobkirk	Appointed 1 March 2024	5/6	Philanthropy wealth planning specialist
Dr Kavi Jagadamma	Appointed 1 December 2022	6/6	Elected Academic Staff Member
Sofia Khan	Appointed 1 December 2024	4/4	Scholarship Development officer, Robertson Trust
Dr Arturo Langa	Resigned 30 September 2025	3/6	Consultant Psychiatrist, NHS Lanarkshire
Zoe MacCallum	Appointed 10 June 2025	1/1	Student President – Academic Life
James Miller	Appointed 1 February 2023	4/6	Chartered Accountant
Jacqueline Morrison	Appointed 1 February 2023	5/6	Director, Napkin Innovation
Elizabeth Porter	Retired 28 February 2025	2/4	Chartered Management Accountant
Garvin Sealy	Appointed 1 June 2021	3/6	Co-Director, Equali-Tree Community Interest Company
Carol Sinclair	Retired 30 June 2025	6/6	Director, Sinclair Wilson, Arts & Business Consultancy
Guy Smith	Appointed 1 October 2022	4/6	Finance Director
Bill Stronach	Appointed 1 February 2023	5/6	Nominated Trade Union Member – Support Staff
Andrew Watson	Appointed 1 February 2024	5/6	Non-Executive Director, Dundee Student Villages

Membership of University Court Committees during the year to 31 July 2025

Audit and Risk Committee

Name	Role	Appointed / Retired	Attendance record
Patrick Bartlett	Convener	Appointed 18 December 2024	2/2
Guy Smith	Member		3/4
James Miller	Member		3/4
Carol Sinclair	Member	Retired 30 September 2025	2/4

Strategic Report & Financial Statements 2025

Finance & Estates Committee

Name	Role	Appointed / Retired	Attendance record
Janet Archer	Member		3/4
Professor Richard Butt	Member		4/4
Sir Paul Grice	Member		3/4
Professor John Harper	Member		4/4
Steven Hendry	Member		3/4
Elizabeth Porter	Member	Retired 28 February 2025	2/2
Andrew Watson	Convener		4/4

Nominations Committee

Name	Role	Appointed / Retired	Attendance record
Pamela Woodburn	Convener		2/2
Jay Brown	Member	Retired 9 June 2025	2/2
Karen Cullen	Member	Retired 31 May 2025	1/2
Sir Paul Grice	Member		1/2
Professor John Harper	Member		2/2
Garvin Seal	Member		0/2

Senior Management Remuneration Committee

Name	Role	Appointed / Retired	Attendance record
Professor John Harper	Convener		1/1
Ellenore Hobkirk	Member	Appointed 2 October 2024	1/1
Guy Smith	Member		1/1
Pamela Woodburn	Member		1/1

Disclosure of information to auditors

The members of the University Court who held office at the date of approval of these financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware. Each member of the University Court has taken all the steps that he/she ought reasonably to have taken as a Member of Court to make himself/herself aware of any relevant audit information and to establish that the University's auditors are aware of that information.

On behalf of the University Court

Pamela Woodburn

Pamela Woodburn
Chair

19 December 2025

CORPORATE GOVERNANCE STATEMENT

Summary of the University's Structure of Corporate Governance

The University is committed to best practice in all aspects of its governance. The University has aligned its practice against the principles set out in the Scottish Code of Good Higher Education Governance 2023. The purpose of this summary is to assist the reader of the financial statements to understand how the principles of good governance set out in that Code has been applied.

Consistent with Article 4(9) of the University's Statutory Instrument and the Scottish Code of Good Higher Education Governance, the University Court has adopted a Statement of Primary Responsibilities that includes provisions relating to:

- determining the University's mission and strategic vision, its strategic plan, key performance indicators (KPIs) and annual budgets, fostering an environment in which the objects of the University are achieved with due regard to the interests of students, staff, and other stakeholders;
- appointing a Chancellor;
- appointing a Principal and Vice-Chancellor of the University, including the terms and conditions attaching to such appointment, and putting in place suitable arrangements for reviewing their performance;
- protecting the reputation and values of the University, and overseeing its activities;
- ensuring, in conjunction with Senate, the quality of institutional educational provision and adequate provision for the general welfare of students;
- ensuring that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students;
- ensuring adherence to the funding requirements specified by the Scottish Funding Council in its Financial Memorandum and other funding documents;
- ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and "whistleblowing" complaints, and for managing conflicts of interest; and
- monitoring institutional performance against plans and approved KPIs which, where possible and appropriate, should be benchmarked against other comparable institutions.

The full Statement of Primary Responsibilities can be found as part of the [Court Members' Handbook](#) on the University website: <https://www.gmu.ac.uk/about-the-university/university-court/>

The University Court is responsible for the University's system of internal control, and for reviewing its effectiveness. This system relies on management informing the University Court of any potential internal control issues, and proposing to the University Court any necessary remedial action. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The University Court is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks, which has been in place throughout the year ended 31 July 2025 and up to the date of approval of the annual report and financial statements. The University has in place a business continuity and risk management and policy framework for the whole organisation. In addition, each of the key areas within the institution, including the Senior Leadership Team (SLT), has in place local procedures detailing action to be taken in response to a potential or actual disaster. Risk management is reviewed quarterly by the Senior Leadership Team and the Audit & Risk Committee, with reports made to the University Court. Arrangements to review and update elements of the University's risk management and policy framework commenced in 2024 under the guidance of the Audit and Risk Committee, the outcome of which was provided to the University Court in December 2025 for discussion and agreement.

Strategic Report & Financial Statements 2025

The University Court comprises categories of persons appointed under the University's Statutory Instrument, an amended version of which came into force on 1 October 2019. The majority of the membership is non-executive, and the roles of Chair and Vice-Chair of the University Court are separated from the role of the University's chief executive, the Principal and Vice-Chancellor.

Under the 2007 Order of Council, the University Court delegates to the Principal and Vice-Chancellor the organisation, management and discipline of the University. In discharging these functions, the Principal and Vice-Chancellor is subject to the general control and direction of, and is accountable to, the University Court, but otherwise has all powers and duties of the University Court in relation to these functions. The University maintains a register of interests of members of the University Court and senior officers, which is published on the University website.

To assist members in the performance of their duties, members of the University Court were offered, and attended a number of training and development opportunities during 2024-25. Members also received presentations on strategic themes relevant to the work of the University at each Court meeting. Training and development opportunities offered to Court members included:

- Advance HE - Governor Development Programme: New Governors of Scottish HEIs.
- Governor Development Programme event for Scotland.

New members received a formal induction session supported by the Court Members' Handbook, the current version of which is published here:

<https://www.qmu.ac.uk/media/aepmyw5r/court-members-handbook.pdf>.

In accordance with the Financial Memorandum with the Scottish Funding Council (SFC), the University Court is responsible for setting the strategic direction of the University, the approval of overall institutional budgets and major developments and the receipt of regular reports from executive officers on the day-to-day operation of its business and its subsidiary companies.

The University Court has five Ordinary meetings per annum and has provided delegated authority to a number of Committees, as set out below. There is provision in the Standing Orders for Extraordinary meetings of the Court, and that provision was exercised in November 2024, the purpose of which was to consider and approve the University entering into a facility agreement in connection with a revolving credit facility of up to £15,000,000 to be made available by Santander UK plc to the University (the "Facility Agreement") and certain other finance documents and the repayment and termination of the University's existing secured term loan with Barclays Bank UK PLC.

In line with good governance, the discussion and decisions of the University Court have been recorded in the form of confirmed minutes approved by members.

University Court members engaged additionally in detailed discussion at a Strategy Day held on 16 April 2025. The event provided members with the opportunity to discuss and agree matters of strategic importance under the following headings:

- 'A sector-wide view of sustainability: Universities Scotland.'
- QMU over the five-year Horizon.
- Student number growth targets by Domicile and mode of delivery.
- People and Place: Opportunities presented by the Edinburgh Innovation Hub and the wider Innovation Park.
- Strategic Enablers: Cost Management and Investment; Organisational Change; People Strategy; Partnership.

Each of the standing Committees of the University Court is formally constituted with published terms of reference, and with membership comprised mainly of lay members of the University Court, one of whom is the Convener. Lay members are represented on the Equality and Diversity Committee and the Health and Safety Committee, both of which report to the University Court.

Strategic Report & Financial Statements 2025

The Audit & Risk Committee meets four times annually to discuss audit, risk and control matters, with the University's external and internal auditors in attendance as appropriate. The Committee considers detailed internal audit reports and recommendations for the improvement of the University's systems of internal control, together with management responses and implementation plans. It reviews the University's annual financial statements. Members of the Senior Leadership Team attend the Audit & Risk Committee as necessary but are not in membership. The Committee meets at least once a year with the external auditors for independent discussion in the absence of executive officers.

The Finance & Estates Committee reviews and recommends to the University Court the University's financial strategy, as well as the annual revenue and capital budgets. It monitors performance in relation to approved budgets and borrowings through the use of key performance indicators, and through a review of quarterly and annual financial reports. The Committee also considers matters relating to the development and maintenance of the University's estate.

The Nominations Committee makes recommendations to the University Court on appointment to vacancies in the University Court lay membership, and on appointment to vacancies in the standing committees of the Court in line with each respective committee's skills matrix. The Committee met twice during the period of review and conducted one round of lay member appointments. The Committee's business during the period of review included the search for a Chancellor of the University to succeed Dame Prue Leith. Patrick Grant was installed into the role on 7 July 2025 after a detailed search.

The Senior Management Remuneration Committee develops, on behalf of the University Court, senior management remuneration policies and processes for final determination by the University Court. The Committee determines and reviews the salaries and terms and conditions of the Principal and members of the Senior Leadership Team in line with agreed policies, and in accordance with good corporate and higher education governance. The Principal attends meetings of the Committee, but is not a member, and does not participate in any review by the Committee of their own remuneration or reward package. The Committee also reviews arrangements in place for determining the salaries of those senior staff with Professorial title.

The Committee met once during the period of this review, in January 2025, where it made recommendation to the Court on the application of the National Annual Pay Award to members of the Senior Leadership Team in fulfilment of Paragraph 5.8 of the Senior Management Remuneration Review Policy.

The **Senior Leadership Team** is led by the Principal and Vice-Chancellor and receives reports on key performance and risk indicators, and discusses any control issues brought to its attention. The Senior Leadership Team and the Audit & Risk Committee receive regular reports from the internal auditors, with the Audit & Risk Committee's role in this area being confined to a high-level review of the arrangements for internal financial control. The University Court receives reports on risk and control issues from management and the Audit & Risk Committee as appropriate.

Higher Education Governance (Scotland) Act 2016

The Higher Education Governance (Scotland) Act 2016 came into force on 30 December 2016. The University Court has assessed in full the impact of the key provisions of the Act on the University's governance arrangements, including those concerning the election of the senior lay member of the governing body, and the composition and size of the Court and the Senate. The Queen Margaret University, Edinburgh (Scotland) Amendment Order of Council 2019 came into force on 1 October 2019.

The requirements for membership of the academic board of a higher education institution are met fully. The Order of Council 2007 does not set out in detail the composition of the Senate but rather states simply that the Court 'shall establish a Senate which shall be constituted and regulated in a manner specified by the Court from time to time on the recommendation of the Principal'.

Strategic Report & Financial Statements 2025

Consequently, there was no requirement to amend the Order of Council to bring it in line with the legislation.

The University Court received a full briefing at its June 2023 meeting on amendments contained within the revised Scottish Code published in March 2023. The amendments did not represent a fundamental change in governance or practice within the Higher Education sector. The Higher Education Governance (Scotland) Act 2016 added to the legislative context, and the 2023 Edition takes the opportunity to set out in more detail specific requirements introduced by the 2016 Act. To that extent, and as noted above, much of the revision may be considered clarification or amplification of the Higher Education Governance (Scotland) Act 2016. Consequently, the matters set out did not represent areas where the University Court was required to revise its practice to be remain compliant. As part of its internal effectiveness review 2024-25, the Court received at its December 2025 meeting an update on the means by which the University meets the Code requirements and remains compliant with the Code.

In the opinion of the University Court, the University complied with all the principles and provisions of the Scottish Code of Good Higher Education Governance throughout the year to 31 July 2025.

Review of Effectiveness

The University Court has established as a Key Performance Indicator of the effectiveness of its performance, and of its Committees, 'Full alignment with the Scottish Code of Good Higher Education Governance'. The Scottish Code of Good Higher Education Governance requires that governing bodies keep their effectiveness under review, as set out under paragraph 49 of the Code.

In early 2022 we conducted our five yearly externally facilitated Court Effectiveness review, having extended the timeline for this because of the impact of COVID on University business. Progressed by a Court Effectiveness Steering Group, with facilitation from Advance HE, the scope of the review was defined as being to 'provide an evaluation of the effectiveness of the current arrangements for Court and Senate'. The overarching judgement arising from the review was that the University Court continues to have in place effective arrangements to meet its key obligations, as set out in the University Court Statement of Primary Responsibilities. Based on the evidence considered, the review concluded that the Court could have full confidence in QMU's arrangements for academic assurance and enhancement, noting that quality mechanisms are applied consistently, including across online, international and collaborative provision.

All actions arising from the review were completed by June 2023, including the agreement to launch a governor apprenticeship scheme in 2023/24. The Review Report can be accessed at the following link: <https://www.qmu.ac.uk/about-the-university/university-court/court-effectiveness-review-2022/>

The University Court is conducting an internal review of its effectiveness in relation to the year to which this report applies i.e. academic year 2024-25. The outcome of that report will be provided to the University Court at its meeting in February 2026. In advance of that, the University Court will receive an independent review of practice against the lessons learned from the reported governance failures at the University of Dundee (the 'Gillies Report'). The review is being conducted by the University's internal auditors, Henderson Logie, and any matters identified arising from that review will be discussed at both the Audit and Risk Committee and Court, and contribute to the internal effectiveness review action plan that will be progressed through 2025/26 and beyond.

We have made significant progress over recent years to enhance the diversity of our Court, but we recognise that more needs to be done. To address this, we launched a scheme in 2024 to extend the pool of potential candidates for Court membership to those who possess relevant professional expertise and/or skills, but who do not possess the prior board experience normally required of such appointment.

Strategic Report & Financial Statements 2025

The Governor Investment Scheme (GIVE) addresses an identified need to create a pipeline of diverse and appointable candidates for Court vacancies that will contribute to Court effectiveness by securing input from individuals with a range of diverse perspectives. It is designed to contribute to our succession planning arrangements and to the efficacy of established recruitment arrangements. Through a combination of informal and formal support and training, the scheme equips individuals with potential with the necessary 'information capital' normally expected of and demonstrated by candidates for lay Court membership. Details can be found here: [GIVE - QMU's Board Apprenticeship Scheme | Queen Margaret University, Edinburgh](#)

The first GIVE scheme participant was appointed in December 2024 and has just concluded a year of training and development. We are delighted that the participant has been recommended for full membership of the University Court on conclusion of that period of engagement with the scheme.

We continue to work hard to maintain an appropriate gender balance on the Court as required under the Gender Representation on Boards legislation. A copy of the most recent report of our compliance is found here: [Gender Representation on Public Boards 1/1/2023 - 31/12/24](#)

At the time of writing (December 2025), the gender balance of the University Court is 55% / 45% male / female. From the 1 January 2026, the balance of lay membership will be 53% / 47% female / male.

Equality and Diversity

While responsibility for mainstreaming equality and diversity within the University rests with all staff and students, the University Court is, as a matter of law, responsible for ensuring compliance with the Equality Act 2010 and for ensuring that the University meets its public sector equality duty (PSED) and the specific duties relevant to Scotland. The University Court exercises such oversight through the Equality and Diversity Committee (EDC), which is responsible to the University Court for the development of the strategic framework for equality in service provision and in employment across the University.

Embedding equality and diversity in our governance structures and in our strategic planning process is critical to mainstreaming equality and diversity, as is defining responsibilities, setting performance measures and monitoring progress against those measures. The University's Mainstreaming Report and Equality Outcomes, which sets out progress on mainstreaming equality and establishes a number of outcomes for the period 2025-2029, was approved by the Court in April 2025. The report can be found here: [Mainstreaming Report, Equality Outcomes and Employee Information | Equality and Diversity | Queen Margaret University](#)

The University is committed to ensuring that the University Court, Senate and all committees and decision-making bodies of the University are representative of its community. In particular, the University is committed to achieving the following goals and targets:

- Achieving practical gender balance amongst lay members of Court. Practical gender balance will be achieved where the lay membership of Court constitutes not less than 40% of either gender.
- Undertaking an annual review of the equality and diversity characteristics of the Court or as a specific need for review is identified.
- In undertaking any recruitment activity concerning the appointment of lay members of Court, the Court will have regard to equality and diversity characteristics of the Court and will take positive actions to increase the likelihood of applications being submitted from applicants that would enhance the representative character of the Court.

The outcomes established in these reports, and within the University's Outcome Agreement with the SFC, form the basis of the Equality and Diversity Committee Action Plan, updates to which were reported at each meeting of the University Court.

During 2024-25, we continued to reflect on the balance of diversity on the Court, while seeking also to maintain the gender balance required under the Gender Representation on Boards legislation.

Strategic Report & Financial Statements 2025

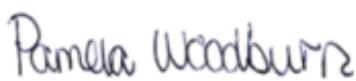
System of Internal Financial Control

The key elements of the Group's system of internal financial control include the following:

- clear definitions of the responsibilities of, and the authority delegated to, senior officers and delegated heads of academic divisions and support units under the Scheme of Delegation;
- a comprehensive medium and short-term planning process, supplemented by detailed monthly income and expenditure reports, and annual capital budgets;
- monthly review of financial results involving variance and KPI reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving significant capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels;
- comprehensive financial regulations, detailing financial controls and procedures;
- an independent professional internal audit team whose annual programme is approved by the Audit & Risk Committee.

The Audit & Risk Committee, on behalf of the University Court, reviews the effectiveness of the Group's system of internal financial control as part of a rolling programme. The Committee provides an annual report to the University Court which include its opinion on the adequacy and effectiveness of internal financial control. In reaching its opinion, the Committee has taken into account the opinions of the both the internal and external auditors, with reports prepared by both. The internal audit annual report confirmed that the University has adequate and effective arrangements for risk management, control, and governance, that proper arrangements are in place to promote and secure Value for Money, and that no downward trend in relation to risk management, control, or governance was identified during FY 2024/25. The external auditors prepare a summary report as part of these financial statements. As well as these, information and representations are provided by University management to the Committee and to the University Court. The Committee has noted that University management is continuing to work towards further strengthening of the control environment with a particular focus on those areas of significant risk within the wider control framework. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

On behalf of the University Court



Pamela Woodburn
Chair



Sir Paul Grice
Principal & Vice-Chancellor

19 December 2025

RESPONSIBILITIES OF THE UNIVERSITY COURT

In accordance with the University's Statutory Instrument, the University Court is responsible for the strategic development of the University, and for ensuring that the affairs of the University are administered and managed appropriately, including ensuring an effective system of internal control, and that audited financial statements are presented for each financial year. The Articles of Association provide that the Court, as the governing body 'shall cause full and true accounts to be kept of the funds, income and expenditure vested in, received, and expended by the University, in such form and manner as they shall from time to time prescribe'.

The University Court is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and enable the University Court to ensure that the financial statements are prepared in accordance with the University's Articles of Association, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the University Court, the University Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the University Court has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The University Court is satisfied that the University has adequate resources to continue in operation for the foreseeable future, for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The University Court has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

Strategic Report & Financial Statements 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COURT OF QUEEN MARGARET UNIVERSITY, EDINBURGH

Opinion

We have audited the financial statements of Queen Margaret University ('the 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, the Consolidated and University Balance Sheet, Consolidated Statement of cash flows, and the Consolidated and University Statement of changes in reserves and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the University Court with respect to going concern are described in the relevant sections of this report. However, because not all future events or

Strategic Report & Financial Statements 2025

conditions can be predicted, this statement is not a guarantee as to the group and institution's ability to continue as a going concern.

Other information

The other information comprises the information included in the Principal's Report, Strategic Report, Director's report, Corporate Governance Statement and Responsibilities of the University Court, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information contained in the Principal's Report, Strategic Report, Director's report, Corporate Governance Statement and Responsibilities of University Court.

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- ▶ the information given in the annual report, which includes the directors' report and the strategic report prepared for the purpose of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ The strategic report and the directors' report included within the annual report has been prepared in accordance with applicable legal requirements.

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

In our opinion, in all material respects:

- ▶ the requirements of the SFC's accounts direction have been met;
- ▶ funds from whatever source administered by the institution for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- ▶ funds provided by SFC have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent institution and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or the directors' report included within the annual report.

Strategic Report & Financial Statements 2025

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

- ▶ adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; 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 responsibilities of the University Court set out on page 26, the University Court (who are also the directors of the University for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that give a true and fair view, and for such internal control as the University Court determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the group and institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or institution or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 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.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and institution and determined that the most significant are FRS 102, Statement of Recommended Practice for Further and Higher Education and the Companies Act 2006.
- We understood how the group and institution is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We

Strategic Report & Financial Statements 2025

corroborated our enquires through our review of the Court minutes and papers provided to the Audit and Risk Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up.

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

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

Use of our report

This report is made solely to the University Court, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the University Court, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Queen Margaret University and the University Court as a body for our audit work, for this report, or for the opinions we have formed.

Signed by:

 FC9A8364442948C...

Rob Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

12/19/2025

Strategic Report & Financial Statements 2025

Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2025

		Consolidated		University	
		2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
INCOME	<i>Note</i>				
Tuition fees and education contracts	1	20,926	19,839	20,926	19,839
Scottish Funding Council grants	2	19,937	22,429	19,937	22,429
Research grants and contracts	3	1,526	1,877	1,526	1,873
Other operating income	4	8,315	7,577	8,122	7,459
Investment income	5	1,991	2,132	1,951	2,093
Donations and endowments	6	263	272	263	272
Total Income		52,958	54,126	52,724	53,966
EXPENDITURE					
Staff costs	7	32,695	32,100	32,632	32,065
USS pension unwind		-	(1,934)	-	(1,934)
Other operating expenses	10	16,607	14,298	16,461	14,173
Depreciation / Amortisation	11, 12	6,244	5,805	6,244	5,805
Interest and other finance costs	8	627	732	627	732
Total Expenditure		56,174	51,002	55,965	50,841
Operating Surplus / (deficit) for the year		(3,216)	3,125	(3,241)	3,125
Gain/(loss) on disposal of tangible assets		(1)	-	(1)	-
Surplus / (deficit) before tax		(3,217)	3,125	(3,242)	3,125
Taxation		-	-	-	-
Surplus / (deficit) for the year		(3,217)	3,125	(3,242)	3,125
Unrealised surplus on revaluation of land and buildings		-	2,087	-	2,087
Actuarial (loss) /gain in respect of Pension Schemes	17, 21	8,537	(869)	8,537	(869)
Total comprehensive income for the year		5,320	4,343	5,295	4,343
Represented by:-					
Endowment comprehensive income for the year		1	(21)	1	(21)
Unrestricted comprehensive income for the year		5,319	2,277	5,294	2,277
Revaluation reserve comprehensive income for the year		-	2,087	-	2,087
		5,320	4,343	5,295	4,343

All items of income and expenditure relate to continuing activities.

The accompanying notes and policies on pages 35 to 61 form part of these financial statements.

Strategic Report & Financial Statements 2025

Statement of Changes in Reserves

For the year ended 31 July 2025

	Income & Expenditure Account		Revaluation reserve	Total reserves		
	<i>Restricted</i>					
	<i>Donations & Endowments</i>	<i>Unrestricted</i>				
	£0	£0	£0	£0		
Balance at 1 August 2023	1,152	54,059	88,898	144,109		
Surplus / (deficit) from the income and expenditure statement	(21)	2,276	-	2,256		
Revaluation gain	-	-	2,087	2,087		
Balance at 1st August 2024	1,131	56,335	90,985	148,451		
Surplus / (deficit) from the income and expenditure statement	1	5,319	-	5,320		
Transfer to unrestricted	(147)	147	-	-		
Revaluation gain	-	-	-	-		
Balance at 31st July 2025	985	61,802	90,985	153,772		

Strategic Report & Financial Statements 2025

Balance Sheet

For the year ended 31 July 2025

	Note	Consolidated		University	
		2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
FIXED ASSETS					
Intangible assets	11	2,123	1,893	2,123	1,893
Tangible assets	12	130,985	134,797	130,985	134,797
Investments	13	-	-	-	-
Pension Asset	17	34,476	24,696	34,476	24,696
Total Fixed Assets		167,584	161,386	167,584	161,386
CURRENT ASSETS					
Trade and other receivables	14	3,466	2,870	4,023	3,622
Current asset investments		-	-	-	-
Cash at bank and in hand		4,565	18,613	3,489	17,260
Total Current Assets		8,031	21,483	7,513	20,883
CREDITORS: amounts falling due within one year	15	(9,325)	(25,642)	(8,806)	(25,041)
NET CURRENT ASSETS / (LIABILITIES)		(1,294)	(4,159)	(1,293)	(4,159)
TOTAL ASSETS LESS CURRENT LIABILITIES		166,290	157,228	166,290	157,228
CREDITORS: amounts falling due after more than one year	16	(8,327)	(6,530)	(8,327)	(6,530)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(4,098)	(2,212)	(4,098)	(2,212)
Investment in Joint Venture		(94)	(34)	(94)	(34)
NET ASSETS		153,772	148,451	153,772	148,451
RESTRICTED RESERVES					
Income & Expenditure Reserve – Endowment Reserve	18	985	1,131	985	1,131
UNRESTRICTED RESERVES					
Income & Expenditure Reserve – Unrestricted		61,802	56,335	61,802	56,335
Revaluation reserve	19	90,985	90,985	90,985	90,985
TOTAL RESERVES		153,772	148,451	153,772	148,451

Queen Margaret University, Edinburgh
Company registered in Scotland no. SC007335

The financial statements on pages 31 to 61 were approved by the University Court on 17 December 2025 and signed on its behalf by:

Pamela Woodburn

Paul Grice

Pamela Woodburn
Chair

Sir Paul Grice
Principal & Vice-Chancellor

19 December 2025

Strategic Report & Financial Statements 2025

Statement of Cash Flows

For the year ended 31 July 2025

		Consolidated 2024/25 £000	Consolidated 2023/24 £000
Cash inflow from operating activities			
Surplus / (deficit) for the year		(3,217)	3,125
Adjustments for non-cash items			
Depreciation, amortisation	11, 12	6,244	5,805
Deferred capital grants released		(649)	(649)
Pension costs less contributions payable		(59)	(198)
(Increase) / decrease in operating debtors		(596)	(167)
Increase / (decrease) in operating creditors		128	465
Increase / (decrease) in pension provision		(142)	(1,963)
SFC Recovery Provision		2,028	-
(Gain) / loss on sale of fixed assets		1	-
Other operating movements		5	1
Adjustments for investing or financing activities			
Investment income and interest receivable	5	(1,991)	(2,132)
Interest payable	8	627	689
Investment in joint venture	13	59	34
Net cash inflow / (outflow) from operating		2,439	5,009
Cash flows from investing activities			
Investment income	5	774	924
Payments made to acquire fixed assets	11, 12	(2,666)	(3,103)
Disposal of fixed assets	12	4	-
Net cash inflow / (outflow) from investing activities		(1,889)	(2,179)
Cash flows from financing activities			
Interest paid	8	(600)	(689)
Repayments of amounts borrowed	20	(16,499)	(1,500)
New unsecured loans in year	20	2,500	521
Net cash inflow / (outflow) from financing activities		(14,598)	(1,668)
Increase / (decrease) in cash and cash equivalents in the year		(14,048)	1,163
Cash and cash equivalents at beginning of the year		18,613	17,450
Cash and cash equivalents at end of the year		4,565	18,613
(14,048)		1,163	

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(A) Basis of preparation (including going concern assessment)

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 ("SORP 2019") and in accordance with the Financial Reporting Standard (FRS) 102 and with the Accounts Direction issued 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 have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The functional currency of the University is pounds sterling, and the financial statements have been prepared to round £000s.

Going concern

The Group and University financial statements for the year ended 31 July 2025 have been prepared on a going concern basis, the period of which is to 31 July 2027. The University and Group's activities, financial performance and financial position, together with factors likely to affect its future development and performance, are described in the Strategic Report. Emerging and principal risks and uncertainties facing the University are described on page 8. At 31 July 2025, the University held gross cash of £4.6 million, excluding restricted funds held on behalf of SAAS (year ended 31 July 2024: £18.6 million), while current assets were £8.0m (year ended 31 July 2024: £21.4m). As at 30 November the University held £6.2m in cash.

The University's external borrowings as at 31 July 2025 totalled £4.7 million (year ended 31 July 2024: £18.7m). Of this amount, £2.5m relates to an unsecured Revolving Credit Facility (RCF) with Santander UK Plc, and £2.2 million relates to an unsecured loan from the Scottish Funding Council under the Financial Transactions scheme. The University's secured borrowings from Santander, as described above are subject to covenant terms. The University was fully compliant with those covenant tests during the year to 31 July 2025. The only borrowings that will be repayable during the going concern period to 31 July 2026 are £50k relating to the SFC loans.

Balances outstanding on the Santander RCF can be rolled until expiry in December 2029, and so no repayments have been considered or reflected across the going concern assessment period. However, there is a balance outstanding of £2.5m as at 31 July 2025, with access to a further £12.5m.

The University has moderate cash reserves and retains access to liquidity through the RCF, up to £15m, that can be used to support liquidity across the going concern period and up to 2029. As well as the RCF, additional borrowing from the SFC will support the University's access to liquidity over the period to 2031 through provision of a liquidity support loan of £5 million, to be provided in early 2026.

Cash flow forecasts were prepared for the period up to 31 July 2027 to support management's assessment of going concern. The institution's base case scenario for the period forecasts compliance with all loan covenants at both 31 July 2026 and 31 July 2027, with sufficient cash balances and access to liquidity as required to continue operations over the period. The University is projecting loan covenant headroom no lower than £2.0m in 31 July 2027, before the implementation of further mitigating actions.

The University faces significant financial challenges going forward, including the potential for further real terms reductions in the level of grant funding receivable from the Scottish Funding Council. Further to this, recovery in relation to under recruitment of Scottish student has a material impact on the financial performance of the University, and is projected to remain an issue for the University across the assessment period. Student recruitment may be further exacerbated as a result of wider geopolitical and economic uncertainties.

Strategic Report & Financial Statements 2025

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Management has modelled severe but plausible downside scenarios based on a number of adverse scenarios taking place in financial years 2025/26 and 2026/27, including a reduction of planned tuition fee growth, pay and affected non pay costs remaining higher than forecast. In these scenarios the University retains liquidity and remains compliant with loan covenants throughout, before the implementation of further mitigating actions. It should be noted that in the plausible worst case scenario, the operating performance deteriorates, which in turn increases the likelihood of additional drawdowns on the RCF to support cash balances, and reduces the headroom on loan covenants. University senior management notes that in this downside scenario, decisive corrective and mitigating actions would need to be taken in order to remain loan covenant compliant, and retain access to the RCF.

The University's reverse stress testing identifies that the EBITDA to debt service cost covenant in FY 2026/27 is under most pressure but a breach would occur only if severe downside scenarios occur without both plausible and available mitigating actions being taken. Should there be a breach of loan covenant, and the RCF be withdrawn, the University retains sufficient access to liquidity through the SFC loan in order to repay the outstanding balance.

The University is continuing to monitor its forecast compliance with covenants. Management is confident that there are sufficient mitigating actions within the University's control that would offset any reduced income to ensure compliance with future loan covenants. These mitigations include, but are not limited to, reducing uncommitted future expenditure on discretionary capital and maintenance programmes, reducing operational expenditure, and reducing staff numbers. The University Court will continue to monitor its forecast compliance with covenants throughout this going concern assessment period, in accordance with the scheduled cycle of meetings, reporting at least quarterly.

Management continues to assume that any support for the University's subsidiary, QMU Enterprises Limited will be minimal, and although no commitment has been made to support Edinburgh Innovation Park Joint Venture Company Limited within the going concern period due to sufficient working capital being available, should it be required then the University will be required to fund an additional £200k to support working capital. As a result, management is confident that there are sufficient mitigating actions within the University's control that would offset any reduced income or increased expenditure to ensure compliance with future loan covenants should plausible downside risks materialise.

The financial statements do not contain the adjustments that would result if the Group and University were unable to continue as a going concern.

Based on the assessment outlined above, the University has concluded that it has adequate resources to continue in operation for the period to 31 July 2027, and for this reason the going concern basis continues to be adopted when preparing the financial statements.

(B) Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertaking for the financial year ended 31 July 2025. Details of QMU Enterprises are given in note 13. Intra-group transactions are eliminated on consolidation. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

The University and East Lothian Council each hold one share in Edinburgh Innovation Park Joint Venture Company Limited, with a nominal value of £1 per share. This joint venture between the parties was set up during 2021 with the purpose of constructing and managing the Edinburgh Innovation Park, which is being developed on land adjacent to the University campus. Since it was set up the structure of the joint venture has expanded so that it now has a wholly owned subsidiary,

Strategic Report & Financial Statements 2025

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Hub HoldCo, which in turn has two subsidiaries, Hub DevCo and Hub OpCo, which are respectively responsible for the construction of the hub and then the running of it once it becomes operational.

Historically the University had recognised the value of the joint venture at cost, however, as activity has increased it has determined that from FY 2023/24 it shall recognise its share of the joint venture's net assets in accordance with the equity method per FRS 102. This has remained unchanged for FY 2024/25. The University and East Lothian Council both hold half of the shares in the joint venture, and so the University recognises a 50% share of the net assets. Should the joint venture have negative net assets, the University shall recognise its share up to the extent that it has an obligation to fund the joint venture. Further details are contained in note 13.

The consolidated financial statements do not include the results of the Queen Margaret University Students' Union on the grounds that, although the University provides grant funding, it is a separate legal entity in which the University has no financial interest and exerts no control or significant influence over policy decisions.

(C) Recognition of income

Tuition fee income is stated gross of any expenditure, which is not a discount and is credited to the Consolidated Statement of Comprehensive Income & Expenditure over the period during 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 are not deducted from income.

Income from the sale of goods and services is credited to income in the year in which the goods or services are supplied to the customer or the terms of the contract have been satisfied. Investment income is credited to income on a receivable basis.

Funds which the University receives and disburses as paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of funds, are excluded from the income and expenditure of the University.

Grant funding

Recurrent grants from the Scottish Funding Council are credited to income in the period in which they are receivable. With respect to the main teaching grant, the University will recognise the income to which it is entitled to in accordance with the number of Scottish student numbers recruited against targets set by the Scottish Funding Council, with a provision held for any funds received to which the University is not entitled to recognise. Non-recurrent grants and donations are recognised when they are receivable and when performance conditions have been met. Income received in advance of performance conditions being met is included in creditors as deferred income. Where there are no performance conditions, income is recognised when it is receivable.

Donations and endowments

Donations and endowments with donor-imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time as it is utilised in line with such restrictions, at which point the income is released to the general reserve through a reserve transfer. Donations with no restrictions are recognised as income when the University is entitled to the funds.

Capital grants

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(D) Accounting for retirement benefits

Retirement benefits for employees of the University are provided by the Local Government Pension Scheme (LGPS) through the Lothian Pension Fund, the Scottish Teachers' Pension Scheme (STPS) and the Universities Superannuation Scheme (USS). All three are defined benefit schemes.

Local Government Pension Scheme

The Lothian Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The University recognises a liability for its share of obligations under the scheme net of its share 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 current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The fund is valued every three years by professionally qualified independent actuaries 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 its share of the surplus, either through reduced contributions in the future or through refunds from the plan in line with the specific requirements of FRS 102 accounting, not accounting for any realizable or functionally recoverable assets and the subsequent limitations in the asset position as a result.

Scottish Teachers' Pension Scheme

The STPS is an unfunded multi-employer defined benefit scheme. Contributions are credited to the Exchequer, and the Exchequer effectively meets the costs of all benefits. The scheme is financed by payments from employers and from those current employees who are members of the scheme and who pay contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme. The University has no obligation for other employers' obligations to the multi-employer scheme.

Universities Superannuation Scheme

The Universities Superannuation Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University 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 University therefore 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.

Enhanced pension benefits

In a number of instances, the University has agreed to provide enhanced pension benefits in respect of members of staff taking early retirement. These additional benefits are unfunded and are charged, as and when they arise, against a provision established when members retire to meet this liability. This provision relates to former members of staff who are members of the STPS and LGPS.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(E) Employment benefits

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

(F) Leases and hire purchase contracts

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

(G) Foreign currency translations

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

(H) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets which had been revalued to fair value on or prior to the date of transition to SORP 2015 are held on a basis of fair value cost, being the revalued amount at the date of that valuation. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings are stated at cost or valuation. The campus and residences, as well as the land surrounding the campus, are externally valued at least every five years. The basis of valuation is depreciated replacement cost. In the period between external valuations the University Court reviews the value of the assets. Where the value of the Land and Buildings is considered to be below cost, either by external valuation or as a result of the Court's review, and this is considered to be a permanent diminution in value, the difference is charged to the income & expenditure account as an impairment charge.

The heritable properties comprising Queen Margaret University's property estate were valued as at 31 July 2024 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors.

The valuation was prepared in accordance with the requirements of the RICS Valuation - Global Standards 2022 and the national standards and guidance set out in the UK National Supplement (November 2018), the International Valuation Standards, Financial Reporting Standard 102 and the 2019 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuation was undertaken on a Fair Value basis. The valuations of specialised properties were derived using the Depreciated Replacement Cost (DRC) method, whilst the student residences were valued as a trading entity using a Discounted Cash Flow (DCF). Costs incurred in relation to a tangible fixed asset after its initial purchase or production are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance. The cost of routine maintenance is not capitalised, but is charged to the income and expenditure account in the year in which it is incurred.

Heritable land is not depreciated. Heritable buildings are depreciated on a straight-line basis over their expected useful lives of between 10 and 50 years. No depreciation is charged on assets in the course of construction. Equipment, including computer equipment and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition.

Strategic Report & Financial Statements 2025

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

All other equipment is capitalised and depreciated on a straight-line basis over periods ranging from three to five years, being its expected useful life.

Intangible assets

Intangible assets purchased separately from a business are initially recognised at its cost. Internally generated assets which form a separately identifiable asset either independently or in combination with software and/or intellectual property are capitalised. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised over their estimated remaining economic lives (between 3-10 years).

(I) Investments

The treatment of investments in subsidiaries and joint ventures is dependent on the level of activity within the entity. Investments with a material level of activity are shown in the balance sheet as a share of net assets, otherwise these are shown at cost. Current asset investments are held at fair value with any movements recognised in the surplus or deficit.

(J) 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. No investments, however liquid, are included as cash. Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities.

(K) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the University has a present legal or constructive obligation 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 discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

A contingent liability arises from a past event that imposes upon the University a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. A contingent liability may also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or where the amount of the obligation cannot be measured reliably. A contingent asset arises where an event has taken place which entitles the University to a possible asset, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed by way of a note.

(L) Taxation

The University is an exempt Charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005, and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income and capital gains received within categories covered by sections 478 to 488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively for charitable purposes. The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT arising from expenditure on non-trading activities is charged to the income and expenditure account. Any irrecoverable VAT allocated to fixed assets is included in their cost.

Strategic Report & Financial Statements 2025

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(M) Reserves

Reserves are classified as either restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the purposes for which it may use these funds. The policy is to revalue the estate at least every 5 years, and any surplus arising is added to the revaluation reserve.

(N) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. It is the view of the directors that there are no significant or material accounting judgements. The following are the key sources of estimation uncertainty:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment 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 uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 21 to the financial statements.

In relation specifically to the Universities Superannuation 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 the Universities Superannuation Scheme. 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 charged through

the income and expenditure account in accordance with section 28 of FRS 102. The University Court members are satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme, and the University has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving these financial statements.

In relation to the Local Government Pension Scheme, in accordance with the accounting policy adopted by the University, where the calculation at the year-end date results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover its share of the surplus, either through reduced contributions in the future or through refunds from the scheme. The University assessed the recoverability of the asset on this basis and determined that it was appropriate that the surplus at 31 July 2025 was recognised in line with the requirements of FRS 102.

The extent to which any net pension asset can be recognised is subject to significant actuarial assumptions around the potential future costs associated with the scheme, and can be impacted by changes to actuarial assumptions and agreed contribution rates. In particular, asset recognition

Strategic Report & Financial Statements 2025

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

is based on the accounting for the assets and liabilities at a point in time and may change materially should steps to be taken to obtain any refund from the scheme in the future.

Valuation of land and buildings

The heritable property comprising the University's property estate was valued at 31 July 2024 by an external valuer, Gerald Eve LLP of the RICS Valuation - Global Standards (January 2022 edition) and the national standards and guidance set out in the UK national supplement (November 2018), the International Valuation Standards, Financial Reporting Standard 102 and the 2019 Statement of Recommended Practice 'Accounting for Further and Higher Education'. At the balance sheet date, the values for land and buildings are as the valuation at 31 July 2024 less any depreciation to the carrying value. Management considered the basis used to undertake the valuation as reasonable and have reviewed the assets for subsequent depreciation and impairment. The net book value as at 31 July 2025 of the University's land and building is £127.3m, the impact of a 5% change in valuation would be £6.4 million, either resulting in an increase or a decrease in the University's revaluation reserve or an additional impairment charge.

SFC Recovery

SFC Recovery occurs when a university under-recruits compared to their non-controlled funded number. Funding for QMU's Scottish students is received for through the Main Teaching Grant, with cash recovery occurring two years after the funding is received. In accordance with FRS 102, the University has recognised a provision for funding that has been received but is not entitled to recognise as income due to under-recruitment.

In November 2025, QMU received written confirmation from the SFC for the recovery figure for FY 2023/34. No formal notification has been received from the SFC relating to under delivery in FY 2024/25, with this only coming at the end of the next financial year. QMU will therefore be required to provide an estimate of the under delivery relating to that financial year for inclusion within the accounts. Management has adopted the same methodology for the 2024/25 estimate as was used for the calculation of the confirmed 2023/24 recovery.

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

1. TUITION FEES AND EDUCATION CONTRACTS (consolidated and university)	2024/25 £000	2023/24 £000
Scotland home domicile fees	7,761	7,818
European Union domicile fees	2,590	2,501
Rest of UK domicile fees	2,357	1,919
Non-European Union domicile fees	5,086	5,591
Other non-credit bearing course fees and discounts	(741)	(952)
Education contracts	3,873	2,962
	20,926	19,839
	_____	_____
2. SCOTTISH FUNDING COUNCIL GRANTS (consolidated and university)	2024/25 £000	2023/24 £000
Recurrent grants:		
General Fund – Teaching	17,360	18,369
General Fund – Research and Innovation	1,970	1,741
Specific grants:		
Capital maintenance grants	113	116
Ring-fenced grants funded by Scottish Government	1,073	1,258
Deferred capital grants released (note 16)	649	649
Strategic Funding	24	-
Other grants	102	298
SFC Recovery	(1,354)	-
	19,937	22,429
	_____	_____

SFC recovery relating to FY24/25 is shown above, please refer to note 9 for SFC recovery for FY23/24.

3. RESEARCH GRANTS & CONTRACTS	Consolidated		University	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Research councils	61	200	61	200
UK based charities	42	138	42	135
UK government and health authorities	1,186	1,073	1,186	1,073
UK Private Sector	-	13	-	13
European funding	189	193	189	193
Other grants & contracts	47	260	47	260
	1,526	1,877	1,526	1,873
	_____	_____	_____	_____
4. OTHER OPERATING INCOME	Consolidated		University	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Residences, catering and conferences	6,566	6,152	5,834	5,619
Other services rendered	567	279	543	218
Sports centre income	271	240	271	240
Other income	912	906	1,474	1,382
	8,315	7,577	8,122	7,459
	_____	_____	_____	_____

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT INCOME

	Consolidated		University	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Other investment income	774	924	734	885
Interest On Pension Asset	1,217	1,208	1,217	1,208
	1,991	2,132	1,951	2,093
	—	—	—	—

6. DONATIONS AND ENDOWMENTS (consolidated and university)

	2024/25 £000	2023/24 £000
Restricted donations	261	272
Unrestricted donations	2	-
	263	272
	—	—

7. STAFF COSTS

Staff costs	Consolidated		University	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Wages and salaries	24,863	24,312	24,800	24,277
Social security costs	2,884	2,522	2,884	2,522
Movement on USS provision	-	(1,934)	-	(1,934)
Other pension costs	4,948	4,733	4,948	4,733
Restructuring costs	-	533	-	533
	32,695	30,166	32,632	30,131
	—	—	—	—

Emoluments of the Principal and Vice-Chancellor

	2024/25 £000	2023/24 £000
Sir Paul Grice		
Salary	229	218
Employers' pension contributions	-	-
In lieu of employers' pension contribution	36	36
Total	265	254
	—	—

The head of the University's basic salary is 5.64 times the median pay of staff (2023/24: 5.57 times), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the University to its staff.

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

	2024/25 £000	2023/24 £000
Directors' emoluments (including pension contributions)		
Fees for services as members of University Court	17	24
Emoluments (i.e. salaries as members of staff)	678	656
Contributions paid to pension schemes	105	113
Total	800	793

These figures relate to 8 members of staff, including the Principal (2023/24: 8)

The number of members of staff, including the Principal, who received remuneration (including benefits and excluding pension contributions) in each of the following ranges was:-

	2024/25 Number	2023/24 Number
Senior post holders		
£100,001 to £110,000	1	1
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1
£130,001 to £140,000	-	-
£140,001 to £150,000	1	1
£150,001 to £160,000	-	1
£230,001 to £240,000	-	-
£240,001 to £250,000	-	-
£250,001 to £260,000	-	1
£260,001 to £270,000	1	-

No compensation payments were made to senior post holders in respect loss of office (2023/24: Nil).

Average full time equivalent (FTE) staff numbers by major category:
(Consolidated and university)

Academic schools
Academic services
Research grants & contracts
Residences, catering & conferences
Premises
Administration & central services

2024/25 FTE number	2023/24 FTE number
243	246
54	57
11	16
25	13
25	26
158	147
516	505

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

8. INTEREST PAYABLE AND OTHER FINANCE COSTS

	Consolidated		University	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Loan interest	627	689	627	689
Net charge on pension scheme	-	43	-	43
	627	732	627	732
	—	—	—	—

9. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY

	Consolidated		University	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Academic schools	23,636	20,275	23,588	20,275
Academic services	5,564	5,467	5,564	5,467
Research grants & contracts	1,312	1,521	1,312	1,529
Other services rendered	221	282	221	227
Residences, catering and conferences	2,685	3,272	2,528	3,179
Premises	11,186	9,446	11,186	9,446
Administration & central services	10,654	10,998	10,654	10,975
Other expenses	916	(259)	912	(259)
	—	—	—	—
Total per income and expenditure account	56,174	51,002	55,965	50,841
	—	—	—	—

Academic schools includes SFC Recovery within the 2024/25 balance, this relates to income that QMU were not entitled to in 2023/24 (£674k). Other expenses show a credit in 2023/24 due to the movement on the USS pension (£1.9m).

10. OTHER OPERATING EXPENSES

Other operating expenditure includes the following:

	Consolidated		University	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
External auditors – audit fees	177	212	155	191
External auditors – non-audit fees	4	4	-	-
Internal audit	30	31	30	31
Grants to QMU Students' Union	351	326	351	326

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS (consolidated and university)

	Intangibles £000	Assets Under Construction £000	TOTAL £000
Cost or valuation:			
At 1 August 2024	980	1,343	2,323
Additions at cost	451	82	533
Transferred	1,343	(1,343)	-
At 31 July 2025	2,774	82	2,856
Amortisation:			
At 1 August 2024	(430)	-	(430)
Provided during the year	(303)	-	(303)
At 31 July 2025	(733)	-	(733)
Net book amount at 31 July 2025	2,041	82	2,123
Net book amount at 1 August 2024	550	1,343	1,893

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

12. TANGIBLE ASSETS (consolidated and university)

	Freehold land and buildings £000	Fixtures, fittings, and equipment £000	Assets under construction £000	TOTAL £000
Cost or valuation:				
At 1 August 2024	132,775	9,742	1,265	143,781
Disposals at cost	-	(10)	-	(10)
Additions at cost	-	1,838	295	2,133
Transfer	-	655	(655)	-
Revaluation of buildings	-	-	-	-
At 31 July 2025	<u>132,775</u>	<u>12,225</u>	<u>906</u>	<u>145,905</u>
Depreciation:				
At 1 August 2024	-	(8,984)	-	(8,984)
Written off on disposals	-	(5)	-	(5)
Written back due to revaluation	-	-	-	-
Provided during the year	(5,516)	(425)	-	(5,941)
At 31 July 2025	<u>(5,516)</u>	<u>(9,404)</u>	<u>-</u>	<u>(14,921)</u>
Net book amount at 31 July 2025	127,258	2,821	906	130,985
Net book amount at 1 August 2024	<u>132,775</u>	<u>758</u>	<u>1,265</u>	<u>134,797</u>
Analysis of net book amount at 31 July 2025				
Financed by capital grant	4,962	-	-	4,962
Other	122,296	2,821	906	126,023
	<u>127,258</u>	<u>2,821</u>	<u>906</u>	<u>130,985</u>

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

The heritable properties comprising Queen Margaret University's property estate were valued as at 31 July 2024 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation - Global Standards 2022 and the national standards and guidance set out in the UK national supplement (November 2018), the International Valuation Standards, Financial Reporting Standard 102 and the 2019 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuations of specialised properties were derived using the Depreciated Replacement Cost (DRC) method, whilst the student residences were valued as a trading entity using a Discounted Cash Flow (DCF).

The University has a modest collection of works of art and other items of historical interest. No value is included within fixed assets in respect of this collection as it is not considered to be material.

13. INVESTMENTS

Name of undertaking	Country of incorporation and registration	Description of shares held	Proportion of nominal value of shares held	Cost at 31 July 2025	Cost at 1 August 2024
			%	£	£
QMU Enterprises Ltd	Scotland	Ordinary £1 shares	100	100	100
				<u>100</u>	<u>100</u>

QMU Enterprises Limited, a wholly owned subsidiary company, undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a separate limited company. These activities include vacation letting, conferences and rendering of services (other than research) for a variety of commercial and other organisations. The results of QMU Enterprises Limited have been consolidated into the group financial statements.

The University holds a 50% share in Edinburgh Innovation Park Joint Venture Ltd, with East Lothian Council holding the remaining 50% share. As detailed in the Statement of Accounting Principles, section (B), the University has recognised its share of the net assets. As at 31 July 2025, the consolidated position of Edinburgh Innovation Park Joint Venture Ltd reported total assets of £39.8m, including work in progress of £31.6m and cash of £7.0m, and liabilities of £39.9m, of which £36.0m related to grant income received in advance. The net result of these is a net liability position of (£187,306), of which the University has recognised (£93,653) as a non-current liability.

14. TRADE AND OTHER RECEIVABLES:

Amounts falling due within one year

	Consolidated 2025 £000	University 2025 £000	2024 £000
Trade debtors	1,948	1,845	1,371
Prepayments and accrued income	1,518	1,509	1,395
Amounts due from subsidiary company	-	673	857
Amounts due from joint venture	-	-	-
	<u>3,466</u>	<u>4,026</u>	<u>3,622</u>
	<u>—</u>	<u>—</u>	<u>—</u>

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

15. CREDITORS:

Amounts falling due within one year

	Consolidated		University	
	2025 £000	2024 £000	2025 £000	2024 £000
Secured loans (see note 16)	-	15,809	-	15,809
Trade creditors	1,153	1,664	1,153	1,664
Social security and other taxation payable	1,295	687	1,295	673
Accruals and deferred income	6,177	6,057	5,658	5,471
Unsecured loans	50	686	50	686
Deferred capital grants (see note 16)	649	649	649	649
Amounts Due to Joint Venture	-	90	-	90
	9,325	25,642	8,806	25,041
	—	—	—	—

Accruals and Deferred Income

	Consolidated		University	
	2025 £000	2024 £000	2025 £000	2024 £000
Accruals	2,185	2,160	1,995	2,062
Other income deferred	1,656	1,665	1,322	1,177
Research grants received on account	887	769	893	769
Donations	139	-	139	-
Grant income deferred	1,309	1,463	1,309	1,463
	6,177	6,057	5,658	5,471
	—	—	—	—

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

16. CREDITORS:

Amounts falling due in more than one year (consolidated and university)

	2025 £000	2024 £000
Secured loans (see note 15)	-	-
Unsecured loans	4,663	2,217
Deferred capital grants	3,664	4,313
	8,327	6,530
	<hr/>	<hr/>
Due after more than one year	-	-
Due within one year (note 15)	-	15,809
	<hr/>	<hr/>
Total secured loans	-	15,809
	<hr/>	<hr/>
Analysis of unsecured loans:-		
Due between one and two years	120	164
Due between two and five years	2,981	449
Due in five years or more	1,562	1,603
	<hr/>	<hr/>
Total due after more than one year	4,663	2,217
Due within one year (note 15)	50	686
	<hr/>	<hr/>
Total unsecured loans	4,713	2,903
	<hr/>	<hr/>
Analysis of Deferred capital grants:-		
Due between one and two years	649	649
Due between two and five years	1,925	1,947
Due in five years or more	1,090	1,717
	<hr/>	<hr/>
Total due after more than one year	3,664	4,313
Due within one year (note 15)	649	649
	<hr/>	<hr/>
Total Deferred capital grants	4,313	4,962
	<hr/>	<hr/>

The previous Barclays loan was refinanced with a £15m unsecured revolving credit facility ("RCF") with Santander UK plc, committed until 29 November 2029. As at 31 July 2025 £2.5m was drawn from the RCF.

The RCF is a committed facility and is not repayable on demand. The University has an unconditional right to defer repayment of amounts drawn until the facility's maturity date in November 2029 and therefore has been classified as a non-current liability. The facility is subject to financial covenants which the University complied with throughout the year. Interest is payable at SONIA (Sterling Overnight Index Average) plus a margin of 0.95% per annum.

Deferred capital grants and unsecured loans due to be released within one year are included within Creditors: amounts falling due within one year.

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

17. PENSION LIABILITIES & PROVISIONS (consolidated and university)

	Pension enhancements	SFC Recovery Provision	Total provisions
	£000	£000	£000
At 1 August 2024	(2,212)	-	(2,212)
Utilised in year	221	-	221
Transfer (to)/from income & expenditure account	(79)	(2,028)	(2,107)
At 31 July 2025	<u>(2,070)</u>	<u>(2,028)</u>	<u>(4,098)</u>

The University also has a liability for pension enhancements payable to former members of staff who have taken early retirement in prior years. An actuarial valuation of the amount of this liability was carried out by Hymans Robertson, Actuaries, at 31 July 2025, on the basis of valuation prescribed by FRS 102, and using the same set of assumptions as are set out in note 21 in relation to the valuation of the Local Government Pension Scheme.

SFC Recovery occurs when a university under-recruits compared to their non-controlled funded number. Funding for Scottish students is received for teaching through the Main Teaching Grant, with cash recovery occurring two years after the funding is received. In accordance with FRS 102, the University has recognised a provision for funding that has been received but is not entitled to recognise as income due to under-recruitment.

18. ENDOWMENT RESERVES

Consolidated and University

	Restricted Expendable £000	Restricted Permanent £000	Restricted Total £000
Balance at 1 August 2024	1,084	47	1,131
Income for year	300	-	300
Expenditure for year	(299)	-	(299)
Transfer to unrestricted reserves	(147)		(147)
At 31 July 2025	937	47	985
Represented by:			
Capital value	-	36	36
Accumulated income	937	12	949
	937	47	985

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

19. REVALUATION RESERVE

	Consolidated and University	
	2025 £000	2024 £000
At 1 August	90,985	88,898
Revaluation (losses) /gains	-	2,087
Release to general reserve	-	-
At 31 July	90,985	90,985
	<hr/>	<hr/>

20. CONSOLIDATED RECONCILIATION OF NET DEBT

Consolidated and University

	£000
Net debt at 1 August 2024	98
Increase in cash and bank balances	14,048
Secured loans repaid	(15,809)
Unsecured loans taken out	2,500
Unsecured loans repaid	(690)
Net debt at 31 July 2025	148
	<hr/>

Analysis of net debt

	Consolidated and University	
	2025 £000	2024 £000
Cash at bank and in hand	(4,565)	(18,613)
<i>Borrowings : amounts falling due within one year</i>		
Secured loans	-	15,809
Unsecured loans	50	686
	<hr/>	<hr/>
	50	16,494
<i>Borrowings : amounts falling due after more than one year</i>		
Secured loans	-	-
Unsecured loans	4,663	2,217
	<hr/>	<hr/>
	4,663	2,217
Net debt as at 31 July	148	98
	<hr/>	<hr/>

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR ASSETS / OBLIGATIONS

The University's employees belong to three principal pension schemes, the Scottish Teachers Pension Scheme (STPS), the Local Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS).

	Consolidated and University	
	Year ended 31 July 2025	Year ended 31 July 2024
	£000	£000
<i>The total pension contribution is analysed as follows:-</i>		
Lothian Pension Fund (LGPS)	1,548	1,662
Scottish Teachers' Pension Scheme	3,239	2,915
Universities Superannuation Scheme	287	356
	5,128	4,933

A) Local Government Pension Scheme (LGPS)

The Lothian Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the scheme after consultation with professional advisors.

The following information is based upon a full actuarial valuation of the fund updated to 31 July 2025 by a qualified independent actuary, Hymans Robertson LLP.

Assumptions at	31 July 2025	31 July 2024	31 July 2023
Pension increase rate	2.75%	2.75%	3.00%
Salary increase rate	3.45%	3.45%	3.50%
Discount rate	5.80%	5.00%	5.05%

The fund is valued every three years by professionally qualified independent actuaries using the projected unit credit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the scheme actuary reviews the progress of the scheme. The actuary has indicated that the resources of the scheme are likely, in the normal course of events, to be sufficient to meet the liabilities as they fall due at the level specified by the scheme regulations. The agreed employer's contribution rate for the University was 17.6%, which came into effect from 1 April 2024.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The assumptions noted above relate to expectations across the duration of the scheme and therefore are based on longer-term estimations.

The mortality assumptions used to value the Obligations in the University's Closing Position are different to those used to value the Obligations in the University's Opening Position. A commutation allowance is included for future retirements to elect to take 70% of the maximum additional tax-free cash up to HMRC limits. All other demographic assumptions are consistent with those used for the latest formal funding valuation, and include sufficient allowance for future improvements in mortality rates. Baseline longevity assumptions are consistent with the

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

assumptions used at the latest funding valuation. Future longevity assumptions are in line with the CMI 2024 model, with core parameterisation, initial adjustment of 0.25%, standard smoothing (Sk7), and a long-term rate of improvement of 1.5% p.a. for both males and females.

The assumed life expectations on retirement at age 65 are:-

	31 July 2025 No. of years	31 July 2024 No. of years
<i>Current pensioners</i>		
Males	20.5	20.2
Females	23.9	23.9
<i>Future pensioners (assumed aged 45 at last formal revaluation date)</i>		
Males	21.6	21.4
Females	24.9	24.9

A) Local Government Pension Scheme (LGPS) (continued)**Analysis of the amount shown in the balance sheet**

	Value at 31 July 2025	Value at 31 July 2024	Value at 31 July 2023	Value at 31 July 2022	Value at 31 July 2021
	£000	£000	£000	£000	£000
Estimated employer assets (A)	87,188	82,443	75,944	74,429	69,844
Present value of scheme liabilities	(52,712)	(57,747)	(51,797)	(61,832)	(90,361)
Present value of unfunded liabilities	(332)	(365)	(377)	(470)	(573)
Total value of liabilities (B)	(53,044)	(58,112)	(52,174)	(62,302)	(90,934)
Net pension asset/(liability) (A) – (B)	34,144	24,331	23,770	12,127	(21,090)

* In accordance with the accounting policy adopted by the University, where the calculation above results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover its share of the surplus, either through reduced contributions in the future or through refunds from the scheme. Since 2023 the University has now recognised the net asset in full, to reflect that in line with FRS 102 accounting standards there is a theoretical right to refund and therefore the asset should be recognised as such based on the FRS 102 accounting estimates at the balance sheet date.

The University's liability to unfunded pensions has been recognised separately within provisions.

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

Analysis of movements in the present value of the scheme liabilities

	31 July 2025 £000	31 July 2024 £000
Opening defined benefit obligation	58,112	52,174
Current service cost	1,570	1,496
Interest cost on defined benefit obligation	2,912	2,646
Contributions by members	565	554
Actuarial losses / (gains)	(8,313)	3,077
Unfunded benefits paid	(39)	(37)
Benefits paid	(1,763)	(1,798)
Closing defined benefit obligation	53,044	58,112

Analysis of movement in the market value of the scheme assets

	31 July 2025 £000	31 July 2024 £000
Opening fair value of employer assets	82,443	75,944
Expected return on assets	224	2,449
Other experience	-	(217)
Contributions by members	565	554
Contributions by employer	1,590	1,657
Contributions in respect of unfunded benefits	39	37
Interest income on plan assets	4,129	3,854
Unfunded benefits paid	(39)	(37)
Benefits paid	(1,763)	(1,798)
Closing fair value of employer assets	87,188	82,443

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits. As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility led to increased costs for schemes (including the LGPS) and hence for scheme employers. An allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the balance sheet figure at 31 July 2025. It is anticipated that a further ruling relating to historical transfers is unlikely to be significant in terms of impact on the University's pension obligations. As a result, no allowance has been made for this within the calculation of the level of provision at 31 July 2025.

In April 2015, wholesale changes were made to the Local Government Pension Scheme in Scotland to reform the scheme's benefits structure. These changes were implemented as part of wider reforms to public sector pensions introduced by the UK Government's Public Service Pensions Act 2013. In the LGPS, these changes included moving benefit accrual from a final salary to a career average basis, and linking members' normal retirement age to their state pension age. Transitional provisions were introduced for members who were within 10 years of normal retirement age in 2012. These transitional protection arrangements applied across public service

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

pension schemes where older members were permitted to remain in their pre-2015 schemes. In the LGPS all members were moved onto the new arrangements from 1 April 2015. However, those within 10 years of their normal pension age on 1 April 2012 were protected through a statutory 'underpin'. This underpin protection provides that additional checks are undertaken for qualifying members to ensure that the career average pension payable under the reformed LGPS is at least as high as the member would have been entitled to receive under the final salary scheme. Where it is not as high, scheme regulations provide that an addition must be applied to the member's career average pension to make up the shortfall. In the 'McCloud' and 'Sargeant' court cases (which related to the judicial and firefighters' pension schemes respectively), the Court of Appeal found that the transitional protection arrangements directly discriminated against younger members in those schemes. In July 2019, the UK government confirmed its view that these rulings had implications for all the main public service pension schemes, including the LGPS, and that the discrimination would require to be addressed in all the relevant schemes, regardless of whether members had lodged a legal claim. An allowance for the estimated impact of the McCloud judgement was included within the 31 March 2020 funding valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). The McCloud allowance will therefore automatically be included within the 31 July 2025 balance sheet provision.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. Part of the High Court decision was appealed, and the Court of Appeal was asked to consider whether the actuary's written confirmation was only required if an alteration to the rules of the scheme affected pension benefits attributable to past service at the date of the alteration, or whether the actuary's confirmation was also required if the alteration affected the pension benefits that a member would earn by future services. In a decision handed down on 25 July 2024, the court dismissed the appeal and confirmed in relation to alterations made between 6 April 1997 and 5 April 2013, section 9(2B) rights included both past service rights and future service rights.

The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under FRS 102, or if it can be reliably estimated. As a result, Lothian Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

B) Scottish Teachers' Pension Scheme (STPS)

The Scottish Teacher's Pension Scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The 2016 valuation set employer contribution rates at 23.0% from 1 September 2019 until 31 March 2023, although the UK Government has since stated that

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

the rates would continue until 31 March 2024. Member contributions continued at the same rates within a range of 7.2% to 11.9% and are anticipated to deliver a yield of 9.4%.

The valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 22.4% to 26.0% will be required from 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 April 2024 have been paid within a range of 7.35% to 12.14% and have been anticipated to deliver a yield of 9.6%.

The University has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the University is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1 April 2024 is 26% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

C) Universities Superannuation Scheme (USS)

The University participates in the Universities Superannuation Scheme, which is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University 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 University therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the consolidated Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the accounting period.

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.

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

The latest available complete actuarial valuation of the Retirement Income Builder is as at 31 March 2023 (the valuation date), which was carried out using the projected unit method. Since the institution cannot identify its share of 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 Prices Index	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 increases (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 (forward rates)	Fixed interest gilt yield curve plus: <ul style="list-style-type: none"> Pre-retirement: 2.5% p.a. Post retirement: 0.9% p.a.

The main demographic assumption used relates to the mortality assumptions. The 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:-

	2023 valuation
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., 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

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

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

21. PENSIONS AND SIMILAR OBLIGATIONS (continued)

D) Other pension liabilities

The University has a liability for pension enhancements payable to former members of staff who have taken early retirement in prior years. An actuarial valuation of the amount of this liability was carried out by Hymans Robertson, Actuaries at 31 July 2025 on the basis of valuation prescribed by FRS 102. The total provision in respect of STPS liability is £1.738 million (2024: £1.847 million).

22. FINANCIAL INSTRUMENTS

The University applies the provisions of Sections 11 and 12 of FRS 102 in full. The University's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 – Section 11.8.

23. 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 the University Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest are conducted at arm's length, and in accordance with the University's financial regulations and normal procurement procedures.

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

	Income £'000	Expenditure £'000	Balance due to Group at 31/07/25 £'000	Balance due from Group at 31/07/25 £'000
The British University In Egypt	135	7	-	-

The British University In Egypt is a Transnational Education Partner of the University, and the Principal of the University is a board member of the British University in Egypt.

Strategic Report & Financial Statements 2025

NOTES TO THE FINANCIAL STATEMENTS

24. HARDSHIP AND CHILDCARE FUNDS

	2024/25 £000	2023/24 £000
HARDSHIP FUND (undergraduate and postgraduate)		
Balance at 1 August 2024	-	-
Amounts received from Student Awards Agency for Scotland	154	167
Interest received	2	2
Amount vired (to) / from Childcare Fund	49	(3)
	<hr/> 205	<hr/> 166
Disbursed to students	(200)	(156)
Other costs	(5)	(11)
Refunded to Student Awards Agency for Scotland	-	-
Balance unspent at 31 July 2025	<hr/> -	<hr/> -
CHILDCARE FUND		
Balance at 1 August	-	-
Amounts received from Student Awards Agency for Scotland	134	122
Interest Received	1	1
	<hr/> 135	<hr/> 122
Disbursed to students	(87)	(125)
Amount vired (to) / from Hardship Fund	(49)	3
Refunded to Student Awards Agency for Scotland	-	-
Balance unspent at 31 July 2025	<hr/> -	<hr/> -

Amounts received from the Student Awards Agency for Scotland are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.