

**Argyll College UHI Limited  
(A company limited by guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 July 2019**

**Registered Number SC172157**

**Scottish Charity Number SC026685**

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**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Legal and administrative information**

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|---|---|--|
| <b>Charity name:</b>                              | Argyll College UHI Ltd  |  |
| <b>Registered office and operational address:</b> | West Bay<br>Dunoon<br>PA23 7HP  |  |
| <b>Charity registration number:</b>               | SC026685  |  |
| <b>Company registration number:</b>               | SC172157  |  |
| <b>Trustees:</b>                                  | Andrew Campbell<br>Martin Jones<br>Fraser Durie<br>John Colston<br>Kenneth John Jones<br>Lesley McInnes<br>Amber Crowley<br>Tony Dalgaty<br>James Findlay<br>Laura Hogg<br>Scott Matheson<br>Gillian McCready<br>Jennifer Swanson<br>Stella Leitch<br>Danjana Ninkovich | (Chair)<br>(Principal, appointed 05/11/18)<br>(Principal, resigned 20/10/18)<br>(Vice Chair)<br><br><br><br><br><br><br><br><br><br>(appointed 1/11/18, resigned 30/8/19)<br><br><br><br><br>(resigned 24/05/19)<br>(appointed 30/08/19) |
| <b>Secretary</b>                                  | Fraser Durie<br>Ailsa Close   | (resigned 20/10/18)<br>(appointed 21/10/18)  |
| <b>Senior management team</b>                     | Martin Jones<br>Elaine Munro<br>Ailsa Close   | Principal<br>Depute Principal<br>Finance Director  |
| <b>External auditors</b>                          | MHA Henderson Loggie<br>Chartered Accountants<br>11-15 Thistle Street<br>Edinburgh<br>EH2 1DF   |  |
| <b>Internal auditors</b>                          | TIAA<br>53-55 Gosport Business Centre<br>Aerodrome Road<br>Gosport<br>PO13 0FQ  |  |
| <b>Bankers</b>                                    | Bank of Scotland<br>78 Argyll Street<br>Dunoon<br>PA23 7NH  |  |
| <b>Solicitors</b>                                 | Burness Paul LLP<br>120 Bothwell Street<br>Glasgow<br>G2 7JL  |  |

## **Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

### **Report of the trustees and strategic report for the year ended 31 July 2019**

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#### **OPERATING AND FINANCIAL REVIEW**

The Board of Management of Argyll College UHI present their report and the audited financial statements for the year ended 31 July 2019.

#### **Legal Status**

The College is constituted as a company and is governed by a memorandum and articles of association. It is recognised by the Inland Revenue as a charity for tax purposes. The Scottish Charity number is SC026685. Following implementation of the Post-16 Scotland Education Act 2013, the College is now an 'assigned college' to the University of the Highlands and Islands (UHI) as the Regional Strategic Body (RSB) for further and higher education in the Highlands and Islands region. UHI assumed formal RSB status on 1 April 2015, and is now the fundable body for the region, distributing further and higher education funds to its assigned colleges.

#### **Scope of the Financial Statements**

The financial statements cover all activities of Argyll College UHI, including the Statement of Comprehensive Income for the year ended 31st July 2019.

#### **Our Vision and Mission**

Argyll College will provide high quality innovative education opportunities, act as an economic driver to enhance the skills and development of the local economy and develop a reputation for excellence which will encourage students to study in the communities we serve.

The charity provides a range of further and higher education to as many of the communities in the area as possible. It does this by having a network of centres, some small, some large, in all the main centres of population. There is a wish to provide roughly the same range of educational activities at all sites but for technical reasons this is sometimes not possible. The charity also provides pre-5 education at its nursery in Oban.

The main annual objectives of the charity are to meet the educational delivery targets set by SFC; to maintain quality standards as agreed internally and as assessed by external bodies and to do all of this within the financial resources made available to the charity. There is generally a target to make a modest return on annual income for the sole purposes of re-investing that return to improve the ability of the charity to meet its key charitable objective.

#### **Achievements & Performance**

In 2018/19, the College exceeded its FE Credit target of 6582 by 568 to give a total Credits achieved in the year of 7250, and fulfilled all contractual obligations with regard to its FE students. In 2018/19, the HE target was 220 FTEs, up from 189 FTEs in 2017/18. Our actual final HE FTE value for the year was 200, which was 11% below our target.

In the year, in FE we taught 2368 (headcount) or 537.2 FTE students. In HE, we taught 311 (headcount) or 223.1 FTE students.

Learning and teaching KPIs were improving steadily over the past few years with full time success being one of the highest in the sector in 2017/18 at 76%. However, there was a disappointing increase in withdrawal and partial success during 2018/19 culminating in a 13% reduction in success. There is detailed analysis of this data currently on-going to identify reasons and any trends associated with this drop, but part of the difficulty for the College is that low numbers of students on courses means that the withdrawal of only one or two students can mean large dips in the %s reported.

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Report of the trustees and strategic report (continued)  
for the year ended 31 July 2019**

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**Achievements & Performance (continued)**

In the year, two of our teaching staff won HISA awards for the Best Assessment Feedback Most Engaging VC lecturer. In addition, eleven of our staff were highly commended in the awards – in fact we had 20% of all the highly commended nominees. In total 28 college staff were nominated for awards, many in more than one category.

The College was successful in receiving grant funding to lease 9 new fully electric cars in the year and to install chargers at 3 more college centres. In late autumn the college was awarded the SCDI Environmental Sustainability award for the resultant reduction in the college's carbon emissions.

There was a change in Principal during the year and the college has continued to deliver and expand its education focus on structural gaps in employment in the region such as teaching and access to nursing.

**Financial Results**

The table below shows the Adjusted Operating Position which is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out with the control of the College.

|  | 2018-19<br>£'000 | 2017-18<br>£'000 |
|--|------------------|------------------|
| Surplus/(deficit) before other gains and losses  | (37)             | (278)            |
| Add back:  |                  |                  |
| Depreciation (net of deferred capital grant release) on both government funded and privately funded assets | 59               | 56               |
| Exceptional non-restructuring costs – impairment   | 123              | -                |
| Pension Adjustment – Net service cost  | 249              | 138              |
| Pension adjustment – Net interest cost   | 6                | 42               |
|  |                  |                  |
| Adjusted operating surplus/(deficit)   | 400              | (42)             |

**Taxation Status**

The Company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the Company is potentially exempt from taxation in respect of income or capital gains received to the extent that such income or gains are applied for charitable purposes only. The College receives no similar exemption in respect of Value Added Tax.

## Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

### Report of the trustees and strategic report *(continued)* for the year ended 31 July 2019

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#### Treasury Policies and Objectives

The College has a Treasury Management Policy and procedures setting out the College position on cash management, investments and borrowings.

#### Cash Flows

The College had a net cash inflow of £585,351 in the year to 31st July 2019 compared with a net cash outflow of £131,316 in the prior year.

#### Liquidity

The College had cash balances of £1,701,517 at the year end, compared with net cash balances of £1,116,166 at the end of 2018.

#### Creditor Payment Policy

The College aims to pay its suppliers within 30 days.

The College's average creditor payment period has increased from 24 days in 2018 to 26 days at the end of July 2019. Trade Creditors were £115,704 at 31st July 2019 compared with £119,697 at 31st July 2018. The College did not pay any interest during the year under the Late Payment of Commercial Debts (Interest) Act 1998.

#### Future Developments

Argyll & Bute Council's Rural Growth Deal bid was submitted in the year and includes funding for the built environment of the College with particular emphasis on Dunoon and Oban. The Centre for Maritime Studies has been further developed by the College over the past year, through discussions with HIE and Oban as a University Town group, and the Council has agreed to fund the costs of a Development Manager for two years. A member of the current College SMT will be leading on this.

Developing the built environment of the college and reviewing the current curriculum offering to ensure we are best placed to meet the needs of students and also employers and partners will be priorities over the next year.

#### Principal Risk & uncertainties

The Board have assessed that the following constitutes risks to the charity:

- National Pay Bargaining continues to be a huge risk for the College. Without continuing additional funding, already imposed pay changes are a risk to the financial sustainability of the organisation.
- Teaching and learning KPIs below national average in 2018/19 may have reputational implications for the college
- Implication of outcome of EU referendum leading to loss of EU funding. The increased risk is that there will be a great deal of uncertainty, particularly in relation to capital projects.
- The college nursery is a risk for the organisation through the need for ongoing compliance and changing nature of Care Inspectorate and Local Authority requirements. The falling level of fees and changes in staff terms and conditions through National Pay Bargaining means financial sustainability is difficult.
- Key staff replacement and cover is a risk given specific areas of expertise covered by them, as duplication of skills in the area is difficult and there is no succession plan currently in place.
- College estates not able to provide flexible response to demand for courses.
- Failure to recruit the numbers of students necessary to achieve our targets.

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Report of the trustees and strategic report (continued)  
for the year ended 31 July 2019**

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**Trade Unions**

The College did not have any employees who were Trade Union officials during the year and therefore there is no further information to disclose under the Trade Union (Facility Time Publication Requirements) Regulations 2017. There was low level trade union activity in the College during the year in connection with ongoing national bargaining pay agreements.

**Equal Opportunities Statement**

Argyll College UHI is committed to promoting equality and positive relations and valuing diversity. A comprehensive approach is intended to meet the needs of individuals, to enable engagement with an accessible curriculum in an inclusive learning environment and workplace.

The College is committed to identifying and eliminating unfair and unlawful discrimination across all protected characteristics reflected in the Equality Act. These include age, disability, sex, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief and sexual orientation. Where barriers to learning or employment are identified for an individual the College will deploy resources to provide additional support and access to appropriate opportunities wherever possible.

Argyll College UHI is committed to equality of opportunity and believes education is a right for all. We are committed to ensuring that there will be no discrimination on the grounds of ethnic origin, religion, sex, age or disability. The College believes that there is a duty for everyone associated with the College and all its activities to play their part in ensuring equality of opportunity. Positive steps will be taken to ensure that no forms of discrimination occur.

**Statement as to disclosure of information to auditors**

The board members who held office at the date of approval of this report confirm that:

There is no relevant audit information of which the Charitable Company's Auditors are unaware; and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by order of the members of the Board on 13 December 2019 and signed on its behalf by:



**Andrew MG Campbell  
Trustee and Chair**



**Martin Jones  
Principal**

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Report of the trustees and strategic report (continued)  
for the year ended 31 July 2019**

**Statement of corporate governance and internal control**

The College is committed to exhibiting best practice in all aspects of corporate governance.

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges with the exception of: *The college Board must comply with collective agreements placed on it through national collective bargaining for colleges.* The College is currently in discussion with SFC with regard to signing up to national collective bargaining and has to instigated those agreements as far as it is possible for us to do with funding provided.

The institution is taking action to address this and expects to be fully compliant by 31/7/2020.

**The Board of Management**

The members who served on the Board of Management during the year and up to the date of signing the accounts were as follows:

| Board member      | Date of Appointment | Date of Retirement | Committee Membership     |
|-------------------|---------------------|--------------------|--------------------------|
| Andrew Campbell   | 20/04/2010          |                    | L,T&E, F&GP, Nominations |
| Martin Jones      | 05/11/2018          |                    | L,T&E, F&GP, HR&R        |
| Fraser Durie      | 01/10/2012          | 20/10/2018         | L,T&E, F&GP, HR&R        |
| John Colston      | 22/02/2012          |                    | F&GP, Nominations        |
| Kenneth Jones     | 14/03/2008          |                    | Audit, HR&R, Nominations |
| Lesley McInnes    | 08/01/2011          |                    | Audit, Nominations       |
| Amber Crowley     | 27/02/2015          |                    | L,T&E, Audit             |
| Tony Dalgaty      | 08/12/2017          |                    | Audit                    |
| James Findlay     | 24/11/2017          |                    | F&GP                     |
| Laura Hogg        | 01/11/2018          | 30/08/2019         | L,T&E, Audit             |
| Scott Matheson    | 08/12/2017          |                    | F&GP, Audit              |
| Gillian McCready  | 14/12/2015          |                    | F&GP                     |
| Jennifer Swanson  | 08/12/2017          |                    | HR&R                     |
| Stella Leitch     | 14/12/2015          | 24/05/2019         | L,T&E                    |
| Danjana Ninkovich | 30/08/2019          |                    | LT&E, Audit              |

**Attendance at meetings**

Attendance at meetings of the Board of Management of Argyll College UHI in 2018-19

| Member          | Board | Audit | Finance & General | Learning, teaching & engagement | Nominations | Remuneration |
|-----------------|-------|-------|-------------------|---------------------------------|-------------|--------------|
| Andrew Campbell | 100%  | N/a   | 75%               | 75%                             | 100%        | N/a          |
| Martin Jones    | 100%  | N/a   | 75%               | 75%                             | N/a         | 75%          |
| Fraser Durie    | 0%    | N/a   | 0%                | 0%                              | N/a         | 0%           |
| John Colston    | 100%  | N/a   | 100%              | N/a                             | N/a         | N/a          |
| Kenneth Jones   | 100%  | 100%  | N/a               | N/a                             | 100%        | 100%         |
| Lesley McInnes  | 75%   | 100%  | N/a               | N/a                             | 100%        | N/a          |



**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Report of the trustees and strategic report (continued)  
for the year ended 31 July 2019**

**Attendance at meetings (continued)**

| Member            | Board | Audit | Finance & General | Learning, teaching & engagement | Nominations | Remuneration |
|-------------------|-------|-------|-------------------|---------------------------------|-------------|--------------|
| Amber Crowley     | 100%  | 100%  | N/a               | 100%                            | N/a         | N/a          |
| Tony Dalgaty      | 50%   | 50%   | N/a               | N/a                             | N/a         | N/a          |
| James Findlay     | 100%  | N/a   | 50%               | N/a                             | N/a         | N/a          |
| Laura Hogg        | 50%   | N/a   | N/a               | 50%                             | N/a         | N/a          |
| Scott Matheson    | 100%  | N/a   | 100%              | N/a                             | N/a         | N/a          |
| Gillian McCready  | 100%  | 50%   | N/a               | N/a                             | N/a         | N/a          |
| Jennifer Swanson  | 75%   | N/a   | N/a               | N/a                             | N/a         | 100%         |
| Stella Leitch     | 100%  | N/a   | N/a               | 100%                            | N/a         | N/a          |
| Danjana Ninkovich | 0%    | 0%    | N/a               | 0%                              | N/a         | N/a          |

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied good governance during the year.

The College's Board of Governors is responsible for the College's system of internal control and for reviewing its effectiveness. 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 Board of Governors have put in place a process going forward for identifying, evaluating and managing the College's significant risks and this will be reviewed on a regular basis.

The College's Board of Governors comprises lay members, students and employees appointed as charity trustees under the Charities and Trustee Investment (Scotland) Act 2005. The roles of Chairman and Vice-Chairman of the Board of Governors are separated from the role of the College's Principal.

The Board acknowledges the responsibility for the ongoing strategic direction of the College, approval of major developments and the receipt of regular reports from the Principal on the day to day operations of its business.

The Full Board meets four times a year as do the sub-committees: Finance and General Purposes Committee, Learning, Teaching and Engagement Committee, and Audit Committee. The HR & Remuneration Committee is held as and when necessary. All of these Committees are formally constituted with terms of reference.

The Finance and General Purposes Committee inter alia recommends to the Board the College's annual revenue and capital budgets. The Learning, Teaching and Engagement Committee focuses on the quality of learning and teaching and the student experience. The Audit Committee meets with the College's external and internal auditors in attendance when required. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. Whilst the Principal attends meetings of the Audit Committee as necessary, they are not a member of the Committee.

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Report of the trustees and strategic report (continued)**  
*for the year ended 31 July 2019*

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**Attendance at meetings (continued)**

It is planned that the Board and its sub-committees will participate in annual self-evaluation reviews of its performance. This will be facilitated by the Secretary to the Board using a self-evaluation questionnaire with all questions being discussed by the Board or Committee as a group and their consensus view recorded. Any actions for improvement will be noted and followed up at subsequent meetings of the Board or Committees. The evaluation of the effectiveness of individual members will be considered informally by the Chair of the Board or relevant Committee, and if concerns are noted they will follow these up with the member directly.

**Going concern**

The Board of Directors confirms that the College is a going concern as described in the Code of Good Governance for Scotland's Colleges and that the financial statements have been prepared on this basis.

Approved by order of the members of the Board on 13 December 2019 and signed on its behalf by:



**Andrew MG Campbell**  
Trustee and Chair



**Martin Jones**  
Principal

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Independent auditor's report to the trustees and members of Argyll College UHI Ltd**

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**Opinion**

We have audited the financial statements of Argyll College UHI Ltd (the 'charitable company') for the period ended 31 July 2019 which comprise the Statement of comprehensive income, Statement of changes in reserves, the Balance sheet, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2019 and of its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

**Basis of opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Independent auditor's report to the trustees and members of Argyll College UHI Ltd (continued)**

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**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Report of the Board of Directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board of Directors has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Directors (incorporating the Strategic Report).

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Scottish Funding Council Accounts Direction require us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended  
31 July 2019**

**Independent auditor's report to the trustees and members of  
Argyll College UHI Ltd *(continued)***

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**Auditor's responsibilities for the audit of the financial statements *(continued)***

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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's directors, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.



James Davidson (Senior Statutory Auditor)  
For and on behalf of MHA Henderson Loggie  
Chartered Accountants  
Statutory Auditor  
11-15 Thistle Street  
Edinburgh  
EH2 1DF  
*(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)*

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

Date: 20 December 2019

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Statement of comprehensive income**  
for the year ended 31 July 2019

|   | Note | Total<br>2019<br>£ | Restated<br>Total<br>2018<br>£ |
|---|------|--------------------|--------------------------------|
| <b>Income</b>   |      |                    |                                |
| SFC grants  | 3    | 3,616,214          | 2,665,854                      |
| UHI grants  |      | 630,334            | 688,376                        |
| Tuition fees and education contracts                  | 5    | 872,390            | 836,963                        |
| Other operating income                                | 4    | 340,250            | 268,758                        |
| Commercial training activity                          |      | 51,535             | 53,330                         |
| Release of deferred capital grant                     |      | 126,188            | 124,311                        |
| Investment income                                     |      | 7,146              | 12,551                         |
|   |      | <hr/>              | <hr/>                          |
| <b>Total income</b>                                   |      | <b>5,644,057</b>   | <b>4,650,143</b>               |
| <b>Expenditure</b>                                    |      |                    |                                |
| Staff costs   | 7    | 4,236,833          | 3,659,020                      |
| Other operating expenses                              | 6    | 1,250,050          | 1,043,661                      |
| Depreciation  |      | 184,842            | 179,828                        |
| Interest and other finance costs                      |      | 9,720              | 45,684                         |
|   |      | <hr/>              | <hr/>                          |
| <b>Total expenditure</b>                              |      | <b>5,681,445</b>   | <b>4,928,193</b>               |
| <b>(Deficit) before other gains and losses</b>        |      |                    |                                |
| Actuarial gain/ (losses) in respect of pension scheme | 15   | (37,388)           | (278,050)                      |
| Impairment loss                                       |      | (483,000)          | 1,581,000                      |
|   |      | (122,639)          | -                              |
|   |      | <hr/>              | <hr/>                          |
| <b>Total comprehensive income for the year</b>        |      | <b>(623,027)</b>   | <b>1,302,950</b>               |
| <b>Represented by:</b>                                |      |                    |                                |
| Unrestricted comprehensive income for the year        |      | (623,027)          | 1,302,950                      |
|   |      | <hr/>              | <hr/>                          |

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Statement of changes in reserves  
for the year ending 31 July 2019**

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|   | <b>Income and<br/>expenditure<br/>account<br/>£</b> | <b>Total<br/>£</b> |
|---|---|--------------------|
| <b>Balance at 31 July 2017</b>                  | 212,547   | 212,547            |
| Deficit from the income and expenditure account | (278,050)   | (278,050)          |
| Other comprehensive income                      | 1,581,000   | 1,581,000          |
|   | <hr/>   | <hr/>              |
|   | 1,302,950   | 1,302,950          |
|   | <hr/>   | <hr/>              |
| <b>Balance at 31 July 2018 (as restated)</b>    | 1,515,497   | 1,515,497          |
| Deficit from the income and expenditure account | (37,388)  | (37,388)           |
| Other comprehensive income                      | (585,639)   | (585,639)          |
|   | <hr/>   | <hr/>              |
| <b>Total comprehensive income for the year</b>  | (623,027)   | (623,027)          |
|   | <hr/>   | <hr/>              |
| <b>Balance at 31 July 2019</b>                  | 892,470   | 892,470            |
|   | <hr/>   | <hr/>              |

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Balance sheet  
at 31 July 2019**

|   | Note | £         | 2019<br>£        | £                | Restated<br>2018<br>£ |
|---|------|-----------|------------------|------------------|-----------------------|
| <b>Non-current assets</b>                               |      |           |                  |                  |                       |
| Fixed assets  | 10   |           | 3,836,896        |                  | 4,013,424             |
| <b>Current assets</b>                                   |      |           |                  |                  |                       |
| Debtors   | 11   | 148,917   |                  | 156,051          |                       |
| Cash at bank and in hand                                |      | 1,701,517 |                  | 1,116,166        |                       |
|   |      |           | <u>1,850,434</u> | <u>1,272,217</u> |                       |
| <b>Creditors</b>  |      |           |                  |                  |                       |
| Amounts falling due within one year                     | 12   | (951,359) |                  | (613,399)        |                       |
| <b>Net current assets</b>                               |      |           | <u>899,075</u>   | <u>658,818</u>   |                       |
| Creditors: amounts falling due after more than one year | 13   |           | (3,026,501)      |                  | (3,059,745)           |
| Net pension liability                                   | 15   |           | (815,000)        |                  | (97,000)              |
| <b>Net assets</b>                                       |      |           | <u>892,470</u>   | <u>1,515,497</u> |                       |
| <b>Reserves</b>   |      |           |                  |                  |                       |
| Unrestricted reserves                                   |      |           | <u>892,470</u>   | <u>1,515,497</u> |                       |

The notes on pages 16 to 30 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 13 December 2019 and signed on its behalf by Andrew MG Campbell and Martin Jones

Name:

*Andrew Campbell*

Name:

*MG Campbell*

Company Registration No: SC172157



**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Statement of cash flows**  
*for the year ended 31 July 2019*

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|  | Note | 2019<br>£               | 2018<br>£               |
|--|------|-------------------------|-------------------------|
| <b>Cash generated by/(used in) operating activities:</b>       |      |                         |                         |
| Net cash used in operating activities                          | 20   | 737,842                 | (6,823)                 |
| <b>Cash flows generated by/(used in) investing activities:</b> |      |                         |                         |
| Purchase of property, plant and equipment                      | 10   | (130,953)               | (102,955)               |
| <b>Net cash used in investing activities</b>                   |      | <u>(130,953)</u>        | <u>(109,778)</u>        |
| <b>Cash flows from financing activities</b>                    |      |                         |                         |
| Loan repayments  |      | (21,538)                | (21,538)                |
| <b>Net cash used in financing activities</b>                   |      | <u>(21,538)</u>         | <u>(21,538)</u>         |
| Change in cash and cash equivalents in the year                |      | 585,351                 | (131,316)               |
| Cash and cash equivalents at 1 August 2018                     |      | <u>1,116,166</u>        | <u>1,247,482</u>        |
| <b>Cash and cash equivalents at 31 July 2019</b>               |      | <u><u>1,701,517</u></u> | <u><u>1,116,166</u></u> |

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements**  
*for the year ended 31 July 2019*

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**1. Statement of accounting policies and estimation techniques**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE/HE SORP) and in accordance with Financial Reporting Standard 102 — "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. This is the first year that the financial statements have been prepared under the 2015 FE/HE SORP. Note 22 provides detail on the impact of the Education SORP.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

**Basis of accounting**

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

**Going concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Directors Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

**Recognition of income**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved.

The recurrent grant from SFC represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

**Report of the Board of Directors (Incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
*for the year ended 31 July 2019*

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**2 Accounting policies**

**a) Fixed assets and depreciation**

• **Land and buildings**

Fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its useful life.

Freehold Buildings are depreciated over their expected useful life to the College of 50 years. Leasehold property is depreciated over the life of the lease, 33.3 years and 100 years for Leasehold properties at Oban.

• **Equipment**

Equipment costing less than £2,500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All equipment is depreciated over its useful economic life as follows:

|                                     |   |
|-------------------------------------|---|
| Land and Buildings - Leasehold Oban | 3% Straight Line  |
| Land and Buildings - Heritable      | 2% Straight Line  |
| Land and Buildings - Leasehold      | Straight line over the lease term ranging from 20 years to 33.3 years |
| Fixtures, Fittings and Equipment    | 10% Straight Line   |
| Plant and Equipment                 | 10% Straight Line   |
| Motor Vehicles                      | 14% Straight Line   |
| Library Books and Software          | 20% Straight Line   |
| Capitalised Hand Tools              | 25% Straight Line   |
| Computing Equipment                 | 33% Straight Line   |

**b) Operating leases**

Rentals paid under operating leases are charged to the statement of financial activities. The obligation to pay future rentals on operating leases is shown by way of a note to the Accounts.

**c) Pension scheme**

Support staff may join the Strathclyde Pension Fund (SPF), which is administered by Glasgow City Council and which requires contributions to be made to its number 1 fund. This is a defined benefit scheme that is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the SOFA so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations.

The College operates a defined contribution scheme for other eligible staff. The assets of the scheme are administered by Trustees in a fund independent from those of the college. The pension costs charged against profits represent the amount of employer's contributions payable to the scheme in respect of the accounting period.

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
*for the year ended 31 July 2019*

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**2 Accounting policies (continued)**

**d) Taxation**

The company is a charitable company within the meaning of Section 467 of the Corporation Tax Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for charitable purposes only.

The College receives no further exemption in respect of Value Added Tax.

**e) Debtors**

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

**f) Cash at bank and in hand**

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

**g) Creditors and provisions**

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

**h) Financial instruments**

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

**3 Scottish Funding Council grants**

|  | <b>2019</b>      | <b>2018</b>      |
|--|------------------|------------------|
|  | <b>Total</b>     | <b>Total</b>     |
|  | <b>£</b>         | <b>£</b>         |
| Scottish Funding Council Recurrent Grant | <b>3,616,214</b> | <b>2,665,854</b> |

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
for the year ended 31 July 2019

| <b>4 Other operating income</b>               | <b>2019<br/>Total<br/>£</b> | <b>2018<br/>Total<br/>£</b> |
|---|-----------------------------|-----------------------------|
| Nursery income                                | 205,001                     | 222,338                     |
| Rental income                                 | 2,875                       | 8,625                       |
| Facilities hire                               | 4,797                       | 6,249                       |
| Vending machine income                        | 2,236                       | 6,418                       |
| Hairdressing income                           | 11,073                      | 9,712                       |
| Catering income                               | 12,563                      | 11,327                      |
| Feed-In tariff                                | 6,240                       | 3,703                       |
| Other income                                  | 95,465                      | 386                         |
|   | <b>340,250</b>              | <b>268,758</b>              |
| <b>5 Tuition fees and education contracts</b> | <b>2019<br/>Total<br/>£</b> | <b>2018<br/>Total<br/>£</b> |
| Further Education – Student fees              | 109,933                     | 167,788                     |
| Higher Education – Student fees               | 33,728                      | 18,439                      |
| SAAS income                                   | 276,378                     | 313,825                     |
| ILA income                                    | 10,581                      | 10,958                      |
| Government programmes                         | 228,576                     | 220,979                     |
| Bursary income                                | 73,701                      | 35,734                      |
| Other PPE reimbursement                       | 10,355                      | 6,840                       |
| Other grants                                  | 129,138                     | 62,400                      |
|   | <b>872,390</b>              | <b>836,983</b>              |
| <b>6 Analysis of other operating expenses</b> | <b>2019<br/>£</b>           | <b>2018<br/>£</b>           |
| Payments to awarding bodies                   | 287,923                     | 252,644                     |
| Property costs                                | 605,333                     | 489,477                     |
| Company vehicle costs                         | 74,635                      | 53,912                      |
| Office costs                                  | 145,928                     | 148,251                     |
| Professional fees                             | 27,321                      | 34,531                      |
| Payments to/from students                     | 27,940                      | 27,285                      |
| Governance costs                              | 1,839                       | 1,350                       |
| Other expenses                                | 79,131                      | 36,211                      |
|   | <b>1,250,050</b>            | <b>1,043,661</b>            |

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements (continued)  
for the year ended 31 July 2019

|          |  |                   |                   |
|----------|--|-------------------|-------------------|
| <b>6</b> | <b>Analysis of other operating expenses (continued)</b>  | <b>2019</b>       | <b>2018</b>       |
|          |  | <b>£</b>          | <b>£</b>          |
|          | <b>Other operating expenses include:</b>   |                   |                   |
|          | External auditors' remuneration - audit fees   | 4,850             | 4,850             |
|          | External auditors' remuneration - non audit services   | 2,040             | 1,530             |
|          | Internal audit fees  | 1,278             | 6,600             |
|          | Operating lease payments   | 151,348           | 108,148           |
|          |  | <u>          </u> | <u>          </u> |
| <b>7</b> | <b>Staff costs</b>   |                   |                   |
|          | The average monthly number of employees during the year, calculated on the basis of full time equivalents, was as follows: |                   |                   |
|          |  | <b>2019</b>       | <b>2018</b>       |
|          |  | <b>No.</b>        | <b>No.</b>        |
|          | Administration and central services  | 17                | 18                |
|          | Premises   | 10                | 14                |
|          | Research grants and contracts  | 3                 | 3                 |
|          | Academic/teaching departments  | 8                 | 8                 |
|          | Academic/teaching services   | 50                | 47                |
|          | Other  | 9                 | 9                 |
|          |  | <u>          </u> | <u>          </u> |
|          |  | 97                | 99                |
|          |  | <u>          </u> | <u>          </u> |
|          | <b>Staff costs for the above persons</b>   |                   |                   |
|          |  | <b>2019</b>       | <b>2018</b>       |
|          |  | <b>£</b>          | <b>£</b>          |
|          | Wages and salaries   | 3,212,025         | 2,907,494         |
|          | Social security costs  | 272,522           | 230,429           |
|          | Other pension costs  | 393,404           | 211,450           |
|          | Other costs  | 109,882           | 125,768           |
|          |  | <u>          </u> | <u>          </u> |
|          |  | 3,987,833         | 3,475,141         |
|          | <u>Exceptional staff costs:</u>  |                   |                   |
|          | Redundancy payments  | -                 | 45,879            |
|          | FRS102 adjustment  | 249,000           | 138,000           |
|          |  | <u>          </u> | <u>          </u> |
|          |  | 4,236,833         | 3,659,020         |
|          |  | <u>          </u> | <u>          </u> |

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements (continued)  
for the year ended 31 July 2019

7 Staff costs (continued)

Analysed:

|                                     | 2019<br>£'000 | 2018<br>£'000 |
|-------------------------------------|---------------|---------------|
| Administration and central services | 798           | 774           |
| Premises                            | 383           | 353           |
| Research grants and contracts       | 70            | 60            |
| Academic/teaching departments       | 425           | 402           |
| Academic/teaching services          | 2,287         | 1,804         |
| Other                               | 274           | 266           |
|                                     | <u>4,237</u>  | <u>3,659</u>  |

8 Senior post-holders' emoluments

Number of high paid staff (including the Principal) who received emoluments including benefits in kind and excluding pension contributions for the year ended:

|  | 2019                |             | 2018                |               |
|--|---------------------|-------------|---------------------|---------------|
|  | Senior Post-Holders | Other Staff | Senior Post-Holders | Other Staff   |
|  | No.                 | No.         | No.                 | No.           |
| £60,000 - £69,999  | -                   | -           | 1                   | -             |
|  | <u>    </u>         | <u>    </u> | <u>    </u>         | <u>    </u>   |
|  |                     |             | 2019<br>£           | 2018<br>£     |
| <b>Senior post-holder emoluments</b>                               |                     |             |                     |               |
| Principal's emoluments – Fraser Duñe<br>(01/0/2018 – 20/10/2018)   |                     |             |                     |               |
| Salary   |                     |             | 21,653              | 66,117        |
| Pension  |                     |             | 4,677               | 13,266        |
| Er's NI  |                     |             | 2,697               | 10,697        |
|  |                     |             | <u>29,027</u>       | <u>90,080</u> |
| Principal's emoluments – Martin Jones<br>(05/11/2018 – 31/07/2019) |                     |             |                     |               |
| Salary   |                     |             | 52,038              | -             |
| Pension  |                     |             | 11,240              | -             |
| Er's NI  |                     |             | 6,300               | -             |
|  |                     |             | <u>69,578</u>       | <u>-</u>      |

The total remuneration for the senior management team as noted on page 1 of these accounts was £223,387 (2017/18 - £188,801).

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
for the year ended 31 July 2019

**9 Trustees' remuneration and related party transactions**

The Board of Management received £3,863 (2018 - £943) in the year for reimbursement of travel expenses.

Amber Crowley is a salaried employee of the College but received no remuneration in respect of their role as director.

During the year the College transacted with Argyll and Bute Council of which £11,340 (2018 - £8,588) was due from Argyll and Bute Council and £17,136 (2018 - £6,133) was due to Argyll and Bute Council. During the year, the College made purchases of £54,673 (2018 - £19,294) and sales of £38,591 (2018 - £22,264) excluding pre-5 Nursery funding. James Findlay is a councillor on Argyll & Bute Council.

During the year, the College transacted with West Highland Housing Association of which £Nil (2018 - £nil) was due to West Highland Housing Association. During the year, the College made purchases of £20,471 (2018 - £31,659). Lesley McInnes is Chief Executive of West Highland Housing Association.

Argyll College UHI Limited is a constituent partner of the University of the Highlands and Islands (UHI). During the year the College transacted with UHI of which £4,646 (2018 - £541) was due from UHI and £9,211 (2018 - £nil) was due to UHI. During the year income of £635,464 was received in relation to higher education activities, £130,583 was received in relation to the provision of education and costs of £30,700 were paid to UHI.

**10 Fixed assets**

|                        | Land & Buildings Leasehold<br>£ | Land & Buildings Freehold<br>£ | Plant & Equipment<br>£ | Computer Equipment<br>£ | Motor Vehicles<br>£ | Total<br>£       |
|------------------------|---------------------------------|--------------------------------|------------------------|-------------------------|---------------------|------------------|
| <b>Cost</b>            |                                 |                                |                        |                         |                     |                  |
| At 1 August 2018       | 2,251,780                       | 3,310,663                      | 434,030                | 61,669                  | 66,461              | 6,124,603        |
| Additions              | 16,860                          | 86,267                         | 27,826                 | -                       | -                   | 130,953          |
| Impairment             | -                               | (122,639)                      | -                      | -                       | -                   | (122,639)        |
| <b>At 31 July 2019</b> | <b>2,268,640</b>                | <b>3,274,291</b>               | <b>461,856</b>         | <b>61,669</b>           | <b>66,461</b>       | <b>6,132,917</b> |
| <b>Depreciation</b>    |                                 |                                |                        |                         |                     |                  |
| At 1 August 2018       | 1,033,862                       | 675,510                        | 308,678                | 47,782                  | 45,347              | 2,111,179        |
| Charge for year        | 68,059                          | 67,939                         | 35,892                 | 7,674                   | 5,278               | 184,842          |
| <b>At 31 July 2019</b> | <b>1,101,921</b>                | <b>743,449</b>                 | <b>344,570</b>         | <b>55,456</b>           | <b>50,625</b>       | <b>2,296,021</b> |
| <b>Net book value</b>  |                                 |                                |                        |                         |                     |                  |
| At 31 July 2019        | 1,166,719                       | 2,530,842                      | 117,286                | 6,213                   | 15,836              | 3,836,896        |
| At 1 August 2018       | 1,217,918                       | 2,635,153                      | 125,352                | 13,887                  | 21,114              | 4,013,424        |



**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
for the year ended 31 July 2019

|           |  |                                  |                                  |
|-----------|--|----------------------------------|----------------------------------|
| <b>11</b> | <b>Debtors</b>   | <b>2019</b><br>£                 | <b>2018</b><br>£                 |
|           | Trade debtors  | 18,282                           | 53,538                           |
|           | Prepayments and accrued income   | 130,635                          | 102,513                          |
|           |  | 148,917                          | 156,051                          |
|           |  | 148,917                          | 156,051                          |
| <b>12</b> | <b>Creditors: Amounts falling due within one year</b>                                | <b>2019</b><br>£                 | <b>2018</b><br>£                 |
|           | Loans  | 15,105                           | 22,789                           |
|           | Trade creditors  | 115,704                          | 119,697                          |
|           | Taxes and social security costs  | 67,017                           | 61,950                           |
|           | Other creditors  | 57,319                           | 26,159                           |
|           | Accruals and deferred income   | 553,633                          | 222,835                          |
|           | Deferred grants (note 14)  | 142,581                          | 159,969                          |
|           |  | 951,359                          | 613,399                          |
|           |  | 951,359                          | 613,399                          |
| <b>13</b> | <b>Creditors: Amounts falling due after one year</b>                                 | <b>2019</b><br><b>Total</b><br>£ | <b>2018</b><br><b>Total</b><br>£ |
|           | Loans  | -                                | 13,854                           |
|           | Deferred grants (note 14)  | 3,028,501                        | 3,045,891                        |
|           |  | 3,028,501                        | 3,059,745                        |
|           |  | 3,028,501                        | 3,059,745                        |
|           | <b>Loans fall due as follows:</b>  | <b>2019</b><br><b>Total</b><br>£ | <b>2018</b><br><b>Total</b><br>£ |
|           | In one to two years  | 15,105                           | 22,789                           |
|           | In two to five years   | -                                | 13,854                           |
|           | After five years   | -                                | -                                |
|           |  | 15,105                           | 36,643                           |
|           | Loans  | 15,105                           | 36,643                           |
|           | There is standard security over the charity's premises in Lorne Street, Lochgilphead |                                  |                                  |
| <b>14</b> | <b>Deferred grants</b>   | <b>2019</b><br>£                 | <b>2018</b><br>£                 |
|           | Balance as at 1 August 2018  | 3,205,860                        | 3,228,550                        |
|           | Income received  | 300,434                          | 254,580                          |
|           | Released to the Statement of Comprehensive Income                                    | (335,212)                        | (277,270)                        |
|           |  | 3,171,082                        | 3,205,860                        |
|           | Balance as at 31 July 2019   | 3,171,082                        | 3,205,860                        |

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
for the year ended 31 July 2019

**15 Pension costs**

Argyll College UHI Ltd operates three pension schemes, the Strathclyde Pension Fund (SPF), the Scottish Teachers Pension Fund (SPPA) and NEST. The total employer's pension cost for the period was as follows:

|   | 31 July<br>2019<br>£000 | 31 July<br>2018<br>£000 |
|---|-------------------------|-------------------------|
| NEST: Contributions paid                              | 19                      | 10                      |
| SPPA: Contributions paid                              | 148                     | -                       |
| SPF scheme:   |                         |                         |
| Contributions paid                                    | 203                     | 259                     |
| FRS102 charge   | 249                     | 138                     |
|   | <hr/>                   | <hr/>                   |
| Total charge to the Statement of Comprehensive Income | 619                     | 407                     |
|   | <hr/>                   | <hr/>                   |

**NEST**

NEST is a workplace pension scheme that has been created for auto enrolment. It is run as a trust by NEST Corporation. This means that there are no shareholders or owners and it is run for the benefit of its members. From 1 April 2019, the College pays contributions of 3% of pensionable salary for eligible employees and the employee's contribution rate is 5% of eligible salary.

**SPPA – Teachers Pension**

The College joined the SPPA from 1 December 2018, as part of National Bargaining. Teaching staff are eligible to join the scheme. The College pays contributions of 17.2% (increased to 23% from 1 September 2019).

**Strathclyde Pension Fund (SPF)**

The College's support staff belong to one principal pension scheme, the Strathclyde Pension Fund (SPF), which is of the Defined Benefit Type. The assets of the SPF scheme are held in a separate, trustee administrated fund.

The total contributions made for the year ended 31 July 2019 were £0.263 million of which employer's contributions totalled £0.203 million and employees' contributions totalled £0.060 million. The agreed contribution rates for future years are 22.6% for employers and from 5.5% up to 8.7% for employees.

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
for the year ended 31 July 2019

**15 Pension costs (continued)**

**Principal actuarial assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 July 2019 by a qualified independent actuary.

|                                      | 31 July<br>2019 | 31 July<br>2018 |
|--------------------------------------|-----------------|-----------------|
| Rate of increase in salaries         | 3.6%            | 3.6%            |
| Future pension increases             | 2.4%            | 2.4%            |
| Discount rate for scheme liabilities | 2.1%            | 2.8%            |

Commutation of pensions to lump sums – An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% per annum for males and 1.25% per annum for females. Based on these assumptions, average future life expectancies at age 65 are summarised below:

|                    | At 31 July<br>2019 | At 31 July<br>2018 |
|--------------------|--------------------|--------------------|
| Current pensioners |                    |                    |
| - Males            | 20.7               | 21.4               |
| - Females          | 22.9               | 23.7               |
| Future pensioners  |                    |                    |
| - Males            | 22.2               | 23.4               |
| - Females          | 24.6               | 25.8               |

The College's share of the assets in the plan at the balance sheet date and the expected rates of return were as follows. The expected rate of return is set equal to the discount rate as per FRS102 disclosure requirements.

|  | Estimated<br>split of<br>assets at<br>31 July<br>2019 | Fair value<br>at 31 July<br>2019<br>£'000 | Estimated<br>split of<br>assets at<br>31 July<br>2018 | Fair value<br>at 31 July<br>2018<br>£'000 |
|--|---|---|---|---|
| Equities   | 65%   | 4,110                                     | 64%   | 3,654                                     |
| Bonds  | 24%   | 1,518                                     | 22%   | 1,256                                     |
| Property   | 10%   | 632                                       | 11%   | 628                                       |
| Other  | 1%  | 63  | 3%  | 171                                       |
| <b>Total fair value of plan assets</b>             |   | <b>6,323</b>                              |   | <b>5,709</b>                              |
| Weighted average expected long term rate of return |   | 21%                                       |   | 2.8%                                      |
| <b>Actual return on plan assets</b>                |   | <b>281</b>                                |   | <b>199</b>                                |

Report of the Board of Directors (Incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements (continued)  
for the year ended 31 July 2019

15 Pension costs (continued)

The amount included in the balance sheet in respect of the defined benefit pension plan enhanced pensions benefits is as follows:

|                                   | Year<br>Ended<br>31 July<br>2019<br>£'000 | Year<br>ended<br>31 July<br>2018<br>£'000 |
|-----------------------------------|---|---|
| Fair value of plan assets         | 6,323                                     | 5,709                                     |
| Present value of plan liabilities | (7,138)                                   | (5,806)                                   |
| <b>Net pensions liability</b>     | <b>(815)</b>                              | <b>(97)</b>                               |

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| <b>Amounts included in staff costs</b>      |               |               |
| Current service cost                        | 365           | 380           |
| Past service cost                           | 88            | 27            |
| <b>Total operating charge</b>               | <b>453</b>    | <b>407</b>    |
| Less contributions paid                     | (204)         | (269)         |
| <b>Current service cost provision</b>       | <b>249</b>    | <b>138</b>    |
| <b>Amounts included in interest payable</b> |               |               |
| Net interest cost / (income)                | 6             | 42            |
| <b>Total</b>                                | <b>6</b>      | <b>42</b>     |

Amounts recognised in other gains and losses

|   |              |              |
|---|--------------|--------------|
| Return on pension plan assets   | 281          | 199          |
| Experience gains and losses on liabilities                              | -            | 921          |
| Changes in assumptions underlying the present value of plan liabilities | (744)        | 461          |
| <b>Amounts recognised in other gains and losses</b>                     | <b>(463)</b> | <b>1,581</b> |

Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019

Notes to the financial statements *(continued)*  
for the year ended 31 July 2019

15 Pension costs *(continued)*

**Movement in net defined (liability)**

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Net defined liability in scheme at 1 August | (97)          | (1,498)       |
| Movement in year:                           |               |               |
| Current service cost                        | (365)         | (380)         |
| Past service cost                           | (88)          | (27)          |
| Employer contributions                      | 204           | 269           |
| Net interest on the defined liability       | (6)           | (42)          |
| Actuarial gain/(loss)                       | (463)         | 1,581         |
| <b>Net defined liability at 31 July</b>     | <b>(815)</b>  | <b>(97)</b>   |

**Asset and liability reconciliation**

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| <b><u>Changes in the present value of defined benefit obligations</u></b> |               |               |
| Defined benefit obligations at start of year                              | 5,806         | 6,639         |
| Current service cost  | 365           | 380           |
| Past service cost   | 88            | 27            |
| Interest cost   | 168           | 184           |
| Contribution by scheme participants                                       | 67            | 66            |
| Experience gains and losses on defined benefit obligations                | -             | (921)         |
| Changes in financial assumptions  | 1,031         | (475)         |
| Changes on demographic assumptions  | (287)         | 14            |
| Estimated benefits paid   | (100)         | (108)         |
| <b>Closing defined benefit obligation</b>                                 | <b>7,138</b>  | <b>5,806</b>  |

**Changes in fair value of plan assets**

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Fair value of plan assets at start of year   | 5,709         | 5,141         |
| Interest on plan assets                      | 162           | 142           |
| Return on plan assets                        | 281           | 199           |
| Employer contributions                       | 204           | 269           |
| Contributions by scheme participants         | 67            | 66            |
| Estimated benefits paid                      | (100)         | (108)         |
| <b>Closing fair value of employer assets</b> | <b>6,323</b>  | <b>5,709</b>  |

**Report of the Board of Directors (Incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
for the year ended 31 July 2019

**16 Capital commitments**

At the end of the year there were no capital commitments.

**17 Lease commitments**

At 31 July 2019 the College had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|                          | Property<br>2019<br>£ | Equipment<br>2019<br>£ | Total<br>2019<br>£ | Total<br>2018<br>£ |
|--------------------------|-----------------------|------------------------|--------------------|--------------------|
| Within one year          | 51,985                | 38,582                 | 90,567             | 80,044             |
| Within two to five years | 131,066               | 77,771                 | 208,837            | 224,358            |
| Over five years          | 207,297               | -                      | 207,297            | 243,919            |
|                          | <u>390,348</u>        | <u>116,353</u>         | <u>506,701</u>     | <u>548,321</u>     |

**18 Contingent liability**

There are no known matters of contingent liability and consequently no financial provision has been made in these financial statements.

**19 Post-balance sheet events**

There are no post balance sheet events to note.

**20 Reconciliation of net income to net cash from operating activities**

|  | 2019<br>£             | Restated<br>2018<br>£ |
|--|-----------------------|-----------------------|
| <b>Net movements in funds before other recognised gains and losses</b> | <b>(37,388)</b>       | <b>(278,050)</b>      |
| Adjustments for:   |                       |                       |
| Depreciation charges   | 184,842               | 179,827               |
| Net cost of defined benefit pension                                    | 255,000               | 180,000               |
| Decrease/(increase) in debtors   | 7,134                 | 43,731                |
| (Decrease)/increase in creditors                                       | 328,254               | (132,331)             |
| <b>Net cash (used)/provided by operating activities</b>                | <b><u>737,842</u></b> | <b><u>(6,823)</u></b> |

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements (continued)**  
for the year ended 31 July 2019

|           |   |                             |                             |
|-----------|---|-----------------------------|-----------------------------|
| <b>21</b> | <b>Financial instruments</b>                    | <b>Total<br/>2019<br/>£</b> | <b>Total<br/>2018<br/>£</b> |
|           | <b>Carrying amount of financial assets</b>      |                             |                             |
|           | Debt instruments measured at amortised cost     | 90,640                      | 102,865                     |
|           | <b>Carrying amount of financial liabilities</b> |                             |                             |
|           | Measured at amortised cost                      | 674,646                     | 369,233                     |
|           |   | <u>765,286</u>              | <u>472,098</u>              |

Debt instruments measured at amortised cost comprises trade debtors and accrued income.

Liabilities measured at amortised cost comprises trade creditors, accruals, other creditors and deferred income.

**22 Transition to Statement of Recommended Practice "Accounting for Further and Higher Education (2015)"**

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with the Education SORP. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 2019, the comparative information presented in these financial statements for the year ended 2018. An explanation of how the transition to the Education SORP has affected the College's financial position is set out in the following table.

The only material impact is in the disclosure of the deferred capital grants. The balance sheet has been restated below to show the position at 31 July 2018 under the previous charities SORP and then in accordance with the Education SORP.

|   | <b>Charities<br/>SORP<br/>£</b> | <b>Effect of<br/>transition<br/>£</b> | <b>Education<br/>SORP<br/>£</b> |
|---|---------------------------------|---------------------------------------|---------------------------------|
| <b>Fixed assets</b>                                       | <b>4,013,424</b>                | <b>-</b>                              | <b>4,013,424</b>                |
| <b>Current assets</b>                                     |                                 |                                       |                                 |
| Debtors   | 156,051                         | -                                     | 156,051                         |
| Cash at bank and in hand                                  | 1,116,166                       | -                                     | 1,116,166                       |
|   | <u>1,272,217</u>                | <u>-</u>                              | <u>1,272,217</u>                |
| <b>Creditors: Amounts falling due within<br/>one year</b> | <b>(453,430)</b>                | <b>(159,969)</b>                      | <b>(613,399)</b>                |
| <b>Net current assets</b>                                 | <b>818,787</b>                  | <b>(159,969)</b>                      | <b>658,818</b>                  |

**Report of the Board of Directors (incorporating the Strategic Report) for the year ended 31 July 2019**

**Notes to the financial statements** *(continued)*  
for the year ended 31 July 2019

**22 Transition to Statement of Recommended Practice "Accounting for Further and Higher Education (2015)"** *(continued)*

|   | Charities<br>SORP<br>£ | Effect of<br>transition<br>£ | Education<br>SORP<br>£ |
|---|------------------------|------------------------------|------------------------|
| Creditors: Amounts falling due after more than one year | (13,854)               | (3,045,891)                  | (3,059,745)            |
| Net pension liability                                   | (97,000)               | -                            | (97,000)               |
| <b>Net assets</b>                                       | <b>4,721,357</b>       | <b>(3,205,860)</b>           | <b>1,515,497</b>       |
| <b>Reserves</b>   |                        |                              |                        |
| Restricted reserves                                     | 3,205,860              | (3,205,860)                  | -                      |
| Unrestricted reserves                                   | 1,515,497              | -                            | 1,515,497              |
|   | <b>4,721,357</b>       | <b>(3,205,860)</b>           | <b>1,515,497</b>       |

Income has increased from £4,627,453 to £4,650,143 as a result of the transition, being the movement in deferred income for the year to 31 July 2018.