

## **Sabhal Mòr Ostaig**

**Report and consolidated financial statements  
for the year ended 31 July 2018**

**Registered Company Number: SC361752  
Registered Charity Number: SC002578**

# Sabhal Mòr Ostaig

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# Sabhal Mòr Ostaig

## Legal and administrative information

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### Registered Office

Sabhal Mòr Ostaig  
Sleat  
Isle of Skye  
IV44 8RQ

### External Auditors

Henderson Loggie  
The Vision Building  
20 Greenmarket,  
Dundee,  
DD1 4QB

### Bankers

Bank of Scotland  
Kyle of Lochalsh  
Inverness-shire  
IV40 8AB

### Solicitors

Wright, Johnston & Mackenzie LLP  
302 St Vincent Street  
Glasgow  
G2 5RZ

# Sabhal Mòr Ostaig

## Operating and financial review for the year ended 31 July 2018

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### Nature, objectives and strategies

The Board presents their report and consolidated financial statements for the year ended 31 July 2018.

### Legal Status

Sabhal Mòr Ostaig (the College) was established in 1973 and registered in 1978 as a Charitable Educational Trust for the purpose of promoting education and study of the Gaelic Language among Gaelic and non-Gaelic speaking communities throughout the world. In June 2009 a Company limited by Guarantee was formed and the entire undertaking of the Trust and operation of the College was transferred to the Company with effect from 1 August 2009. The Company has been given permission to exclude the word 'Limited' from its title. The College is a registered charity (Scottish Charity Number SC 002578) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005.

### Scope of the Consolidated Financial Statements

The Consolidated Financial Statements cover all activities of the College, including those of its subsidiary Companies, Sabhal Mòr Ostaig (Developments) Limited and Bail' Ùr Ostaig (the Group). The Consolidated Statement of Comprehensive Income covers the results for the year from 1 August 2017.

### Mission Statement

The College's mission statement reads:

Sabhal Mòr Ostaig is committed to being a centre of excellence for the development and enhancement of the Gaelic language, culture and heritage; by providing quality educational, training and research opportunities through the medium of Scottish Gaelic; and, by interacting innovatively with individuals, communities and businesses, to contribute to social, cultural and economic development. The College is an all-Gaelic educational institution and business, and the College's prime objective is to maintain, support and develop the Gaelic language.

### Public Benefit

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Office of the Scottish Charity Regulator's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirements that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employees, industry and commerce

## **Sabhal Mòr Ostaig**

### **Operating and financial review for the year ended 31 July 2018 (continued)**

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Sabhal Mòr Ostaig seeks to contribute positively to a revitalised, thriving and self-confident Gaelic community by inspiring and motivating students, staff and all those who interact with it to realise their potential in terms of Gaelic language, culture and heritage.

In seeking to fulfil its Vision, the College has adopted the following strategies which will inform Operational Planning:

- To lead as the National Centre for Gaelic Language and Culture in order to enhance and develop the rate of Gaelic language acquisition, in support of the National Plan for Gaelic.
- Create a national centre of research excellence and lead in terms of knowledge transfer for the maintenance and revitalisation of the Gaelic language and culture.
- Make a transformational contribution to the economic, environmental and social development of the local area.
- Be the National Centre of Excellence for the development and enhancement of Gaelic language, culture, heritage and the arts.

The College has taken steps to implement its Strategic Plan 2012 to 2017, and has tied this in with the production of its Gaelic Language Plan in accordance with the requirements of The Gaelic Language Act 2005. The next 5 year Strategic Plan 2017-2022 has now been developed and approved by the Board; the plan is publicly available on the College's website.

#### **Financial Objectives**

The College's financial objectives are:

- to achieve an annual operating surplus;
- to pursue alternative sources of revenue, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances;
- to generate sufficient levels of income to support the asset base of the College;
- to further improve the College's shorter term liquidity; and
- to fund continued capital investment.

#### **Performance Indicators**

In accordance with Scottish Funding Council (SFC) requirements, the College is required to publish and report progress against targets for national priorities. The performance indicators used by the College measure actual results against the following areas:

- Student numbers
- Student success rates
- Continued professional development for staff
- Employer engagement.

## **Sabhal Mòr Ostaig**

### **Operating and financial review for the year ended 31 July 2018 (continued)**

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The Group earned a surplus of £71,712 (2016/17: Surplus £35,066) after charging depreciation and crediting deferred grant release. The Group has an accumulated surplus on its Revenue reserve of £1,492,158 (2016/17 accumulated surplus of £1,420,446) and cash balances of £1,348,915 (2017: £1,417,104). Those balances include sums paid in advance on various projects. The College wishes to continue to increase the levels of reserves held and increase the level of core cash held.

Fixed asset additions during the year amounted to £79,865 (2017: £33,406)

The College has significant reliance on the Scottish Government and the Scottish Funding Council, both directly and through the University of the Highlands and Islands (UHI) for its principal sources of funding, largely from recurrent grants. In 2017/18 the Scottish Government provided 21%, SFC (direct) provided 12% and UHI (including SFC indirect higher education funding) provided 13% of the College's total income.

#### **Cash Flows and Liquidity**

During the year the Group had net cash outflow of £68,189 (2016/17 inflow £529,381).

#### **Taxation Status**

The company is a charitable company within the meaning of Paragraph 1, Schedule 6 Finance 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 2012 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.

### **CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE**

#### **Student Numbers**

The College during the year 2017/18 enrolled 219 students on its higher education (HE) courses, of which 150 are learning at a distance. This is a decrease of 16 on the previous year. On the College's further education (FE) courses, 305 students were enrolled on the distance learning Access to Gaelic course, and 889 students attended the short course programme. Overall, the FE numbers show an increase of 64 on 2016/17.

The College has a diverse student population, with a cross-section of ages and different nationalities. Though most of the College's students come from within Scotland and the UK, Sabhal Mòr Ostaig has welcomed students from as far afield as North America, mainland Europe and Asia. Graduates of the College have gone on to Gaelic-related employment in many industries, adding their skills to the maintenance and development of the language.

#### **Future Developments**

Sabhal Mòr Ostaig is now firmly established as the National Centre for Gaelic Language and Culture, and has continued to enhance its reputation and grow its existing work in teaching, learning, culture and research. Included in the next planned phase of its developments are continuation of the library resource development, provision of on-campus sporting facilities and further development of the Kilbeg village.

# Sabhal Mòr Ostaig

## Operating and financial review for the year ended 31 July 2018 (continued)

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### Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

### Financial

The Group has £1.8 million of net assets.

### People

The College employs 120 people (expressed as average number).

### Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and building external relationships.

### Principal risks and uncertainties

The College has undertaken further work during the year to develop and embed systems of internal control, including financial, operational and risk management which are designed to protect the College's assets and reputation.

Based on the strategic plan, the College endeavours to undertake periodic, comprehensive reviews of the risks to which the College is exposed. Reviews are carried out to identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. Internal controls will be planned, then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College will also consider any risks which may arise as a result of a new area of work being undertaken.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

#### **1. Public Sector funding**

The College has considerable reliance on continued Scottish Government funding, both direct and through its agencies. In 2017/18, some 53% (2016/17 - 52%) of the College's total revenue was ultimately public funded through grants for the provision of Teaching and Gaelic and Cultural activities. This level of requirement will continue, but there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies and external contacts;
- Regular dialogue with the various funding bodies and external contacts; and
- Scenario Planning for a reduced budget settlement.

### **2. Student Numbers**

The College is dependent on a steady stream of students, both residential and distance learners, who wish to study through the medium of Gaelic. Any reduction in new intake has an impact for the succeeding three or four years.

The risk is being addressed by marketing and regular communication between our recruitment officer and relevant secondary school departments. The current year has seen a reduction in HE student numbers on campus and this is currently being reviewed.

### **3. Commercial Letting Activity**

The College is exposed to commercial risk through leases to its tenants in Fàs, the centre for creative industries which opened in 2008, and in the new Ionad Iain Nòbail building. While the College has experienced increased letting activity, it is continuing to promote new initiatives to grow the level of occupation and activity, including development and activation of a media initiative.

## **STAKEHOLDER RELATIONSHIPS**

The College holds regular meetings with the following key stakeholders:

- The Scottish Government
- Scottish Funding Council
- Highlands and Islands Enterprise
- Bòrd na Gàidhlig
- University of the Highlands and Islands
- The Highland Council
- Education Scotland

The College recognises the importance of these relationships and engages in regular communication with them including through newsletters, the College internet and intranet sites and by meetings. The College also has a Funders and Stakeholders Group which meets twice a year. This provides a welcome opportunity to fully engage with the stakeholders and inform them of progress and developments.

### **Equal Opportunities Statement**

The College is committed to promoting equality for disabled people and welcomes them to the College Community. It also recognises that disabled people have a positive contribution to make to College life.



## **Sabhal Mòr Ostaig**

### **Operating and financial review for the year ended 31 July 2018 (continued)**

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The College has an Equal Opportunities Policy. The purpose of this policy is to ensure that staff, students, customers and visitors are treated equally regardless of gender, sexual orientation, marital status, race, ethnic or national origin, colour, disability, age, religious or philosophical beliefs or membership / non-membership of a Trade Union.

#### **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.

#### **Payments of Suppliers**

The College has a policy of paying its suppliers within 30 days, and has an achievement record in excess of 85%. There are no matters to disclose in connection with payment under the Late Payment of Commercial Debts (Interest) Act 1998.

#### **Statement to Auditors**

In accordance with applicable law, as the Board of Directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the College's auditors are unaware; and
- as members of the Board of Directors, we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by the Board and signed on their behalf by:

**Angus G MacLeod**

**Chairman**

Date: 23 November 2018

## Sabhal Mòr Ostaig

### Statement of the board of directors' responsibilities

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In accordance with the Memorandum and Articles of Association, the Directors are responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and are required to present audited financial statements for each financial year.

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

In causing the financial statements to be prepared, the Board 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; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board is satisfied that it 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 Board of Directors has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council (SFC) are used only for the purposes for which they have been given and subject to any other conditions which the SFC 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 College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board; and
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance & Estates Committee.

## **Sabhal Mòr Ostaig**

### **Statement of the board of directors' responsibilities (continued)**

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Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Approved by the Members of the Board on 23 November 2018 and signed on its behalf by:

**Angus G MacLeod**  
Chairman

**Alexandra MacDonald Jones**  
Director

# Sabhal Mòr Ostaig

## Statement of corporate governance and internal control

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### Introduction

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 the principles set out in the Code of Good Governance for Scotland's Colleges (the Code) and the Scottish Funding Council's Financial Memorandum with Fundable Bodies in the College Sector (the Memorandum). Its purpose is to help the reader of the financial statements understand how these principles have been applied.

In the opinion of the Board of Directors, the College, throughout the year ended 31 July 2018, has complied with all the provisions of the Code and the Memorandum with the exception of the following items:

C20 and D9 of the Code: during the year ended 31 July 2018, the College did not seek the views of staff and students in relation to the Principal's performance. However, the College now has an appropriate policy in place.

### Governing body

#### Board of Directors

<b>Board Member</b>	<b>Committees Served</b>	<b>Occupation</b>	<b>Date of Appointment</b>	<b>Date of Retiral</b>
Aideen O' Malley	Corporate	Lecturer	01/08/2009	24/11/2017
Maire Ni Annrachain	Education	Professor	01/08/2009	24/11/2017
Christina Walker	Education	Lecturer	01/08/2009	24/11/2017
Catriona Dunn	Education	Director of Education (Retired)	12/05/2011	
Alexandra MacDonald Jones	Corporate, Finance & Estates	Governance Manager, IIRC	18/03/2011	
John Morrison	Corporate	Director Communications Company	30/08/2013	
Arthur Cormack	Audit	CEO Fèisean nan Gàidheal	12/09/2014	
Angus G MacLeod	Corporate	Solicitor	12/09/2014	
Sine Ghilleasbuig	Education	Gaelic Language Agency Officer	06/03/2015	
Alasdair Macleod	-	Translation and Heritage Services	19/06/2015	24/11/2017
A G Boyd Robertson	Education, Corporate	College Principal	11/03/2017	31/07/2018
Angus Macinnes	Finance & Estates	Construction Director	08/09/2017	
Angus L MacLeod	Finance & Estates	Retired Civil Engineer	27/03/2017	
Ian Graham	Audit	Staff Member	27/03/2017	
Kathleen Macdonald	Audit	Retired	09/03/2018	
Angus MacIennan	Education	Teacher	08/06/2018	
Mary Andrew	Education	Lecturer (Retired)	29/11/2017	
Gillian Rothach	Corporate	College Principal	14/09/2018	

## Sabhal Mòr Ostaig

### Statement of corporate governance and internal control (continued)

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The College's Governing Body, which is recruited by open advertisement and by recommendation according to skillset needs, meets four times a year and has several committees including an Academic Committee, a Corporate Committee, a Finance and Estates Committee, a Remuneration Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference. They comprise members of the Governing body and outside experts. Member training is carried out by induction and regularly thereafter.

The Finance and Estates committee inter alia recommends to the Governing Body the College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The Audit Committee meets three times a year and liaises with the College's external and internal auditors. 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. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitor adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

Day to day operation of the College is delegated to the senior management team who receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The Audit Committee's role is confined to a high level review of the arrangements for internal financial control. The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The College's internal auditors, TIAA Ltd, monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the auditors undertake follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers full reports incorporating recommendations for the improvement of the College's systems of internal control and management's responses, implementation plans and details of remedial actions completed.

Henderson Loggie were appointed as the College's external auditors from 2016/17 and have overall responsibility for the audit of its Financial Statements in accordance with approved Auditing Standards.

The Board of Directors is of a view that there is an ongoing process for identifying and managing the College's significant risks, that it has been in place throughout the year ended 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Directors.

#### **Going concern**

The Board of Directors considers that the College has adequate resources to continue in operational existence for the foreseeable future.

Approved by the Members of the Board on 23 November 2018 and signed on their behalf by:

**Angus G MacLeod**  
Chairman

**Alexandra MacDonald Jones**  
Director

# Sabhal Mòr Ostaig

## Independent auditor's report to the members and trustees of Sabhal Mòr Ostaig

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### Opinion

We have audited the financial statements of Sabhal Mòr Ostaig (the 'parent charitable company' and its subsidiaries) for the year ended 31 July 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Reserves, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the notes to the consolidated 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 Group's and the parent charitable company's affairs as at 31 July 2018 and of the Group's and the parent charitable company's income and expenditure for the year 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 Regulations 6 and 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 Group's or parent 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.

#### **Opinions on other matters prescribed by the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended)**

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

- the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Operating and Financial Review 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 Group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Operating and Financial Review.

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Scottish Funding Council Accounts Direction requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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; 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 Statement of the Board of Directors' Responsibilities, 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.

## Sabhal Mòr Ostaig

### Independent auditor's report to the members and trustees of Sabhal Mòr Ostaig

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In preparing the financial statements, the directors are responsible for assessing the Group and the parent charitable 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 Group or the parent charitable 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.

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.

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.

#### **Stephen Cartwright (Senior Statutory Auditor)**

For and on behalf of Henderson Loggie, Statutory Auditor  
Dundee

Henderson Loggie is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006



## Sabhal Mòr Ostaig

### Consolidated statement of comprehensive income for the year ending 31 July 2018

	Note	2018 £	2017 £
SFC grants	2	<b>671,266</b>	683,363
Tuition fees and education contracts	3	<b>599,487</b>	511,743
Other grant income	4	<b>2,002,144</b>	1,941,425
Other income	5	<b>2,111,710</b>	1,815,151
Release of deferred capital grants	6	<b>495,047</b>	471,212
<b>Total Income</b>		<b>5,879,654</b>	5,422,894
<b>Expenditure</b>			
Staff costs	7	<b>3,340,334</b>	3,133,266
Other operating costs	9	<b>1,920,185</b>	1,698,923
Depreciation	13	<b>508,941</b>	514,827
Interest payable	10	<b>38,482</b>	40,812
<b>Total Expenditure</b>		<b>5,807,942</b>	5,387,828
<b>Surplus before Other Gains or Losses</b>		<b>71,712</b>	35,066
Impairment of Fixed Asset Investment		-	-
<b>Surplus before Tax</b>		<b>71,712</b>	35,066
Taxation		-	-
<b>Total Comprehensive Income for the year</b>	12	<b>71,712</b> =====	35,066 =====

The statement of comprehensive income includes all gains and losses recognised in the year. All income and expenditure included in the statement is in respect of continuing activities.

## Sabhal Mòr Ostaig

### Consolidated statement of changes in reserves for the year ending 31 July 2018

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	Revenue reserve £	Revaluation reserve £	Total reserve £
<b>Group</b>			
<b>Balance at 31 July 2017</b>	1,420,446	301,835	1,722,281
Surplus from the Statement of Comprehensive Income	71,712	-	71,712
<b>Balance at 31 July 2018</b>	<b>1,492,158</b>	<b>301,835</b>	<b>1,793,993</b>
<b>College</b>			
<b>Balance at 31 July 2017</b>	1,413,890	301,835	1,715,725
Surplus from the Statement of Comprehensive Income	71,690	-	71,690
<b>Balance at 31 July 2018</b>	<b>1,485,580</b>	<b>301,835</b>	<b>1,787,415</b>

# Sabhal Mòr Ostaig

## Consolidated balance sheet 31 July 2018

	Note	£	2018 £	£	2017 £
<b>Non current assets</b>					
Fixed assets	13		<b>18,008,450</b>		18,515,519
Heritage assets	13		<b>352,525</b>		348,225
Investments	14		<b>1</b>		1
			<hr/>		<hr/>
			<b>18,360,976</b>		18,863,745
<b>Current assets</b>					
Stocks	15	<b>28,441</b>		28,375	
Debtors	16	<b>231,589</b>		188,646	
Cash at bank and in hand		<b>1,348,915</b>		1,417,104	
		<hr/>		<hr/>	
		<b>1,608,945</b>		1,634,125	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	17	<b>(1,767,192)</b>		(1,968,743)	
		<hr/>		<hr/>	
<b>Net Current (Liabilities)</b>			<b>(158,247)</b>		(334,618)
			<hr/>		<hr/>
<b>Total Assets less Current Liabilities</b>			<b>18,202,729</b>		18,529,127
<b>Non current liabilities</b>					
Creditors: amounts falling due after more than one year	18		<b>(16,408,736)</b>		(16,806,846)
			<hr/>		<hr/>
<b>Net assets</b>			<b>1,793,993</b>		1,722,281
			<b>=====</b>		<b>=====</b>
<b>Reserves</b>					
Revaluation reserve			<b>301,835</b>		301,835
Revenue reserve - unrestricted			<b>1,492,158</b>		1,420,446
			<hr/>		<hr/>
<b>Total reserves</b>			<b>1,793,993</b>		1,722,281
			<b>=====</b>		<b>=====</b>

The financial statements were approved by the Board of Directors on 23 November 2018 and signed on its behalf by:

**Angus G MacLeod**  
Chairman

**Alexandra MacDonald Jones**  
Director

**Company Number SC361752**

# Sabhal Mòr Ostaig

## College balance sheet at 31 July 2018

	Note	£	2018 £	£	2017 £
<b>Non current assets</b>					
Fixed assets	13		<b>15,643,882</b>		16,068,391
Heritage assets	13		<b>352,525</b>		348,225
Investments	14		<b>3</b>		3
			<hr/>		<hr/>
			<b>15,996,410</b>		16,416,619
<b>Current assets</b>					
Stocks	15	<b>28,441</b>		28,375	
Debtors	16	<b>232,619</b>		190,846	
Cash at bank and in Hand		<b>1,344,809</b>		1,412,496	
		<hr/>		<hr/>	
		<b>1,605,869</b>		1,631,717	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	17	<b>(1,688,137)</b>		(1,890,333)	
		<hr/>		<hr/>	
<b>Net Current (Liabilities)</b>			<b>(82,268)</b>		(258,616)
			<hr/>		<hr/>
<b>Total Assets less Current Liabilities</b>			<b>15,914,142</b>		16,158,003
<b>Non current liabilities</b>					
Creditors: amounts falling due after more than one year	18		<b>(14,126,727)</b>		(14,442,278)
			<hr/>		<hr/>
<b>Net assets</b>			<b>1,787,415</b>		1,715,725
			<hr/>		<hr/>
<b>Reserves</b>					
Revaluation reserve			<b>301,835</b>		301,835
Revenue reserve - unrestricted			<b>1,485,580</b>		1,413,890
			<hr/>		<hr/>
<b>Total reserves</b>			<b>1,787,415</b>		1,715,725
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors on 23 November 2018 and signed on its behalf by:

**Angus G MacLeod**  
Chairman

**Alexandra MacDonald Jones**  
Director

**Company Number SC361752**

# Sabhal Mòr Ostaig

## Consolidated cash flow statement for the year ended 31 July 2018

	2018 £	2017 £
<b>Cash flow from operating activities</b>		
Surplus for the year	<b>71,712</b>	35,066
<b>Adjustment for non-cash items</b>		
Depreciation	<b>508,941</b>	514,827
Loss on disposal of fixed assets	<b>23,915</b>	-
Deferred capital grants released to income	<b>(495,047)</b>	(471,212)
Impairment of investments	-	-
(Increase)/decrease in stocks	<b>(66)</b>	4,471
(Increase)/decrease in debtors	<b>(42,943)</b>	77,923
(Decrease)/increase in creditors	<b>(119,691)</b>	408,877
<b>Adjustment for investing or financing activities</b>		
Investment income	-	-
Interest payable	<b>38,482</b>	40,812
<b>Net cash flow from operating activities</b>	<b>(14,697)</b>	610,764
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	<b>49,778</b>	36,753
Investment income	-	-
Payments made to acquire fixed assets	<b>(79,865)</b>	(33,406)
Deferred capital grants received	-	-
	<b>(30,087)</b>	3,347
<b>Cash flows from financing activities</b>		
Interest paid	<b>(38,482)</b>	(40,812)
Repayments of amounts borrowed	<b>(46,308)</b>	(43,918)
Capital grants received	<b>61,385</b>	-
	<b>(23,405)</b>	(84,730)
<b>(Decrease)/increase in cash and cash equivalents in the year</b>	<b>(68,189)</b>	529,381
Cash and cash equivalents at beginning of the year	<b>1,417,104</b>	887,723
Cash and cash equivalents at end of the year	<b>1,348,915</b>	1,417,104

# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements

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### 1. Accounting Policies

#### 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" (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgements in applying the College's accounting policies.

#### Basis of Consolidation

The group accounts consolidate the accounts of Sabhal Mòr Ostaig and its subsidiary undertakings, Sabhal Mòr Ostaig (Developments) Limited and Bail' Ùr Ostaig Limited.

The accounts of non-trading subsidiary Cànan Alba Limited, together with its own subsidiary Cànan Limited, are excluded from consolidation on the grounds that their inclusion would not be material for the point of providing a true and fair view.

#### Exemptions

The following exemptions have been taken in these financial statements:

- The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2015 FE/HE SORP Paras 14-16, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.
- A separate Statement of Comprehensive Income is not presented for the College itself as permitted by section 408 of the Companies Act 2006 and paragraph 3.3 of the SORP.

#### Basis of Accounting

The financial statements are prepared under 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 Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £639k (2017: £686k) of loans outstanding with bankers on terms negotiated in 2013. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements (continued)

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### 1. Accounting Policies (continued)

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

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. No fees are waived by the College.

Income from grants, contracts and other services rendered is stated after VAT and net of any discounts, and is recognised in the Statement of Comprehensive income in proportion to the extent of completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions to overhead costs. All income from short-term deposits is credited to the Statement of Comprehensive Income in the period in which it is earned.

The main annual recurrent allocation from SFC, which is intended to meet recurrent costs, is credited direct to the Statement of Comprehensive Income during the period in which it is receivable.

Grants received in respect of capital additions are credited to deferred capital grants in the Balance Sheet and amortised to the Statement of Comprehensive Income over the lives of the assets concerned.

#### Fixed assets and depreciation

##### Land and Buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group at the rate of 2% per annum on a straight line basis.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account within creditors and are released to the statement of comprehensive income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and due after more than one year.

##### Equipment

Equipment costing less than £1,000 per individual item is written off as an expense in the year of acquisition. All other equipment is capitalised at cost unless there is sufficient reason to write it off as an expense. Capitalised equipment is depreciated over its useful economic life as follows on the written down value basis:

Motor vehicles, general equipment and furnishings	25% per annum
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# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements (continued)

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### 1. Accounting Policies (continued)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account within creditors and released as income in the statement of comprehensive income over the useful economic life of the related equipment. The deferred income is allocated between creditors due within one year and due after more than one year.

#### Heritage Asset - Library Collection

The College holds and conserves a number of special collections of library books. As from 1 August 2016, regular purchases of library books are written off as an educational expense in the statement of comprehensive income. The net book value of books acquired prior to the date of change, including where appropriate revalued special collections are carried forward at deemed cost, with special collections acquired thereafter being added at cost. Heritage Assets are not depreciated as their long economic life and high residual value means that any depreciation would not be material.

#### Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

#### Stock

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

#### 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.

#### Maintenance of premises

The costs of maintenance are charged to the statement of comprehensive income in the period in which they are incurred.

#### Taxation

The company is a charitable company within the meaning of Paragraph 1 Schedule 6 of the Finance 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 2012 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 subsidiary companies, Sabhal Mòr Ostaig (Developments) Limited and Bail' Ùr Ostaig are subject to corporation tax in the same way as any commercial organisation. Cànan Alba Limited has charitable status, but does not trade. Its trading subsidiary, Cànan Limited, is subject to corporation tax.



### 1. Accounting Policies (continued)

#### Pension arrangements

A contributory group stakeholder's pension scheme is open to all staff, to which the College makes contributions in proportion to members' own level of contributions; the College contributions are charged to the statement of comprehensive income. The majority of staff have opted to join the scheme. New rules came into effect in 2012 whereby from May 2015, all other staff are automatically enrolled into the scheme at the minimum permitted level, unless they specifically opt out

Retirement benefits to some employees of the College are provided by the Teachers' Superannuation Scheme (Scotland) (STSS). This scheme is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the scheme are charged to the statement of comprehensive income 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.

#### Judgements in applying policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determined whether leases entered into by the College either as a lessor or a lessee, are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the Group's fixed assets, Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

#### Other key sources of estimation uncertainty

##### Fixed assets

Fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

## Sabhal Mòr Ostaig

### Notes to the consolidated financial statements (continued)

<b>2 SFC grants</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Recurrent grants	<b>647,128</b>	638,092
Non recurrent revenue grants	<b>24,138</b>	45,271
	<b>671,266</b>	<b>683,363</b>
	<b>=====</b>	<b>=====</b>
<b>3 Tuition fees and education contracts</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Student fees - Higher Education	<b>222,809</b>	228,731
Student fees - Further Education	<b>376,678</b>	283,012
	<b>599,487</b>	<b>511,743</b>
	<b>=====</b>	<b>=====</b>
<b>4 Other grant income</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Scottish Government	<b>1,180,000</b>	1,254,432
Share of SFC HE Grants through UHI	<b>632,420</b>	571,817
Share of SFC Research Excellence Grant	<b>93,591</b>	86,736
Creative Scotland	<b>25,000</b>	10,000
Bòrd na Gàidhlig (GLAIF)	<b>27,000</b>	8,000
Scholarship Support	<b>8,010</b>	10,440
Highlands and Islands Enterprise	<b>34,123</b>	-
Skills Development Scotland	<b>2,000</b>	-
	<b>2,002,144</b>	<b>1,941,425</b>
	<b>=====</b>	<b>=====</b>
<b>5 Other income</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Estates, residencies and catering	<b>884,809</b>	827,542
Shop sales	<b>38,657</b>	35,559
Management services	<b>39,632</b>	36,180
Project income	<b>1,131,004</b>	896,139
Research Contract Income	<b>-</b>	6,250
Other income	<b>17,608</b>	13,481
	<b>2,111,710</b>	<b>1,815,151</b>
	<b>=====</b>	<b>=====</b>

# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements (continued)

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<b>6</b>	<b>Release of deferred capital grants</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Release of deferred capital grants	<b>495,047</b>	471,212
		<b>=====</b>	<b>=====</b>
<b>7</b>	<b>Staff costs and numbers</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Staff costs were as follows:		
	Salaries and wages	<b>2,892,390</b>	2,715,761
	Social security costs	<b>253,263</b>	235,011
	Other pension and death in service costs	<b>194,681</b>	182,494
	Total	<b>3,340,334</b>	3,133,266
		<b>=====</b>	<b>=====</b>
	Analysed:		
	Teaching	<b>1,472,710</b>	1,297,072
	Research	<b>139,848</b>	197,452
	Administration and other (incl. projects)	<b>1,090,712</b>	1,021,208
	Premises	<b>411,470</b>	381,574
	Catering	<b>225,594</b>	235,960
	Total	<b>3,340,334</b>	3,133,266
		<b>=====</b>	<b>=====</b>
	<b>Staff numbers</b>		
	Average staff number	<b>120</b>	113
		<b>=====</b>	<b>=====</b>

# Sabhal Mòr Ostaig

## Notes to the financial statements (continued)

### 7 Staff costs and numbers (continued)

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which includes the Principal.

Key management personnel emoluments are made up as follows:

	2018 £	2017 £
Salaries	421,423	410,325
Social security costs	48,025	47,669
Pension contributions	41,104	40,230
	<u>510,552</u> =====	<u>498,224</u> =====

### 8 Senior post-holders emoluments

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

	2018		2017	
	Senior post-holders Number	Other Staff Number	Senior post-holders Number	Other Staff Number
£60,001 - £70,000	1	-	1	-
£70,001 - £80,000	1	-	1	-
	<u>===</u>	<u>===</u>	<u>===</u>	<u>===</u>

	2018 £	2017 £
<b>Senior post-holders emoluments</b>		
Principal- salary - gross	73,717	73,392
Employers pension contributions	12,704	12,623
	<u>86,421</u> =====	<u>86,015</u> =====
Total		

There were no salary sacrifice arrangements or other remuneration of the Principal.

# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements (continued)

### 9 Analysis of other operating expenses

	2018 £	2017 £
Education Costs	154,539	176,923
Premises costs	428,912	381,550
Supplies and services	84,386	96,178
Catering supplies	187,004	169,382
Shop purchases	22,105	25,017
Vehicle, travel and subsistence	106,536	86,149
Project costs	623,147	465,543
University of the Highlands and Islands expenses	19,125	5,188
Other administrative expenses	309,260	277,939
Irrecoverable Value Added Tax	(14,829)	15,054
	<u>1,920,185</u> =====	<u>1,698,923</u> =====

#### Other operating expenses include:

External auditors' remuneration - audit fees	13,030	13,040
External auditors' remuneration - non audit services	2,400	-
Internal audit fees	7,770	5,550
Operating lease payments	24,052	25,732
	<u>=====</u>	<u>=====</u>

### 10 Interest payable

	2018 £	2017 £
On bank loans repayable in more than five years	38,482	40,812
	<u>=====</u>	<u>=====</u>

### 11 Taxation

As an exempt charity, the College benefits by being broadly exempt from corporation tax on the income it receives for the services it provides. The subsidiary companies, Sabhal Mòr Ostaig (Developments) Limited and Bail' Ùr Ostaig are subject to corporation tax in the same way as any commercial organisation, however no tax charge was payable at the year end.

### 12 Parent undertakings surplus on continuing operations for the year

	2018 £	2017 £
College's result before gift aid	(18,230)	(145,071)
Surplus generated by subsidiary undertakings transferred to the College under gift aid provisions	89,920	180,100
	<u>71,690</u> =====	<u>35,029</u> =====

# Sabhal Mòr Ostaig

## Notes to the financial statements (continued)

### 13 Fixed assets

<b>Group</b>	<b>Freehold Buildings</b> £	<b>Land</b> £	<b>Equipment &amp; vehicles</b> £	<b>Total</b> £	<b>Heritage assets library books</b> £
<b>Cost or valuation</b>					
At 1 August 2017	23,128,534	468,180	1,396,316	24,993,030	348,225
Additions	45,158	-	30,407	75,565	4,300
Disposals	(73,693)	-	-	(73,693)	-
<b>At 31 July 2018</b>	<b>23,099,999</b>	<b>468,180</b>	<b>1,426,723</b>	<b>24,994,902</b>	<b>352,525</b>
<b>Depreciation</b>					
At 1 August 2017	5,230,465	-	1,247,046	6,477,511	-
Charge for the year	464,022	-	44,919	508,941	-
On disposals	-	-	-	-	-
<b>At 31 July 2018</b>	<b>5,694,487</b>	<b>-</b>	<b>1,291,965</b>	<b>6,986,452</b>	<b>-</b>
<b>Net book values</b>					
<b>At 31 July 2018</b>	<b>17,405,512</b>	<b>468,180</b>	<b>134,758</b>	<b>18,008,450</b>	<b>352,525</b>
At 31 July 2017	17,898,069	468,180	149,270	18,515,519	348,225
<b>College</b>	<b>Freehold Buildings</b> £	<b>Land</b> £	<b>Equipment &amp; vehicles</b> £	<b>Total</b> £	<b>Heritage assets library books</b> £
<b>Cost or valuation</b>					
At 1 August 2017	19,000,505	458,860	1,396,316	20,855,681	348,225
Additions	45,158	-	30,407	75,565	4,300
Disposals	(73,693)	-	-	(73,693)	-
<b>At 31 July 2018</b>	<b>18,971,970</b>	<b>458,860</b>	<b>1,426,723</b>	<b>20,857,553</b>	<b>352,525</b>
<b>Depreciation</b>					
At 1 August 2017	3,540,244	-	1,247,046	4,787,290	-
Charge for the year	381,462	-	44,919	426,381	-
On disposals	-	-	-	-	-
<b>At 31 July 2018</b>	<b>3,921,706</b>	<b>-</b>	<b>1,291,965</b>	<b>5,213,671</b>	<b>-</b>
<b>Net book values</b>					
<b>At 31 July 2018</b>	<b>15,050,264</b>	<b>458,860</b>	<b>134,758</b>	<b>15,643,882</b>	<b>352,525</b>
At 31 July 2017	15,460,261	458,860	149,270	16,068,391	348,225

# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements (continued)

### 13 Fixed assets (continued)

Land and buildings with a net book value of £13,841,072 (Group - £16,205,641) have been financed by capital grants. Should these assets be sold, the College may be liable under the terms of the grants received to repay all or part of the sums received to the awarding body. The Bank of Scotland hold a floating charge over all property and assets.

### 14 Investments

Sabhal Mòr Ostaig owns 100% of the issued ordinary shares of Sabhal Mòr Ostaig (Developments) Limited, a company incorporated in Scotland, at a cost of £2. The principal activity of the subsidiary company is to own property and equipment which is leased to Sabhal Mòr Ostaig. The subsidiary company's profit is donated to Sabhal Mòr Ostaig.

Sabhal Mòr Ostaig also owns Bail' Ùr Ostaig, a company limited by guarantee without share capital, which has a similar activity to Sabhal Mòr Ostaig (Developments) Limited.

Sabhal Mòr Ostaig also owns Cànan Alba Limited, a company limited by guarantee without a share capital, which does not trade, but owns the entire issued share capital of Cànan Limited, a multiple media company. The accounts of non-trading subsidiary Cànan Alba Limited, together with its own subsidiary Cànan Limited, are excluded from consolidation on the grounds that their inclusion would not be material for the point of providing a true and fair view.

During the year to 31 July 2012, Sabhal Mòr Ostaig converted £30,000 of the creditor balance due from Cànan Limited into preference share capital.

During the year to 31 July 2016, Sabhal Mòr Ostaig converted a further £18,000 of the creditor balance due from Cànan Limited into preference share capital.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial period (the 12 months to 31 July 2018) were as follows

Subsidiary and undertaking	Principal activity	Capital and reserves		Profit/(loss) for the period	
		2018	2017	2018	2017
		£	£	£	£
Cànan Alba Limited	Charitable / non-trading	1	1	-	-
Cànan Limited	Multiple media	2,870	1,964	905	8,855
		=====	=====	=====	=====

The College has assessed the value of the shares in Cànan Ltd held directly and through Cànan Alba Ltd and has included them in the financial statements at a nominal value of £1 on the basis that, were Cànan Ltd to be wound up or sold off, it would be unlikely to recover the cost of the investment carried in the Balance Sheet.

# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements (continued)

### 15 Stocks

	College		Group	
	2018	2017	2018	2017
	£	£	£	£
Stock (fuel, stationery and foodstuffs)	<b>28,441</b>	28,375	<b>28,441</b>	28,375
	=====	=====	=====	=====

### 16 Debtors

	College		Group	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	<b>96,709</b>	100,368	<b>96,709</b>	100,368
Amounts due by related parties	<b>1,030</b>	2,200	-	-
Other debtors	<b>56,761</b>	38,164	<b>56,761</b>	38,164
Prepaid expenditure	<b>53,119</b>	38,185	<b>53,119</b>	38,185
Grants receivable	<b>25,000</b>	11,929	<b>25,000</b>	11,929
	-----	-----	-----	-----
	<b>232,619</b>	190,846	<b>231,589</b>	188,646
	=====	=====	=====	=====

### 17 Creditors: amounts falling due within one year

	College		Group	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdraft	<b>49,365</b>	46,308	<b>49,365</b>	46,308
Payments received in advance	<b>511,561</b>	558,147	<b>511,561</b>	558,147
Trade creditors	<b>506,414</b>	94,984	<b>507,180</b>	95,750
Amount due to related parties	<b>4,772</b>	7,183	-	-
Value Added Tax	<b>42,707</b>	36,590	<b>42,707</b>	38,357
PAYE, NIC & Pension Fund remittances	<b>87,305</b>	82,385	<b>87,305</b>	82,385
Accrued invoices and charges	<b>42,343</b>	351,518	<b>42,844</b>	352,018
Other creditors	<b>139,454</b>	324,085	<b>139,454</b>	324,085
Deferred capital grants	<b>304,216</b>	389,133	<b>386,776</b>	471,693
	-----	-----	-----	-----
	<b>1,688,137</b>	1,890,333	<b>1,767,192</b>	1,968,743
	=====	=====	=====	=====



# Sabhal Mòr Ostaig

## Notes to the financial statements (continued)

### 18 Creditors: amounts falling after more than one year

	College		Group	
	2018	2017	2018	2017
	£	£	£	£
Bank loan	<b>589,871</b>	639,236	<b>589,871</b>	639,236
Deferred capital grants	<b>13,536,856</b>	13,803,042	<b>15,818,865</b>	16,167,610
	<b>14,126,727</b>	14,442,278	<b>16,408,736</b>	16,806,846
	=====	=====	=====	=====

### Bank loan - analysis of maturity

Amounts falling due:

Within one year	<b>49,365</b>	46,308	<b>49,365</b>	46,308
In one to two years	<b>52,164</b>	49,365	<b>52,164</b>	49,365
In two to five years	<b>175,694</b>	165,903	<b>175,694</b>	165,903
After five years	<b>362,014</b>	423,968	<b>362,014</b>	423,968
	<b>639,237</b>	685,544	<b>639,237</b>	685,544
	=====	=====	=====	=====

The bank borrowing is secured by a standard security over an area of ground owned by the College amounting to 5.874 acres. The bank borrowing is also secured by a bond and floating charge over all property and assets. The loan is to be repaid by 2028 and has an interest rate of 5.75%

# Sabhal Mòr Ostaig

## Notes to the consolidated financial statements (continued)

### 19 Related party transactions

Board members	Relationship	College In	College Out	Dr or (Cr) Balance at 31 July
		£	£	£
AG MacLeod	Partner in legal services supplier	-	21,045	-
AGB Robertson	Director of ICCI	13,057	2,040	1,546
	Director of subsidiary, Cànan Ltd	8,632	15,551	23,183
A Cormack	Director of Aros Ltd	-	50	-
A Macinnes	Director of subsidiary Cànan Ltd	8,632	15,551	23,183
J Morrison	Director of subsidiary Cànan Ltd	8,632	15,551	23,183
<b>Senior Staff:</b>				
IA Gordon (retired 31/03/18)	Director of Young Films Ltd	49,797	-	4,522
	Director of subsidiary Cànan Ltd	8,632	15,551	23,183
DA MacLennan	Director of Community Trust Co	4,776	4,217	(792)
G Munro	Director of Fas Mor	-	5,270	20,151
N Thomson	Director of Fas Mor	-	5,270	20,151
D Munro	Director of ICCI	13,057	2,040	1,546
K Kennedy	Director of Kinlockshiel Shinty Club	-	200	-
	Secretary of ICCI	13,057	2,040	1,546

Apart from the above, there were no transactions with Directors or Senior Staff other than the reimbursement of travelling and subsistence expenses actually incurred, which in some instances were waived by Board Members.

The rental payments made to the company's subsidiary Sabhal Mòr Ostaig (Developments) Limited in the year were £89,007 (2017 - £178,015). The donation received from the subsidiary was £88,890 (2017 - £177,900). The balance owed by the College at the close of the financial year was £3,652 (2017 - £7,183).

The rental payments made to the company's subsidiary Bail' Ùr Ostaig in the year were £70,000 (2017 - £140,000) while the rental payments received from the subsidiary were £68,880 (2017 - £137,760). The donation received from the subsidiary was £1,030 (2017 - £2,200). The amount due to the subsidiary at the close of the financial year was £90 (2017 - £2,200 due by the subsidiary).

# Sabhal Mòr Ostaig

## Notes to the financial statements (continued)

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### 20 Post balance sheet events

There have been no post balance sheet events requiring disclosure.

### 21 Contingent liabilities

There is a contingent liability in respect of the disposal of land to the Highland Council Landbank Fund, for which infrastructure for the Kilbeg Project was carried out prior to its disposal. Sabhal Mòr Ostaig has a commitment to buy back 75% of the land within a period of 10 years from March 2017. There is a phased development plan during the 10-year period which is intended to enable the obligation (which has a maximum liability of £150k) to be met.

### 22 Capital and financial commitments

	2018	2017
	£	£
At 31 July 2018 capital expenditure commitments were as follows:		
Authorised by the Board but not contracted for	<b>Nil</b>	Nil
	=====	=====

### 23 Commitments under operating leases

At 31 July 2018 the total future minimum lease payments under non-cancellable operating leases were as follows

	2018	2017
	£	£
<b>Other</b>		
Amounts due within one year	<b>27,608</b>	10,582
Amounts due between two and five years	<b>92,985</b>	42,328
Amounts due later than five years	<b>7,041</b>	-
	<b>127,634</b>	52,910
	=====	=====

### **24 Individual statement of comprehensive income - Sec 408 Companies Act 2006**

The parent undertaking is exempt from filing a College only Statement of Comprehensive Income. The result for the year for the College was a surplus of £71,690.

### **25 Pension schemes**

The company operates two pension schemes for the benefit of its employees. A contributory defined contribution scheme to which the Company contributes based on contributions paid by employees and the Teachers Superannuation Scheme (Scotland) (STSS), which is funded externally and contracted out of the State Earnings Related Pension Scheme.

The costs, including associated death in service benefits, charged to the statement of comprehensive income amounted to £194,681 (2017 - £182,494) which represents the Company's contributions to these schemes in respect of the year. At the balance sheet date the Company was due to pay £18,306 (2017 - £17,695) to the pension providers.