

Sabhal Mòr Ostaig

**Report and consolidated financial statements
for the year ended 31 July 2019**

Registered Company Number: SC361752

Registered Charity Number: SC002578

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Chair's Foreword

Sabhal Mòr Ostaig (SMO) is Scotland's National Centre for Gaelic Language and Culture, and it is incumbent upon it to grow and play a central role in Gaelic development nationally. Indeed, it is urgent for SMO to do so, amid repeated calls from Bòrd na Gàidhlig and the Scottish Government for a 'faster rate of progress' for Gaelic in the context of enacting the National Gaelic Language Plan 2018-23. SMO is therefore continuing to evolve its response to an increasingly challenging funding and operating environment, to contribute through its leadership to Gaelic-medium education, Gaelic research and Gaelic social and economic development.

2018-19 has been a year of change, with the retirement of the Principal, Prof. Boyd Robertson, and Vice Principal, John Norman Macleod at end of the previous academic year. Their contribution to SMO and Gaelic has been immeasurable over the years and the Board of Directors wishes them well as friends of SMO in any future endeavours. In August 2018 the College welcomed Dr. Gillian Munro as its new Principal. Fluent in Gaelic and Scots, Dr. Munro, who grew up in the North-East of Scotland, has always had an empathy with and interest in language and its impact on culture and society. Dr Munro is a graduate of the University of Edinburgh and has both a Master of Arts degree in Celtic Studies and a PhD in Scottish Ethnology and Social Anthropology. A member of the SMO academic staff since 2001, Dr. Munro, prior to her appointment as Principal, had been SMO's Head of Research and the Deputy Director of Studies, as well as Course Leader for the BA Gaelic and Development. In September 2018 SMO welcomed Dr. Marsaili Macleod as the new Vice-Principal and Director of Studies. Dr. Macleod was the Programme Coordinator for Gaelic Studies at the University of Aberdeen. She is a well-known and active researcher (previously involved in the SOILLSE project) and her work experience has also included rural development and management, with her PhD focusing on "The meaning of the Gaelic Labour Market in the Highland and Islands of Scotland".

The year has been highly productive and exciting for its students, staff and national projects, but has not been without its challenges. 2018-19 has been testing for SMO financially, as the College has suffered the impact of a cumulative decrease over the last three years of 25% in Higher Education (HE) student numbers, with a particular decrease in the number of HE students registered for campus-based programmes in the year. This is in the context of similar challenges in recruitment of Gaelic undergraduates in other HEIs, due in part to the significantly diminished numbers of school pupils studying for Gaelic Higher (learners) and stagnant numbers for Gàidhlig (fluent) Highers in the school senior phase since 2012. SMO made a submission to the parliamentary enquiry call for evidence, and SMO subsequently gave oral evidence to a cross-party Education and Skills Committee at the Scottish Parliament on 3 April 2019, where SMO focused on the impact of the Curriculum for Excellence on the current state of Gaelic in schools. SMO is embracing the challenge by increasing its outreach to schools, with the development of Gaelic Apprenticeships, as well as delivering a concerted marketing and recruitment drive through the year to deliver results for future academic years. Curricular development is focusing on addressing skill gaps in the Gaelic labour market, particularly within schools and the growing Early Years sector; however, this will continue to be a long-term issue for the future of Gaelic education, without substantial further investment.

SMO welcomed the MSP for Skye, Lochaber and Badenoch and Scottish Parliament Minister for Public Finance and the Digital Economy, Kate Forbes, to deliver the 22nd annual SMO lecture on 7 December 2018 – 'Gaelic in the Public Square'. This was the first lecture, in the history of the series, given entirely through the medium of Gaelic, and can still be seen online. She called on Gaelic speakers to 'step up' to use the language 'loudly and noticeably' in the public domain. Kate herself made history by becoming the first female MSP to give her plenary speech entirely in Gaelic. 'We must have confidence. Confidence that we have the right to use Gaelic, and confidence to speak in Gaelic more often'. SMO continues to promote Gaelic in the public sphere through its academic work. Notably, SMO partnered this year with the National Museum of Scotland on its major Summer 2019 exhibition, *Wild and Majestic: Romantic Visions of Scotland*, providing a Gaelic language, cultural perspective and voice on some contested historical themes of post-Culloden Scotland.

The Board of Directors would like to thank students and staff for their continued hard work and energy throughout the year. We would also like to thank the Scottish Government Gaelic team, the Scottish Funding Council, Bòrd na Gàidhlig, Highlands and Islands Enterprise, UHI and SMO's many other partners for their ongoing support to protect and strengthen the Gaelic language and culture.

Angus G MacLeod, Chair of Sabhal Mòr Ostaig

Legal and administrative information

Registered Office	Sabhal Mòr Ostaig Sleat Isle of Skye IV44 8RQ
External Auditors	MHA Henderson Loggie 11-15 Thistle Street Edinburgh EH2 1DF
Bankers	Bank of Scotland 2 Bankhead Crossway North Edinburgh IV40 8AB
Solicitors	Wright, Johnston & Mackenzie LLP 302 St Vincent Street Glasgow G2 5RZ

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 Charities and Trustee Investment (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 2018.

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

Legal and administrative information (continued)

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

Sabhal Mòr Ostaig seeks to contribute positively to a revitalized, 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.

Strategic Objectives

Sabhal Mòr Ostaig's 5-year Strategic Plan 2017-2022 has the following strategic aims to fulfil its mission as a national and international centre of excellence for the Gaelic language and culture:

1. **Teaching and learning:** Delivering education at the highest level and increasing student numbers on campus, via distance learning and on short courses. We will do this in conjunction with partners by developing the College's curriculum and by creating new learning opportunities of the highest quality.
2. **Research, scholarship and knowledge transfer:** Conducting the highest levels of research and scholarship and utilizing knowledge gained from that research creatively in order to build upon development opportunities.
3. **Cultural, creative and community development:** Creating attractive projects and ventures with the Gaelic community through language and work skills development, through the co-operation opportunities and through strengthening of links between education and the community.
4. **Estates and services:** Creating a Gaelic environment where Gaelic is established as the language of everyday use on campus and where facilities and buildings, services and accommodation maintain and support that philosophy.
5. **Sustainability and governance:** Contributing to infrastructure and governance structures that are robust and sustainable and that adhere to the philosophy of the College as a Gaelic workplace and a Gaelic learning environment.

Operating review for the year ended 31 July 2019

Sabhal Mòr Ostaig has had another busy and, at times, challenging year for its students, staff and national projects. Key developments have included successful delivery of national education awards and levels of Gaelic fluency, through different qualifications from short and access courses, Foundation Apprenticeships through to under-graduate degrees and on to doctoral level. SMO is not only delivering Gaelic fluency and key skill sets, it educates students in minority language and cultural revival ideology and in immersion pedagogy through their lived experience of SMO's Gaelic speaking campus and workforce. This means SMO contributes more to the Gaelic workforce and the National Gaelic Language Plan than any other tertiary-level educational institution in Scotland.

Progress has been made through the year on Outcome Agreement targets for 2018-19, particularly on FE recruitment and retention, attainment and progression. There are challenges around Foundation Apprenticeship attainment and being able to staff appropriately higher levels of progression to Higher Education distance learning. As noted above, challenges on HE recruitment are being met by focusing on marketing and schools outreach work. There are continued efforts to upgrade the College estate, although opportunities to refurbish parts of the estate that could present future revenue /development opportunities are restricted by lack of funds for investment. Agreement was reached during the year for the Kilbeg village housing development to go ahead, delivered by a 3-way partnership between the Highland Council, Highland Small Communities Housing Trust and the Skye based construction company James MacQueen Ltd. This could offer a wider choice of accommodation opportunities to staff and students, which is a factor when recruiting. Challenges remain over being able to afford to recruit to newly vacated Gaelic jobs, as well as recruit to identified support staff roles. The deficit position was reduced by not recruiting to vacant positions, but this impacts on overstretched roles and identified gaps not being filled.

Student numbers

HE student numbers for 2018/19 were lower at 178, as compared to 220 in 2017/18. Of these, the total of HE funded was 87 FTE, against a target of 105 FTE (83%). Since 2016-17 the total number of HE students has declined year on year from 235 to 175, a decrease of 60 students or 25.5%. As noted in the Chair's report this has been an effect of the decrease in school pupils taking Higher Gaelic. However, it should be noted that the distance learning course, An Cùrsa Adhartais, has maintained numbers.

The FE credit target of 1200 per SMO's Outcome Agreement was exceeded with 1242 achieved (2017/18: 1073). Recruitment levels were maintained, with 230 students on An Cùrsa Inntrigidh / Gaelic access course (2017/18: 235), and SMO has also attracted the highest number to date - of 960 learners - on the SMO short-course programme (2017/18: 935).

There was a 100% completion rate of An Cùrsa Inntrigidh, and progression has been good: from those taking the last phase of the access course, 60% have immediately continued their Gaelic learning pathway with SMO, primarily registering on the distance learning An Cùrsa Adhartais, or starting the on-campus residential course, An Cùrsa Comais.

SMO also piloted Foundation Apprenticeships in Social Services – Children and Young People (Gaelic), and Digital and Creative Media (Gaelic), with 10 senior phase pupils participating.

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 welcomes students from mainland Europe, North America 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.

Curriculum development

Considering trends in student numbers and course uptake, Sabhal Mòr Ostaig has been reviewing its curriculum, in partnership with colleagues at Lew Castle College UHI and partners, to ensure it offers a range of courses which meets the needs of the Gaelic labour market and which offers pathways for academic and vocational learning. We are currently investigating the market for a full-time, campus-based postgraduate course targeted at graduates who are aiming for fluency in the language, and a course which meets the need for continued professional learning for Gaelic teachers. SMO continues to

Operating review for the year ended 31 July 2019 (continued)

develop and deliver the PGDE Primary and Secondary (Gàidhlig), the HNC Childhood Practice and developing the PDA in Translation Skills and An Cùrsa Tòiseachaidh (face-to-face beginners' course), for offer in early 2020.

Research activities

A new full-time Head of Research post has been created to support and develop SMO research activity. The College participated in a mock Research Excellence Framework (REF) exercise to assess staff outputs against the research excellence criteria and to decide on how best to direct resources and support eligible staff over the next 2 years. The SMO seminar series was relaunched with 6 lectures delivered through the Spring.

During the year Edinburgh University Press published an edited collection of essays, entitled 'Gaelic in Contemporary Scotland: the Revitalisation of an Endangered Language', (eds. Dr Marsaili MacLeod and Dr Cassie Smith-Christmas): the book drew on work from staff and postgraduates from different universities collaborating under the banner of Soillse. Sabhal Mòr Ostaig's publisher, Clò Ostaig, is currently working on on-line/print publication of 3 staff publications.

National projects

Sabhal Mòr Ostaig, as the National Centre for Gaelic Language and Culture, is the host and lead partner in a number of national, longitudinal Gaelic language and culture-based research and knowledge exchange projects, which are described below.

Faclair na Gàidhlig / The Gaelic Dictionary

Excellent progress has been made in 2018-19 on the development of the Dictionary; the lexicographical team is in training and systems development includes focus on the interface of systems and lexicography. Continued development of the Digital Strategy will ensure future proofing of Faclair na Gàidhlig and DASG and will enable both projects to engage with emerging technologies and to become digital leaders in the field. Inputting of text to DASG is maintaining the dictionary corpus as a live resource for a living language and providing a continually enhanced research resource. Eventual inclusion of transcriptions from manuscript and oral material will ensure that the dictionary fulfils its aim to be representative of the whole language and culture, not least by sustaining the richness of spoken Gaelic idiom. It was encouraging to receive funding from Bòrd na Gàidhlig's new Collaborative Funding Scheme to support a one-year transcription project in partnership with Tobar an Dualchais. The availability of transcriptions of Tobar an Dualchais sound files, through the Digital Archive of Scottish Gaelic (DASG), will future proof the major investment it has already attracted.

Tobar an Dualchais / Kist of Riches (TaD / KoR)

TaD/KoR was created to digitise, catalogue and make available online thousands of hours of sound recordings from the archives of the School of Scottish Studies (University of Edinburgh), the BBC and the Canna Collection of the National Trust for Scotland. It had made a significant contribution to economic development, particularly in the Highlands and Islands, and developed important skills over a range of activities, including technical skills, digitizing, cataloguing, and research into language and music. The project continues both to maintain and enhance the website – adding yearly to the number of tracks published – and to promote its use among communities, education and the arts. There are currently over 40,000 tracks online. Work in 2018/19 has focused on requirements to redevelop the website and digital archive, delivering a pilot project on the identification and use of unusual words, in partnership with Faclair na Gàidhlig as noted above, two Gaelic Language Act Implementation Fund (GLAIF)-funded Gaelic Education projects, providing resources into schools, as well as various other schools and communities projects. Floraidh Forrest was appointed as the new Director in June 2019, to build on the legacy achieved by the outgoing Director, Mairead MacDonald, who led the programme for 13 years since its inception.

Soillse

Soillse is based at Sabhal Mòr Ostaig and it is delivered through a partnership with the Universities of Aberdeen, Edinburgh, Glasgow and the Highlands and Islands. It has a remit to support the maintenance and revitalization of Gaelic language and culture. Soillse aims to establish a powerful research network across Scottish HEIs, linking researchers with expertise or interest in contemporary Gaelic matters and articulating

Operating review for the year ended 31 July 2019 (continued)

with international research on minority language maintenance and revitalization. Key areas of work in 2018-19 have been as follows:

- Review and refinement of the Islands Gaelic Research Project results, in expectation of publication early in 2020. The project report will have fundamental implications for the direction of Gaelic policy at national and local government level.
- The Small Research Fund project on sustainability indicators for Gaelic in the Western Isles is ongoing, following an extension request, as is the project on “Breathing spaces” for Gaelic in urban areas.
- Training in community-based recording (for the Stòras Beò nan Gàidheal project) was delivered to Irish and Scottish teams
- The European Union Computer Assisted Language Learning project continued throughout the reporting period, with partners meeting at SMO in May this year.

Ainmean-Àite na h-Alba

Ainmean-Àite na h-Alba (AAA) is the national advisory partnership for Gaelic place-names in Scotland. Its primary aim is to provide correct and consistent forms of Gaelic place-names for signage and other published materials. This includes an online database of researched place-names which is available to the public. The year began however with the launch of the book *Scottish Gaelic Place-names, The Collected Works of Charles M. Robertson 1864-1927*, edited by researcher Dr Jacob King, at the Scottish Place-name Society spring conference in Dundee. The book received great reviews and has been described as “a must-have for anyone with a serious interest in Scottish place-names.” (Dr Simon Taylor).

- With the help of funding from Bòrd na Gàidhlig, four fieldworkers were recruited to collect place-names in their local communities, and a transcriber was also employed to transcribe the place-names from the Arran place-name survey tapes held in the School of Scottish Studies archives. The place-names gathered from this project will be added to the database and be available in a format suitable for other researchers.
- 2019 also saw the launch of the Eriskay place-name booklet, in partnership with Scottish National Heritage (SNH), which has been a great success to date.
- A fundamental part of AÀA’s work requires following a set of research principles which guide conclusions. These principles are set out in AÀA’s Gaelic Place-name Policy which recently went through a rigorous review and was launched at the end of November.
- AÀA’s online resources are a key part of AAA and in the next six months a significant amount of new content will be added to the website.

Future Developments

SMO will continue to expand and define its role as the National Centre for Gaelic Language and Culture in relation to delivering the National Gaelic Language Plan 2018-23 and contributing to the faster rate of progress on Gaelic called for by the Scottish Government. Focus for the coming year will include:

- Continuing curriculum review with a focus on supporting Gaelic teacher development
- Focus on digitalisation of delivery of distance learning courses and introduction of An Cùrsa Tòiseachaidh
- Grow student engagement and participation in the immersive campus experience
- Continue development of research active staff capacity and delivery
- Develop marketing strategy and the development of a new website
- Ongoing investment in the Estate with the start of Kilbeg Phase 2 and develop further capacity to hold and make accessible library collections as a national and international resource.

Financial Review for the year ended 31 July 2019

Financial objectives

The College's financial objectives are to:

- achieve an annual surplus.
- 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
- generate sufficient levels of income to support the asset base of the College
- further improve the College's short-term liquidity
- fund continued capital investment

Financial review

The Consolidated Statement of Comprehensive Income for the year ending 31 July 2019 is set out on page 18 of this report.

2018-19 has been a difficult year financially for Sabhal Mòr Ostaig (SMO) with a resulting deficit of £(178)k after charging depreciation and crediting related deferred capital grant release (2017/18: £72k). The deficit has had a negative impact on cash balances which were £680k at year end (2017/18: £1,349k), which include sums paid in advance on various projects. The deficit is due to a number of factors, primarily lower than expected Higher Education (HE) student numbers, especially residential students on campus, additional legal and consulting costs to investigate the causes of water ingress in the Fàs Building in order to resolve the related legal dispute, as well as higher than expected education costs due to the need to invest in course development and research. The Group's closing reserves saw a decrease to £1,616k (2017/18: £1,794k).

Income: SMO's income has decreased 7% to £5,460k (2017/18: £5,880k). Funding from the Scottish Government Heritage Act was static at £1,180k and SFC Grant in Aid marginally increased to £685k (2017/18: £671k), but the lower student numbers affected HE Student Fees, the HE grant via UHI and other income on accommodation, catering and shop sales. £49k of funds were received for the first time from Skills Development Scotland to deliver Gaelic apprenticeships, although there were no new projects with Creative Scotland and Highlands and Islands Enterprise in the year. Project income was down in the year at £951k (2017/18: £1,131k), but this is more a function of what is being delivered year on year on the longitudinal projects Faclair na Gàidhlig, Tobar an Dualchais and Soillse, and directly matched by related expenditure.

Expenditure: total expenditure of £5,638k was 3% down on prior year (2017/18: £5,808k). Staff costs remain SMO's largest proportion of expenditure at 60%. The increase in staff costs is due to SMO shadowing National Bargaining pay increases for lecturers. Although with lower student numbers there were related lower catering and other supplies costs, investment was made in Education as well as the increased professional fees noted above. There were no significant capital projects beyond capital maintenance projects funded by the HE and FE maintenance grants.

The Group has £1.6m net assets (2017/18: £1.8m).

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 £	2017/18 £
(Deficit)/surplus before other gains and losses	(178,443)	71,712
Depreciation (net of deferred capital grant release) on both government funded and privately funded assets	68,027	13,894
	<hr/>	<hr/>
Adjusted operating (deficit)/surplus	(110,416)	85,606
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Financial Review for the year ended 31 July 2019 (continued)

Cash flows and liquidity

During the year the Group had net cash outflow of £668k (2017/18 cash outflow of £68k), reflecting the deficit position.

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.

Key risks and uncertainties

The College has continued to improve systems of internal control, including financial, operational and risk management which are designed to protect the College's assets and reputation. Internal controls and management functions are reviewed annually as part of a 3-year rolling Internal Audit plan.

Based on the strategic plan, the College undertakes periodic, comprehensive reviews of the risks to which the College is exposed. The risk policy and procedures were revised and updated during the year. The risk register is reviewed on a quarterly basis to identify and measure known risks by strategic area, and state what mitigating action will be taken to reduce any potential impact on the College. Progress against risk mitigation actions is then reviewed quarterly. In addition, the College will also consider any risks which may arise as a result of a new area of work being undertaken.

SMO's statement of risk appetite as agreed by the Board of Directors is that SMO's approach to risk is to accept and encourage an increased degree of risk in the pursuit of its mission to secure and strengthen the Gaelic language, building the education, learning, research and policy environment relating to Gaelic. This cannot be done without a degree of innovation and pushing against the existing status quo, which involves accepting the risks involved. The Board expect management to take sensible measures to understand and mitigate where possible, but not to the point where action is stymied by over-caution.

Outlined below is a description of the key risks that 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 2018/19, some 52% (2017/18 - 53%) of the College's total revenue was ultimately public funded through grants for the provision of teaching Gaelic and cultural activities. This level of funding will continue due to the educational nature of SMO's work, but there can be no assurance that government policy or practice will remain the same; it is noted that the current government is looking to make £50m of savings across tertiary education in the next 5 years.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training;
- Regular dialogue with the various funding bodies and external contacts, maintaining key relationships;
- Developing other income streams and maximizing Estate utilization to increase the proportion of non-Government funding
- Scenario Planning for a reduced budget settlement.

Financial Review for the year ended 31 July 2019 (continued)

Key risks and uncertainties (continued)

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. There has been a significant reduction in the number of school pupils taking a Gaelic Higher since 2012 affecting primarily HE student numbers, although there has been an improvement in intake numbers in 2019/20. Mitigation measures include:

- Comprehensive marketing and regular communication with secondary school departments
- Increasing direct engagement by teaching staff with schools throughout the year
- Continuing to develop the curriculum offer to meet changing market requirements, with a focus on Gaelic teacher training and professional development
- Lobbying government to support Gaelic uptake and provision in secondary schools

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 recognizes 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 recognizes that disabled people have a positive contribution to make to College life. 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 2018.

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.

Financial Review for the year ended 31 July 2019 (continued)

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

Chair

Date: 19 December 2019

Statement of the board of directors' responsibilities

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 formalized 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.

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 19 December 2019 and signed on its behalf by:

Angus G MacLeod
Chair

Dr. Gillian Munro
Director

Statement of corporate governance and internal control

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 2019, 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 2019, 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

Board Member	Committees Served	Occupation	Date of Appointm't	Date of Retiral	Board*	Corporate*	Finance Estates*	Audit*
Arthur Cormack	Audit	CEO Fèisean nan Gàidheal	12/09/2014	15/02/2019	25%			33%
Catriona Dunn	Education	Director of Education (Retired)	12/05/2011		75%			
Alexandra MacDonald Jones	Corporate, F&E changed to Audit	Governance Manager, IIRC	18/03/2011		75%	100%	75%	33%
John Morrison	Corporate	Director Communications Company	30/08/2013		100%	100%		
Angus G MacLeod (Chair)	Corporate	Solicitor	12/09/2014		100%	100%		
Sine Ghilleasbuig	Education	Gaelic Language Agency Officer	06/03/2015		50%			
Angus Macinnes	Finance & Estates	Construction Director	08/09/2018		75%		100%	
Angus L MacLeod	Finance & Estates	Retired Civil Engineer	27/03/2018		75%		100%	
Iain Graham	Audit	Staff Member	27/03/2018		100%			100%
Kathleen Macdonald	Audit	Retired	09/03/2019		75%			100%
Angus Maclennan	Education	Teacher	08/06/2019		25%			
Mary Andrew	Education	Lecturer (Retired)	29/11/2018		100%			
Gillian Munro	Corporate	College Principal	14/09/2019		100%	100%		
Mary Ellen Stewart	Finance & Estates	Solicitor	23/11/2018		25%		25%	

* Percentage quoted represents the percentage attendance at Board and committee meetings

Statement of corporate governance and internal control (continued)

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 to May 2019; Wylie & Bissett LLP from June 2019), 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.

MHA 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 2019 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 19 December 2019 and signed on their behalf by:

Angus G MacLeod
Chairman

Dr Gillian Munro
Director

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

Opinion

We have audited the financial statements of Sabhal Mòr Ostaig (the 'parent charitable company' and its subsidiaries) for the year ended 31 July 2019, 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 2019 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 authorized 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.

Independent auditor's report to the members and trustees of Sabhal Mòr Ostaig (continued)

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.

Independent auditor's report to the members and trustees of Sabhal Mòr Ostaig (continued)

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.

James Davidson (Senior Statutory Auditor)
For and on behalf of MHA Henderson Loggie
Chartered Accountants
Statutory Auditor

Henderson Loggie is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
11-15 Thistle Street
Edinburgh
EH2 1DF

Date: 19 December 2019

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

Consolidated statement of comprehensive income for the year ending 31 July 2019

	Note	2019 £	2018 £
SFC grants	2	684,835	671,266
Tuition fees and education contracts	3	570,795	599,487
Other grant income	4	1,957,585	2,002,144
Other income	5	1,813,277	2,111,710
Release of deferred capital grants	6	433,509	495,047
Total income		5,460,001	5,879,654
Expenditure			
Staff costs	7	3,401,338	3,340,334
Other operating costs	9	1,700,124	1,920,185
Depreciation	13	501,536	508,941
Interest payable	10	35,446	38,482
Total expenditure		5,638,444	5,807,942
(Deficit)/Surplus before other gains or losses		(178,443)	71,712
Impairment of fixed asset investment		-	-
(Deficit)/Surplus before tax		(178,443)	71,712
Taxation		-	-
Total comprehensive income for the year	12	(178,443) =====	71,712 =====

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.

Consolidated statement of changes in reserves for the year ending 31 July 2019

	Revenue reserve £	Revaluation reserve £	Total reserve £
Group			
Balance at 31 July 2018	1,492,158	301,835	1,793,993
(Deficit) from the Statement of Comprehensive Income	(178,443)	-	(178,443)
Balance at 31 July 2019	1,313,715	301,835	1,615,550
College			
Balance at 31 July 2018	1,485,580	301,835	1,787,415
(Deficit) from the Statement of Comprehensive Income	(179,518)	-	(179,518)
Balance at 31 July 2019	1,306,062	301,835	1,607,897

Consolidated balance sheet 31 July 2019

	Note	£	2019 £	£	2018 £
Non current assets					
Fixed assets	13		17,542,925		18,008,450
Heritage assets	13		352,525		352,525
Investments	14		1		1
			<u>17,895,451</u>		<u>18,360,976</u>
Current assets					
Stocks	15	29,467		28,441	
Debtors	16	247,615		231,589	
Cash at bank and in hand		680,280		1,348,915	
			<u>956,912</u>	<u>1,608,945</u>	
Current liabilities					
Creditors: amounts falling due within one year	17	(1,307,776)		(1,767,192)	
Net current (liabilities)			<u>(350,864)</u>	<u>(1,767,192)</u>	(158,247)
Total assets less current liabilities			<u>17,544,587</u>		<u>18,202,729</u>
Non current liabilities					
Creditors: amounts falling due after more than one year	18		(15,929,037)		(16,408,736)
Net assets			<u>1,615,550</u>		<u>1,793,993</u>
Reserves					
Revaluation reserve			301,835		301,835
Revenue reserve - unrestricted			1,313,715		1,492,158
Total reserves			<u>1,615,550</u>		<u>1,793,993</u>

The financial statements were approved by the Board of Directors on 19 December 2019 and signed on its behalf by:

Angus G MacLeod
Chairman

Dr Gillian Munro
Director

Company Number SC361752

College balance sheet at 31 July 2019

	Note	£	2019 £	£	2018 £
Non current assets					
Fixed assets	13		15,260,917		15,643,882
Heritage assets	13		352,525		352,525
Investments	14		3		3
			15,613,445		15,996,410
Current assets					
Stocks	15	29,467		28,441	
Debtors	16	247,165		232,619	
Cash at bank and in hand		672,624		1,344,809	
			949,256	1,605,869	
Current liabilities					
Creditors: amounts falling due within one year	17	(1,225,216)		(1,688,137)	
			(275,960)	(82,268)	
Total assets less current liabilities			15,337,485	15,914,142	
Non current liabilities					
Creditors: amounts falling due after more than one year	18		(13,729,588)		(14,126,727)
Net assets			1,607,897	1,787,415	
Reserves					
Revaluation reserve			301,835		301,835
Revenue reserve - unrestricted			1,306,062		1,485,580
Total reserves			1,607,897	1,787,415	

The financial statements were approved by the Board of Directors on 19 December 2019 and signed on its behalf by:

Angus G MacLeod
Chairman

Dr Gillian Munro
Director

Company Number SC361752

Consolidated cash flow statement for the year ended 31 July 2019

	2019 £	2018 £
Cash flow from operating activities		
(Deficit)/surplus for the year	(178,443)	71,712
Adjustment for non-cash items		
Depreciation	501,536	508,941
Loss on disposal of fixed assets	-	23,915
Deferred capital grants released to income	(433,509)	(495,047)
(Increase)/decrease in stocks	(1,026)	(66)
(Increase)/decrease in debtors	(15,576)	(42,943)
(Decrease)/increase in creditors	(456,241)	(119,691)
Adjustment for investing or financing activities		
Interest payable	35,446	38,482
Net cash flow from operating activities	(547,813)	(14,697)
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	49,778
Payments made to acquire fixed assets	(36,011)	(79,865)
	(36,011)	(30,087)
Cash flows from financing activities		
Interest paid	(35,446)	(38,482)
Repayments of amounts borrowed	(49,365)	(46,308)
Capital grants received	-	61,385
	(84,811)	(23,405)
(Decrease) in cash and cash equivalents in the year	(668,635)	(68,189)
Cash and cash equivalents at beginning of the year	1,348,915	1,417,104
Cash and cash equivalents at end of the year	680,280 =====	1,348,915 =====

Notes to the consolidated financial statements

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 £590k (2018: £639k) 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.

Notes to the consolidated financial statements (continued)

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

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.

Notes to the consolidated financial statements (continued)

1. Accounting policies (continued)

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.

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.

Notes to the consolidated financial statements (continued)

1. Accounting policies (continued)

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.

Notes to the consolidated financial statements (continued)

2 SFC grants	2019	2018
	£	£
Recurrent grants	658,129	647,128
Non recurrent revenue grants	26,706	24,138
	<u>684,835</u>	<u>671,266</u>
	<u><u>684,835</u></u>	<u><u>671,266</u></u>
3 Tuition fees and education contracts	2019	2018
	£	£
Student fees - Higher Education	211,928	222,809
Student fees - Further Education	358,867	376,678
	<u>570,795</u>	<u>599,487</u>
	<u><u>570,795</u></u>	<u><u>599,487</u></u>
4 Other grant income	2019	2018
	£	£
Scottish Government	1,180,000	1,180,000
Share of SFC HE Grants through UHI	593,681	632,420
Share of SFC Research Excellence Grant	92,729	93,591
Creative Scotland	2,500	25,000
Bòrd na Gàidhlig (GLAIF)	31,860	27,000
Scholarship Support	4,367	8,010
Highlands and Islands Enterprise	-	34,123
Skills Development Scotland	48,948	2,000
Other grants	3,500	-
	<u>1,957,585</u>	<u>2,002,144</u>
	<u><u>1,957,585</u></u>	<u><u>2,002,144</u></u>
5 Other income	2019	2018
	£	£
Estates, residencies and catering	789,840	884,809
Shop sales	29,792	38,657
Management services	25,140	39,632
Project income	951,230	1,131,004
Other income	17,275	17,608
	<u>1,813,277</u>	<u>2,111,710</u>
	<u><u>1,813,277</u></u>	<u><u>2,111,710</u></u>

Notes to the consolidated financial statements (continued)

6	Release of deferred capital grants	2019	2018
		£	£
	Release of deferred capital grants	433,509	495,047
		=====	=====
7	Staff costs and numbers	2019	2018
		£	£
	Staff costs were as follows:		
	Salaries and wages	2,872,464	2,818,719
	Subcontractor and tutor costs	73,399	73,671
	Social security costs	260,666	253,263
	Other pension and death in service costs	194,809	194,681
		-----	-----
	Total	3,401,338	3,340,334
		=====	=====
	Analysed:		
	Teaching	1,476,812	1,472,710
	Research	100,444	139,848
	Administration and other (incl. projects)	1,186,706	1,090,712
	Premises	405,826	411,470
	Catering	231,550	225,594
		-----	-----
	Total	3,401,338	3,340,334
		=====	=====
	Staff numbers		
	Average staff number	119	120
		=====	=====

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:

	2019 £	2018 £
Salaries	362,610	421,423
Social security costs	40,732	48,025
Pension contributions	21,778	41,104
	425,120	510,552
	=====	=====

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:

	2019		2018	
	Senior post- holders Number	Other Staff Number	Senior post-holders Number	Other Staff Number
£60,001 - £70,000	-	-	1	-
£70,001 - £80,000	1	-	1	-
	===	===	===	===

	2019 £	2018 £
Senior post-holders emoluments		
Principal- salary - gross	73,403	73,717
Employers pension contributions	5,138	12,704
	78,541	86,421
	=====	=====

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

Notes to the consolidated financial statements (continued)

9	Analysis of other operating expenses	2019	2018
		£	£
	Education costs	167,311	154,539
	Premises costs	465,915	428,912
	Supplies and services	66,911	84,386
	Catering supplies	165,698	187,004
	Shop purchases	16,195	22,105
	Vehicle, travel and subsistence	98,875	106,536
	Project costs	393,445	623,147
	University of the Highlands and Islands expenses	16,188	19,125
	Other administrative expenses	318,149	309,260
	Irrecoverable Value Added Tax	(8,563)	(14,829)
		<u>1,700,124</u>	<u>1,920,185</u>
		=====	=====
	Other operating expenses include:		
	External auditors' remuneration - audit fees	13,030	13,030
	External auditors' remuneration - non audit services	3,912	2,400
	Internal audit fees	6,682	7,770
	Operating lease payments	27,608	24,052
		<u>=====</u>	<u>=====</u>
10	Interest payable	2019	2018
		£	£
	On bank loans repayable in more than five years	35,446	38,482
		<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	2019	2018
		£	£
	College's result before gift aid	(179,518)	(18,230)
	Surplus generated by subsidiary undertakings transferred to the College under gift aid provisions	-	89,920
		<u>(179,518)</u>	<u>71,690</u>
		=====	=====

Notes to the financial statements (continued)

13 Fixed assets

Group	Freehold Buildings £	Land £	Equipment & vehicles £	Total £	Heritage assets library books £
Cost or valuation					
At 1 August 2018	23,099,999	468,180	1,426,723	24,994,902	352,525
Additions	-	-	36,011	36,011	-
Disposals	-	-	-	-	-
At 31 July 2019	23,099,999	468,180	1,462,734	25,030,913	352,525
Depreciation					
At 1 August 2018	5,694,487	-	1,291,965	6,986,452	-
Charge for the year	464,501	-	37,035	501,536	-
On disposals	-	-	-	-	-
At 31 July 2019	6,158,988	-	1,329,000	7,487,988	-
Net book values					
At 31 July 2019	16,941,011	468,180	133,734	17,542,925	352,525
At 31 July 2018	17,405,512	468,180	134,758	18,008,450	352,525
College					
College	Freehold Buildings £	Land £	Equipment & vehicles £	Total £	Heritage assets library books £
Cost or valuation					
At 1 August 2018	18,971,970	458,860	1,426,723	20,857,553	352,525
Additions	-	-	36,011	36,011	-
Disposals	-	-	-	-	-
At 31 July 2019	18,971,970	458,860	1,462,734	20,893,564	352,525
Depreciation					
At 1 August 2018	3,921,706	-	1,291,965	5,213,671	-
Charge for the year	381,941	-	37,035	418,976	-
On disposals	-	-	-	-	-
At 31 July 2019	4,303,647	-	1,329,000	5,632,647	-
Net book values					
At 31 July 2019	14,668,323	458,860	133,734	15,260,917	352,525
At 31 July 2018	15,050,264	458,860	134,758	15,643,882	352,525

Notes to the consolidated financial statements (continued)

13 Fixed assets (continued)

Land and buildings with a net book value of £13,666,516 (Group - £13,841.072) 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 2019) were as follows

Subsidiary and undertaking	Principal activity	Capital and reserves		Profit/(loss) for the period	
		2019	2018	2019	2018
		£	£	£	£
Cànan Alba Limited	Charitable / non-trading	1	1	-	-
Cànan Limited	Multiple media	5,536	2,870	2,667	905
		=====	=====	=====	=====

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.

Notes to the consolidated financial statements (continued)

15 Stocks

	College		Group	
	2019	2018	2019	2018
	£	£	£	£
Stock (fuel, stationery and foodstuffs)	29,467	28,441	29,467	28,441
	=====	=====	=====	=====

16 Debtors

	College		Group	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	127,362	96,709	127,362	96,709
Amounts due by related parties	-	1,030	-	-
Other debtors	48,397	56,761	48,397	56,761
Prepaid expenditure	71,406	53,119	71,406	53,119
Grants receivable	-	25,000	-	25,000
	247,165	232,619	247,165	231,589
	=====	=====	=====	=====

17 Creditors: amounts falling due within one year

	College		Group	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdraft	52,164	49,365	52,164	49,365
Payments received in advance	384,345	511,561	384,345	511,561
Trade creditors	240,215	506,414	240,215	507,180
Amount due to related parties	-	4,772	-	-
Value Added Tax	27,147	42,707	27,147	42,707
PAYE, NIC & Pension Fund remittances	92,640	87,305	92,640	87,305
Accrued invoices and charges	38,914	42,343	38,914	42,844
Other creditors	91,549	139,454	91,549	139,454
Deferred capital grants	298,242	304,216	380,802	386,776
	1,225,216	1,688,137	1,307,776	1,767,192
	=====	=====	=====	=====

Notes to the financial statements (continued)

18 Creditors: amounts falling after more than one year

	College		Group	
	2019	2018	2019	2018
	£	£	£	£
Bank loan	537,707	589,871	537,707	589,871
Deferred capital grants	13,191,881	13,536,856	15,391,330	15,818,865
	<u>13,729,588</u>	<u>14,126,727</u>	<u>15,929,037</u>	<u>16,408,736</u>
	<u><u>=====</u></u>	<u>=====</u>	<u><u>=====</u></u>	<u>=====</u>

Bank loan - analysis of maturity

Amounts falling due:

Within one year	52,164	49,365	52,164	49,365
In one to two years	55,239	52,164	55,239	52,164
In two to five years	185,967	175,694	185,967	175,694
After five years	296,501	362,014	296,501	362,014
	<u>589,871</u>	<u>639,237</u>	<u>589,871</u>	<u>639,237</u>
	<u><u>=====</u></u>	<u>=====</u>	<u><u>=====</u></u>	<u>=====</u>

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%

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	-	5,136	(13,000)
A MacLennan	Director of SNNG	1,626	-	-
A Cormack	Director of UBF	-	4,003	-
A Macinnes	Director of subsidiary Cànan Ltd	9,544	-	29,231
J Morrison	Director of subsidiary Cànan Ltd	9,544	-	29,231
G Munro	Director of Fas Mor	36	2,160	-
	Director of ICCI	12,556	-	1,046
Senior Staff:				
DA MacLennan	Director of Sleat Community Trading Ltd	-	4,340	(296)
N Thomson	Director of Fas Mor	36	2,160	-
D Munro	Director of ICCI	12,556	-	1,046
	Chairman of Tobar an Dualchais	163,641	10,607	-
	Member of the General Council of the University of Edinburgh	33,000	1,901	-

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 £Nil (2018 - £89,007). The donation received from the subsidiary was £Nil (2018 - £88,890). The balance owed by the College at the close of the financial year was £Nil (2018 - £3,652).

The rental payments made to the company's subsidiary Bail' Ùr Ostaig in the year were £Nil (2018 - £70,000) while the rental payments received from the subsidiary were £Nil (2018 - £68,880). The donation received from the subsidiary was £Nil (2018 - £1,030). The amount due to the subsidiary at the close of the financial year was £Nil (2018 - £90 due by the subsidiary).

Notes to the financial statements (continued)

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 2018. 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

	2019	2018
	£	£
At 31 July 2019 capital expenditure commitments were as follows:		
Authorised by the Board but not contracted for	Nil	Nil
	=====	=====

23 Commitments under operating leases

At 31 July 2019 the total future minimum lease payments under non-cancellable operating leases were as follows

	2019	2018
	£	£
Other		
Amounts due within one year	27,608	27,608
Amounts due between two and five years	72,418	92,985
Amounts due later than five years	-	7,041
	-----	-----
	100,026	127,634
	=====	=====

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 deficit of £155,266.

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 £194,809 (2018 - £194,681) 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 £22,768 (2018 - £18,306) to the pension providers.