

Company Registration Number

SC361752

SABHAL MÒR OSTAIG  
FINANCIAL STATEMENTS  
31 JULY 2020

(A Company Limited by Guarantee)

**ArmstrongWatson<sup>®</sup>**  
Accountants, Business & Financial Advisers

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### COLLEGE INFORMATION

<b>Directors</b>	Mary Macleod Andrew Sine Millar Ghilleasbuig Iain Graham Alexandra Nicdhòmhnail Jones Kathleen Joan Macdonald Angus Donald John Macquien Macinnes Angus Lamont MacLeod Angus George MacLeod John Morrison Dr. Gillian Munro Roddy Neithercut (appointed 22 November 2019) Mary Ellen Stewart Catherine Macaulay Dunn (resigned 29 July 2020) Angus MacLennan (resigned 29 July 2020)
<b>Registered Charity number</b>	SC002578
<b>Registered Company number</b>	SC361752
<b>Registered office</b>	Colaiste Gaidhlig Na H-Alba An Teanga Sleite An T-Eilean Sgitheanach IV44 8RQ
<b>Independent auditors</b>	Armstrong Watson Audit Limited Chartered Accountants 1st Floor 24 Blythswood Square Glasgow G2 4BG
<b>Bankers</b>	Bank of Scotland Inverness-shire IV40 8AB
<b>Solicitors</b>	Wright, Johnston & Mackenzie LLP 302 St Vincent Street Glasgow G2 5RZ

**SABHAL MÒR OSTAIG**  
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# SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

## GROUP REPORT FOR THE YEAR ENDED 31 JULY 2020

### Chair's foreword

Sabhal Mòr Ostaig (SMO) is Scotland's National Centre for Gaelic Language and Culture. Its central role in Gaelic development nationally is vital. It continues to be urgent that SMO fulfils that role fully and to the best of its ability, in order to deliver on its core mission. Both Bòrd na Gàidhlig and the Scottish Government continue to press for a 'faster rate of progress' for Gaelic in the context of enacting the National Gaelic Language Plan 2018-23, in the light of further evidence that time is of the essence in protecting, preserving and developing the Gaelic language in its traditional geographical heartlands, as well as continuing to encourage its acquisition and wide-spread ubiquitous use as a community language.

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 as well as the Gaelic arts and culture in general.

2019-20 has been a year latterly dominated by the unprecedented challenge presented by the COVID-19 crisis. The safety of our staff and students has been paramount, and we have been motivated by a desire to ensure that the College approached the risks of COVID-19 by applying best practice in ensuring they were all properly protected from the disease and all its consequences.

The deep challenges faced by the College as a consequence of COVID-19 need to be placed in context. Prior to the pandemic's emergence, SMO enjoyed notable successes and, in the face of COVID-19, SMO again showed the strength and resilience of its community.

We recruited a new Head of Research, Abigail Burnyeat, greatly adding to the research environment at Sabhal Mòr Ostaig. Dr Burnyeat will also contribute to the College's existing reputation as an exceptional environment for research conferences; and guide SMO's preparatory work for taking part in the Research Excellence Framework exercise 2021, a key measure of the College's world-leading research output.

In addition, the College celebrated with the Deputy First Minister of Scotland John Swinney the launch of a well-received publication *Às na Freumhan* [From the Grassroots] by Dr Tim Armstrong, which follows the history of the campaign to establish an all-Gaelic school in Edinburgh and was the result of a long period of research involving the parents and other activists and supporters who promoted the school and the evident life-long benefits of Gaelic medium education.

The commitment and contribution of SMO's staff and students in coping with the rapid changes required to counter the risks of COVID-19, and the fundamental changes it dictated in the College's activities and modes of working, cannot be under-estimated.

Teaching and learning was all rapidly moved online, leveraging the College's already excellent reputation for online delivery and remote learning. Staff moved to a remote working model and the examination and assessment process completed to allow all students to continue to progress and see the results of their hard work through the academic year recognised. In due course the campus in Sleat was made safe for the return of students and new modes of socially-distanced and safe campus life created.

The closure of the College's campus had a huge financial impact as it meant the loss of a large part of SMO's commercial income, normally generated through its entrepreneurial activity including on-campus short courses and conferences. However, through intense hard work and commitment, a new program of online short courses was developed and delivered, and will form a platform for innovative ways in which SMO may reach new audiences for its programmes in future. In addition, the College was successful in securing a range of public financial support to ameliorate the effects of the pandemic crisis. Whilst these did not fully compensate for the loss of income, they have made a very substantial and welcome contribution to countering it.

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**GROUP REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2020**

**Chair's foreword (continued)**

The Board of Directors would like to thank students and staff for their continued hard work and energy throughout the year, and most particularly all those who were affected by the COVID-19 crisis and who contributed so effectively to the College's response to it.

We would also like to thank the Scottish Government Gaelic team, the Scottish Funding Council, Education Scotland, Bòrd na Gàidhlig, Highlands and Islands Enterprise, UHI, the SCVO's Third Sector Resilience Fund and SMO's many other partners for their ongoing vital support to protect and strengthen the Gaelic language and culture.

Angus G Macleod, Chair of Sabhal Mòr Ostaig

## **SABHAL MÒR OSTAIG**

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### **GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020**

#### **Legal and administrative information**

##### **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 2019.

##### **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 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.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

#### 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 2020

Sabhal Mòr Ostaig, the National Centre for Gaelic Language and Culture, has had an extremely busy year. Having been on track to deliver to our key objectives and a balanced budget, and to increase our student numbers, Covid-19 and the national lockdown - with on-going restrictions on daily life - created significant financial and education/programme delivery challenges. On the whole, the College was able to mitigate for the loss of commercial revenue through two successful applications for Covid-related funding, and by introducing a new programme of on-line short courses, to replace cancelled Easter and Summer campus-based courses. The on-line summer short courses produced a new income stream, which will be expanded through the introduction of a new winter programme of on-line short courses. Sabhal Mòr also successfully managed the transfer of its staff, students and degree programmes from the campus to being on-line. In the process, staff developed new digital competencies and innovations in communication technologies were brought in to allow teams, at all levels in the college, to communicate with students, staff, and individual teams, Board members, and stakeholders.

Key developments have included successful delivery of national education awards and a concomitant, significant contribution to the National Gaelic Language Plan. The education awards included qualifications which ranged from short and access courses and Foundation Apprenticeships, through to under-graduate degrees and post-graduate level degrees also. 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, on-line learning and workforce. SMO continued, even in this more difficult trading year, to contribute more to the national 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 2019-20, particularly on FE recruitment and retention, attainment and progression. There are challenges around being able to staff appropriately much higher levels of progression to Higher Education distance learning, but SMO is in the process of training new tutors currently. As noted above, challenges on HE recruitment are being met by focusing on student retention, and marketing and schools outreach work.

## **SABHAL MÒR OSTAIG**

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### **GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020**

#### **Operating review (continued)**

As in the preceding year, 2019-20 saw continued efforts to upgrade the College estate, and, as in the previous year, opportunities were grasped as the available funding would allow to refurbish parts of the estate most in need of it and with the potential to generate additional future income streams. As well as receipt of the annual HE Capital and Research Infrastructure maintenance funding and budget allocations from the college's own resources, there was also the welcome addition of £216,000 of Capital Maintenance funding towards its Very High Priority requirements as previously agreed through the Scottish Funding Council. This funding allowed additional projects to be undertaken in the year including the provision of the college's first dedicated self-catering facilities on campus for its residential students; and essential repairs and enhancements to some of its older space heating, lighting and fire alarm systems throughout the estate.

In terms of further capital developments, Phase 2 of the Kilbeg village housing development, to be delivered by the college through a 3-way partnership between The Highland Council, The Highland Small Communities Housing Trust and the Skye-based construction company James MacQueen Construction Ltd, continued to develop with some small, on-site exploratory works ahead of the formal submission of a detailed planning application to The Highland Council. Work is expected to begin on site in early 2021 and it is hoped that the new housing will offer a wider choice and long-term accommodation opportunities to staff and students in supporting the further development of the college's core teaching, research and project management activities.

#### **Student numbers**

We met our target of 31 FT First Year HE student numbers for 2020/21 and exceeded our target for PT First Year HE student numbers, with a total of 113 students (57.5 FTEs) registered on the distance-learning course An Cùrsa Adhartais. This is the largest cohort of students to articulate to CertHE An Cùrsa Adhartais since its inception. The total number of HE UG students in 2020/21 is 216 or 120 FTEs (112 FTE in 2019/20).

Two consecutive years of improved FT First Year HE numbers has had a positive impact on the number of residential students (46 as compared to 42 in 2019/20), with a larger cohort of 14 students progressing to second year FT study (2019:20: 6).

The 2019/20 FE credit target of 799 per SMO's Outcome Agreement was exceeded with 855 credits achieved (2019/20: 1242), 82% of which were achieved through our FE Gaelic Access Course / An Cùrsa Inntrigidh (2019/20: 69%) and the remainder through short courses. The loss of credits from our residential Easter and Summer short-course programme were in part compensated for by the swift development of a suite of online cultural, language and music short courses for Summer 2020, with 440 of 509 spaces filled (86%).

In 2020/21, An Cùrsa Inntrigidh has 207 students registered on the first intake (2019/20: 163) and a further second intake in January is expected to mean the highest number of students since the course's inception. We are developing a series of online courses, to be launched in January 2021.

Successful applications for postgraduate research scholarships have enabled us to offer two fees-based scholarships for the new Masters of Research (MRes) in Gaelic and Celtic Studies and one fully-funded PhD (part-time), through a successful bid to the Scottish Graduate School for Arts & Humanities (SGSAH), in 2020/21.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

#### Operating review (continued)

We expanded our provision of Foundation Apprenticeships in 2019-20 as part of our commitment to providing post-16 Gaelic medium pathways to support workforce planning. All 12 students successfully completed their Foundation Apprenticeship in 2019/20. In 2020-21 we are providing the Foundation Apprenticeship in Social Services: Children and Young People (Preantasachd Bhun-ire Clann is Òigridh) for the third consecutive year, and the FA course in Digital and Creative Media (Preantasachd Bhun-ire sna Meadhanan Digiteach is Cruithachail) for the second year to 12 senior phase school pupils in three schools.

#### 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. Validation events for the development of a full 4-year teacher education UG degree and for the introduction of a new Gaelic BA degree course, as well as an MEd to meet the need for continued professional learning for Gaelic teachers, are planned for 2020/21, with a view to delivery from 2022/23. SMO continues to develop and deliver the Gaelic PGDE Primary and Secondary pathway and, further to a successful validation event in October 2020, plans to launch the new PDA in Translation Skills in 2021.

#### Research activities

REF 2021 preparation work has been intense and on-going, with repeated text redrafting, collaborative critical friend feedback sessions, finishing and publishing research pieces for the REF, developing two impact case studies, and drafting the research environment statement. The SMO seminar series was relaunched and it went onto a digital platform with lockdown, drawing in a much increased international audience to, since March 2020, 6 lectures.

During the year Sabhal Mòr Ostaig's publisher, Clò Ostaig, published *Às na Freumhan* (From the Grassroots) by Dr T.A. Armstrong, which, subsequently, was launched by the Deputy First Minister and Minister for Gaelic and for Education. Clò Ostaig is currently working on on-line/print publication of 2 other staff publications, which are due out in the REF 2021 publication period.

#### 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 2019-20 on the development of the Dictionary; a new lexicographer was recruited; 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.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

#### Operating review (continued)

Receipt of funding from Bòrd na Gàidhlig, under its Collaborative Funding Scheme, to support a one-year transcription project in partnership with Tobar an Dualchais, was successfully completed, and a further, joint FnaG and Tobar an Dualchais bid is planned, to the same fund. 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 o 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.

In the past year the Project Director retired, and in June 2019, a new Project Director was appointed. Subsequently, the on-line presence of TaD has been boosted, in part through new webpage design, a new logo and the development of a new digital platform - all of which is leading to an increase in the public's interaction with the webpages and thus archive.

#### 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. The current director of Soillse has opened an office, the Language Sciences Institute, at UHI and is generally based there, line-managed by a senior Executive Office staff member.

Soillse has a remit to support the maintenance and revitalization of Gaelic language and culture. Soillse's founding aim is to support a research network across Scottish HEIs, linking researchers with expertise or interest in contemporary Gaelic matters and articulating with international research on minority language maintenance and revitalization. Key areas of work in 2020-21 have been as follows:

- Publication of a new report and related publicity and policy activity to *The Gaelic Crisis*, a research report which gives the results of a sociolinguistic survey of Scottish Gaelic and which, in making a prognosis for Gaelic in traditional Gaelic-speaking communities then develops recommendations to support those communities.
- The Small Research Fund gave assistance to a collaborative Soillse project on developing automatic Gaelic speech recognition
- Publicising Stòras Beò nan Gàidheal – whose popularity has grown due to lockdown.

#### 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.

With the help of funding from Bòrd na Gàidhlig, a transcription programme was begun, to transcribe Arran place-names found in the School of Scottish Studies; these were transcribed using the International Phonetic Alphabet, and will be added to AAA's database and will be used in future work.

Bòrd na Gàidhlig also funded a fieldwork project, where four local people (South Uist, Lewis, and north-west Skye) were employed to collect placenames in their areas, to contribute to AAA research work and the database, and with the hope that the work will be used in future publications.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

#### Operating review (continued)

AAA ran a short course on placename studies as part of SMO's summer on-line short courses. It was very well received and it is hoped that AAA will do more of this in the near future.

AAA undertook a placenames project, funded by Bòrd na Gàidhlig, for the Glasgow Underground. The Gaelic placenames for all of the stations were researched and applied to signage – this went 'live' in July 2020.

#### Future Developments

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

- Keep staff, students and any essential contractors on site at Sabhal Mòr safe, especially from Covid-19
- Implement the Board of Directors' developing new vision for Sabhal Mòr Ostaig's mission
- Begin preparations for a new Strategic Plan, to run from August 2021 for five years
- Continuing the curriculum review of SMO's Gaelic provision, with a focus on supporting Gaelic teacher development, and the preparation for, and revalidation of, the Gaelic programme
- Monitor departmental budgets and keep abreast of national developments and debate around financial review and how this impacts SMO
- Focus on digitisation, and the funding thereof, of distance learning courses, such as An Cùrsa Inntigidh; and develop funding and materials for a new intensive Gaelic summer course to prepare students for entry to first year SMO courses
- Grow student engagement and participation in the immersive campus experience
- Continue development of research active staff capacity and delivery
- Develop an arts strategy and a new marketing strategy, and continue to develop the new website
- Ongoing investment in the Estate with the start of Kilbeg Phase 2 housing and conduct a feasibility study for a new library building, in order to hold, and make accessible, an outstanding Gaelic library collection, as a national and international resource.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

#### Financial review for the year ended 31 July 2020

##### 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 2020 is set out on page 19 of this report.

2019-20 has been a difficult year financially for Sabhal Mòr Ostaig (SMO) with a resulting deficit of £66k after charging depreciation and crediting related deferred capital grant release (2018/19: £(178)k). The deficit has had a negative impact on cash balances which were £495k at year end (2018/19: £672k), which include sums paid in advance on various projects. The deficit is due to the Covid-19 crisis, which impacted the College's ability to raise its usual level of commercial income due to the closure of the campus from March 2020.

Overall, the closure of the College campus resulted in the loss of income from short courses and associated commercial income through food, drink and accommodation. Total income lost was in the region of £570k. Cost savings also arose from the campus being closed, circa £190k.

The College was fortunate to receive financial assistance from various Covid-19 funding streams. £100k was received from the Pivotal Enterprise Resilience Fund, £58k was received from the Third Sector Resilience Fund and £113k of support was obtained through the Coronavirus Job Retention Scheme.

The Group's closing reserves saw a decrease to £1,549K (2018/19: £1,616k).

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 the other items out with the control of the College.

	2019/20 £	2018/19 £
(Deficit) before other gains and losses	(66,466)	(178,433)
Depreciation (net of deferred capital grant release) on both Government funded and privately funded asset	67,885	68,027
<b>Adjusted operating (deficit)/surplus</b>	<b>1,419</b>	<b>(110,416)</b>

##### Cash Flows and Liquidity

During the year the Group had net cash outflow of £179k (2018/19 cash outflow of £668k), reflecting the deficit position.

# SABHAL MÒR OSTAIG

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## GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

### Financial review (continued)

#### 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. The College has also implemented a specific Covid-19 risk register.

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 2019/20, some 67% (2018/19 - 52%) 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.

# SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

## GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

### Financial review (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 2020/21. 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.

#### 4. Covid-19

The College is exposed to significant risk from Covid-19 and has introduced mitigation measures as follows:

- Setting up of Buidheann Covid
- Regular review of Government and College sector advice and guidance
- Communication with staff, students and the wider community
- Regular communication with stakeholders

#### 5. Brexit

The College has only a very small proportion of its funding from EU sources (around £50k / 1% in 2019/20) including EU student nationals undertaking HE learning at the College. Following the UK's official departure from the European Union the more significant risks to the College will be around general economic uncertainties and inflationary pressures associated with the UK's future relationship with the EU.

These risks are mitigated by:

- Continue to seek and diversify funding sources for project activities, including building on international partnerships and research initiatives
- Maximise commercial revenue streams, particularly the conferencing and short course activity outside of term time.
- Identify areas for further cost-savings on operating costs to maintain financial sustainability

### 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.

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020**

#### **Financial review (continued)**

##### **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

Approved by the Board and signed on their behalf by:

Angus G MacLeod  
Chair  
Date: 04 December 2020

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020

#### 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 2020, has complied with all the provisions of the Code and the Memorandum.

##### Governing body

Board Member	Committees Served	Occupation	Date of Appointm't	Date of Retiral	Board	Corporate	Finance Estates	Audit
Catriona Dunn	Education & Research	Retired (Director of Education)	12/05/2011	12/06/2020	100%			
Alexandra MacDonald Jones	Corporate; Audit	Governance Manager, IIRC	18/03/2011		75%	100%		66%
John Morrison	Corporate	Director Communications Company	30/08/2013		50%		66%	
Angus G MacLeod (Chair)	Corporate	Solicitor	12/09/2014		100%	100%		
Sine Ghilleasbuig	Education & Research	Gaelic Language Agency Officer	06/03/2015		100%			
Angus MacInnes	Finance & Estates	Construction Director	08/09/2018		100%		100%	
Angus L MacLeod	Finance & Estates	Retired (Civil Engineer)	27/03/2018		100%		100%	
Iain Graham	Audit	SMO Staff Member	27/03/2018		100%			66%
Kathleen Macdonald	Audit	Retired (BBC Producer)	09/03/2019		100%			66%
Angus MacIennan	Education & Research	Teacher	08/06/2019		50%			
Mary Andrew	Education & Research	Lecturer (Retired)	29/11/2018		75%			
Gillian Munro	Corporate	College Principal	14/09/2019		100%	100%		
Mary Ellen Stewart	Finance & Estates	Solicitor	23/11/2018		100%			
Roddy Neithercut	Education & Research	Teacher	20/11/2019		75%			

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

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2020**

#### **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, Wylie & Bisset LLP, 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.

Armstrong Watson LLP were appointed as the College's external auditors from 2019/20 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 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Directors.

**SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

**GROUP REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2020**

**Going concern**

In preparing these financial statements, the Board of Directors have given careful consideration to current and anticipated future solvency requirements of the College and its ability to continue as a going concern for the foreseeable future. The directors have prepared the financial statements on a going concern basis, notwithstanding the COVID-19 virus. The directors have prepared cash flow forecasts for a period beyond 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downturns (i.e. removing commercial income), the College will have sufficient funds, through its operating cash flows, cash reserves and bank overdraft to meet its liabilities as they fall due for that period.

This report was approved by the board on 4<sup>th</sup> December 2020 and signed on its behalf by:.

.....  
**Angus George MacLeod**  
Chair

.....  
**Dr Gillian Munro**  
Director

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 31 JULY 2020

#### 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.

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 31 JULY 2020**

#### **Disclosure of information to auditors**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the College and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the College and the Group's auditors are aware of that information.

#### **Post balance sheet events**

There have been no events after the year end that would materially affect the amounts presented in the financial statements. The impact of Covid-19 and the College's response has been outlined in the Chair's forward and within the operating and financial review.

#### **Auditors**

The auditors, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 December 2020 and signed on its behalf.

Angus George MacLeod  
Chair

Dr. Gillian Munro  
Director

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SABHAL MOR OSTAIG (CONTINUED)**

#### **Opinion**

We have audited the financial statements of Sabhal Mor Ostaig (the 'parent charitable company') and its subsidiaries (the 'Group') for the year ended 31 July 2020, which comprise the Group Statement of Comprehensive Income, the Group and College Balance Sheets, the Group Statement of Cash Flows, the Group and College Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 2020 and of the Group's deficit 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 for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 the parent College'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.

**SABHAL MÒR OSTAIG**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SABHAL MOR OSTAIG**  
**(CONTINUED)**

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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, conclude that there is a material misstatement of this other information, are required to report that fact.

We have nothing to report in this regard.

**Opinion 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 the 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 have 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 in relation to which the Companies Act 2006 or the Scottish Funding Council Accounts Direction requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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.
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SABHAL MOR OSTAIG (CONTINUED)**

#### **Responsibilities of directors**

As explained more fully in the Statement of the Board of Directors Responsibilities on page 14, the Directors (who are also the trustees of the charitable company for the purposes of charitable law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's 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.

#### **Auditors' 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 Auditors' 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

#### **Use of our report**

This report is made solely to the charitable company's 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 charitable company's members and directors those matters are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members, as a body, and the charitable companies directors as a body, for our audit work, for this report, or for the opinions have formed.

Martin Johnston CA (Senior Statutory Auditor)

for and on behalf of

**Armstrong Watson Audit Limited**

Chartered Accountants

Glasgow

Date:

**SABHAL MÒR OSTAIG****(A Company Limited by Guarantee)****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JULY 2020**

	Note	2020 £	2019 £
SFC grants	3	<b>921,791</b>	684,835
Tuition fees and education contracts	4	<b>414,695</b>	570,795
Other grant income	5	<b>2,203,345</b>	1,957,585
Other income	6	<b>1,418,979</b>	1,813,277
Release of deferred capital grants	7	<b>433,628</b>	433,509
<b>Total income</b>		<b>5,392,438</b>	5,460,001
<b>Expenditure</b>			
Staff costs	8	<b>3,474,765</b>	3,401,338
Other operating costs	11	<b>1,450,222</b>	1,700,124
Depreciation	13	<b>501,513</b>	501,536
Interest payable	12	<b>32,404</b>	35,446
<b>Total expenditure</b>		<b>5,458,905</b>	5,638,444
<b>(Deficit) before tax</b>		<b>(66,466)</b>	(178,443)
Taxation		-	
<b>Total comprehensive income for the year</b>		<b>(66,466)</b>	<b>(178,443)</b>

The notes on pages 28 to 48 form part of these financial statements.

**SABHAL MÒR OSTAIG**

(A Company Limited by Guarantee)  
 REGISTERED NUMBER: SC361752  
 SC002578

**CONSOLIDATED BALANCE SHEET  
 AS AT 31 JULY 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	13	17,433,103	17,895,450
Investments	14	1	1
		17,433,104	17,895,451
<b>Current assets</b>			
Stocks	15	24,435	29,468
Debtors: amounts falling due within one year	16	268,972	247,167
Cash at bank and in hand	17	501,719	680,280
		795,126	956,915
Creditors: amounts falling due within one year	18	(1,285,855)	(1,307,780)
<b>Net current liabilities</b>		<b>(490,729)</b>	<b>(350,865)</b>
<b>Total assets less current liabilities</b>		<b>16,942,375</b>	<b>17,544,586</b>
Creditors: amounts falling due after more than one year	19	(15,393,292)	(15,929,037)
<b>Net assets</b>		<b>1,549,083</b>	<b>1,615,549</b>
<b>Reserves</b>			
Revaluation reserve	21	301,835	301,835
Revenue Reserves - unrestricted	21	1,247,248	1,313,714
<b>Total reserves</b>		<b>1,549,083</b>	<b>1,615,549</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

.....  
**Angus George MacLeod**  
 Director

.....  
**Dr. Gillian Munro**  
 Director

The notes on pages 28 to 48 form part of these financial statements.

**SABHAL MÒR OSTAIG**  
(A Company Limited by Guarantee)

**COLLEGE BALANCE SHEET**  
**AS AT 31 JULY 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	13	15,233,655	15,613,442
Investments	14	3	3
		<b>15,233,658</b>	<b>15,613,445</b>
<b>Current assets</b>			
Stocks	15	24,435	29,469
Debtors: amounts falling due within one year	16	268,887	247,165
Cash at bank and in hand	17	495,939	672,624
		<b>789,261</b>	<b>949,258</b>
Creditors: amounts falling due within one year	18	(1,199,370)	(1,225,219)
<b>Net current liabilities</b>		<b>(410,109)</b>	<b>(275,961)</b>
<b>Total assets less current liabilities</b>		<b>14,823,549</b>	<b>15,337,484</b>
Creditors: amounts falling due after more than one year	19	(13,276,403)	(13,729,588)
<b>Net assets</b>		<b>1,547,146</b>	<b>1,607,896</b>
Revaluation reserve	21	301,835	301,835
Revenue Reserves - unrestricted brought forward		1,306,061	1,485,580
Loss for the year		(60,750)	(179,519)
Revenue Reserves - unrestricted carried forward		1,245,311	1,306,061
<b>Total reserves</b>		<b>1,547,146</b>	<b>1,607,896</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

.....  
**Angus George MacLeod**  
Director

.....  
**Dr. Gillian Munro**  
Director

The notes on pages 28 to 48 form part of these financial statements.

**SABHAL MÒR OSTAIG**  
(A Company Limited by Guarantee)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2020**

	Revaluation reserve	Profit and loss account	Equity attributable to parent College	Total equity
	£	£	£	£
<b>At 1 August 2018</b>	<b>301,835</b>	<b>1,492,159</b>	<b>1,793,994</b>	<b>1,793,994</b>
<b>Comprehensive income for the year</b>				
Deficit for the year	-	(178,445)	(178,445)	(178,445)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(178,445)</b>	<b>(178,445)</b>	<b>(178,445)</b>
<b>At 1 August 2019</b>	<b>301,835</b>	<b>1,313,714</b>	<b>1,615,549</b>	<b>1,615,549</b>
<b>Comprehensive income for the year</b>				
Deficit for the year	-	(66,466)	(66,466)	(66,466)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(66,466)</b>	<b>(66,466)</b>	<b>(66,466)</b>
<b>At 31 July 2020</b>	<b>301,835</b>	<b>1,247,248</b>	<b>1,549,083</b>	<b>1,549,083</b>

The notes on pages 28 to 48 form part of these financial statements.

**SABHAL MÒR OSTAIG****(A Company Limited by Guarantee)****COLLEGE STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2020**

	Revaluation reserve	Profit and loss account	Total equity
	£	£	£
<b>At 1 August 2018</b>	<b>301,835</b>	<b>1,485,580</b>	<b>1,787,415</b>
<b>Comprehensive income for the year</b>			
Deficit for the year	-	(179,519)	(179,519)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(179,519)</b>	<b>(179,519)</b>
<b>At 1 August 2019</b>	<b>301,835</b>	<b>1,306,061</b>	<b>1,607,896</b>
<b>Comprehensive income for the year</b>			
Deficit for the year	-	(60,750)	(60,750)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(60,750)</b>	<b>(60,750)</b>
<b>At 31 July 2020</b>	<b>301,835</b>	<b>1,245,311</b>	<b>1,547,146</b>

The notes on pages 28 to 48 form part of these financial statements.

**SABHAL MÒR OSTAIG**

(A Company Limited by Guarantee)

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JULY 2020**

	2020 £	2019 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(66,466)	(178,443)
<b>Adjustments for:</b>		
Depreciation of tangible assets	501,514	501,536
Deferred capital grants released	(433,628)	(433,509)
Interest paid	32,404	35,446
Decrease/(increase) in stocks	5,032	(1,026)
(Increase) in debtors	(21,804)	(15,576)
(Decrease) in creditors	(85,220)	(456,241)
<b>Net cash generated from operating activities</b>	(68,179)	(547,813)
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(39,167)	(36,011)
<b>Net cash from investing activities</b>	(39,167)	(36,011)
<b>Cash flows from financing activities</b>		
Repayment of loans	(38,819)	(49,365)
Interest paid	(32,404)	(35,446)
<b>Net cash used in financing activities</b>	(71,223)	(84,811)
<b>Net (decrease) in cash and cash equivalents</b>	(178,561)	(668,634)
Cash and cash equivalents at beginning of year	680,280	1,348,914
<b>Cash and cash equivalents at the end of year</b>	501,719	680,280
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	501,719	680,280
	501,719	680,280

**SABHAL MÒR OSTAIG****(A Company Limited by Guarantee)****CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 JULY 2020**

	<b>At 1 August 2019 £</b>	<b>Cash flows £</b>	<b>At 31 July 2020 £</b>
Cash at bank and in hand	<b>680,280</b>	<b>(178,561)</b>	<b>501,719</b>
Debt due after 1 year	<b>(537,707)</b>	<b>32,292</b>	<b>(505,415)</b>
Debt due within 1 year	<b>(52,164)</b>	<b>6,526</b>	<b>(45,638)</b>
	<b><u>90,409</u></b>	<b><u>(139,743)</u></b>	<b><u>(49,334)</u></b>

The notes on pages 28 to 48 form part of these financial statements.

# SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

### 1. General information

Sabhal Mòr Ostaig is a private charitable company limited by guarantee registered in Scotland. It's registered office address is Colaiste Gaidhlig Na H-Alba An Teanga, Sleite, An T-Eilean Sgitheanach, IV44 8RQ

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

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.

The financial statements are presented in GBP and rounded to the nearest £1.

The following principle accounting policies have been applied:

#### 2.2 Basis of consolidation

The consolidated financial statements present the results of the College and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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.

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020**

#### **2.3 Going concern**

In preparing these financial statements, the Board of Directors have given careful consideration to current and anticipated future solvency requirements of the College and its ability to continue as a going concern for the foreseeable future. The directors have prepared the financial statements on a going concern basis, notwithstanding the COVID-19 virus. The directors have prepared cash flow forecasts for a period beyond 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downturns (i.e. removing commercial income), the College will have sufficient funds, through its operating cash flows, cash reserves and bank overdraft to meet its liabilities as they fall due for that period.

#### **2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

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.

#### **2.5 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **2.6 Borrowing costs**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

### 2.7 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.

#### 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.

### 2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.9 Pensions

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.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020**

#### **2.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### **2.11 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### **2.12 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

#### **2.13 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### **2.14 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration

expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

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

In preparing these financial statements management are required to make judgments and estimates. Management have concluded there are no significant judgment's or key estimations.

#### **2.16 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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**3. SFC grants**

	2020 £	2019 £
Recurrent grants	862,037	658,129
non recurrent revenue grants	59,754	26,706
	<u>921,791</u>	<u>684,835</u>

**4. Tuition fees and education contracts**

	2020 £	2019 £
Student fees - Higher Education	213,444	211,928
Student fees - Further Education	201,251	358,867
	<u>414,695</u>	<u>570,795</u>

**5. Other grant income**

	2020 £	2019 £
Scottish Government	1,180,000	1,180,000
Share of SFC HE Grants through UHI	530,976	593,681
Share of SFC Research Excellence Grant	87,431	92,729
Creative Scotland	-	2,500
Bòrd na Gàidhlig (GLAIF)	62,154	31,860
Scholarship Support	10,924	4,367
Job retention scheme grant	113,528	-
Skills Development Scotland	43,686	48,948
Other grants	174,646	3,500
	<u>2,203,345</u>	<u>1,957,585</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2020**

**6. Other income**

	<b>2020</b>	2019
	£	£
Estates, residencies and catering	<b>391,470</b>	789,840
Shop sales	<b>15,644</b>	29,792
Management services	<b>40,212</b>	25,140
Project income	<b>865,255</b>	951,230
Other income	<b>106,398</b>	17,275
	<b><u>1,418,979</u></b>	<u>1,813,277</u>

**7. Release of deferred capital grants**

	<b>2020</b>	2019
	£	£
Release of deferred capital grants	<b>433,628</b>	433,509
	<b><u>433,628</u></b>	<u>433,509</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2020**

**8. Staff costs and numbers**

	2020 £	2019 £
<b>Staff costs were as follows:</b>		
Salaries and wages	<b>2,950,520</b>	2,872,464
Subcontractor and tutor costs	<b>34,593</b>	73,399
Social security costs	<b>271,121</b>	260,666
Other pension and death in service costs	<b>218,531</b>	194,809
	<b>3,474,765</b>	3,401,338
<b>Analysed:</b>		
Teaching	<b>1,559,747</b>	1,476,812
Research	<b>82,319</b>	100,444
Administration and other (incl.projects)	<b>1,180,944</b>	1,186,706
Premises	<b>431,986</b>	405,826
Catering	<b>219,769</b>	231,550
<b>Staff numbers</b>	<b>3,474,765</b>	3,401,338
 Average staff number	 <b>112</b>	 119
	<b>112</b>	119

**SABHAL MÒR OSTAIG**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2020**

**9. 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:

	<b>2020</b>	2019
	<b>£</b>	<b>£</b>
Salaries	<b>376,569</b>	362,610
Social security costs	<b>42,667</b>	40,732
Pension contributions	<b>25,050</b>	21,778
	<b><u>444,286</u></b>	<u>425,120</u>

**10. 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:

	<b>2020</b>	<b>2020</b>	2019	2019
	<b>Senior</b>	<b>Other staff</b>	Senior	Other staff
	<b>Post-holders</b>	<b>Post-holders</b>	Post-holders	Post-holders
	<b>Number</b>	<b>Number</b>	Number	Number
£70,001 - £80,000	<u><b>1</b></u>	<u><b>-</b></u>	<u><b>1</b></u>	<u><b>-</b></u>
			<b>2020</b>	2019
			<b>£</b>	<b>£</b>
<b>Senior post-holders emoluments</b>				
Principal - salary - gross			76,405	73,403
Employers pension contributions			<u>5,349</u>	<u>5,138</u>
Total			<u><u>81,754</u></u>	<u><u>78,541</u></u>

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

**SABHAL MÒR OSTAIG****(A Company Limited by Guarantee)****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2020****11. Analysis of other operating expenses**

	2020 £	2019 £
Education costs	151,509	167,311
Premises costs	495,151	465,915
Supplies and services	54,150	66,911
Catering supplies	76,446	165,698
Shop purchases	11,883	16,195
Vehicle, travel and subsistence	56,773	98,875
Project costs	245,051	393,445
University of the Highlands and Islands expenses	21,635	16,188
Other administrative expenses	340,584	318,149
Irrecoverable Value Added Tax	(2,960)	(8,563)
	<u>1,450,222</u>	<u>1,700,124</u>

**Other operating expenses include:**

External auditors remuneration - audit fees	13,030	13,030
External auditors remuneration - non audit services	7,538	3,912
Internal audit fees	14,760	6,682
Operating lease payments	<u>30,418</u>	<u>27,608</u>

**12. Interest payable and similar expenses**

	2020 £	2019 £
Other loan interest payable	32,404	35,446
	<u>32,404</u>	<u>35,446</u>

**SABHAL MÒR OSTAIG**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2020**

**13. Tangible fixed assets**

**Group**

	Freehold property £	Land £	Plant and machinery £	Heritage Assets £	Total £
<b>Cost or valuation</b>					
At 1 August 2019	23,099,999	468,180	1,462,734	352,525	25,383,438
Additions	-	-	39,167	-	39,167
At 31 July 2020	<u>23,099,999</u>	<u>468,180</u>	<u>1,501,901</u>	<u>352,525</u>	<u>25,422,605</u>
<b>Depreciation</b>					
At 1 August 2019	6,158,988	-	1,329,001	-	7,487,989
Charge for the year on owned assets	464,501	-	37,013	-	501,514
At 31 July 2020	<u>6,623,489</u>	<u>-</u>	<u>1,366,014</u>	<u>-</u>	<u>7,989,503</u>
<b>Net book value</b>					
At 31 July 2020	<u>16,476,510</u>	<u>468,180</u>	<u>135,887</u>	<u>352,525</u>	<u>17,433,102</u>
At 31 July 2019	<u>16,941,011</u>	<u>468,180</u>	<u>133,733</u>	<u>352,525</u>	<u>17,895,449</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Freehold	16,476,510	16,941,012
Land	468,180	468,180
	<u>16,944,690</u>	<u>17,409,192</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tangible fixed assets (continued)**

**Company**

	Freehold property £	Land £	Plant and machinery £	Heritage assets £	Total £
<b>Cost or valuation</b>					
At 1 August 2019	18,971,970	458,860	1,462,734	352,525	21,246,089
Additions	-	-	39,167	-	39,167
At 31 July 2020	<u>18,971,970</u>	<u>458,860</u>	<u>1,501,901</u>	<u>352,525</u>	<u>21,285,256</u>
<b>Depreciation</b>					
At 1 August 2019	4,303,647	-	1,329,001	-	5,632,648
Charge for the year on owned assets	381,941	-	37,013	-	418,954
At 31 July 2020	<u>4,685,588</u>	<u>-</u>	<u>1,366,014</u>	<u>-</u>	<u>6,051,602</u>
<b>Net book value</b>					
At 31 July 2020	<u>14,286,382</u>	<u>458,860</u>	<u>135,887</u>	<u>352,525</u>	<u>15,233,654</u>
At 31 July 2019	<u>14,668,323</u>	<u>458,860</u>	<u>133,733</u>	<u>352,525</u>	<u>15,613,441</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Freehold	14,286,382	14,668,324
Land	458,860	458,860
	<u>14,745,242</u>	<u>15,127,184</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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Land and buildings with a net book value of £13,139,055 (Group - £15,338,504) 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. Fixed asset investments**

**Group**

	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 August 2019	1
At 31 July 2020	<u>1</u>

**Company**

	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 August 2019	3
At 31 July 2020	<u>3</u>

## SABHAL MÒR OSTAIG

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

#### Direct subsidiary undertakings

The following were direct subsidiary undertakings of the College:

Name	Registered office	Class of shares	Holding
Sabhal Mòr Ostaig (Developments) Limited	An Teanga, Sleite, An T-Eilean Sgitheanach, Alba, IV44 8RQ	Ordinary	100 %
Bail' Ùr Ostaig	Teangue, Sleat, Isle Of Skye, IV44 8RQ	n/a	100 %
Cànan Alba Limited	Sabhal Mor Ostaig, Teangue, Sleat, Isle Of Skye, IV44 8RQ	n/a	100 %
Canan Limited	Sabhal Mor Ostaig, Teangue, Sleat, Isle Of Skye, IV44 8RQ	Preference	100 %

Both Bail' Ùr Ostaig and Cànan Alba Limited are companies limited by guarantee without share capital.

The aggregate of the share capital and reserves as at 31 July 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Sabhal Mòr Ostaig (Developments) Limited	1,828	(4,471)
Bail' Ùr Ostaig	111	(90)
Cànan Alba Limited	1	-
Canan Limited	(1,596)	(31,385)

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2020**

**Indirect subsidiary undertakings**

The following was an indirect subsidiary undertaking of the College:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Cànan Limited	Sabhal Mor Ostaig, Teangue, Sleat, Isle Of Skye, IV44 8RQ	Ordinary	100 %

Sabhal Mòr Ostaig own 100% of the preference share capital in Cànan Limited and 100% of the ordinary share capital by virtue of it's ownership of Cànan Alba Limited.

The aggregate of the share capital and reserves as at 31 July 2020 and the profit or loss for the year on that date for the subsidiary undertaking were as follows:

<b>Name</b>	<b>Aggregate of share capital and reserves</b>	<b>Profit/(Loss)</b>
Cànan Limited	<b>(1,596)</b>	<b>(31,385)</b>

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.

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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2020**

**15. Stocks**

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Finished goods and goods for resale	<b>24,435</b>	29,468	<b>24,435</b>	29,469
	<b><u>24,435</u></b>	<u>29,468</u>	<b><u>24,435</u></b>	<u>29,469</u>

**16. Debtors**

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Trade debtors	<b>105,486</b>	127,363	<b>105,486</b>	127,363
Other debtors	<b>117,698</b>	48,398	<b>117,613</b>	48,396
Prepayments and accrued income	<b>45,788</b>	71,406	<b>45,788</b>	71,406
	<b><u>268,972</u></b>	<u>247,167</u>	<b><u>268,887</u></b>	<u>247,165</u>

**17. Cash and cash equivalents**

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Cash at bank and in hand	<b>501,719</b>	680,280	<b>495,939</b>	672,624
	<b><u>501,719</u></b>	<u>680,280</u>	<b><u>495,939</u></b>	<u>672,624</u>

**SABHAL MÒR OSTAIG**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2020**

**18. Creditors: Amounts falling due within one year**

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Bank loans	<b>45,638</b>	52,164	<b>45,638</b>	52,164
Payments received on account	<b>321,283</b>	384,345	<b>321,283</b>	384,345
Trade creditors	<b>99,028</b>	240,215	<b>99,028</b>	240,215
Other taxation and social security	<b>82,209</b>	97,021	<b>82,208</b>	97,021
Other creditors	<b>154,235</b>	196,879	<b>71,676</b>	114,318
Accruals and deferred income	<b>583,462</b>	337,156	<b>579,537</b>	337,156
	<b><u>1,285,855</u></b>	<u>1,307,780</u>	<b><u>1,199,370</u></b>	<u>1,225,219</u>

**19. Creditors: Amounts falling due after more than one year**

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Bank loans	<b>505,415</b>	537,707	<b>505,415</b>	537,707
Accruals and deferred income	<b>14,887,877</b>	15,391,330	<b>12,770,988</b>	13,191,881
	<b><u>15,393,292</u></b>	<u>15,929,037</u>	<b><u>13,276,403</u></b>	<u>13,729,588</u>

Included within accruals and deferred income is £15,321,144 of deferred capital grants

The following liabilities were secured:

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Bank loans	<b>505,415</b>	537,707	<b>505,415</b>	537,707
	<b><u>505,415</u></b>	<u>537,707</u>	<b><u>505,415</u></b>	<u>537,707</u>

Details of security provided:

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**

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2020**

**20. Loans**

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
<b>Amounts falling due within one year</b>				
Bank loans	<b>45,638</b>	52,164	<b>45,638</b>	52,164
	<b>45,638</b>	52,164	<b>45,638</b>	52,164
<b>Amounts falling due 1-2 years</b>				
Bank loans	<b>52,977</b>	55,239	<b>52,977</b>	55,239
	<b>52,977</b>	55,239	<b>52,977</b>	55,239
<b>Amounts falling due 2-5 years</b>				
Bank loans	<b>192,129</b>	185,967	<b>192,129</b>	185,967
	<b>192,129</b>	185,967	<b>192,129</b>	185,967
<b>Amounts falling due after more than 5 years</b>				
Bank loans	<b>260,309</b>	296,501	<b>260,309</b>	296,501
	<b>260,309</b>	296,501	<b>260,309</b>	296,501
	<b>551,053</b>	589,871	<b>551,053</b>	589,871

Amounts repayable more than five years after the balance sheet date are repaid in instalments and attract an interest rate of 5.75%.

**21. Reserves**

**Revaluation reserve**

Includes the aggregate surplus or deficit arising from changes in fair value in relation to heritage assets.

**Other reserves**

Unrestricted revenue reserves include all current and prior period retained surplus' and deficits.

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

#### 22. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

#### 23. 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. The Board anticipate that Sabhal Mòr Ostaig will be released from this obligation in the near future, however at the date of signing this matter had not fully concluded.

#### 24. Pension commitments

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 £218,531 (2019 - £194,809) 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 £24,365 (2019 - £22,768) to the pension providers.

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

#### 25. Commitments under operating leases as lessee

At 31 July 2020 the Group and the College had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Not later than 1 year	<b>28,358</b>	27,608	<b>28,358</b>	27,608
Later than 1 year and not later than 5 years	<b>47,088</b>	72,418	<b>47,088</b>	72,418
	<b><u>75,446</u></b>	<u>100,026</u>	<b><u>75,446</u></b>	<u>100,026</u>

#### 26. Commitments under operating leases as a lessor

At 31 July 2020 the Group and the College had future minimum revenue due under non-cancellable operating leases as follows:

	<b>Group 2020 £</b>	<i>Group 2019 £</i>	<b>Company 2020 £</b>	<i>Company 2019 £</i>
Not later than 1 year	<b>20,317</b>	17,817	<b>20,317</b>	17,817
Later than 1 year and not later than 5 years	<b>3,416</b>	2,573	<b>3,416</b>	2,573
	<b><u>23,733</u></b>	<u>20,389</u>	<b><u>23,733</u></b>	<u>20,389</u>

# SABHAL MÒR OSTAIG

A Company Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

### 27. Related party transactions

The College entered into the following transactions with related parties during the year.

Board Members	Relationship	College in	College Out	Dr or (Cr) Balance
		£	£	at 31 July 2020
AG MacLeod	Partner in legal services	-	11,622	(600)
A Macinnes	Director of subsidiary Cànan Ltd	17,816	14,707	3,315
J Morrison	Director of subsidiary Cànan Ltd	17,816	14,707	3,315
	Director of Morrison Media Ltd	-	5,843	-
G Munro	Director of Fas Mor	-	180	-
	Director of ICCI	7,028	-	6,425
	<b>Senior Staff</b>	-	-	-
	Director of Sleat Community Trading Ltd	2,807	1,154	625
DA MacLennan				
N Thomson	Director of Fas Mor	-	180	-
D Munro	Director of ICCI	7,028	-	6,425
	Chairman of Tobar an Dualchais	161,179	4,944	-
K Kennedy	Secretary of ICCI	7,028	-	6,425

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

The donation received from Sabhal Mòr Ostaig (Developments) Limited was £1,155 (2019 - £Nil)

### 28. Post balance sheet events

There have been no events after the year end that would materially affect the amounts presented in the financial statements. The impact of Covid-19 has been outlined in the directors report.