

Company Registration Number

SC361752

SABHAL MÒR OSTAIG  
FINANCIAL STATEMENTS  
31 JULY 2021

(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 Professor Bryan Duncan MacGregor Angus Donald John Macquien Macinnes Angus Lamont MacLeod Angus George MacLeod John Morrison Dr. Gillian Munro Roddy Neithercut Mary Ellen Stewart
<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

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## GROUP REPORT FOR THE YEAR ENDED 31 JULY 2021

### 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.

2020-21 has continued to be another challenging year in the face of the Covid-19 pandemic but this has not stifled SMO's primary aim to explore its revised status as a Small Specialist Institution and Higher Education Institution, which it considers vital in terms of its leadership in Gaelic, internationally. Meaningful dialogue has been most welcome with the Scottish Funding Council, the Scottish Government and UHI, during the year.

The College was able to open for Semester 1 during the months of September and December, prior to the second lockdown, with significant restrictions. Given the size and layout of campus, we were very grateful to have been able to welcome all residential students back to the campus. Our formalised Covid Group managed the return to campus and has been instrumental in ensuring that protocols have been followed, aligning stringently with the guidance for Colleges from the Scottish Government, to ensure the health and safety of staff, students, campus tenants and the wider community, ever mindful of the rural and fragile part of the world we live in. All staff and students are to be praised in their handling of the situation. The College was back to online teaching and learning during Semester 2, as per the guidance from Government, and students were able to complete their studies and exams, thanks to the flexibility and innovation of teaching and administrative teams.

We held an online graduation on the usual graduation ceremony date, 2 October, to celebrate the success of our 59 graduates. The informal social event, which was attended by graduates, staff and SMO board members, was a fitting celebration and involved musical contributions from ongoing SMO BA Gaelic & Traditional Music students.

Short Courses were, very successfully, offered online only during the latter end of the summer 2020 and in a hybrid format during summer 2021, with limited weekly numbers able to attend in person. Uptake of both formats was positive and those who were able to attend the College were very grateful for the opportunity, not least the holistic linguistic benefits of being in an immersive environment.

Despite the challenges during the year, HE and FE performance was high, with healthy student numbers both onsite and online.

Key appointments included the revised post of Marketing and Communications Manager and a new Head of Student Support post, to support the team in light of increased student support requirements. Key changes in personnel included a new Director of Finance, a new Hospitality Manager, a new Short Courses Manager and the departure of the Corporate Affairs Director (currently being revised to include a number of smaller posts). Recruitment has been difficult due to Covid challenges but those who have joined the team have made a positive impact and communications, including induction, onboarding and training, have just been delivered in a different format.

An additional challenge this year was the major cyber-attack on the UHI systems, which left all academic partners without access to files and websites. This created an urgent response to re-create data and storage and the retrieval of files gradually from UHI central office. The result has been refined and improved data management, however, and given a much-improved understanding of the vulnerability of such files. We are indebted to our own professional ICT team at the College for dealing with the additional work that was required to ensure teaching and learning, and the daily life of the College, was able to continue in as normal a fashion as possible.

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**GROUP REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2021**

Collaboration on the national Speak Gaelic project, due for launch in October 2021, has been another key development during 2020. SMO's role has been integral to the development of the course materials, as well as creating a mapping to the Common European Framework of Reference for Languages [CEFRL] and plans for 2021 include the development of tutor training materials. This flagship project has enabled a partnership of SMO, MG Alba and Bòrd na Gàidhlig to provide leadership and high-profile awareness-raising of Gaelic and Gaelic learning opportunities across the country and beyond.

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 and SMO's many other partners for their ongoing vital support to protect and strengthen the Gaelic language and culture.

Jo MacDonald (Director and Acting Co-chair 2020-21)

Date:

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### 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 Company, Sabhal Mòr Ostaig (Developments) Limited. The Consolidated Statement of Comprehensive Income covers the results for the year from 1 August 2020.

##### 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 2021

#### 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 2021

##### *Progress against Outcome Agreement targets for 2020-21*

In AY 2020/21 the College agreed to deliver the following priority outputs in its Outcome Agreement [further detail is provided in the relevant sections]:

- maintain the number of learners undertaking SMO FE programmes at 855 credits in AY 2020/21 (actual budgeted 799 credits); **ACHIEVED with 910 credits**
- drive forward the delivery of relevant NGLP outcome areas related to Education, Communities and Workplace through activity with schools, adult learners, UHI partners, other public sector organisations regionally and nationally to increase coherence in learning provision; **ACHIEVED – a number of national, regional and local projects were undertaken, developing materials, resources and increasing provision for Gaelic learners.**
- increase engagement with schools at local, regional and national level through the further development of information, advice and guidance services, clarifying the learner journey, and leading to increased student recruitment and awareness of tertiary Gaelic education and employment opportunities; **ACHIEVED – whilst face-to-face engagement in schools was hampered by Covid-19 restrictions, a comprehensive recruitment drive using social media and live Q&A sessions was implemented and delivered via a collaboration between our Marketing and Teaching teams. This was considered one of the key factors for the improved numbers of 2020-21.**
- maintain the number of Gaelic-language FE short courses provided by the College to provide more opportunities to gain fluency and increased access to learning; **ACHIEVED – The number of Short Courses actually increased during 2020-21 although the format and delivery method was changed to online due to the pandemic's restrictions.**

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

- ensure the continued sustainability of the College by sustaining commercial income and increasing non-Gaelic speakers' exposure to Gaelic language and culture. **ACHIEVED** – *Despite the obvious challenges created due to Covid-19, the College has been able to manage its finances well and to continue with key projects which allow for increased engagement with non-Gaelic speakers. Examples include student numbers, the development of the Speak Gaelic flagship project and the continuation of the successful online Research Seminars which have provided an international reach to audiences not previously able to engage with the College due to geographical restrictions.*
- participate in submission to REF2021, as principal contributor to a UHI submission to Unit of Assessment 26. **ACHIEVED** – *10 submissions were made from the team at Sabhal Mòr Ostaig, in a wide range of subjects.*

#### *Estate developments – key projects undertaken using SFC Capital Maintenance Grant*

The continued restrictions to the college's normal operations from Covid-19 hindered its ongoing estate development plans in the year. This was most notable in contractors having staff on furlough and being unable to visit the college to discuss projects and undertake site surveys for quotes. The process of public procurement of such contracts through our advisers at Advanced Procurement for Universities and Colleges (APUC) was similarly delayed. As a result, the college has received approval to carry-over a proportion of its planned estates activity and associated capital maintenance spending into the next financial year 2021-22. Some of the key estates projects undertaken in the year included:

- To provide for exceptional Covid-19 costs in making the campus safe and compliant for the return of students and staff - signage, screens, sanitiser units & materials;
- To prepare the technical contractors' pack and progress the public tender for the necessary remedial repairs to the college's Fàs building as identified by detailed professional investigations;
- To formalise with Scottish Water the adoption of the college's water treatment plant at Kilbeg in facilitating further capital development of the site.

#### *Update on Kilbeg village housing development*

Kilbeg Village, the first 'new planned village' in Skye in over 100 years, is an ambitious development which aims to create a vibrant, economically active and sustainable rural community which, in line with Sabhal Mòr Ostaig's core aims and mission, will have Gaelic language and culture at its heart.

Through our innovative partnership with Highland Council, the Communities Housing Trust and private sector contractor, James MacQueen's Ltd, the next phase of the development will see the delivery of a further 29 units of affordable housing offering a mix of ownership and tenancy models and, most importantly, will help address the chronic shortage of affordable housing in the area. It is hoped that work will begin on site early in 2022.

#### *National Gaelic Library*

Sir Iain Noble, the original founder of the College, described creating a Gaelic Library in the West of Scotland as 'the original inspiration' for Sabhal Mòr Ostaig.

Built in 1998, the existing Library has ably fulfilled its promise over its lifespan, serving the student body, academic staff and other users well; and enabling the building up of its international-standard holdings of rare and irreplaceable collections accumulated over half a century through purchase and generous donation.



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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

SMO is committed to developing this important new facility as 'national asset', with the aim of creating the first National Gaelic Library for Scotland. Much of the early work in this regard has centred around developing key strategic partnerships with other libraries and, in particular, a strengthening of the strategic partnership between SMO Library and the National Library of Scotland (NLS)

#### **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 110 students 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 was 219 or 124.2 FTEs (116.3 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 2020/21 FE credit target of 799 per SMO's Outcome Agreement was exceeded with 910 credits achieved (2019/20: 855), 100% of which were achieved through our FE Gaelic Access Course / An Cùrsa Inntigidh (2019/20: 82%) as there were no onsite Short Courses. Foundation Apprenticeships have continued in Digital Media and Children and Young People.

In 2020/21, An Cùrsa Inntigidh had 224 students registered, which is the highest number of students since the course's inception.

We have 5 students studying part-time on the Master in Material Culture and the Environment. Two SMO PhD students successfully completed their theses and graduated in 2021.

Successful applications for postgraduate research scholarships have enabled us to offer two fees-based scholarships for the new Masters of Research (M.Res.) 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.

#### **Curriculum development**

The much anticipated *PDA Gaelic Translation* was validated during academic year 2020-21 and will be ready for delivery from September 2021. This course will enable translators who complete the course to access a professional accreditation for their practice and is expected to have at least 5 students in its first cohort.

Work has continued on the development of an M. Ed and increased opportunities with the PGDE, to include subjects being taught through the medium of Gaelic at high-school level.

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### **Research activities**

The REF 2021 submission was completed in March 2021. It submitted published work from ten different members of staff, dealing with a wide range of subject areas ranging from sociolinguistics and linguistics, to literature, to Gaelic historical and cultural studies and musicology, an Environment Statement drawing on a wide range of our research and knowledge exchange activity, and two case studies. One, 'Addressing Gaelic linguistic fragility in the Gaelic-speaking communities of Scotland and Ireland' explored the impact of our sociolinguistic work on public and political attitudes regarding the importance of supporting traditional speech communities, and on identifying and influencing the strategies and interventions necessary to support them. The other, 'Moving beyond token words: establishing new approaches to Gaelic in Scotland's National Museum' drew on the collaborative work undertaken by SMO colleagues and the National Museums of Scotland on the 2019 exhibition 'Wild and Majestic / Fiadhaich Glòrmhor', exploring the Gaelic background and contribution to the development of Romanticism in Scotland in the eighteenth century and beyond, and on its impact in changing museum policy on the use of Gaelic language and perspectives in interpretation and exhibition design.

The SMO seminar series continued to be held on a digital platform and to draw in a wide national and international audience (attendance ranging between 70 and 110 per seminar, including academic colleagues and community participants from Europe and North America as well as Scotland and the UK), delivering 14 sessions over the autumn and spring semesters; the final session offered our postgraduate community the opportunity to present their work in a very well-received 'mini-conference'.

SMO staff have completed a number of important publications over the lockdown period, among them Meg Bateman and John Purser's magnum opus 'Window to the West'; musicological papers by both John Purser and Hugh Cheape in the new *Musica Scotica* volume; Hugh Cheape's study of the 'Old Ways' in Gaelic Scotland in his contribution to the Hunterian Museum's exhibition and volume on travel in eighteenth-century Scotland, 'Old Ways New Roads', and Domhnall Uilleam Stiùbhart's study of the Invention of Highland Second Sight in a new volume on 'The Supernatural in Early Modern Scotland'.

#### *Gaelic Officers Network*

The College was successful in its Bòrd na Gàidhlig joint bid with the University of Aberdeen and Comunn na Gàidhlig, to create a Gaelic Development Officers network. This project has been instrumental in providing an opportunity for key partners to better understand, reflect and build on the work of these key staff across Gaelic Development, many of whom are working in fairly isolated roles and locations.

#### *GLAIF*

The College has continued with several GLAIF projects, some of which were carried over from 19-20, due to Covid-19. They have included the recurring Seachdain nan Deugairean (Teenagers' Week), A' Togail Choimhearsnachdan Gàidhlig (Building Gaelic Communities) and Tachartasan Gàidhlig (Gaelic Activities). These projects enhance the college's outreach and partnership with communities where Gaelic is spoken and connects to one of the main strategic aims of the Sabhal Mòr Ostaig Development Strategy.

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### **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 / Dictionary of the Scottish Gaelic Language*

Excellent progress was made in 2020-21 on Faclair na Gàidhlig. Two further trainee lexicographers were recruited, and the core team is now complete. Expertise within the group covers all periods of the language from the earliest evidence to the present day and training in the skills of historical lexicography is progressing well. The manuscript section of the dictionary corpus now stands at over 200,000 words of continuous text from a wide range of manuscripts. Transcription of oral material is also ongoing following a further funding award from Bòrd na Gàidhlig to support Phase Three of the transcription project, Beairteas a Bharrachd, in partnership with Tobar an Dualchais. Systems Development has exceeded expectations and has enabled the development of the excerpting tool; an end-to-end excerpting and dictionary writing system which will break new ground in historical lexicography.

#### *Tobar an Dualchais / Kist o Riches (TaD / KoR)*

Tobar an Dualchais - Kist o Riches (TAD-KOR) is Scotland's online resource dedicated to the presentation and promotion of audio recordings of Scotland's cultural heritage. Its principal content, including songs, music, history, poetry, traditions and stories from the 1930s onwards, is made up of material from three main archives: The School of Scottish Studies, The Canna Collection and BBC Radio nan Gàidheal and currently includes over 43,000 individual recordings in Gaelic, Scots and English.

Although hampered by Covid 19, TAD/KOR has continued to meet its aims and taken advantage of new opportunities online on offer due the pandemic. Overall, however, the focus of the team this year has been the development of a new website and the migration of data to a new sustainable archival platform. This development will ensure the sustainability of the TAD data for many years to come.

A new front-end website was designed by Cànan Graphics Studio and the development work completed by Primate Digital. The new look website offers users a far more engaging experience.

Despite the programme's importance to the cultural life of Scotland and its significance as a major national cultural heritage asset and as a critically important resource for education and research, core-funding remains a major concern and talks are currently underway with senior Scottish Government Ministers and Officials with a view to placing the programme on a more sustainable and secure footing, through introducing multi annual core-funding in support of its critical work.

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### *Soillse*

Soillse is based at Sabhal Mòr Ostaig and is delivered through a partnership with the Universities of Aberdeen, Edinburgh, Glasgow, Glasgow Caledonian, Heriot Watt, Strathclyde and the Highlands and Islands.

Soillse has a research remit to support the maintenance and revitalisation of Gaelic language and culture. Its 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:

- Continued policy development and dissemination work in relation to *The Gaelic Crisis* report which gives the results of the Islands Gaelic Research Project and which, in making a prognosis for Gaelic in traditional Gaelic-speaking communities, develops recommendations to support those communities.
- Continued support for and participation in other projects, including Automatic Speech Recognition (led by Edinburgh), Leacan corpus development (led by Glasgow), Stòras Beò nan Gàidheal (SMO/LSI) community recordings, Mediating Multilingualism (LSI-led with University partners in India and Jamaica), COOL (SMO with European partners) developments in Computer Assisted Language Learning through the Clilstore platform.

#### *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.

Our researcher spent the first half of 2020 transcribing the remainder of the place-names material in the Diack notebooks from the historic collection at the Sir Duncan Rice Library in Aberdeen which was photographed during an earlier field trip. The material will be extremely useful to AAA's primary research. A publication of Diack's place-name material is also planned, but this is a few years off.

Our 2019/20 transcription project funded by Bòrd na Gàidhlig on the Arran place-names found in the School of Scottish Studies was extended into 2020/21 to allow our freelance transcriber, Lenore Stahl, to add more IPA to the transcriptions. This work was completed in October.

The AAA website received extensive updates in the resources section. Thanks to additional funding from Bòrd na Gàidhlig we created a new Searchable Map in our database. The new map allows users to search the database in a completely new way, giving them the option for example to view entries in a specific area without knowing which names are in the database. An option particularly useful to students, local fieldworkers and researchers in general. It will also be a useful tool for teachers looking to give pupils examples of Gaelic place-names in the county or council area of the school for example. Our other resources have also been extensively updated with a new section for Maps created in partnership with Bòrd na Gàidhlig and NatureScot, and a new section on Gaelic Onomastic Abbreviations researched and compiled by Dr. Alasdair C. Whyte. Our Links page has also been completely restructured with researchers in mind and extensively added to.

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### Arts Development

Sabhal Mor Ostaig continues to develop and support opportunities for Gaelic artists to come to work within a supported and immersed Gaelic language community. Over the years, Sabhal Mòr Residency Artists have gone on to be hugely influential in the development of the Gaelic Arts and in inspiring successive cohorts of young and aspiring Gaelic Artists. Sabhal Mòr has delivered many of its programmes through developing strategic partnerships with a wide range of arts providers, at local, regional, national and international levels. Sabhal Mor Ostaig also runs a highly successful international visual arts residency in partnership with the New York based Jon Schueler Trust, attracting interest from internationally renowned visual arts practitioners, placing SMO very firmly on the international visual arts map.

#### 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:

- Creation of the new SMO Strategy 2023-28, focussing on securing SSI status and developing further SMO's role as the National Centre for Gaelic Language and Status
- Continued plans for the new Library facility
- Progression of the Academic Strategic priorities, including the merging of two degrees into a standard Gaelic degree with specialisms, the development of an M. Ed and successful completion of the first year of the PDA Gaelic Translation
- Digitisation of An Cùrsa Inntigidh, to improve the online learner experience on this 'Gold Standard' access
- Continued development and launch of Speak Gaelic project, working with MG Alba, and producing the next level of the Speak Gaelic curriculum.
- Participation in Scotland's national St Columba anniversary celebrations
- Preparation for the College's 50<sup>th</sup> anniversary in 2023.

#### Financial review for the year ended 31 July 2021

##### 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 2021 is set out on page 25 of this report.

2020-21, despite the continuing challenges of Covid affecting SMO's ability to operate its campus fully, has been a better year financially than the previous one for Sabhal Mòr Ostaig (SMO), with a resulting surplus of £101k after charging depreciation and crediting related deferred capital grant release (2019/20: £(110)k as restated). The surplus has had an improvement in cash balances which were £1,179k at year end (2019/20: £502k), which include sums paid in advance on various projects.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

Covid-19 has massively impacted the College's ability to raise its usual level of commercial income with the closure of the campus for the second semester from January to May 2021. Furthermore, usual levels of income from Short Courses on campus were not possible with the campus closed both in August 2020, and then only reduced numbers able to be on campus for June and July 2021. However, losses were fortunately offset to a degree by both Scottish Government additional grant support to the sector and the HMRC Coronavirus Job Retention Scheme. Furthermore, there were significant cost savings across all areas due to activities being online as well as vacant staff positions. The surplus position in part is due to the better than expected performance of HE above budget, and the strong performance of An Cùrsa Inntrigidh.

The Group's closing reserves saw an increase to £1,607K (2019/20: £1,506k).

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.

	2020/21 £	2019/20 £
Surplus / (Deficit) before other gains and losses	100,732	(109,735)
Depreciation (net of deferred capital grant release) on both Government funded and privately funded asset	65,855	67,885
<b>Adjusted operating (deficit)/surplus</b>	<b>166,587</b>	<b>(41,850)</b>

#### Cash Flows and Liquidity

During the year the Group had net cash inflow of £678k (2019/20 cash outflow of £179k), reflecting the surplus position.

#### Taxation Status

The company is a charitable company within the meaning of Paragraph 1, Schedule 6 Finance Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2012 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for charitable purposes only.

#### Key risks and uncertainties

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

Based on the strategic plan, the College undertakes periodic, comprehensive reviews of the risks to which the College is exposed. The risk policy and procedures were revised and updated during the year. The risk register is reviewed on a quarterly basis to identify and measure known risks by strategic area, and state what mitigating action will be taken to reduce any potential impact on the College. Progress against risk mitigation actions is then reviewed quarterly. In addition, the College will also consider any risks which may arise as a result of a new area of work being undertaken. The College has also addressed specific Covid-19 risks as part of the 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.

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### Key risks and uncertainties (continued)

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 2020/21, some 61% (2019/20 - 67%) 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.

#### 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:

- Continued management of Covid risks and compliance on campus by Buidheann Covid
- Regular review of Government and College sector advice and guidance
- Communication with staff, students and the wider community
- Regular communication with stakeholders

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021**

#### **Key risks and uncertainties (continued)**

##### **5. Brexit**

The College has only a very small proportion of its funding from EU sources (around £20k in 2020/21; £50k 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 are 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

##### **6. Remedial works required to the Fàs Building**

The Fàs Building has suffered damage from water ingress due to flaws in its construction, requiring substantial and costly remedial works. A legal case was settled with parties in 2019, although settlement to cover the costs of repairs was not possible as the construction company had gone out of business. Mitigations to meet the impact of the financial costs are:

- Detailed work with professional advisors
- Ongoing discussions with key stakeholders

#### **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 2021**

#### **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 2017.

#### **Payments of Suppliers**

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

#### **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, 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.

Approved by the Board and signed on their behalf by:

Jo MacDonald (Director)  
Date:

Dr Gillian Munro (Director)  
Date:

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2021

#### 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 2021, has complied with all the provisions of the Code and the Memorandum.

##### Governing body

Board Member	Occupation	Date of Appointment	Date of Retiral	Board	Corporate	Acad & Research	Finance Estates	Audit
Alexandra MacDonald Jones	Governance Manager, IIRC	18/03/2011		100%	100%			100%
John Morrison	Director Communications Company	08/03/2013		75%			100%	
*Angus G MacLeod (Chair)	Solicitor	28/11/2014		25%	33%			
Sine Ghilleasbuig	Gaelic Language Agency Officer	06/03/2015		100%		100%		
Angus MacInnes	Construction Director	08/09/2016		100%			80%	
Angus L MacLeod	Retired (Civil Engineer)	27/03/2017		100%			100%	
Iain Graham	SMO Staff Member	27/03/2017		100%				100%
**Kathleen Jo Macdonald	Retired (BBC Producer)	09/03/2018		75%				100%
Mary Andrew	Lecturer (Retired)	24/11/2017		100%		100%		
Gillian Munro	College Principal	14/09/2018		100%	100%			
Mary Ellen Stewart	Solicitor	23/11/2018		50%			100%	
Roddy Neithercut	Teacher	22/11/2019		75%				
Bryan MacGregor	Vice Principal	04/12/2020		100%		100%		

\*Our Chair, Angus G MacLeod, was off due to sickness for most of the year.

\*\*Kathleen Jo MacDonald stood down from Audit Committee in February 2021.

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

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2021**

#### **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 Audit Limited 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 2021 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)**

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2021**

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

**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, 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 and signed on its behalf by:

Jo MacDonald (Director)

Dr Gillian Munro (Director)

Date:

Date:

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 31 JULY 2021

#### 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 2021**

**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.

**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 and signed on its behalf.

Jo MacDonald (Director)

Dr Gillian Munro (Director)

Date:

Date:

## **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 2021, 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), the Statement of Recommended Practice - Accounting for further and higher education 2019 and the Accounts Direction for Scotland's Colleges 2020 - 2021.

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 2021 and of the Group's surplus 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**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **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 other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we 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 Group Report 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 Director's Responsibilities Statement set out on page 18, the directors 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 are 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 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 Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

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 Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and knowledge of the Group and charitable parent company to identify or recognise non-compliance with applicable laws and regulations.

We identified relevant laws and regulations from our general commercial and sector experience and through discussions with directors and other management to assess the policies and procedures in operation with regards to compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the Group and charitable parent company operates in and identified the key laws and regulations that:

- Have a direct effect on the determination of material amounts and disclosures in the financial statements. These included compliance with FRS 102, the Statement of Recommended Practice: Accounting for Further and Higher education 2019, the Scottish Funding Council Accounts Direction, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and relevant UK tax legislation.
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the groups continued ability to operate or to avoid a material penalty.

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

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

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation; and
- Enquiring of management and reviewing board minutes and other correspondence throughout the year to identify actual and potential litigation and claims.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- Using analytical procedures to identify any unusual or unexpected relationships,

We assessed the level of fraud risk and concluded that the areas most susceptible to fraud were revenue recognition and management override of internal controls.

To address the risk of fraud through incorrect revenue recognition, we:

- Performed substantive procedures across material revenue streams to ensure these amounts were recognised appropriately and
- Performed substantive tests of detail over revenue recognised at the year end.

To address the risk of fraud through management override of controls, we:

- Tested journal entries recorded on the Company's finance system to identify unusual transactions that may indicate override of controls.
- Reviewed key judgements and estimates for any evidence of management bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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.

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

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

**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 we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 we 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 2021**

	Note	2021 £	2020 Restated £
SFC grants	3	1,067,482	921,791
Tuition fees and education contracts	4	486,210	414,695
Other grant income	5	2,299,897	2,160,077
Other income	6	1,255,724	1,418,979
Release of deferred capital grants	7	456,738	433,628
<b>Total income</b>		<b>5,566,051</b>	<b>5,349,170</b>
<b>Expenditure</b>			
Staff costs	8	3,514,919	3,474,765
Other operating costs	11	1,398,732	1,450,222
Depreciation	13	522,593	501,513
Interest payable	12	29,075	32,404
<b>Total expenditure</b>		<b>5,465,319</b>	<b>5,458,905</b>
<b>Surplus/(Deficit) before tax</b>		<b>100,732</b>	<b>(109,735)</b>
Taxation		-	
<b>Total comprehensive income for the year</b>		<b>100,732</b>	<b>(109,735)</b>

The notes on pages 32 to 53 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 2021**

	Note	2021 £	2020 Restated £
<b>Fixed assets</b>			
Tangible assets	13	<b>16,911,785</b>	17,433,103
Investments	14	<b>1</b>	1
		<hr/> <b>16,911,786</b>	<hr/> 17,433,104
<b>Current assets</b>			
Stocks	15	<b>23,837</b>	24,435
Debtors: amounts falling due within one year	16	<b>317,625</b>	225,704
Cash at bank and in hand	17	<b>1,179,440</b>	501,719
		<hr/> <b>1,520,902</b>	<hr/> 751,858
Creditors: amounts falling due within one year	18	<b>(1,961,416)</b>	(1,285,855)
<b>Net current liabilities</b>		<hr/> <b>(440,514)</b>	<hr/> (533,997)
<b>Total assets less current liabilities</b>		<hr/> <b>16,471,272</b>	<hr/> 16,899,107
Creditors: amounts falling due after more than one year	19	<b>(14,864,725)</b>	(15,393,292)
<b>Net assets</b>		<hr/> <b><u>1,606,547</u></b>	<hr/> <u>1,505,815</u>
<b>Reserves</b>			
Revaluation reserve	21	<b>301,835</b>	301,835
Revenue Reserves - unrestricted	21	<b>1,304,712</b>	1,203,980
<b>Total reserves</b>		<hr/> <b><u>1,606,547</u></b>	<hr/> <u>1,505,815</u>

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

.....  
**Jo MacDonald**  
Director

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

The notes on pages 32 to 53 form part of these financial statements.

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

**COLLEGE BALANCE SHEET**  
**AS AT 31 JULY 2021**

	Note	2021 £	2020 Restated £
<b>Fixed assets</b>			
Tangible assets	13	<b>14,794,896</b>	15,233,655
Investments	14	<b>3</b>	3
		<hr/> <b>14,794,899</b>	<hr/> 15,233,658
<b>Current assets</b>			
Stocks	15	<b>23,837</b>	24,435
Debtors: amounts falling due within one year	16	<b>316,851</b>	225,619
Cash at bank and in hand	17	<b>1,177,254</b>	495,939
		<hr/> <b>1,517,942</b>	<hr/> 745,993
Creditors: amounts falling due within one year	18	<b>(1,874,156)</b>	(1,199,370)
<b>Net current liabilities</b>		<hr/> <b>(356,214)</b>	<hr/> (453,377)
<b>Total assets less current liabilities</b>		<hr/> <b>14,438,685</b>	<hr/> 14,780,281
Creditors: amounts falling due after more than one year	19	<b>(12,830,396)</b>	(13,276,403)
<b>Net assets</b>		<hr/> <b>1,608,289</b>	<hr/> 1,503,878
Revaluation reserve	21	<b>301,835</b>	301,835
Revenue Reserves - unrestricted b/f		<b>1,202,043</b>	1,306,061
Surplus/(Loss) for the year		<b>104,411</b>	(104,018)
Revenue Reserves – unrestricted c/f		<b>1,306,454</b>	1,202,043
<b>Total reserves</b>		<hr/> <b>1,608,289</b>	<hr/> 1,503,878

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

.....  
**Jo MacDonald**  
Director

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

The notes on pages 32 to 53 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2021**

	Revaluation reserve	Profit and loss account	Equity attributable to parent College	Total equity
	£	£	£	£
<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	-	(109,735)	(109,735)	(109,735)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(109,735)</b>	<b>(109,735)</b>	<b>(109,735)</b>
<b>At 31 July 2020 (as previously stated)</b>	<b>301,835</b>	<b>1,247,248</b>	<b>1,549,083</b>	<b>1,549,083</b>
Prior year adjustment		(43,268)	(43,268)	(43,268)
<b>At 31 July 2020 (as restated)</b>	<b>301,835</b>	<b>1,203,980</b>	<b>1,505,815</b>	<b>1,505,815</b>
<b>Comprehensive income for the year</b>				
Surplus for the year	-	100,732	100,732	100,732
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>100,732</b>	<b>100,732</b>	<b>100,732</b>
<b>At 31 July 2021</b>	<b>301,835</b>	<b>1,304,712</b>	<b>1,606,547</b>	<b>1,606,547</b>

The notes on pages 32 to 53 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 2021**

	Revaluation reserve	Profit and loss account	Total equity
	£	£	£
<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	-	(104,018)	(104,018)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(104,018)</b>	<b>(104,018)</b>
<b>At 31 July 2020 (as previously stated)</b>	<b>301,835</b>	<b>1,245,311</b>	<b>1,547,146</b>
Prior year adjustment		(43,268)	(43,268)
<b>At 31 July 2020 (as restated)</b>	<b>301,835</b>	<b>1,202,043</b>	<b>1,503,878</b>
<b>Comprehensive income for the year</b>			
Surplus for the year	-	104,411	104,411
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>104,411</b>	<b>104,411</b>
<b>At 31 July 2021</b>	<b>301,835</b>	<b>1,306,454</b>	<b>1,608,289</b>

The notes on pages 32 to 53 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 2021**

	2021 £	2020 Restated £
<b>Cash flows from operating activities</b>		
Surplus/(Loss) for the financial year	100,732	(109,736)
<b>Adjustments for:</b>		
Depreciation of tangible assets	522,593	501,513
Deferred capital grants released	(456,738)	(433,628)
Interest paid	29,075	32,404
Decrease/(increase) in stocks	598	5,032
(Increase) in debtors	(91,921)	(21,416)
Increase/ (decrease) in creditors	644,893	(85,220)
Loss on disposal of fixed assets	5,254	
<b>Net cash generated from operating activities</b>	754,486	(68,179)
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(6,530)	(39,167)
<b>Net cash from investing activities</b>	(6,530)	(39,167)
<b>Cash flows from financing activities</b>		
Repayment of loans	(41,160)	(38,819)
Interest paid	(29,075)	(32,404)
<b>Net cash used in financing activities</b>	(70,235)	(71,223)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	677,721	(178,561)
Cash and cash equivalents at beginning of year	501,719	680,280
<b>Cash and cash equivalents at the end of year</b>	1,179,440	501,719
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	1,179,440	501,719
	1,179,440	501,719

The notes on pages 32 to 53 form part of these financial statements.

**SABHAL MÒR OSTAIG****(A Company Limited by Guarantee)****CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 JULY 2021**

	<b>At 31 July 2020 £</b>	<b>Cash flows £</b>	<b>At 31 July 2021 £</b>
Cash at bank and in hand	<b>501,719</b>	<b>677,721</b>	1,179,440
Debt due after 1 year	<b>(505,415)</b>	<b>52,977</b>	(452,438)
Debt due within 1 year	<b>(45,638)</b>	<b>(11,815)</b>	(57,453)
	<b><u>(49,334)</u></b>	<b><u>718,883</u></b>	<b><u>669,549</u></b>

The notes on pages 32 to 53 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 2021

### 1. General information

Sabhal Mòr Ostaig is a private charitable company limited by guarantee registered in Scotland. Its 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 2019 (the 2019 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 2019 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 2021

#### 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 and net current liabilities of £440,514. 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 reasonable possible downturns, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2021**

**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%-4% per annum on a straight-line basis.

In the current year, the useful life of two freehold buildings were revised from 50 years to 25 years and are therefore depreciated at a rate of 4% 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

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

#### **Pensions (continued)**

lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

#### **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

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

#### **Financial Instruments (continued)**

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 judgments 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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**3. SFC grants**

	2021 £	2020 £
Recurrent grants	957,709	862,037
non recurrent revenue grants	109,773	59,754
	<u>1,067,482</u>	<u>921,791</u>

**4. Tuition fees and education contracts**

	2021 £	2020 £
Student fees - Higher Education	229,487	213,444
Student fees - Further Education	256,723	201,251
	<u>486,210</u>	<u>414,695</u>

**5. Other grant income**

	2021 £	2020 Restated £
Scottish Government	1,180,001	1,136,732
Share of SFC HE Grants through UHI	573,356	530,976
Share of SFC Research Excellence Grant	89,129	87,431
Bòrd na Gàidhlig (GLAIF)	86,676	62,154
Scholarship Support	15,907	10,924
Job retention scheme grant	196,358	113,528
Skills Development Scotland	42,845	43,686
Other grants	115,625	174,646
	<u>2,299,897</u>	<u>2,160,077</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2021**

**6. Other income**

	<b>2021</b>	2020
	£	£
Estates, residencies and catering	<b>217,943</b>	391,470
Shop sales	<b>4,826</b>	15,644
Management services	<b>18,336</b>	40,212
Project income	<b>996,138</b>	865,255
Other income	<b>18,481</b>	106,398
	<b><u>1,255,724</u></b>	<u>1,418,979</u>

**7. Release of deferred capital grants**

	<b>2021</b>	2020
	£	£
Release of deferred capital grants	<b>456,738</b>	433,628
	<b><u>456,738</u></b>	<u>433,628</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**8. Staff costs and numbers**

	<b>2021</b>	2020
	£	£
<b>Staff costs were as follows:</b>		
Salaries and wages	<b>2,978,772</b>	2,950,520
Subcontractor and tutor costs	<b>36,769</b>	34,593
Social security costs	<b>276,581</b>	271,121
Other pension and death in service costs	<b>222,797</b>	218,531
	<b>3,514,919</b>	3,474,765
<b>Analysed:</b>		
Teaching	<b>1,622,998</b>	1,559,747
Research	<b>105,570</b>	82,319
Administration and other (incl. projects)	<b>1,241,607</b>	1,180,944
Premises	<b>362,362</b>	431,986
Catering	<b>182,382</b>	219,769
<b>Staff numbers</b>	<b>3,514,919</b>	3,474,765
Average staff number	<b>106</b>	112
	<b>106</b>	112

**SABHAL MÒR OSTAIG**

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**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>2021</b>	2020
	£	£
Salaries	<b>341,299</b>	376,569
Social security costs	<b>39,807</b>	42,667
Pension contributions	<b>22,679</b>	25,050
	<u><b>403,786</b></u>	<u>444,286</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>2021</b>	<b>2021</b>	2020	2020
	<b>Senior</b>	<b>Other staff</b>	Senior	Other staff
	<b>Post-holders</b>	<b>Other staff</b>	Post-holders	Other staff
	<b>Number</b>	<b>Number</b>	Number	Number
£60,001 - £70,000	<b>1</b>	-	-	-
£70,001 - £80,000	<u><b>1</b></u>	<u>-</u>	<u>1</u>	<u>-</u>
			<b>2021</b>	2020
			£	£
<b>Senior post-holders emoluments</b>				
Salaries			137,561	76,405
Employers pension contributions			<u>9,038</u>	<u>5,349</u>
Total			<u>146,599</u>	<u>81,754</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 2021**

**11. Analysis of other operating expenses**

	2021 £	2020 £
Education costs	111,473	151,509
Premises costs	515,511	495,151
Supplies and services	38,844	54,150
Catering supplies	34,863	76,446
Shop purchases	3,794	11,883
Vehicle, travel and subsistence	10,699	56,773
Project costs	362,384	245,051
University of the Highlands and Islands expenses	21,567	21,635
Other administrative expenses	311,651	340,584
Irrecoverable Value Added Tax	(12,055)	(2,960)
	1,398,732	1,450,222

**Other operating expenses include:**

External auditors remuneration - audit fees	9,000	13,030
External auditors remuneration - non audit services	4,100	7,538
Internal audit fees	12,300	14,760
Operating lease payments	29,077	30,418

**12. Interest payable and similar expenses**

	2021 £	2020 £
Other loan interest payable	29,075	32,404
	29,075	32,404

**SABHAL MÒR OSTAIG**

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**13. Tangible fixed assets**

**Group**

	Freehold property £	Land £	Plant and machinery £	Heritage Assets £	Total £
<b>Cost or valuation</b>					
At 31 July 2020	23,099,999	468,180	1,501,901	352,525	25,422,605
Additions	-	-	6,530	-	6,530
Disposals	(6,716)	-	-	-	(6,716)
At 31 July 2021	<u>23,093,283</u>	<u>468,180</u>	<u>1,508,431</u>	<u>352,525</u>	<u>25,422,419</u>
<b>Depreciation</b>					
At 31 July 2020	6,623,489	-	1,366,014	-	7,989,503
Charge for the year on owned assets	487,045	-	35,548	-	522,593
Disposals	(1,462)	-	-	-	(1,462)
At 31 July 2021	<u>7,109,072</u>	<u>-</u>	<u>1,401,562</u>	<u>-</u>	<u>8,510,634</u>
<b>Net book value</b>					
At 31 July 2021	<u>15,984,211</u>	<u>468,180</u>	<u>106,869</u>	<u>352,525</u>	<u>16,911,785</u>
At 31 July 2020	<u>16,476,510</u>	<u>468,180</u>	<u>135,888</u>	<u>352,525</u>	<u>17,433,103</u>

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

	2021 £	2020 £
Freehold	15,984,211	16,476,510
Land	468,180	468,180
	<u>16,452,391</u>	<u>16,944,690</u>

**SABHAL MÒR OSTAIG**

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**13. Tangible fixed assets (continued)**

**Company**

	Freehold property £	Land £	Plant and machinery £	Heritage assets £	Total £
<b>Cost or valuation</b>					
At 31 July 2020	18,971,970	458,860	1,501,901	352,525	21,285,256
Additions	-	-	6,530	-	6,530
Disposals	(6,716)	-	-	-	(6,716)
At 31 July 2021	<u>18,965,254</u>	<u>458,860</u>	<u>1,508,431</u>	<u>352,525</u>	<u>21,285,070</u>
<b>Depreciation</b>					
At 31 July 2020	4,685,588	-	1,366,014	-	6,051,602
Charge for the year on owned assets	404,486	-	35,548	-	440,034
Disposals	(1,462)	-	-	-	(1,462)
At 31 July 2021	<u>5,088,612</u>	<u>-</u>	<u>1,401,562</u>	<u>-</u>	<u>6,490,174</u>
<b>Net book value</b>					
At 31 July 2021	<u>13,876,642</u>	<u>458,860</u>	<u>106,869</u>	<u>352,525</u>	<u>14,794,897</u>
At 31 July 2020	<u>14,286,382</u>	<u>458,860</u>	<u>135,887</u>	<u>352,525</u>	<u>15,233,655</u>

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

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

	2021 £	2020 £
Freehold	13,876,643	14,286,382
Land	458,860	458,860
	<u>14,335,503</u>	<u>14,745,242</u>

Land and buildings with a net book value of £13,876,642 (Group - £15,984,211) 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.

**SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**14. Fixed asset investments**

**Group**

**Investments  
in  
subsidiary  
companies  
£**

**Cost or valuation**

At 31 July 2020

**1**

At 31 July 2021

**1**

**Company**

**Investments  
in  
subsidiary  
companies  
£**

**Cost or valuation**

At 31 July 2020

**3**

At 31 July 2021

**3**



## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

#### 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 2021 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	(1,748)	(3,574)
Bail' Ùr Ostaig	6	(105)
Cànan Alba Limited	1	-
Canan Limited	75,350	77,569

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

#### 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 its ownership of Cànan Alba Limited.

The aggregate of the share capital and reserves as at 31 July 2021 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>75,350</b>	<b>77,569</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.

**SABHAL MÒR OSTAIG**

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**15. Stocks**

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Finished goods and goods for resale	<b>23,837</b>	24,435	<b>23,837</b>	24,435
	<b><u>23,837</u></b>	<u>24,435</u>	<b><u>23,837</u></b>	<u>24,435</u>

**16. Debtors**

	<b>Group 2021 £</b>	<i>Group 2020 Restated £</i>	<b>Company 2021 £</b>	<i>Company 2020 Restated £</i>
Trade debtors	<b>96,395</b>	105,486	<b>96,395</b>	105,486
Other debtors	<b>105,309</b>	74,730	<b>104,535</b>	74,345
Amounts owed by group undertakings	<b>33,914</b>	-	<b>33,914</b>	-
Prepayments and accrued income	<b>82,007</b>	45,788	<b>82,007</b>	45,788
	<b><u>317,625</u></b>	<u>225,704</u>	<b><u>316,851</u></b>	<u>225,619</u>

**17. Cash and cash equivalents**

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Cash at bank and in hand	<b>1,179,440</b>	501,719	<b>1,177,254</b>	495,939
	<b><u>1,179,440</u></b>	<u>501,719</u>	<b><u>1,177,254</u></b>	<u>495,939</u>

**SABHAL MÒR OSTAIG**

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

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

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Bank loans	<b>57,453</b>	45,638	<b>57,453</b>	45,638
Payments received on account	<b>753,952</b>	321,283	<b>753,952</b>	321,283
Trade creditors	<b>313,166</b>	99,028	<b>313,166</b>	99,028
Other taxation and social security	<b>85,693</b>	82,209	<b>84,918</b>	82,208
Other creditors	<b>224,764</b>	154,235	<b>142,204</b>	71,676
Accruals and deferred income	<b>526,388</b>	583,462	<b>522,463</b>	579,537
	<b><u>1,961,416</u></b>	<u>1,285,855</u>	<b><u>1,874,156</u></b>	<u>1,199,370</u>

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

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Bank loans	<b>452,438</b>	505,415	<b>452,438</b>	505,415
Accruals and deferred income	<b>14,412,287</b>	14,887,877	<b>12,377,958</b>	12,770,988
	<b><u>14,864,725</u></b>	<u>15,393,292</u>	<b><u>12,830,396</u></b>	<u>13,276,403</u>

Included within total accruals and deferred income is £14,864,811 of deferred capital grants

The following liabilities were secured:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Bank loans	<b>509,891</b>	551,053	<b>509,891</b>	551,053
	<b><u>509,891</u></b>	<u>551,053</u>	<b><u>509,891</u></b>	<u>551,053</u>

Details of security provided:

The bank borrowings are secured by a standard security over an area of ground owned by the College amounting to 5.874 acres. The bank borrowings are also secured by a bond and floating charge over all property and assets of the College. 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 2021**

**20. Loans**

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
<b>Amounts falling due within one year</b>				
Bank loans	<b>57,453</b>	45,638	<b>57,453</b>	45,638
	<b>57,453</b>	45,638	<b>57,453</b>	45,638
<b>Amounts falling due 1-2 years</b>				
Bank loans	<b>60,639</b>	52,977	<b>60,639</b>	52,977
	<b>60,639</b>	52,977	<b>60,639</b>	52,977
<b>Amounts falling due 2-5 years</b>				
Bank loans	<b>202,778</b>	192,129	<b>202,778</b>	192,129
	<b>202,778</b>	192,129	<b>202,778</b>	192,129
<b>Amounts falling due after more than 5 years</b>				
Bank loans	<b>189,021</b>	260,309	<b>189,021</b>	260,309
	<b>189,021</b>	260,309	<b>189,021</b>	260,309
	<b>509,891</b>	551,053	<b>509,891</b>	551,053

**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 2021

#### 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. 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 £222,797 (2020 - £218,531) 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 £23,557 (2020 - £24,365) to the pension providers.

#### 25. Capital commitments

At 31 July 2021 the Group and the College had capital commitments as follow:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Contracted capital works	<b>122,562</b>	-	<b>122,562</b>	-
	<b><u>122,562</u></b>	<u>-</u>	<b><u>122,562</u></b>	<u>-</u>

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

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

At 31 July 2021 the Group and the College had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Not later than 1 year	<b>24,792</b>	28,358	<b>24,792</b>	28,358
Later than 1 year and not later than 5 years	<b>22,295</b>	47,088	<b>22,295</b>	47,088
	<b><u>47,087</u></b>	<u>75,446</u>	<b><u>47,087</u></b>	<u>75,446</u>

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

At 31 July 2021 the Group and the College had future minimum revenue due under non-cancellable operating leases as follows:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Not later than 1 year	<b>4,972</b>	20,317	<b>4,972</b>	20,317
Later than 1 year and not later than 5 years	-	3,416	-	3,416
	<b><u>4,972</u></b>	<u>23,733</u>	<b><u>4,972</u></b>	<u>23,733</u>

# SABHAL MÒR OSTAIG

A Company Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

### 28. 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 2021
AG MacLeod	Partner in legal services	-	4,862	(600)
A Macinnes	Director of subsidiary Cànan Ltd	27,606	26,330	11,812
J Morrison	Director of subsidiary Cànan Ltd	27,606	26,330	11,812
G Munro	Director of Fas Mor	55,452	-	11,352
	Director of ICCI	4,392	-	915
R Neithercut	Director of Fas Mor	55,452	-	11,352
	<b>Senior Staff</b>	-	-	-
J Forgan	Director of Fas Mor	55,452	-	11,352
D Munro	Director of ICCI	4,392	-	915
	Chair Trust Officer of SMODT	31,424	-	22,102
K Kennedy (until 02/10/2020)	Secretary of ICCI	4,392	-	915

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 £NIL (2020 - £1,155)

### 28. Prior year adjustment

In the prior year financial statements income of £43,268 was accrued at the year end in respect of expected funding due from the Student Funding Council in error. As such a prior year adjustment has been made to the 2020 financial statements to reverse this transaction. The adjustment increases the deficit made in the prior year and reduces the brought forward reserves by £43,268.



Company Registration Number

SC361752

SABHAL MÒR OSTAIG  
FINANCIAL STATEMENTS  
31 JULY 2021

(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 Professor Bryan Duncan MacGregor Angus Donald John Macquien Macinnes Angus Lamont MacLeod Angus George MacLeod John Morrison Dr. Gillian Munro Roddy Neithercut Mary Ellen Stewart
<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**  
**(A Company Limited by Guarantee)**

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# SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

## GROUP REPORT FOR THE YEAR ENDED 31 JULY 2021

### 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.

2020-21 has continued to be another challenging year in the face of the Covid-19 pandemic but this has not stifled SMO's primary aim to explore its revised status as a Small Specialist Institution and Higher Education Institution, which it considers vital in terms of its leadership in Gaelic, internationally. Meaningful dialogue has been most welcome with the Scottish Funding Council, the Scottish Government and UHI, during the year.

The College was able to open for Semester 1 during the months of September and December, prior to the second lockdown, with significant restrictions. Given the size and layout of campus, we were very grateful to have been able to welcome all residential students back to the campus. Our formalised Covid Group managed the return to campus and has been instrumental in ensuring that protocols have been followed, aligning stringently with the guidance for Colleges from the Scottish Government, to ensure the health and safety of staff, students, campus tenants and the wider community, ever mindful of the rural and fragile part of the world we live in. All staff and students are to be praised in their handling of the situation. The College was back to online teaching and learning during Semester 2, as per the guidance from Government, and students were able to complete their studies and exams, thanks to the flexibility and innovation of teaching and administrative teams.

We held an online graduation on the usual graduation ceremony date, 2 October, to celebrate the success of our 59 graduates. The informal social event, which was attended by graduates, staff and SMO board members, was a fitting celebration and involved musical contributions from ongoing SMO BA Gaelic & Traditional Music students.

Short Courses were, very successfully, offered online only during the latter end of the summer 2020 and in a hybrid format during summer 2021, with limited weekly numbers able to attend in person. Uptake of both formats was positive and those who were able to attend the College were very grateful for the opportunity, not least the holistic linguistic benefits of being in an immersive environment.

Despite the challenges during the year, HE and FE performance was high, with healthy student numbers both onsite and online.

Key appointments included the revised post of Marketing and Communications Manager and a new Head of Student Support post, to support the team in light of increased student support requirements. Key changes in personnel included a new Director of Finance, a new Hospitality Manager, a new Short Courses Manager and the departure of the Corporate Affairs Director (currently being revised to include a number of smaller posts). Recruitment has been difficult due to Covid challenges but those who have joined the team have made a positive impact and communications, including induction, onboarding and training, have just been delivered in a different format.

An additional challenge this year was the major cyber-attack on the UHI systems, which left all academic partners without access to files and websites. This created an urgent response to re-create data and storage and the retrieval of files gradually from UHI central office. The result has been refined and improved data management, however, and given a much-improved understanding of the vulnerability of such files. We are indebted to our own professional ICT team at the College for dealing with the additional work that was required to ensure teaching and learning, and the daily life of the College, was able to continue in as normal a fashion as possible.

**SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

**GROUP REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2021**

Collaboration on the national Speak Gaelic project, due for launch in October 2021, has been another key development during 2020. SMO's role has been integral to the development of the course materials, as well as creating a mapping to the Common European Framework of Reference for Languages [CEFRL] and plans for 2021 include the development of tutor training materials. This flagship project has enabled a partnership of SMO, MG Alba and Bòrd na Gàidhlig to provide leadership and high-profile awareness-raising of Gaelic and Gaelic learning opportunities across the country and beyond.

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 and SMO's many other partners for their ongoing vital support to protect and strengthen the Gaelic language and culture.

Jo MacDonald (Director and Acting Co-chair 2020-21)

Date:

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### 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 Company, Sabhal Mòr Ostaig (Developments) Limited. The Consolidated Statement of Comprehensive Income covers the results for the year from 1 August 2020.

##### 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

(A Company Limited by Guarantee)

### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### 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 2021

##### *Progress against Outcome Agreement targets for 2020-21*

In AY 2020/21 the College agreed to deliver the following priority outputs in its Outcome Agreement [further detail is provided in the relevant sections]:

- maintain the number of learners undertaking SMO FE programmes at 855 credits in AY 2020/21 (actual budgeted 799 credits); **ACHIEVED with 910 credits**
- drive forward the delivery of relevant NGLP outcome areas related to Education, Communities and Workplace through activity with schools, adult learners, UHI partners, other public sector organisations regionally and nationally to increase coherence in learning provision; **ACHIEVED – a number of national, regional and local projects were undertaken, developing materials, resources and increasing provision for Gaelic learners.**
- increase engagement with schools at local, regional and national level through the further development of information, advice and guidance services, clarifying the learner journey, and leading to increased student recruitment and awareness of tertiary Gaelic education and employment opportunities; **ACHIEVED – whilst face-to-face engagement in schools was hampered by Covid-19 restrictions, a comprehensive recruitment drive using social media and live Q&A sessions was implemented and delivered via a collaboration between our Marketing and Teaching teams. This was considered one of the key factors for the improved numbers of 2020-21.**
- maintain the number of Gaelic-language FE short courses provided by the College to provide more opportunities to gain fluency and increased access to learning; **ACHIEVED – The number of Short Courses actually increased during 2020-21 although the format and delivery method was changed to online due to the pandemic's restrictions.**

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

- ensure the continued sustainability of the College by sustaining commercial income and increasing non-Gaelic speakers' exposure to Gaelic language and culture. **ACHIEVED** – *Despite the obvious challenges created due to Covid-19, the College has been able to manage its finances well and to continue with key projects which allow for increased engagement with non-Gaelic speakers. Examples include student numbers, the development of the Speak Gaelic flagship project and the continuation of the successful online Research Seminars which have provided an international reach to audiences not previously able to engage with the College due to geographical restrictions.*
- participate in submission to REF2021, as principal contributor to a UHI submission to Unit of Assessment 26. **ACHIEVED** – *10 submissions were made from the team at Sabhal Mòr Ostaig, in a wide range of subjects.*

#### *Estate developments – key projects undertaken using SFC Capital Maintenance Grant*

The continued restrictions to the college's normal operations from Covid-19 hindered its ongoing estate development plans in the year. This was most notable in contractors having staff on furlough and being unable to visit the college to discuss projects and undertake site surveys for quotes. The process of public procurement of such contracts through our advisers at Advanced Procurement for Universities and Colleges (APUC) was similarly delayed. As a result, the college has received approval to carry-over a proportion of its planned estates activity and associated capital maintenance spending into the next financial year 2021-22. Some of the key estates projects undertaken in the year included:

- To provide for exceptional Covid-19 costs in making the campus safe and compliant for the return of students and staff - signage, screens, sanitiser units & materials;
- To prepare the technical contractors' pack and progress the public tender for the necessary remedial repairs to the college's Fàs building as identified by detailed professional investigations;
- To formalise with Scottish Water the adoption of the college's water treatment plant at Kilbeg in facilitating further capital development of the site.

#### *Update on Kilbeg village housing development*

Kilbeg Village, the first 'new planned village' in Skye in over 100 years, is an ambitious development which aims to create a vibrant, economically active and sustainable rural community which, in line with Sabhal Mòr Ostaig's core aims and mission, will have Gaelic language and culture at its heart.

Through our innovative partnership with Highland Council, the Communities Housing Trust and private sector contractor, James MacQueen's Ltd, the next phase of the development will see the delivery of a further 29 units of affordable housing offering a mix of ownership and tenancy models and, most importantly, will help address the chronic shortage of affordable housing in the area. It is hoped that work will begin on site early in 2022.

#### *National Gaelic Library*

Sir Iain Noble, the original founder of the College, described creating a Gaelic Library in the West of Scotland as 'the original inspiration' for Sabhal Mòr Ostaig.

Built in 1998, the existing Library has ably fulfilled its promise over its lifespan, serving the student body, academic staff and other users well; and enabling the building up of its international-standard holdings of rare and irreplaceable collections accumulated over half a century through purchase and generous donation.



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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

SMO is committed to developing this important new facility as 'national asset', with the aim of creating the first National Gaelic Library for Scotland. Much of the early work in this regard has centred around developing key strategic partnerships with other libraries and, in particular, a strengthening of the strategic partnership between SMO Library and the National Library of Scotland (NLS)

#### **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 110 students 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 was 219 or 124.2 FTEs (116.3 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 2020/21 FE credit target of 799 per SMO's Outcome Agreement was exceeded with 910 credits achieved (2019/20: 855), 100% of which were achieved through our FE Gaelic Access Course / An Cùrsa Inntigidh (2019/20: 82%) as there were no onsite Short Courses. Foundation Apprenticeships have continued in Digital Media and Children and Young People.

In 2020/21, An Cùrsa Inntigidh had 224 students registered, which is the highest number of students since the course's inception.

We have 5 students studying part-time on the Master in Material Culture and the Environment. Two SMO PhD students successfully completed their theses and graduated in 2021.

Successful applications for postgraduate research scholarships have enabled us to offer two fees-based scholarships for the new Masters of Research (M.Res.) 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.

#### **Curriculum development**

The much anticipated *PDA Gaelic Translation* was validated during academic year 2020-21 and will be ready for delivery from September 2021. This course will enable translators who complete the course to access a professional accreditation for their practice and is expected to have at least 5 students in its first cohort.

Work has continued on the development of an M. Ed and increased opportunities with the PGDE, to include subjects being taught through the medium of Gaelic at high-school level.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### **Research activities**

The REF 2021 submission was completed in March 2021. It submitted published work from ten different members of staff, dealing with a wide range of subject areas ranging from sociolinguistics and linguistics, to literature, to Gaelic historical and cultural studies and musicology, an Environment Statement drawing on a wide range of our research and knowledge exchange activity, and two case studies. One, 'Addressing Gaelic linguistic fragility in the Gaelic-speaking communities of Scotland and Ireland' explored the impact of our sociolinguistic work on public and political attitudes regarding the importance of supporting traditional speech communities, and on identifying and influencing the strategies and interventions necessary to support them. The other, 'Moving beyond token words: establishing new approaches to Gaelic in Scotland's National Museum' drew on the collaborative work undertaken by SMO colleagues and the National Museums of Scotland on the 2019 exhibition 'Wild and Majestic / Fiadhaich Glòrmhor', exploring the Gaelic background and contribution to the development of Romanticism in Scotland in the eighteenth century and beyond, and on its impact in changing museum policy on the use of Gaelic language and perspectives in interpretation and exhibition design.

The SMO seminar series continued to be held on a digital platform and to draw in a wide national and international audience (attendance ranging between 70 and 110 per seminar, including academic colleagues and community participants from Europe and North America as well as Scotland and the UK), delivering 14 sessions over the autumn and spring semesters; the final session offered our postgraduate community the opportunity to present their work in a very well-received 'mini-conference'.

SMO staff have completed a number of important publications over the lockdown period, among them Meg Bateman and John Purser's magnum opus 'Window to the West'; musicological papers by both John Purser and Hugh Cheape in the new *Musica Scotica* volume; Hugh Cheape's study of the 'Old Ways' in Gaelic Scotland in his contribution to the Hunterian Museum's exhibition and volume on travel in eighteenth-century Scotland, 'Old Ways New Roads', and Domhnall Uilleam Stiùbhart's study of the Invention of Highland Second Sight in a new volume on 'The Supernatural in Early Modern Scotland'.

#### *Gaelic Officers Network*

The College was successful in its Bòrd na Gàidhlig joint bid with the University of Aberdeen and Comunn na Gàidhlig, to create a Gaelic Development Officers network. This project has been instrumental in providing an opportunity for key partners to better understand, reflect and build on the work of these key staff across Gaelic Development, many of whom are working in fairly isolated roles and locations.

#### *GLAIF*

The College has continued with several GLAIF projects, some of which were carried over from 19-20, due to Covid-19. They have included the recurring Seachdain nan Deugairean (Teenagers' Week), A' Togail Choimhearsnachdan Gàidhlig (Building Gaelic Communities) and Tachartasan Gàidhlig (Gaelic Activities). These projects enhance the college's outreach and partnership with communities where Gaelic is spoken and connects to one of the main strategic aims of the Sabhal Mòr Ostaig Development Strategy.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### **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 / Dictionary of the Scottish Gaelic Language*

Excellent progress was made in 2020-21 on Faclair na Gàidhlig. Two further trainee lexicographers were recruited, and the core team is now complete. Expertise within the group covers all periods of the language from the earliest evidence to the present day and training in the skills of historical lexicography is progressing well. The manuscript section of the dictionary corpus now stands at over 200,000 words of continuous text from a wide range of manuscripts. Transcription of oral material is also ongoing following a further funding award from Bòrd na Gàidhlig to support Phase Three of the transcription project, Beairteas a Bharrachd, in partnership with Tobar an Dualchais. Systems Development has exceeded expectations and has enabled the development of the excerpting tool; an end-to-end excerpting and dictionary writing system which will break new ground in historical lexicography.

#### *Tobar an Dualchais / Kist o Riches (TaD / KoR)*

Tobar an Dualchais - Kist o Riches (TAD-KOR) is Scotland's online resource dedicated to the presentation and promotion of audio recordings of Scotland's cultural heritage. Its principal content, including songs, music, history, poetry, traditions and stories from the 1930s onwards, is made up of material from three main archives: The School of Scottish Studies, The Canna Collection and BBC Radio nan Gàidheal and currently includes over 43,000 individual recordings in Gaelic, Scots and English.

Although hampered by Covid 19, TAD/KOR has continued to meet its aims and taken advantage of new opportunities online on offer due the pandemic. Overall, however, the focus of the team this year has been the development of a new website and the migration of data to a new sustainable archival platform. This development will ensure the sustainability of the TAD data for many years to come.

A new front-end website was designed by Cànan Graphics Studio and the development work completed by Primate Digital. The new look website offers users a far more engaging experience.

Despite the programme's importance to the cultural life of Scotland and its significance as a major national cultural heritage asset and as a critically important resource for education and research, core-funding remains a major concern and talks are currently underway with senior Scottish Government Ministers and Officials with a view to placing the programme on a more sustainable and secure footing, through introducing multi annual core-funding in support of its critical work.

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### *Soillse*

Soillse is based at Sabhal Mòr Ostaig and is delivered through a partnership with the Universities of Aberdeen, Edinburgh, Glasgow, Glasgow Caledonian, Heriot Watt, Strathclyde and the Highlands and Islands.

Soillse has a research remit to support the maintenance and revitalisation of Gaelic language and culture. Its 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:

- Continued policy development and dissemination work in relation to *The Gaelic Crisis* report which gives the results of the Islands Gaelic Research Project and which, in making a prognosis for Gaelic in traditional Gaelic-speaking communities, develops recommendations to support those communities.
- Continued support for and participation in other projects, including Automatic Speech Recognition (led by Edinburgh), Leacan corpus development (led by Glasgow), Stòras Beò nan Gàidheal (SMO/LSI) community recordings, Mediating Multilingualism (LSI-led with University partners in India and Jamaica), COOL (SMO with European partners) developments in Computer Assisted Language Learning through the Clilstore platform.

#### *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.

Our researcher spent the first half of 2020 transcribing the remainder of the place-names material in the Diack notebooks from the historic collection at the Sir Duncan Rice Library in Aberdeen which was photographed during an earlier field trip. The material will be extremely useful to AAA's primary research. A publication of Diack's place-name material is also planned, but this is a few years off.

Our 2019/20 transcription project funded by Bòrd na Gàidhlig on the Arran place-names found in the School of Scottish Studies was extended into 2020/21 to allow our freelance transcriber, Lenore Stahl, to add more IPA to the transcriptions. This work was completed in October.

The AAA website received extensive updates in the resources section. Thanks to additional funding from Bòrd na Gàidhlig we created a new Searchable Map in our database. The new map allows users to search the database in a completely new way, giving them the option for example to view entries in a specific area without knowing which names are in the database. An option particularly useful to students, local fieldworkers and researchers in general. It will also a useful tool for teachers looking to give pupils examples of Gaelic place-names in the county or council area of the school for example. Our other resources have also been extensively updated with a new section for Maps created in partnership with Bòrd na Gàidhlig and NatureScot, and a new section on Gaelic Onomastic Abbreviations researched and compiled by Dr. Alasdair C. Whyte. Our Links page has also been completely restructured with researchers in mind and extensively added to.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### Arts Development

Sabhal Mor Ostaig continues to develop and support opportunities for Gaelic artists to come to work within a supported and immersed Gaelic language community. Over the years, Sabhal Mòr Residency Artists have gone on to be hugely influential in the development of the Gaelic Arts and in inspiring successive cohorts of young and aspiring Gaelic Artists. Sabhal Mòr has delivered many of its programmes through developing strategic partnerships with a wide range of arts providers, at local, regional, national and international levels. Sabhal Mor Ostaig also runs a highly successful international visual arts residency in partnership with the New York based Jon Schueler Trust, attracting interest from internationally renowned visual arts practitioners, placing SMO very firmly on the international visual arts map.

#### 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:

- Creation of the new SMO Strategy 2023-28, focussing on securing SSI status and developing further SMO's role as the National Centre for Gaelic Language and Status
- Continued plans for the new Library facility
- Progression of the Academic Strategic priorities, including the merging of two degrees into a standard Gaelic degree with specialisms, the development of an M. Ed and successful completion of the first year of the PDA Gaelic Translation
- Digitisation of An Cùrsa Inntigidh, to improve the online learner experience on this 'Gold Standard' access
- Continued development and launch of Speak Gaelic project, working with MG Alba, and producing the next level of the Speak Gaelic curriculum.
- Participation in Scotland's national St Columba anniversary celebrations
- Preparation for the College's 50<sup>th</sup> anniversary in 2023.

#### Financial review for the year ended 31 July 2021

##### 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 2021 is set out on page 25 of this report.

2020-21, despite the continuing challenges of Covid affecting SMO's ability to operate its campus fully, has been a better year financially than the previous one for Sabhal Mòr Ostaig (SMO), with a resulting surplus of £101k after charging depreciation and crediting related deferred capital grant release (2019/20: £(110)k as restated). The surplus has had an improvement in cash balances which were £1,179k at year end (2019/20: £502k), which include sums paid in advance on various projects.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

Covid-19 has massively impacted the College's ability to raise its usual level of commercial income with the closure of the campus for the second semester from January to May 2021. Furthermore, usual levels of income from Short Courses on campus were not possible with the campus closed both in August 2020, and then only reduced numbers able to be on campus for June and July 2021. However, losses were fortunately offset to a degree by both Scottish Government additional grant support to the sector and the HMRC Coronavirus Job Retention Scheme. Furthermore, there were significant cost savings across all areas due to activities being online as well as vacant staff positions. The surplus position in part is due to the better than expected performance of HE above budget, and the strong performance of An Cùrsa Inntrigidh.

The Group's closing reserves saw an increase to £1,607K (2019/20: £1,506k).

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.

	2020/21 £	2019/20 £
Surplus / (Deficit) before other gains and losses	100,732	(109,735)
Depreciation (net of deferred capital grant release) on both Government funded and privately funded asset	65,855	67,885
<b>Adjusted operating (deficit)/surplus</b>	<b>166,587</b>	<b>(41,850)</b>

#### Cash Flows and Liquidity

During the year the Group had net cash inflow of £678k (2019/20 cash outflow of £179k), reflecting the surplus position.

#### Taxation Status

The company is a charitable company within the meaning of Paragraph 1, Schedule 6 Finance Act 2010. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2012 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for charitable purposes only.

#### Key risks and uncertainties

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

Based on the strategic plan, the College undertakes periodic, comprehensive reviews of the risks to which the College is exposed. The risk policy and procedures were revised and updated during the year. The risk register is reviewed on a quarterly basis to identify and measure known risks by strategic area, and state what mitigating action will be taken to reduce any potential impact on the College. Progress against risk mitigation actions is then reviewed quarterly. In addition, the College will also consider any risks which may arise as a result of a new area of work being undertaken. The College has also addressed specific Covid-19 risks as part of the 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.

## SABHAL MÒR OSTAIG

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### GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021

#### Key risks and uncertainties (continued)

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 2020/21, some 61% (2019/20 - 67%) 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.

#### 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:

- Continued management of Covid risks and compliance on campus by Buidheann Covid
- Regular review of Government and College sector advice and guidance
- Communication with staff, students and the wider community
- Regular communication with stakeholders

## **SABHAL MÒR OSTAIG**

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### **GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021**

#### **Key risks and uncertainties (continued)**

##### **5. Brexit**

The College has only a very small proportion of its funding from EU sources (around £20k in 2020/21; £50k 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 are 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

##### **6. Remedial works required to the Fàs Building**

The Fàs Building has suffered damage from water ingress due to flaws in its construction, requiring substantial and costly remedial works. A legal case was settled with parties in 2019, although settlement to cover the costs of repairs was not possible as the construction company had gone out of business. Mitigations to meet the impact of the financial costs are:

- Detailed work with professional advisors
- Ongoing discussions with key stakeholders

#### **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**

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### **GROUP REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2021**

#### **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 2017.

#### **Payments of Suppliers**

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

#### **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, 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.

Approved by the Board and signed on their behalf by:

Jo MacDonald (Director)  
Date:

Dr Gillian Munro (Director)  
Date:

## SABHAL MÒR OSTAIG

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### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2021

#### 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 2021, has complied with all the provisions of the Code and the Memorandum.

##### Governing body

Board Member	Occupation	Date of Appointment	Date of Retiral	Board	Corporate	Acad & Research	Finance Estates	Audit
Alexandra MacDonald Jones	Governance Manager, IIRC	18/03/2011		100%	100%			100%
John Morrison	Director Communications Company	08/03/2013		75%			100%	
*Angus G MacLeod (Chair)	Solicitor	28/11/2014		25%	33%			
Sine Ghilleasbuig	Gaelic Language Agency Officer	06/03/2015		100%		100%		
Angus MacInnes	Construction Director	08/09/2016		100%			80%	
Angus L MacLeod	Retired (Civil Engineer)	27/03/2017		100%			100%	
Iain Graham	SMO Staff Member	27/03/2017		100%				100%
**Kathleen Jo Macdonald	Retired (BBC Producer)	09/03/2018		75%				100%
Mary Andrew	Lecturer (Retired)	24/11/2017		100%		100%		
Gillian Munro	College Principal	14/09/2018		100%	100%			
Mary Ellen Stewart	Solicitor	23/11/2018		50%			100%	
Roddy Neithercut	Teacher	22/11/2019		75%				
Bryan MacGregor	Vice Principal	04/12/2020		100%		100%		

\*Our Chair, Angus G MacLeod, was off due to sickness for most of the year.

\*\*Kathleen Jo MacDonald stood down from Audit Committee in February 2021.

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

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED 31 JULY 2021**

#### **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 Audit Limited 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 2021 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**

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**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL  
FOR THE YEAR ENDED 31 JULY 2021**

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

**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, 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 and signed on its behalf by:

Jo MacDonald (Director)

Dr Gillian Munro (Director)

Date:

Date:

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

### **STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 31 JULY 2021**

#### **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 2021**

**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.

**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 and signed on its behalf.

Jo MacDonald (Director)

Dr Gillian Munro (Director)

Date:

Date:

## **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 2021, 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), the Statement of Recommended Practice - Accounting for further and higher education 2019 and the Accounts Direction for Scotland's Colleges 2020 - 2021.

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 2021 and of the Group's surplus 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**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **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 other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we 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 Group Report 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 Director's Responsibilities Statement set out on page 18, the directors 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 are 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 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 Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

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 Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and knowledge of the Group and charitable parent company to identify or recognise non-compliance with applicable laws and regulations.

We identified relevant laws and regulations from our general commercial and sector experience and through discussions with directors and other management to assess the policies and procedures in operation with regards to compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the Group and charitable parent company operates in and identified the key laws and regulations that:

- Have a direct effect on the determination of material amounts and disclosures in the financial statements. These included compliance with FRS 102, the Statement of Recommended Practice: Accounting for Further and Higher education 2019, the Scottish Funding Council Accounts Direction, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and relevant UK tax legislation.
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the groups continued ability to operate or to avoid a material penalty.

## **SABHAL MÒR OSTAIG**

**(A Company Limited by Guarantee)**

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

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation; and
- Enquiring of management and reviewing board minutes and other correspondence throughout the year to identify actual and potential litigation and claims.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- Using analytical procedures to identify any unusual or unexpected relationships,

We assessed the level of fraud risk and concluded that the areas most susceptible to fraud were revenue recognition and management override of internal controls.

To address the risk of fraud through incorrect revenue recognition, we:

- Performed substantive procedures across material revenue streams to ensure these amounts were recognised appropriately and
- Performed substantive tests of detail over revenue recognised at the year end.

To address the risk of fraud through management override of controls, we:

- Tested journal entries recorded on the Company's finance system to identify unusual transactions that may indicate override of controls.
- Reviewed key judgements and estimates for any evidence of management bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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.

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

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

**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 we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 we 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 2021**

	Note	2021 £	2020 Restated £
SFC grants	3	1,067,482	921,791
Tuition fees and education contracts	4	486,210	414,695
Other grant income	5	2,299,897	2,160,077
Other income	6	1,255,724	1,418,979
Release of deferred capital grants	7	456,738	433,628
<b>Total income</b>		<b>5,566,051</b>	<b>5,349,170</b>
<b>Expenditure</b>			
Staff costs	8	3,514,919	3,474,765
Other operating costs	11	1,398,732	1,450,222
Depreciation	13	522,593	501,513
Interest payable	12	29,075	32,404
<b>Total expenditure</b>		<b>5,465,319</b>	<b>5,458,905</b>
<b>Surplus/(Deficit) before tax</b>		<b>100,732</b>	<b>(109,735)</b>
Taxation		-	
<b>Total comprehensive income for the year</b>		<b>100,732</b>	<b>(109,735)</b>

The notes on pages 32 to 53 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 2021**

	Note	2021 £	2020 Restated £
<b>Fixed assets</b>			
Tangible assets	13	<b>16,911,785</b>	17,433,103
Investments	14	<b>1</b>	1
		<hr/> <b>16,911,786</b>	<hr/> 17,433,104
<b>Current assets</b>			
Stocks	15	<b>23,837</b>	24,435
Debtors: amounts falling due within one year	16	<b>317,625</b>	225,704
Cash at bank and in hand	17	<b>1,179,440</b>	501,719
		<hr/> <b>1,520,902</b>	<hr/> 751,858
Creditors: amounts falling due within one year	18	<b>(1,961,416)</b>	(1,285,855)
<b>Net current liabilities</b>		<hr/> <b>(440,514)</b>	<hr/> (533,997)
<b>Total assets less current liabilities</b>		<hr/> <b>16,471,272</b>	<hr/> 16,899,107
Creditors: amounts falling due after more than one year	19	<b>(14,864,725)</b>	(15,393,292)
<b>Net assets</b>		<hr/> <b><u>1,606,547</u></b>	<hr/> <b><u>1,505,815</u></b>
<b>Reserves</b>			
Revaluation reserve	21	<b>301,835</b>	301,835
Revenue Reserves - unrestricted	21	<b>1,304,712</b>	1,203,980
<b>Total reserves</b>		<hr/> <b><u>1,606,547</u></b>	<hr/> <b><u>1,505,815</u></b>

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

.....  
**Jo MacDonald**  
 Director

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

The notes on pages 32 to 53 form part of these financial statements.

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

**COLLEGE BALANCE SHEET**  
**AS AT 31 JULY 2021**

	Note	2021 £	2020 Restated £
<b>Fixed assets</b>			
Tangible assets	13	<b>14,794,896</b>	15,233,655
Investments	14	<b>3</b>	3
		<hr/> <b>14,794,899</b>	<hr/> 15,233,658
<b>Current assets</b>			
Stocks	15	<b>23,837</b>	24,435
Debtors: amounts falling due within one year	16	<b>316,851</b>	225,619
Cash at bank and in hand	17	<b>1,177,254</b>	495,939
		<hr/> <b>1,517,942</b>	<hr/> 745,993
Creditors: amounts falling due within one year	18	<b>(1,874,156)</b>	(1,199,370)
<b>Net current liabilities</b>		<hr/> <b>(356,214)</b>	<hr/> (453,377)
<b>Total assets less current liabilities</b>		<hr/> <b>14,438,685</b>	<hr/> 14,780,281
Creditors: amounts falling due after more than one year	19	<b>(12,830,396)</b>	(13,276,403)
<b>Net assets</b>		<hr/> <b>1,608,289</b>	<hr/> <b>1,503,878</b>
Revaluation reserve	21	<b>301,835</b>	301,835
Revenue Reserves - unrestricted b/f		<b>1,202,043</b>	1,306,061
Surplus/(Loss) for the year		<b>104,411</b>	(104,018)
Revenue Reserves – unrestricted c/f		<b>1,306,454</b>	1,202,043
<b>Total reserves</b>		<hr/> <b>1,608,289</b>	<hr/> <b>1,503,878</b>

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

.....  
**Jo MacDonald**  
Director

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

The notes on pages 32 to 53 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JULY 2021**

	Revaluation reserve	Profit and loss account	Equity attributable to parent College	Total equity
	£	£	£	£
<b>At 1 August 2019</b>	301,835	1,313,714	1,615,549	1,615,549
<b>Comprehensive income for the year</b>				
Deficit for the year	-	(109,735)	(109,735)	(109,735)
<b>Total comprehensive income for the year</b>	-	(109,735)	(109,735)	(109,735)
<b>At 31 July 2020 (as previously stated)</b>	301,835	1,247,248	1,549,083	1,549,083
Prior year adjustment		(43,268)	(43,268)	(43,268)
<b>At 31 July 2020 (as restated)</b>	301,835	1,203,980	1,505,815	1,505,815
<b>Comprehensive income for the year</b>				
Surplus for the year	-	100,732	100,732	100,732
<b>Total comprehensive income for the year</b>	-	100,732	100,732	100,732
<b>At 31 July 2021</b>	<u>301,835</u>	<u>1,304,712</u>	<u>1,606,547</u>	<u>1,606,547</u>

The notes on pages 32 to 53 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 2021**

	Revaluation reserve	Profit and loss account	Total equity
	£	£	£
<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	-	(104,018)	(104,018)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(104,018)</b>	<b>(104,018)</b>
<b>At 31 July 2020 (as previously stated)</b>	<b>301,835</b>	<b>1,245,311</b>	<b>1,547,146</b>
Prior year adjustment		(43,268)	(43,268)
<b>At 31 July 2020 (as restated)</b>	<b>301,835</b>	<b>1,202,043</b>	<b>1,503,878</b>
<b>Comprehensive income for the year</b>			
Surplus for the year	-	104,411	104,411
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>104,411</b>	<b>104,411</b>
<b>At 31 July 2021</b>	<b>301,835</b>	<b>1,306,454</b>	<b>1,608,289</b>

The notes on pages 32 to 53 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 2021**

	2021 £	2020 Restated £
<b>Cash flows from operating activities</b>		
Surplus/(Loss) for the financial year	100,732	(109,736)
<b>Adjustments for:</b>		
Depreciation of tangible assets	522,593	501,513
Deferred capital grants released	(456,738)	(433,628)
Interest paid	29,075	32,404
Decrease/(increase) in stocks	598	5,032
(Increase) in debtors	(91,921)	(21,416)
Increase/ (decrease) in creditors	644,893	(85,220)
Loss on disposal of fixed assets	5,254	
<b>Net cash generated from operating activities</b>	754,486	(68,179)
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(6,530)	(39,167)
<b>Net cash from investing activities</b>	(6,530)	(39,167)
<b>Cash flows from financing activities</b>		
Repayment of loans	(41,160)	(38,819)
Interest paid	(29,075)	(32,404)
<b>Net cash used in financing activities</b>	(70,235)	(71,223)
<b>Net increase/ (decrease) in cash and cash equivalents</b>	677,721	(178,561)
Cash and cash equivalents at beginning of year	501,719	680,280
<b>Cash and cash equivalents at the end of year</b>	1,179,440	501,719
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	1,179,440	501,719
	1,179,440	501,719

The notes on pages 32 to 53 form part of these financial statements.

**SABHAL MÒR OSTAIG****(A Company Limited by Guarantee)****CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 JULY 2021**

	<b>At 31 July 2020 £</b>	<b>Cash flows £</b>	<b>At 31 July 2021 £</b>
Cash at bank and in hand	<b>501,719</b>	<b>677,721</b>	1,179,440
Debt due after 1 year	<b>(505,415)</b>	<b>52,977</b>	(452,438)
Debt due within 1 year	<b>(45,638)</b>	<b>(11,815)</b>	(57,453)
	<b><u>(49,334)</u></b>	<b><u>718,883</u></b>	<b><u>669,549</u></b>

The notes on pages 32 to 53 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 2021

### 1. General information

Sabhal Mòr Ostaig is a private charitable company limited by guarantee registered in Scotland. Its 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 2019 (the 2019 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 2019 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 2021

#### 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 and net current liabilities of £440,514. 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 reasonable possible downturns, 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.

**SABHAL MÒR OSTAIG**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2021**

## **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%-4% per annum on a straight-line basis.

In the current year, the useful life of two freehold buildings were revised from 50 years to 25 years and are therefore depreciated at a rate of 4% 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

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

#### **Pensions (continued)**

lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

#### **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

# SABHAL MÒR OSTAIG

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

### **Financial Instruments (continued)**

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 judgments 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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**3. SFC grants**

	2021 £	2020 £
Recurrent grants	957,709	862,037
non recurrent revenue grants	109,773	59,754
	<u>1,067,482</u>	<u>921,791</u>

**4. Tuition fees and education contracts**

	2021 £	2020 £
Student fees - Higher Education	229,487	213,444
Student fees - Further Education	256,723	201,251
	<u>486,210</u>	<u>414,695</u>

**5. Other grant income**

	2021 £	2020 Restated £
Scottish Government	1,180,001	1,136,732
Share of SFC HE Grants through UHI	573,356	530,976
Share of SFC Research Excellence Grant	89,129	87,431
Bòrd na Gàidhlig (GLAIF)	86,676	62,154
Scholarship Support	15,907	10,924
Job retention scheme grant	196,358	113,528
Skills Development Scotland	42,845	43,686
Other grants	115,625	174,646
	<u>2,299,897</u>	<u>2,160,077</u>



**SABHAL MÒR OSTAIG**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2021**

**6. Other income**

	<b>2021</b>	2020
	£	£
Estates, residencies and catering	<b>217,943</b>	391,470
Shop sales	<b>4,826</b>	15,644
Management services	<b>18,336</b>	40,212
Project income	<b>996,138</b>	865,255
Other income	<b>18,481</b>	106,398
	<b><u>1,255,724</u></b>	<u>1,418,979</u>

**7. Release of deferred capital grants**

	<b>2021</b>	2020
	£	£
Release of deferred capital grants	<b>456,738</b>	433,628
	<b><u>456,738</u></b>	<u>433,628</u>

**SABHAL MÒR OSTAIG**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**8. Staff costs and numbers**

	<b>2021</b>	2020
	£	£
<b>Staff costs were as follows:</b>		
Salaries and wages	<b>2,978,772</b>	2,950,520
Subcontractor and tutor costs	<b>36,769</b>	34,593
Social security costs	<b>276,581</b>	271,121
Other pension and death in service costs	<b>222,797</b>	218,531
	<b>3,514,919</b>	3,474,765
<b>Analysed:</b>		
Teaching	<b>1,622,998</b>	1,559,747
Research	<b>105,570</b>	82,319
Administration and other (incl. projects)	<b>1,241,607</b>	1,180,944
Premises	<b>362,362</b>	431,986
Catering	<b>182,382</b>	219,769
<b>Staff numbers</b>	<b>3,514,919</b>	3,474,765
Average staff number	<b>106</b>	112
	<b>106</b>	112

**SABHAL MÒR OSTAIG**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**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>2021</b>	2020
	£	£
Salaries	<b>341,299</b>	376,569
Social security costs	<b>39,807</b>	42,667
Pension contributions	<b>22,679</b>	25,050
	<u><b>403,786</b></u>	<u>444,286</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>2021</b>	<b>2021</b>	2020	2020
	<b>Senior</b>	<b>Other staff</b>	Senior	Other staff
	<b>Post-holders</b>	<b>Other staff</b>	Post-holders	Other staff
	<b>Number</b>	<b>Number</b>	Number	Number
£60,001 - £70,000	<b>1</b>	-	-	-
£70,001 - £80,000	<u><b>1</b></u>	<u>-</u>	<u>1</u>	<u>-</u>
			<b>2021</b>	2020
			£	£
<b>Senior post-holders emoluments</b>				
Salaries			137,561	76,405
Employers pension contributions			<u>9,038</u>	<u>5,349</u>
Total			<u>146,599</u>	<u>81,754</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**11. Analysis of other operating expenses**

	2021 £	2020 £
Education costs	111,473	151,509
Premises costs	515,511	495,151
Supplies and services	38,844	54,150
Catering supplies	34,863	76,446
Shop purchases	3,794	11,883
Vehicle, travel and subsistence	10,699	56,773
Project costs	362,384	245,051
University of the Highlands and Islands expenses	21,567	21,635
Other administrative expenses	311,651	340,584
Irrecoverable Value Added Tax	(12,055)	(2,960)
	1,398,732	1,450,222

**Other operating expenses include:**

External auditors remuneration - audit fees	9,000	13,030
External auditors remuneration - non audit services	4,100	7,538
Internal audit fees	12,300	14,760
Operating lease payments	29,077	30,418

**12. Interest payable and similar expenses**

	2021 £	2020 £
Other loan interest payable	29,075	32,404
	29,075	32,404

**SABHAL MÒR OSTAIG**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tangible fixed assets**

**Group**

	Freehold property £	Land £	Plant and machinery £	Heritage Assets £	Total £
<b>Cost or valuation</b>					
At 31 July 2020	23,099,999	468,180	1,501,901	352,525	25,422,605
Additions	-	-	6,530	-	6,530
Disposals	(6,716)	-	-	-	(6,716)
At 31 July 2021	<u>23,093,283</u>	<u>468,180</u>	<u>1,508,431</u>	<u>352,525</u>	<u>25,422,419</u>
<b>Depreciation</b>					
At 31 July 2020	6,623,489	-	1,366,014	-	7,989,503
Charge for the year on owned assets	487,045	-	35,548	-	522,593
Disposals	(1,462)	-	-	-	(1,462)
At 31 July 2021	<u>7,109,072</u>	<u>-</u>	<u>1,401,562</u>	<u>-</u>	<u>8,510,634</u>
<b>Net book value</b>					
At 31 July 2021	<u>15,984,211</u>	<u>468,180</u>	<u>106,869</u>	<u>352,525</u>	<u>16,911,785</u>
At 31 July 2020	<u>16,476,510</u>	<u>468,180</u>	<u>135,888</u>	<u>352,525</u>	<u>17,433,103</u>

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

	2021 £	2020 £
Freehold	15,984,211	16,476,510
Land	468,180	468,180
	<u>16,452,391</u>	<u>16,944,690</u>

**SABHAL MÒR OSTAIG**

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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 31 July 2020	18,971,970	458,860	1,501,901	352,525	21,285,256
Additions	-	-	6,530	-	6,530
Disposals	(6,716)	-	-	-	(6,716)
At 31 July 2021	<u>18,965,254</u>	<u>458,860</u>	<u>1,508,431</u>	<u>352,525</u>	<u>21,285,070</u>
<b>Depreciation</b>					
At 31 July 2020	4,685,588	-	1,366,014	-	6,051,602
Charge for the year on owned assets	404,486	-	35,548	-	440,034
Disposals	(1,462)	-	-	-	(1,462)
At 31 July 2021	<u>5,088,612</u>	<u>-</u>	<u>1,401,562</u>	<u>-</u>	<u>6,490,174</u>
<b>Net book value</b>					
At 31 July 2021	<u>13,876,642</u>	<u>458,860</u>	<u>106,869</u>	<u>352,525</u>	<u>14,794,897</u>
At 31 July 2020	<u>14,286,382</u>	<u>458,860</u>	<u>135,887</u>	<u>352,525</u>	<u>15,233,655</u>

## SABHAL MÒR OSTAIG

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

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

	2021 £	2020 £
Freehold	13,876,643	14,286,382
Land	458,860	458,860
	<u>14,335,503</u>	<u>14,745,242</u>

Land and buildings with a net book value of £13,876,642 (Group - £15,984,211) 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

**14. Fixed asset investments**

**Group**

**Investments  
in  
subsidiary  
companies  
£**

**Cost or valuation**

At 31 July 2020

**1**

At 31 July 2021

**1**

**Company**

**Investments  
in  
subsidiary  
companies  
£**

**Cost or valuation**

At 31 July 2020

**3**

At 31 July 2021

**3**



## SABHAL MÒR OSTAIG

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

#### 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 2021 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	(1,748)	(3,574)
Bail' Ùr Ostaig	6	(105)
Cànan Alba Limited	1	-
Canan Limited	75,350	77,569

## SABHAL MÒR OSTAIG

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

#### 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 its ownership of Cànan Alba Limited.

The aggregate of the share capital and reserves as at 31 July 2021 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>75,350</b>	<b>77,569</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 2021**

**15. Stocks**

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Finished goods and goods for resale	<b>23,837</b>	24,435	<b>23,837</b>	24,435
	<b><u>23,837</u></b>	<u>24,435</u>	<b><u>23,837</u></b>	<u>24,435</u>

**16. Debtors**

	<b>Group 2021 £</b>	<i>Group 2020 Restated £</i>	<b>Company 2021 £</b>	<i>Company 2020 Restated £</i>
Trade debtors	<b>96,395</b>	105,486	<b>96,395</b>	105,486
Other debtors	<b>105,309</b>	74,730	<b>104,535</b>	74,345
Amounts owed by group undertakings	<b>33,914</b>	-	<b>33,914</b>	-
Prepayments and accrued income	<b>82,007</b>	45,788	<b>82,007</b>	45,788
	<b><u>317,625</u></b>	<u>225,704</u>	<b><u>316,851</u></b>	<u>225,619</u>

**17. Cash and cash equivalents**

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Cash at bank and in hand	<b>1,179,440</b>	501,719	<b>1,177,254</b>	495,939
	<b><u>1,179,440</u></b>	<u>501,719</u>	<b><u>1,177,254</u></b>	<u>495,939</u>

**SABHAL MÒR OSTAIG**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2021**

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

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Bank loans	<b>57,453</b>	45,638	<b>57,453</b>	45,638
Payments received on account	<b>753,952</b>	321,283	<b>753,952</b>	321,283
Trade creditors	<b>313,166</b>	99,028	<b>313,166</b>	99,028
Other taxation and social security	<b>85,693</b>	82,209	<b>84,918</b>	82,208
Other creditors	<b>224,764</b>	154,235	<b>142,204</b>	71,676
Accruals and deferred income	<b>526,388</b>	583,462	<b>522,463</b>	579,537
	<b><u>1,961,416</u></b>	<u>1,285,855</u>	<b><u>1,874,156</u></b>	<u>1,199,370</u>

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

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Bank loans	<b>452,438</b>	505,415	<b>452,438</b>	505,415
Accruals and deferred income	<b>14,412,287</b>	14,887,877	<b>12,377,958</b>	12,770,988
	<b><u>14,864,725</u></b>	<u>15,393,292</u>	<b><u>12,830,396</u></b>	<u>13,276,403</u>

Included within total accruals and deferred income is £14,864,811 of deferred capital grants

The following liabilities were secured:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Bank loans	<b>509,891</b>	551,053	<b>509,891</b>	551,053
	<b><u>509,891</u></b>	<u>551,053</u>	<b><u>509,891</u></b>	<u>551,053</u>

Details of security provided:

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**20. Loans**

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
<b>Amounts falling due within one year</b>				
Bank loans	<b>57,453</b>	45,638	<b>57,453</b>	45,638
	<b>57,453</b>	45,638	<b>57,453</b>	45,638
<b>Amounts falling due 1-2 years</b>				
Bank loans	<b>60,639</b>	52,977	<b>60,639</b>	52,977
	<b>60,639</b>	52,977	<b>60,639</b>	52,977
<b>Amounts falling due 2-5 years</b>				
Bank loans	<b>202,778</b>	192,129	<b>202,778</b>	192,129
	<b>202,778</b>	192,129	<b>202,778</b>	192,129
<b>Amounts falling due after more than 5 years</b>				
Bank loans	<b>189,021</b>	260,309	<b>189,021</b>	260,309
	<b>189,021</b>	260,309	<b>189,021</b>	260,309
	<b>509,891</b>	551,053	<b>509,891</b>	551,053

**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 2021

#### 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. 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 £222,797 (2020 - £218,531) 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 £23,557 (2020 - £24,365) to the pension providers.

#### 25. Capital commitments

At 31 July 2021 the Group and the College had capital commitments as follow:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Contracted capital works	<b>122,562</b>	-	<b>122,562</b>	-
	<b><u>122,562</u></b>	<u>-</u>	<b><u>122,562</u></b>	<u>-</u>

## SABHAL MÒR OSTAIG

(A Company Limited by Guarantee)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

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

At 31 July 2021 the Group and the College had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Not later than 1 year	<b>24,792</b>	28,358	<b>24,792</b>	28,358
Later than 1 year and not later than 5 years	<b>22,295</b>	47,088	<b>22,295</b>	47,088
	<b><u>47,087</u></b>	<u>75,446</u>	<b><u>47,087</u></b>	<u>75,446</u>

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

At 31 July 2021 the Group and the College had future minimum revenue due under non-cancellable operating leases as follows:

	<b>Group 2021 £</b>	<i>Group 2020 £</i>	<b>Company 2021 £</b>	<i>Company 2020 £</i>
Not later than 1 year	<b>4,972</b>	20,317	<b>4,972</b>	20,317
Later than 1 year and not later than 5 years	-	3,416	-	3,416
	<b><u>4,972</u></b>	<u>23,733</u>	<b><u>4,972</u></b>	<u>23,733</u>

# SABHAL MÒR OSTAIG

A Company Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2021

### 28. 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 2021
AG MacLeod	Partner in legal services	-	4,862	(600)
A Macinnes	Director of subsidiary Cànan Ltd	27,606	26,330	11,812
J Morrison	Director of subsidiary Cànan Ltd	27,606	26,330	11,812
G Munro	Director of Fas Mor	55,452	-	11,352
	Director of ICCI	4,392	-	915
R Neithercut	Director of Fas Mor	55,452	-	11,352
	<b>Senior Staff</b>	-	-	-
J Forgan	Director of Fas Mor	55,452	-	11,352
D Munro	Director of ICCI	4,392	-	915
	Chair Trust Officer of SMODT	31,424	-	22,102
K Kennedy (until 02/10/2020)	Secretary of ICCI	4,392	-	915

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 £NIL (2020 - £1,155)

### 28. Prior year adjustment

In the prior year financial statements income of £43,268 was accrued at the year end in respect of expected funding due from the Student Funding Council in error. As such a prior year adjustment has been made to the 2020 financial statements to reverse this transaction. The adjustment increases the deficit made in the prior year and reduces the brought forward reserves by £43,268.