



Company Number SC407011

High Life Highland
(A company limited by guarantee)
Report and Financial Statements
31 March 2014

MONDAY



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High Life Highland

Charity No: SC042593

Company No. SC407011

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High Life Highland

Charity No: SC042593

Company No. SC407011

Company information

Directors

| | |
|-------------|------------------------------|
| D Graham | |
| L Kirkland | (resigned 18 December 2013) |
| E McArdle | (resigned 9 December 2013) |
| D McLachlan | |
| K Nicol | |
| J Watt | (resigned 8 September 2013) |
| L Young | |
| A Millar | |
| J Douglas | |
| K Gowans | |
| F Parr | |
| C Maclean | (appointed 27 June 2013) |
| W Ross | (appointed 19 December 2013) |
| J Clarke | (appointed 19 December 2013) |

Company secretary

M Morris

Auditors

Ernst & Young LLP
Barony House
Stoneyfield Business Park
Stoneyfield
Inverness IV2 2PA

Bankers

Clydesdale Bank
23 Longman Road
Inverness IV1 1RY

Registered Office

13 Ardross Street
Inverness IV3 5NS

Report of the Chair

The end of this financial year marks two and a half years since the creation of the company. During this period we have consolidated our operations, effectively managed our costs, increased our income and are working hard with our stakeholders and partners to identify and develop new service and business opportunities.

Over the past year, there have been a number of changes to the Board. Linda Kirkland, Bette MacArdle and John Watt all stepped down in the course of the year to concentrate on the pressure of increasing workloads and personal projects. On behalf of the Board, I would like to thank all of them for the positive contribution they have made to High Life Highland.

In their place, we are delighted to welcome Iain Ross from Golspie, Catriona MacLean from Skye and Jenny Clarke from Tomatin, Inverness-shire. Our three new Directors bring a wealth of expertise in the fields of economic development, tourism, outdoor education and the commercial sector, with each having benefitted from the experience of working within in a range of local and national organisations.

HLH is the parent company of High Life Highland Trading C.I.C. which was set up to operate those parts of the business which fall outwith HLH's charitable objectives. The past year has seen the Trading Company Board develop and provide assistance to the senior management team in improving the performance of those parts of the business. The chair of the Trading Board John Murray, has stood down this year and the thanks of all Directors go to him for his strong contribution.

After this period of change, I am confident that the Board continues to blend the necessary skills and experience to guide High Life Highland into and through the next phase of our development.

The role of the Board is to develop the company and to safeguard the interests of our stakeholders. To this end we have initiated a ten year strategic planning process to set the framework for our second Business Plan. As well as reviewing the outcomes of our initial Business Plan, the planning process will consider the priorities and aspirations of our parent organisation, The Highland Council, as well as the opportunities that exist through our increasing partnerships with NHS Highland.

Central to the work of High Life Highland and to the future success of our company is the contribution of our staff and volunteers. We are delighted to see the annual staff and volunteer awards becoming a permanent addition to our annual calendar. Recognising the level of commitment of staff and the 1,300 or so regular volunteers is an important part of what we do and the stories of those who won this year's awards feature later in this report.

As we move into this next phase in the growth and development of High Life Highland I am confident that the skills and experience of our Board and the hard work and commitment of our staff and volunteers provide a solid and secure framework to continue to build upon the success of the company thus far. I look forward to the challenge of the forthcoming year and to leading the task of shaping our future direction.

Laurence Young
Chairman

Report of the Chief Executive

As we come to the end of another financial year we can reflect on the challenges and successes for High Life Highland as it approaches its third year of operation. The company continues to operate in a climate of financial challenge, reporting an operational deficit in last year's results. The Board and Management have focused their attention on the need to achieve further budget efficiencies while maintaining and improving our front line services.

Throughout last year we have seen participation levels increase across the company's nine services and I am delighted that Audit Scotland figures have shown that High Life Highland libraries are the best performing service in the country in terms of the number of visits to libraries per 1000 of the population. Our library service achieved an impressive 2.15 million visits over the year to take prime position in Scotland.

In the same year our High Life membership scheme for leisure facilities has received a growing amount of national attention. A Scottish Government working group has recognised the scheme as a unique model which enables and encourages access by all regardless of income levels and one that could potentially be replicated by other Local Authorities and Leisure Trusts across Scotland. In its report, The Scottish Government Working Group on Sport praised the High Life scheme's pricing strategy, specifically for supporting individuals most in need by enabling access to opportunities to be more physically active at an affordable cost.

The positive impact and contribution of our services to the lives of people in the Highlands was further reinforced with the announcement by sportscotland of a further three year funding package to support the continued delivery of our Active Schools Service.

Further service improvements were delivered through our capital programme, with the completion of extension and renovation works at Nairn Leisure Centre. Future investment is also planned to further enhance our front line services with new developments at Highland Folk Museum, Invergordon Leisure Centre, Thurso Swimming Pool, Wick Academy Community Complex and Inverness Botanic Gardens.

As a company we continue to seek opportunities to grow our business and to diversify in the ways in which we can deliver our services to new audiences. Last year, through our developing relationship with NHS Highland, our staff introduced new services such as Otago, You Time and Knowing Me Knowing You to engage new participants in a range of health and wellbeing activities. Next year we aim to build upon this strong start to increase our contribution to the region's aims to more prevent rather than cure ill health.

Last year we have also had the pleasure of being asked to assist in a range of new projects. On behalf of The Highland Council, our staff have undertaken a pilot for the management of the Leanaig Centre in Ben Wyvis Primary School, co-ordinated the Public Art element of the Inverness Flood Prevention Scheme and provided support for the provision of supply teachers in Highland. We will continue to seek new opportunities to grow our business and are delighted that we have been asked to manage the community facilities at the new Inverness Royal Academy Community Complex when it opens in 2016.

The success and growth of High Life Highland is founded on the skills, commitment and performance of our staff and I remain impressed and proud of their willingness and openness to both recognise the financial challenges we face while continuously looking for new ways to improve our services. Our customers are our focus and, as we enter a new financial year, I am confident that all High Life Highland staff will continue to seek to deliver the best possible service to our existing customers and to extend the benefits of our company's services to many more.

Ian Murray
Chief Executive

High Life Highland Staff and Volunteer Awards

The work of High Life Highland staff members and volunteers was celebrated at the annual staff and volunteer awards in June with guests invited to a Welcome Reception in the Inverness Botanic Gardens followed by the Awards Ceremony in the Highland Archive and Registration Centre (HARC). Guests were entertained by some of HLH's TMC students, Fiddle Forte, and were later joined by guitar tutor Jeff Maclean with student Katie Pepper. The evening had an air of celebration and pride clearly evident throughout the assembled guests. Awards were presented by former HLH Board Chair Linda Kirkland to staff and volunteers whose work and efforts had made an "exceptional contribution" to the achievement of High Life Highland's aims.

Volunteer Award Winners

Angela Armstrong - Lochardil Primary School

As a valued volunteer at Lochardil Primary School Angela has been motivating and inspiring 16 Primary 6 Junior Leaders who have undertaken a leadership course through the Active Schools Programme. Following their training, Angela has taken on the role of Junior Leader Officer, supporting and deploying the Junior Leaders who have set up weekly activity sessions for Primaries 1-5; have their own blog and organise activity based charity lead games for nursery children. With Angela's support and encouragement they now have their own after school club planning active events.



Bridget Morrison - East Sutherland

Bridget is a dynamic individual, who, with 5 children of her own, is still able to volunteer for the Active Schools Programme in East Sutherland. Bridget has undertaken several training courses in dance fitness, basketball, athletics, orienteering and football under her own steam and supported by HLH and is keen to accumulate as much knowledge and expertise as she can which will inform her extra curricular Active Schools clubs in Dornoch, Lairg and Rogart as well as a district wide Games for Girls initiative that is gaining in popularity.



High Life Highland Staff and Volunteer Awards

Fiona Wares – Badenoch and Strathspey

Recognising a local need, Fiona has been instrumental in setting up a Disability Sports Group in the Badenoch and Strathspey area. Supported by the Disability Sports Development Officer, Active Schools and the Leisure Centre she was key to the development of an initial taster event and establishment of a new community group in Grantown on Spey in February 2013. As chair of the group Fiona has driven this club forward and helped to secure funding which is allowing the members to get involved in an ever increasing range of activities.



Deanna Lundie, Megan Boyle, Kirsty Ewen, Calum MacInnes, Sarah McKinnon, Jayne Atkinson, Jude Ferguson - Nairn

These inspirational young people from Nairn all volunteer with Active Schools. Having successfully completed a qualification in Sports Leadership, they have been involved in leading activities for younger pupils in their community for the last 4 years. They have now elevated their participation to an international level through their selection to be "Clydesiders" and "Baton-bearers" at the Glasgow 2014 Commonwealth Games: Ambassadors for both HLH and Scotland. These exceptional young volunteers, two of whom were also Gamesmakers at London 2012, have been selected to become "Clydesiders" as a result of their extensive volunteering.

Kirsty and Deanna were touring the country with the Queen's Baton and Callum and Jude were on training in Glasgow for their Clydesider roles at the Commonwealth Games and were unable to attend the Ceremony. Their awards were collected by Active Schools Co-ordinator Elisabeth McDonald. Pictured collecting their awards are Megan, Sarah and Jayne.



High Life Highland Staff and Volunteer Awards

Sandy Allan and Todd Westbrook – Grantown on Spey

In 2011, Sandy and Todd became Active Schools volunteers and although novice shinty players themselves, gained their coaching award and began delivering regular evening sessions for young people. They have worked in partnership with Active Schools, the Craig Maclean Leisure Centre, Grantown Primary and Grammar Schools, the Highland Shinty Development Officer and the established shinty clubs in Badenoch. Since Sandy and Todd started coaching there has been a marked increase in both numbers participating, and the skills of those taking part.



Staff Award Winners

You Time

“You Time” is a programme of newly commissioned learning and leisure opportunities for older people being delivered by High Life Highland throughout the Highlands. The programme has been developed to enable improved health and wellbeing for older people and specifically to reduce social isolation and improve physical and mental health and wellbeing.

“You Time” activities are a collaboration between three High Life Highland services: libraries, facilities and archives. Activities include: tracing your family tree, gentle and moderate exercise classes, fitness MOTs, IT classes, book groups and much more! The teams across the libraries, archives and facilities have embraced the opportunity to work collaboratively and deliver an excellent programme for the benefit of communities in their areas.

Collecting the award on behalf of each of their services were: Carmen Garcia-Pagan – Libraries, Kelly Skinner – Facilities, Janet Baker – Archives, Simon Workman – IT Support, May McGuinness – IT Support and Lynn Johnson – Health and Wellbeing Manager.



High Life Highland Staff and Volunteer Awards

Modern Apprenticeship Scheme

The High Life Highland Leisure Facility Team started working in partnership with Fitness Training Scotland in March 2013 to deliver modern apprenticeship scheme opportunities to staff based in leisure facilities.

The aim of the partnership is to increase staff qualifications, confidence and the ability to deliver an enhanced service to HLH customers. By developing this partnership, HLH has allowed staff to work at their own pace to gain these national recognised qualifications in a supported environment at their place of work. Support and guidance for learners can be accessed either from Fitness Training Scotland or their work colleagues. HLH currently has 29 Leisure staff participating in the Modern Apprenticeship Scheme. Collecting their award are four of the staff participating in the scheme: David Mackay, Lee Beckwith, Hayden Gray and Lauren Reid with Area Facilities Officer Emma Thomson.



Fortrose Disability Access Challenge

This was an intergenerational disability awareness raising event bringing together young people from Fortrose Academy and members of Ross and Cromarty Disability Access Group with the aim of increasing young people's awareness of disability and raising awareness in the community of the impact improved disability access to local services and premises would have on disabled people.

Within HLH there was collaboration between Fortrose Community Library, Black Isle Leisure Centre, local Youth Development workers and the Active Schools Coordinator, enhanced partnership working with teachers, local councillors and police and new relationships formed between HLH and many local businesses and voluntary organisations. The long term benefits of the project have resulted in the future production of a local accessibility map, plans to revisit businesses to see if any changes have been made, and 2 young people volunteering to participate in the Disability Access Group.

Collecting the Award are Assistant Youth Worker Aaron Goode, Youth Worker Wanda Mackay with Fraser Thomson, Anne Macdonald and Amy Mackinnon.



High Life Highland Staff and Volunteer Awards

Dance Leadership Project

In conjunction with Glasgow based youth Dance project, Y-Dance, the Highland Active Schools Team organized a series of one day workshops for teenage girls, designed to boost self-confidence and teach leadership skills through the medium of dance. Over 500 girls, from 13-18 years of age, took part in these workshops which were delivered in every High School in the Highland area.

The girls were then invited apply for a week long Level 1 Dance Leadership course. These were held in Fort William and Inverness in the February holiday and in Wick, Dingwall and Nairn in the Easter holidays.

The project demonstrated the potential of effective partnership working between external agencies and active schools and created more opportunities for both secondary and primary age pupils in a positive environment where they can grow and develop leadership, organisational and communication skills in a positive environment as well as building self-confidence and self-esteem.

Collecting the Award are Active Schools Coordinators Ami Saints, Bridget Thomas and Fiona Green.



Story Telling Project

Susan Appleby, Librarian at Inverness Royal Academy took a group of disengaged, non-academic S4 girls and trained them in storytelling, showing them how reading to young children can make a positive impact.

The girls were trained in story telling techniques and provided with the theory behind how young babies and children learn and respond before visiting Hilton Primary School and practising their new skills. The girls were encouraged to write reviews of their experiences, and used this as part of their English course work. The project brought together various key elements including early intervention, the importance of building strong relationships through reading together, and the encouragement of teenage girls who feel disengaged with school.



High Life Highland Staff and Volunteer Awards

Overall Staff Award Winners

You Time

Some of the reasons why You Time won the Overall Staff Award:

- Teams across the services of HLH have embraced the opportunity to work collaboratively and deliver an excellent programme for the benefit of communities in their areas.
- Teams have maximised opportunities to utilise staff skills
- Showcased how HLH can support partner organisations
- Over 300 registered participants
- 867 activities attended
- £190,000 funding secured for first two years of the programme
- 60% of participants said that the project gave them new opportunities to socialise;
- 46% of participants said that taking part helped them to do more exercise every week;

Comments from participants:

- "the programme has been a life saver during a difficult time in my life"
- "The personal interest and attention from the instructor is key to the enjoyment and success of the activity. Very professional and caring."



Charity No: SC042593

Company No. SC407011

Directors Report

The directors present their report and the group financial statements for the year to 31 March 2014.

The financial statements have been prepared in accordance with the accounting policies set out in note 2 to the financial statements and comply with the company's Memorandum and Articles of Association, the Companies Act 2006 and the Statement of Recommended Practice, 'Accounting and Reporting by Charities', issued in March 2005.

Formation of High Life Highland

High Life Highland is a charitable company limited by guarantee, registered in Scotland and is a subsidiary of The Highland Council, by virtue of it being the sole member of the company and having the power to appoint its directors. The company was formed on 8 September 2011 to deliver a range of community learning and leisure services on behalf of The Highland Council and was registered as a charity on 15 September 2011.

It has one subsidiary company: High Life Highland (Trading) C.I.C. (Community Interest Company) whose principal aim is to generate funds which will be utilised by the charity in pursuit of its charitable objectives.

Principal activities and objectives

The principal activities of the company are to develop and promote opportunities in culture, learning, health and well-being. The company's ambition is to be recognised and respected as the leading organisation in these areas.

High Life Highland operates across the Highlands of Scotland, currently within the geographical boundary of The Highland Council's administrative area.

The main business of the company is the delivery of a Service Delivery Contract for The Highland Council across nine areas of work;

- Adult Learning
- Archives
- Arts
- Leisure Facilities
- Libraries
- Museums
- Outdoor Education
- Sport
- Youth Work

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Company No. SC407011

Directors Report

Directors

The trustees, who are also the directors for the purposes of company law, who served the charity during the year, are listed on page 1.

There are no directors interests requiring disclosure under the Companies Act 2006.

The overall management and policy decisions of the company are the responsibility of the board of directors who are elected under the terms of the company's Articles of Association.

The board consists of eight independent directors and four Highland Council nominated directors. The retiral and replacement of the directors is also governed by the Articles of Association. There is currently one vacancy on the board.

In addition there are a number of board committees responsible for various activities of the company, being the Finance and Audit Committee, Nominations Committee and the Funding and Sponsorship Committee.

Objectives and activities

The company has identified eight business outcomes which form the basis of its work. These business outcomes shape and inform the Operational Plans for each of the nine services. The outcomes are:

- Safety and environmental compliance
- Delivery of the contract with the Highland Council
- Increased awareness of the company's products and services
- Increased staff satisfaction
- A positive company image
- A growing company
- Increased financial sustainability
- Increased internal collaboration

In striving to achieve these outcomes, the company has regard to five core values:

- To act legally
- To be non-discriminatory
- To be a good employer
- To have a safe environment for staff and users
- To take steps to reduce our environmental impact

On 8 September 2011 the responsibility for the delivery of culture and leisure services on behalf of the Highland Council was entrusted to High Life Highland. The transfer process involved the transfer of the employment of in excess of 800 employees and the assumption of the management of over 112 buildings and 80 open spaces. Ownership of all the buildings and open spaces is retained by the Highland Council. The fixtures and fittings within these buildings were sold by The Highland Council to High Life Highland for £1.

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Company No. SC407011

Directors Report

Results

During the year ended 31 March 2014, the charity has been able to deliver its services and recorded a deficit of (£487,774) (2013 – deficit of £23,279) including the actuarial adjustment posted through the income statement of (£284,000) on the pension fund for the year ended 31 March 2014.

The deficit for the year ended 31 March 2014 of (£487,774) is made up of the actuarial adjustment of (£284,000), planned expenditure from restricted reserves of (£80,518) and a deficit of (£123,256) taken from unrestricted reserves.

The Directors have addressed the operational deficit on unrestricted reserves and have taken the necessary action to plan for a break even budget for the year to March 2015.

The deficit in the pension scheme (which represents the company's share of the deficit in The Highland Council Pension Scheme) amounted to (£1,881,000) (2013 – £263,000). (£1,334,000) of this is an actuarial loss (2013 – £225,000 actuarial gain) in the year and this has left the company with an overall deficit of (£1,821,774) (2013 –surplus of £201,721).

The company's revenue stream is largely tied to the terms of its Service Delivery Contract with the Highland Council. Under the terms of that contract, there is a direct linkage between the level of service required by the Council and the amount of funding provided to the company to deliver those services.

The directors consider that, having due regard to the terms of the Service Delivery Contract, the company has sufficient funds to ensure that variations in funding from other sources can be accommodated within the normal operations of the business.

At the year-end the company has a deficit on its balance sheet of (£1,710,290) (2013 – surplus £111,484) including the actuarial adjustment. When the actuarial adjustment of (£1,881,000) is removed the company has a surplus on its balance sheet of £170,710. As explained above, there is a linkage between the level of service required and the funding provided. The directors are satisfied that the total funding received from all sources will be sufficient to enable the company to record surpluses on its general fund, excluding the pension reserve. The future level of contributions to the pension fund has been agreed by the company and The Highland Council in conjunction with the scheme's actuaries with the aim of bringing the pension fund into surplus as soon as practicable.

Future plans

The company has prepared a business plan covering the period to March 2015 which clearly sets out its objectives and plans for the future. The company intends to be recognised and respected as the leading organisation in the Highlands for developing and promoting opportunities in culture, learning, sport, leisure, health and wellbeing.

As part of the business plan, the directors have prepared an operational plan in collaboration with the company's Highland wide area managers. The operational plan is used to guide activity across the company in a co-ordinated, measurable way.

Reserves policy

The Directors have agreed a long term target of 3% of the total budget for reserves recognising the need for reserves particularly for business out with the service level agreement with the Highland Council noting the difficulty in achieving the target in the current economic climate.

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Directors Report

Disabled employees

The company and group give full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Investment policy

The directors are governed by the Memorandum and Articles which permit funds to be invested as the directors see fit.

Risk management

The directors actively review the major risks that the company faces on a regular basis and are satisfied that adequate procedures are in place to mitigate exposure to major risks.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the surplus or deficit of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charity No: SC042593

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Directors Report

Directors' statement as to disclosure of information to auditors

The directors who are members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Director

R. S. Young

Date:

21 August 2014

Independent auditors' report

to the member and trustees of High Life Highland

We have audited the consolidated financial statements of High Life Highland for the year ended 31 March 2014 which comprise the Group Statement of Financial Activities (including income and expenditure account), Company Statement of Financial Activities (including income and expenditure account), Group Balance Sheet, Company Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's member in accordance with our appointment under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's trustees and member 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 and the charitable company's trustees and member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Directors' Responsibilities set on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable group and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the Report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of affairs of the charitable group and the parent company's affairs as at 31 March 2014 and of the charitable group's and parent company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Independent auditors' report

to the member and trustees of High Life Highland


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's consolidated financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Peter Mearns, Senior Statutory Auditor
for and on behalf of Ernst & Young LLP, Statutory Auditor
Inverness

Date: 21 August 2014

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Group statement of financial activities (including income and expenditure account)

for the year ended 31 March 2014

| | <i>Unrestricted funds</i> | <i>Restricted Funds</i> | <i>2014 Total</i> | <i>2013 Total</i> |
|--|-------------------------------|-----------------------------|-----------------------|-----------------------|
| <i>Notes</i> | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| Incoming resources | | | | |
| Incoming resources from generated funds: | | | | |
| Voluntary income: | | | | |
| Management fee – The Highland Council | 14,787,935 | - | 14,787,935 | 14,739,542 |
| Other grants | - | 1,678,028 | 1,678,028 | 2,000,023 |
| Activities for generating funds | 441,315 | - | 441,315 | 364,071 |
| Incoming resources from charitable activities: | | | | |
| Other income including High Life scheme | 5,635,815 | - | 5,635,815 | 4,576,255 |
| Total incoming resources | 20,865,065 | 1,678,028 | 22,543,093 | 21,679,891 |
| Resources expended | | | | |
| Charitable activities: | | | | |
| Costs of activities in furtherance of the charitable objects | 5 21,256,370 | 1,758,546 | 23,014,916 | 21,687,976 |
| Governance costs | 5 15,951 | - | 15,951 | 15,194 |
| Total resources expended | 21,272,321 | 1,758,546 | 23,030,867 | 21,703,170 |
| Net outgoing resources before other recognised gains and losses | (407,256) | (80,518) | (487,774) | (23,279) |
| Actuarial (loss)/gain on defined benefit pension scheme | 16 (1,334,000) | - | (1,334,000) | 225,000 |
| Net movement in funds | (1,741,256) | (80,518) | (1,821,774) | 201,721 |
| Opening funds at 1 April | (120,926) | 232,410 | 111,484 | (90,237) |
| Total funds carried forward at 31 March | (1,862,182) | 151,892 | (1,710,290) | 111,484 |

Company statement of financial activities (including income and expenditure account)

for the year ended 31 March 2014

| | <i>Unrestricted funds</i> | <i>Restricted Funds</i> | <i>2014 Total</i> | <i>2013 Total</i> |
|--|-------------------------------|-----------------------------|-----------------------|-----------------------|
| | £ | £ | £ | £ |
| Incoming resources | | | | |
| Incoming resources from generated funds: | | | | |
| Voluntary income: | | | | |
| Management fee – Highland Council | 14,787,935 | - | 14,787,935 | 14,739,542 |
| Other grants | - | 1,678,028 | 1,678,028 | 2,000,023 |
| Gift Aid donation from subsidiary | 256,175 | - | 256,175 | 212,527 |
| Incoming resources from charitable activities: | | | | |
| Other income including High Life scheme | 5,635,815 | - | 5,635,815 | 4,576,255 |
| Total incoming resources | 20,679,925 | 1,678,028 | 22,357,953 | 21,528,347 |
| Resources expended | | | | |
| Charitable activities: | | | | |
| Costs of activities in furtherance of the charitable objects | 21,073,230 | 1,758,546 | 22,831,776 | 21,538,432 |
| Governance costs | 13,951 | - | 13,951 | 13,194 |
| Total resources expended | 21,087,181 | 1,758,546 | 22,845,727 | 21,551,626 |
| Net outgoing resources before other recognised gains and losses | (407,256) | (80,518) | (487,774) | (23,279) |
| Actuarial (loss)/gain on defined benefit pension scheme | 16 (1,334,000) | - | (1,334,000) | 225,000 |
| Net movement in funds | (1,741,256) | (80,518) | (1,821,774) | 201,721 |
| Opening funds at 1 April | (120,926) | 232,410 | 111,484 | (90,237) |
| Total funds carried forward at 31 March | (1,862,182) | 151,892 | (1,710,290) | 111,484 |

Group balance sheet

at 31 March 2014

Company number SC407011

| | Notes | 2014 £ | 2013 £ |
|--|--------|--------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 39,957 | 169,268 |
| | | <u>39,957</u> | <u>169,268</u> |
| Current assets | | | |
| Stocks | 9 | 65,262 | 50,136 |
| Debtors | 10 | 5,251,689 | 5,237,761 |
| Cash at bank and in hand | | 15,887 | 14,312 |
| | | <u>5,332,838</u> | <u>5,302,209</u> |
| Creditors: amounts falling due within one year | 11 | 5,202,085 | 5,096,993 |
| Net current assets | | <u>130,753</u> | <u>205,216</u> |
| Total assets less current liabilities excluding retirement benefits | | <u>170,710</u> | <u>374,484</u> |
| Net pension liability | 16 | (1,881,000) | (263,000) |
| | | <u>(1,710,290)</u> | <u>111,484</u> |
| Funds | | | |
| Unrestricted funds excluding the pension fund liability | 12 | 18,818 | 142,074 |
| Pension reserve | 1 & 12 | (1,881,000) | (263,000) |
| Total deficit on unrestricted funds | | <u>(1,862,182)</u> | <u>(120,926)</u> |
| Restricted funds | 12 | 151,892 | 232,410 |
| | 13 | <u>(1,710,290)</u> | <u>111,484</u> |

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

Director

Date:

L. S. Young

L. S. YOUNG

Douglas R R Graham

DOUGLAS R R GRAHAM

21 August 2014


Company balance sheet

at 31 March 2014

Company number SC407011

| | Notes | 2014 £ | 2013 £ |
|--|--------|--------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 39,957 | 169,268 |
| Investments | 8 | 100 | 100 |
| | | <u>40,057</u> | <u>169,368</u> |
| Current assets | | | |
| Debtors | 10 | 5,314,751 | 5,285,897 |
| Cash at bank and in hand | | 15,887 | 14,312 |
| | | <u>5,330,638</u> | <u>5,300,209</u> |
| Creditors: amounts falling due within one year | 11 | 5,199,985 | 5,095,093 |
| Net current assets | | <u>130,653</u> | <u>205,116</u> |
| Total assets less current liabilities excluding retirement benefits | | <u>170,710</u> | <u>374,484</u> |
| Net pension liability | 16 | (1,881,000) | (263,000) |
| | | <u>(1,710,290)</u> | <u>111,484</u> |
| Funds | | | |
| Unrestricted funds excluding the pension fund liability | 12 | 18,818 | 142,074 |
| Pension reserve | 1 & 12 | (1,881,000) | (263,000) |
| Total deficit on unrestricted funds | | <u>(1,862,182)</u> | <u>(120,926)</u> |
| Restricted funds | 12 | 151,892 | 232,410 |
| | 13 | <u>(1,710,290)</u> | <u>111,484</u> |

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


 Director L. S. YOUNG


 DOUGLAS RRGRAHAM

Date: 21 AUGUST 2014

Notes to the financial statements

at 31 March 2014

1. Fundamental accounting concept

Going concern

The company is dependent upon revenue funding provided by The Highland Council under a contract running to 2036. The level of the management fee is agreed annually. The funding for the year ended 31 March 2015 is agreed. The funding for the year ended 31 March 2016 to 31 March 2018 has been notified by The Highland Council subject to agreement. The directors are confident that the level of funding available through The Highland Council under the funding agreement when taken together with other anticipated revenues will be sufficient to enable the company to continue trading and meet its obligations as they fall due for at least 12 months from the date of the signing of these financial statements.

The company is required to adopt the accounting requirements of Financial Reporting Standard 17 'Retirement Benefits'. This has resulted in the inclusion of a pension deficit of £1,881,000 at the balance sheet date. This represents the company's allocation of the deficit in the Highland Council Pension Fund at 31 March 2014 (see note 16). At 31 March 2014, the company had a surplus in its unrestricted fund, excluding the pension reserve but the volatility in the stock markets and in the actuarial assumptions used cause large fluctuations in the pension scheme deficit which can move the company's unrestricted funds into deficit at any time. This deficit represents a long term liability to pay additional pension contributions in the future based on actuarial estimates and calculations. The company continues to be able to meet its liabilities as they fall due irrespective of the Financial Reporting Standard 17 accounting adjustments and the directors are therefore of the opinion that the company is a going concern.

2. Accounting policies

Accounting convention

The accounts are prepared on the going concern basis, under the historical cost convention, and in accordance with The Companies Act, 2006, the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued in February 2005 and applicable accounting standards in the United Kingdom.

Status

High Life Highland is a company limited by guarantee and not having a share capital. The liability of the member which constitutes the charity is limited to £1.

The affairs of the company are managed by a Board of Directors. The company is a registered charity, Scottish Charity Number SC042593, and is not liable to income tax or corporation tax on its income or capital gains.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and its subsidiary undertaking for the year ended 31 March 2014. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Cash flow statement and related party transactions

The financial results of the company are consolidated into those of The Highland Council and consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of FRS 1 – Cashflow Statements. The company is also exempt under the terms of FRS 8 Related Party Disclosures from disclosing related party transactions with entities that consolidated into the financial statements of The Highland Council.

Notes to the financial statements

at 31 March 2014

2. Accounting policies (continued)

Fixed assets

The ownership of the buildings and open spaces managed by the company is retained by The Highland Council. As part of the transfer process undertaken on 1 April 2012, the contents and equipment within these buildings were sold by The Highland Council to High Life Highland for £1. This amount was expensed in the year ended 31 March 2012.

Fixed asset additions in the year to 31 March 2014 have been recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life, as follows:

| | |
|-----------------------|---------------------|
| Plant and equipment | - 25% straight line |
| Fixtures and fittings | - 20% straight line |

Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

Fund accounting

Unrestricted funds are available for use at the discretion of the directors in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Incoming resources

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category and include any irrecoverable VAT. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources. Support costs are those costs incurred directly in support of expenditure on the objects of the charity. Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

Pension costs

The company participates in The Highland Council Pension Fund, a defined benefit scheme. The assets of the scheme are held separately from those of the company in an independently administered trust. The fund is valued every three years by a professionally qualified independent actuary and is updated at each balance sheet with contribution payments made to the plan to ensure that the plan's assets are sufficient to cover future liabilities. Pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted by the yield available on long-dated high quality corporate bonds. The amounts charged to the Statement of Financial Activities in respect of the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are charged to resources expended. Actuarial gains and losses are recognised immediately in the Statement of Financial Activities.

Notes to the financial statements

at 31 March 2014

2. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and realisable value with proper provision being made for obsolete and slow moving stock. Cost comprises the invoiced price of goods and materials purchased on a first in first out basis.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Taxation

Income is stated net of Value Added Tax and expenditure includes Value Added Tax where this is not recoverable.

The group's financial statements include the relevant corporation tax in respect of the subsidiary undertaking.

3. Net outcoming resources

This is stated after charging:

| | 2013 | 2013 |
|-------------------------|-------------------|-------------------|
| | £ | £ |
| Audit fee | 13,000 | 13,000 |
| Operating lease rentals | 233,822 | 138,770 |
| Depreciation | 9,990 | 41,598 |
| | <u> </u> | <u> </u> |

4. Directors'/trustees' remuneration

The directors/trustees are not entitled to any emoluments during the year. The directors/trustees received reimbursement for expenses during the period totalling £2,951 (year ended 31 March 2013 – £2,194).

Notes to the financial statements

at 31 March 2014

5. Total resources expended

| | 2014 <i>Unrestricted funds</i> £ | 2014 <i>Restricted funds</i> £ | 2014 <i>Total</i> £ | 2013 <i>Total</i> £ |
|---|--|--|---------------------------|---------------------------|
| Costs of activities in furtherance of the charitable objects | | | | |
| Salaries and wages | 15,205,646 | 1,129,249 | 16,334,895 | 15,330,062 |
| FRS17 adjustment to pension charge for the period | 315,000 | - | 315,000 | 329,000 |
| Property costs | 615,938 | 33,653 | 649,591 | 599,268 |
| Travel and transport | 169,683 | 137,866 | 307,549 | 348,786 |
| Supplies and services | 4,222,431 | 399,785 | 4,622,216 | 4,318,886 |
| Third party payments | 807,512 | 50,089 | 857,601 | 737,376 |
| Depreciation | 2,086 | 7,904 | 9,990 | 41,598 |
| Gain on sale of fixed assets | (50,926) | - | (50,926) | - |
| Expected return on pension scheme assets | (269,000) | - | (269,000) | (135,000) |
| Interest on pension scheme liabilities | 238,000 | - | 238,000 | 118,000 |
| | <u>21,256,370</u> | <u>1,758,546</u> | <u>23,014,916</u> | <u>21,687,976</u> |
| Governance costs | | | | |
| Audit fee | 13,000 | - | 13,000 | 13,000 |
| Directors' expenses reimbursed | 2,951 | - | 2,951 | 2,194 |
| | <u>15,951</u> | <u>-</u> | <u>15,951</u> | <u>15,194</u> |

6. Staff costs

| | 2014 £ | 2013 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 13,462,357 | 12,609,065 |
| Social security costs | 778,132 | 774,647 |
| Pension costs | 1,825,437 | 1,680,869 |
| | <u>16,065,926</u> | <u>15,064,581</u> |

The average weekly number of employees during the year was as follows:

| | 2014 <i>No.</i> | 2013 <i>No.</i> |
|------------------|--------------------|--------------------|
| Management | 4 | 4 |
| Support services | 31 | 29 |
| Operations | 1,029 | 955 |
| | <u>1,064</u> | <u>988</u> |

Notes to the financial statements

at 31 March 2014

6. Staff costs (continued)

The number of employees remunerated at a rate of over £60,000 per annum in the current period was as follows:

| | 2014 | 2013 |
|-------------------|------|------|
| | No. | No. |
| £60,001 – £70,000 | 3 | 3 |
| £70,001 – £80,000 | 1 | 1 |

7. Tangible fixed assets

Group and company

| | <i>Plant and Equipment</i> | <i>Fixtures and fittings</i> | <i>Total</i> |
|------------------|--------------------------------|----------------------------------|--------------|
| | £ | £ | £ |
| Cost: | | | |
| At 1 April 2013 | 210,866 | - | 210,866 |
| Additions | 39,517 | 10,430 | 49,947 |
| Disposals | (210,866) | - | (210,866) |
| At 31 March 2014 | 39,517 | 10,430 | 49,947 |
| Depreciation: | | | |
| At 1 April 2013 | 41,598 | - | 41,598 |
| Charge for year | 7,904 | 2,086 | 9,990 |
| Disposals | (41,598) | - | (41,598) |
| At 31 March 2014 | 7,904 | 2,086 | 9,990 |
| Net book value: | | | |
| At 31 March 2014 | 31,613 | 8,344 | 39,957 |
| At 1 April 2013 | 169,268 | - | 169,268 |

The transfer process from The Highland Council involved the assumption of the management of buildings and open spaces. Ownership of all the buildings and open spaces is retained by the Highland Council. The fixtures and fittings within these buildings were sold by The Highland Council to High Life Highland for £1. This amount has been written off to revenue in the year ended 31 March 2012.

Notes to the financial statements

at 31 March 2014

8. Fixed asset investments

| | <i>Shares in group companies £</i> |
|-----------------------------------|--|
| Cost: | |
| At 1 April 2013 and 31 March 2014 | 100 |

The company holds 100% of the issued ordinary share capital of High Life Highland (Trading) C.I.C., a company registered in Scotland, which provides retail and catering facilities at sites operated by High Life Highland.

A summary of the trading results is shown below:

| | <i>High Life Highland (Trading) C.I.C.</i> | |
|---|--|-----------|
| | 2014 | 2013 |
| | £ | £ |
| Turnover | 441,315 | 364,071 |
| Cost of sales and administrative expenses | (185,140) | (151,544) |
| Net profit before Gift Aid and tax | 256,175 | 212,527 |
| Amount Gift Aided to High Life Highland | (256,175) | (212,527) |
| Taxation | - | - |
| Profit for the year | - | - |

The assets and liabilities of the subsidiary at 31 March 2014 were:

| | | |
|--|----------|----------|
| Current assets | 65,262 | 50,136 |
| Creditors: amounts falling due within one year | (65,162) | (50,036) |
| Aggregate share capital and reserves | 100 | 100 |

9. Stocks

| | <i>Group 2014 £</i> | <i>Company 2014 £</i> | <i>Group 2013 £</i> | <i>Company 2013 £</i> |
|------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| Goods for resale | 65,262 | - | 50,136 | - |
| | 65,262 | - | 50,136 | - |

Notes to the financial statements

at 31 March 2014

10. Debtors

| | <i>Group</i> <i>2014</i> £ | <i>Company</i> <i>2014</i> £ | <i>Group</i> <i>2013</i> £ | <i>Company</i> <i>2013</i> £ |
|--------------------------------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| Trade debtors | - | - | - | - |
| Prepayments and other accrued income | 192,550 | 192,450 | 162,565 | 162,565 |
| Amounts owed by group undertakings | 5,059,139 | 5,122,301 | 5,075,196 | 5,123,332 |
| | <u>5,251,689</u> | <u>5,314,751</u> | <u>5,237,761</u> | <u>5,285,897</u> |

11. Creditors: amounts falling due within one year

| | <i>Group</i> <i>2014</i> £ | <i>Company</i> <i>2014</i> £ | <i>Group</i> <i>2013</i> £ | <i>Company</i> <i>2013</i> £ |
|------------------------------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| Trade creditors | 27,597 | 27,597 | 61,776 | 61,776 |
| Other creditors and accruals | 592,919 | 590,819 | 1,475,632 | 1,473,732 |
| Amounts owed to group undertakings | 4,581,569 | 4,581,569 | 3,559,585 | 3,559,585 |
| | <u>5,202,085</u> | <u>5,199,985</u> | <u>5,096,993</u> | <u>5,095,093</u> |

During the year, the company did not operate a bank account. All receipts and payments were made by The Highland Council on behalf of the company and its subsidiary. Included in debtors in note 10, is an amount of £5,059,139 (2013 – £5,078,557) due from The Highland Council which represents income received on behalf of High Life Highland and the management fee due to High Life Highland for the year. When this amount is settled, it will be offset against the amounts due to The Highland Council of £4,581,569 (2013 – £3,559,585) for costs paid out on the company's behalf in the year.

Notes to the financial statements

at 31 March 2014

12. Statement of funds

Group

| | Unrestricted Funds | | Restricted Funds | | Total Funds |
|--------------------------|--------------------|----------------------|------------------|-------------|--------------|
| | General fund £ | Pension reserve £ | Total £ | Total £ | £ |
| At 1 April 2012 restated | 85,763 | (176,000) | (90,237) | - | (90,237) |
| Incoming resources | 19,679,868 | - | 19,679,868 | 2,000,023 | 21,679,891 |
| Resources expended | (19,623,557) | (312,000) | (19,935,557) | (1,767,613) | (21,703,170) |
| Actuarial gain | - | 225,000 | 225,000 | - | 225,000 |
| At 1 April 2013 | 142,074 | (263,000) | (120,926) | 232,410 | 111,484 |
| Incoming resources | 20,865,065 | - | 20,865,065 | 1,678,028 | 22,543,093 |
| Resources expended | (20,988,321) | (284,000) | (21,272,321) | (1,758,546) | (23,030,867) |
| Actuarial loss | - | (1,334,000) | (1,334,000) | - | (1,334,000) |
| At 31 March 2014 | 18,818 | (1,881,000) | (1,862,182) | 151,892 | (1,710,290) |

Company

| | Unrestricted Funds | | Restricted Funds | | Total Funds |
|--------------------------|--------------------|----------------------|------------------|-------------|--------------|
| | General fund £ | Pension reserve £ | Total £ | Total £ | £ |
| At 1 April 2012 restated | 85,763 | (176,000) | (90,237) | - | (90,237) |
| Incoming resources | 19,528,324 | - | 19,528,324 | 2,000,023 | 21,528,347 |
| Resources expended | (19,472,013) | (312,000) | (19,784,013) | (1,767,613) | (21,551,626) |
| Actuarial gain | - | 225,000 | 225,000 | - | 225,000 |
| At 1 April 2013 | 142,074 | (263,000) | (120,926) | 232,410 | 111,484 |
| Incoming resources | 20,679,925 | - | 20,679,925 | 1,678,028 | 22,357,953 |
| Resources expended | (20,803,181) | (284,000) | (21,087,181) | (1,758,546) | (22,845,727) |
| Actuarial loss | - | (1,334,000) | (1,334,000) | - | (1,334,000) |
| At 31 March 2014 | 18,818 | (1,881,000) | (1,862,182) | 151,892 | (1,710,290) |

Notes to the financial statements

at 31 March 2014

12. Statement of funds (continued)

| <i>Restricted funds</i> | <i>Opening fund</i> | <i>Incoming resources</i> | <i>Resources expended</i> | <i>Transfers between funds</i> | <i>At 31 March 2014</i> | <i>At 31 March 2013</i> |
|---------------------------|-------------------------|-------------------------------|-------------------------------|--|-----------------------------|-----------------------------|
| | £ | £ | £ | £ | £ | £ |
| Restricted funds: | | | | | | |
| Coaching | 48,681 | 5,690 | (5,690) | - | 48,681 | 48,681 |
| Health & Wellbeing | 70,508 | 44,097 | (114,605) | - | - | 70,508 |
| Activity Agreements | 31,500 | - | - | - | 31,500 | 31,500 |
| Challenge Fund | - | - | - | - | - | - |
| Sportscotland | - | 1,014,699 | (1,014,699) | - | - | - |
| Highland Football | - | 42,153 | (42,153) | - | - | - |
| Junior Golf | 1,631 | 57,850 | (59,481) | - | - | 1,631 |
| Adult Education | - | 118,721 | (79,469) | - | 39,252 | - |
| Arts Education | - | 1,187 | (1,187) | - | - | - |
| Community Sports Hubs | - | 49,527 | (49,527) | - | - | - |
| Swimming Development | - | 24,756 | (24,756) | - | - | - |
| Youthwork | 80,090 | 174,899 | (254,989) | - | - | 80,090 |
| Disability Sports Officer | - | 21,202 | (21,202) | - | - | - |
| Anti-Sectarianism | - | 49,326 | (49,326) | - | - | - |
| Facilities - Craigmonie | - | 4,200 | (4,200) | - | - | - |
| Museums (Capex) | - | 34,721 | (7,904) | - | 26,817 | - |
| Alness Regeneration | - | 35,000 | (29,358) | - | 5,642 | - |
| Total funds | 232,410 | 1,678,028 | (1,758,546) | - | 151,892 | 232,410 |

The company receives funding from a variety of sources for different purposes, all within the overall objectives of the company. Unless otherwise stated, the source of the funding was The Highland Council and the purposes of the above restricted funds are as follows:

| | |
|-------------------------|---|
| Coaching - | to provide support for voluntary sports coaches |
| Health & Wellbeing - | to provide and encourage health and wellbeing to the people of the Highlands |
| Activity Agreements - | to provide for young adults aged between 16 and 19 years old with the necessary skills to prepare them for employment |
| Challenge Fund - | Funding received from the European Social Fund for the provision and commissioning of adult literacy services |
| Sportscotland - | Funding received from Sportscotland to develop, promote and encourage sport in the Highlands |
| Highland Football - | Funding received from the Scottish Football Association to increase participation in football and to provide development pathways for players and coaches |
| Junior Golf - | Funding received from Clubgolf Scotland to promote and develop golf to school children in the Highlands |
| Adult Education - | Funding received from European Social Fund in support of the provision of language and support services for inwards migrants to the Highlands |
| Arts Education - | Funding received from Education Scotland for the provision of arts education outreach projects |
| Community Sports Hubs - | Funding from Sports Scotland for the purpose of establishing the sports Scotland brand model of Community Sports Hub in the Highlands. |

Notes to the financial statements

at 31 March 2014

12. Statement of funds (continued)

| | |
|-----------------------------|--|
| Swimming Development - | Funding received from Scottish Swimming to support the development of performance pathways for swimmers in the Highlands |
| Youthwork - | Funding received to provide targeted youthwork and services in specific areas of the Highlands |
| Disability Sports Officer - | Funding received from Scottish Disability Sport Ltd to develop and support sport to disabled people of the Highlands |
| Anti-Sectarianism | Funding from Scottish Executive for research to establish if there is any evidence of sectarianism in the East and West coasts of the Highlands and to encourage/facilitate dialogue on sectarian issues through creative programmes |
| Facilities Craignonie | Funding for Adult Education development through the ESF fund |
| Museums (Capex) | Funding received from Museum Gallery Scotland for the purchase of a tractor and trailer at the Highland Folk Museum |
| Alness Regeneration - | Funding received to provide additional youth services in a deprived area |

13. Analysis of net liabilities between funds

| | <i>Unrestricted funds</i> | <i>Restricted funds</i> | <i>Total</i> |
|---|-------------------------------|-----------------------------|--------------------|
| | <i>£</i> | <i>£</i> | <i>£</i> |
| Fund balances at 31 March 2014 are represented by: | | | |
| Fixed assets | 8,343 | 31,614 | 39,957 |
| Current assets | 5,212,560 | 120,278 | 5,332,838 |
| Current liabilities | (5,202,085) | - | (5,202,085) |
| Pension liability | (1,881,000) | - | (1,881,000) |
| | <u>(1,862,182)</u> | <u>151,892</u> | <u>(1,710,290)</u> |

14. Share capital

The company is limited by guarantee and does not have a share capital. In the event of the company being wound up, the liability of the member is restricted to £1 each.

15. Controlling interest and related party transactions

The company is controlled by The Highland Council. The company has taken advantage of the exemption contained in FRS 8 Related Party Disclosures, from disclosing transactions with entities whose financial results are consolidated into the financial statements of The Highland Council.

The largest group and smallest group for which consolidated financial statements are prepared which include High Life Highland is that of The Highland Council.

16. Pension commitments

The company is a member of The Highland Council Pension Fund which provides pension benefits under the Local Government Pension Scheme to employees of High Life Highland. Contributions are made to this scheme, on the advice of an independent qualified actuary, to ensure that the plans' assets are sufficient to cover future liabilities. The assets of the scheme are held separately from the company in an independently administered fund. Contributions are recognised in the income statement in the period in which they become payable.

Notes to the financial statements

at 31 March 2014

16. Pension commitments (continued)

FRS17 disclosures

The valuation used for FRS 17 disclosures has been based rolling forward the value of the Employers liabilities from a starting position of zero as at 1 October 2011 allowing for the different financial assumptions required under FRS 17. A similar roll-forward approach was taken for the report as at 31 March 2013. The assumptions that have the most significant effect on the results of the valuation are those relating to price increases, the rate of increases in salaries and pensions and the discount rate. Scheme assets are stated at their bid value at the balance sheet dates.

With effect from 1 April 2012, a schedule of contributions was put in place to fund the scheme's defined benefits at the rate of 18% p.a. of total payroll.

The assets and liabilities of the schemes at 31 March 2014 are:

| | 2014 £000's | 2013 £000's |
|-------------------------------------|----------------|----------------|
| Scheme assets at fair value: | | |
| Equities | 4,220 | 2,831 |
| Bonds | 1,129 | 514 |
| Property | 475 | 294 |
| Cash | 119 | 37 |
| | <hr/> | <hr/> |
| Fair value of scheme assets | 5,943 | 3,676 |
| Present value of scheme liabilities | (7,824) | (3,939) |
| | <hr/> | <hr/> |
| Liability in the scheme | (1,881) | (263) |
| | <hr/> | <hr/> |

The major categories of scheme assets as a percentage of total scheme assets are as follows:

| | 2014 | 2013 |
|----------|------|------|
| Equities | 71% | 77% |
| Bonds | 19% | 14% |
| Property | 8% | 8% |
| Cash | 2% | 1% |

The expected rates of return on the major categories of scheme assets are as follows:

| | 31 March 2014 | 31 March 2013 |
|----------|---------------|---------------|
| | % | % |
| Equities | 6.70 | 6.40 |
| Bonds | 4.00 | 3.60 |
| Property | 4.80 | 4.40 |
| Other | 3.70 | 0.50 |
| | <hr/> | <hr/> |

Notes to the financial statements

at 31 March 2014

16. Pension commitments (continued)

The amounts recognised in the profit and loss account and statement of total recognised gains and losses for the year are analysed as follows:

| | 2014 £000's | 2013 £000's |
|--|----------------|----------------|
| Recognised in the profit and loss account: | | |
| Current service cost | (2,081) | (1,976) |
| Interest on obligation | (238) | (118) |
| Expected return on scheme assets | 269 | 135 |
| Loss on curtailment | (3) | (17) |
| Total | (2,053) | (1,976) |
| Actual return on scheme assets | 327 | 286 |

The principal assumptions at the opening and closing balance sheet date are:

| | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
| | % | % |
| Rate of salary increases (over life of the scheme) | 5.20 | 4.80 |
| Rate of increases in pensions in payment | 2.90 | 2.60 |
| Discount rate | 4.30 | 4.70 |
| Inflation assumption (CPI) | 2.80 | 2.60 |
| Inflation assumption (RPI) | 3.60 | 3.40 |
| Post-retirement mortality | | |
| | 31 March 2014 | 31 March 2013 |
| Current pensions at 65 – male | 21.3 yrs | 21.3 yrs |
| Current pensions at 65 – female | 23.6 yrs | 23.6 yrs |
| Future pensions at 65 – male | 22.6 yrs | 22.6 yrs |
| Future pensions at 65 – female | 25.1 yrs | 25.1 yrs |

The mortality tables adopted were the 110% S1PA tables allowing for CMI projections with a long term rate of 1% per annum. 'Current' disclosures relate to assumptions based on longevity following retirement at the balance sheet date, with 'future' being that relating to an employee retiring in 20 years time. These assumptions will be reconsidered when the next triennial review of the Highland Council Pension Scheme, is undertaken.

Notes to the financial statements

at 31 March 2014

16. Pension commitments (continued)

Changes in the present value of the defined benefit obligations are analysed at follow:

| | 2014 £000's | 2013 £000's |
|--------------------------------------|----------------|----------------|
| Opening defined benefit obligations | 3,939 | 1,246 |
| Current service cost | 2,081 | 1,976 |
| Interest cost | 238 | 118 |
| Actuarial loss/(gain) | 1,392 | (75) |
| Loss on curtailment | 3 | 17 |
| Benefits paid | (418) | 97 |
| Contributions by scheme participants | 589 | 560 |
| At 31 March 2014 | 7,824 | 3,939 |

Changes in the fair value of the plan assets are analysed as follows:

| | 2014 £000's | 2013 £000's |
|-------------------------------------|----------------|----------------|
| Opening fair value of scheme assets | 3,676 | 1,070 |
| Expected return on scheme assets | 269 | 135 |
| Employer contributions | 1,769 | 1,664 |
| Contributions by scheme members | 589 | 560 |
| Benefits paid | (418) | 97 |
| Actuarial gain | 58 | 150 |
| At 31 March 2014 | 5,943 | 3,676 |

The accumulated amount of actuarial gains and losses recognised in the Statement of Financial Activities was an actuarial loss of £1,334,000 (year ended 31 March 2013 – £225,000 actuarial gain).

The best estimate of contributions to be paid by the group to the scheme for the year beginning after 31 March 2014 is £1,732,000.

Amounts for the closing and opening balance sheet are as follows:

Defined benefit pension scheme

| | 31 March 2014 £000's | 31 March 2013 £000's | Restated 31 March 2012 £000's |
|---|-------------------------|-------------------------|-------------------------------------|
| Fair value of scheme assets | 5,943 | 3,676 | 1,070 |
| Present value of defined benefit obligation | (7,824) | (3,939) | (1,246) |
| Net liability in scheme | (1,881) | (263) | (176) |

As this is the company's third accounting period, the fair value of the scheme's assets for the previous three accounting years is not available.

Notes to the financial statements

at 31 March 2014

17. Obligations under operating leases

At 31 March 2014 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

| <i>Group and company</i> | <i>Land and buildings</i> | | <i>Other</i> | |
|--------------------------------|-------------------------------|-------------|--------------|-------------|
| | <i>2014</i> | <i>2013</i> | <i>2014</i> | <i>2013</i> |
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| Operating leases which expire: | | | | |
| Within one year | - | - | 46,682 | - |
| In two to five years | - | - | 201,766 | 235,804 |
| In over 5 years | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | - | 248,448 | 235,804 |
| | <hr/> | <hr/> | <hr/> | <hr/> |