

**APPROVAL OF DRAFT ANNUAL REPORT AND ACCOUNTS TO 31 MARCH
2013 - Report by Chief Executive**

Summary

The purpose of this report is to present the annual report and accounts for High Life Highland for the period ending 31 March 2013.

It is recommended that Directors agree the Annual Report and Audited Accounts as detailed in **Appendix A** of the report.

1. Business Plan Contribution

1.1 This report will contribute to outcome 6 from the High Life Highland (HLH) Business Plan: increased financial sustainability

2. Annual Report and Accounts to 31 March 2013

2.1 The period covered by the annual report and accounts is the financial year from 1 April 2012 to 31 March 2013.

2.2 The draft annual report and accounts is attached as **Appendix A**. There may still be some minor changes to figures required by the external auditors and if so, a final version, with an explanation of the changes, will be tabled on the day. These changes will not affect the key findings of the annual report and accounts.

3. Directors Statement

3.1 The attention of Directors is drawn to page 17 of the report, and to the importance of ensuring the accuracy of the statement. Although this is signed by the Chair on behalf of the Directors, it is the responsibility of individual Director's to ensure that they have disclosed the required information.

4. Pensions Liability

4.1 Board members may note that the pensions liability has reduced from £5,516,000 on 31 March 2012 to £263K on 31 March 2013. This is due to changes in the accounting methods which will be explained by the external auditor, Peter Mills of Ernst and Young, who will be in attendance at the meeting.

5. Implications

- 5.1 Resource Implications – there are no resource implications arising from the content of this report
- 5.2 Legal Implications – failure to agree the content of an annual report and accounts would have serious legal implications, however the Board is free to amend the report as presented by the Chief Executive.
- 5.3 Risk Implications – there are no new risks arising from the content of this report.

Recommendation

It is recommended that Directors agree the Annual Report and Audited Accounts as detailed in **Appendix A** of the report.

Signature:

Designation: Chief Executive

Date: 5 September 2013

Company number SC407011

High Life Highland
(A company limited by guarantee)
Report and Financial Statements
31 March 2013

DRAFT

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Charity No: SC042593

Company No. SC407011

Company information

Directors

C Ewan	(resigned 15 February 2013)
D Graham	(resigned 6 December 2012, reappointed 7 March 2013)
L Kirkland	
E McArdle	
D McLachlan	(resigned 6 December 2012, reappointed 7 March 2013)
K Nicol	
J Watt	
L Young	
A Millar	(resigned 3 May 2012, reappointed 31 May 2012)
T Prag	(resigned 3 May 2012)
J Douglas	(resigned 3 May 2012, reappointed 31 May 2012)
P Corbett	(resigned 3 May 2012)
K Gowans	(appointed 31 May 2012)
F Parr	(appointed 31 May 2012)
C Maclean	(appointed 27 June 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

High Life Highland (HLH) was established by The Highland Council on 1 October 2011. Eighteen months on, the Company's Directors and management are confident that the establishment phase of setting up the company and the separation of activities from The Highland Council is all but complete. I took over as Chair in September 2012 and although clear at that point about the range of activities delivered by HLH, I am constantly, pleasantly surprised by the scope and reach into communities of the many aspects of our work.

The majority of the Company's work is the delivery of the Service Delivery Contract with The Highland Council. It is vital therefore, that good working relationships are developed and maintained between the two organisations. I am very pleased that throughout this early stage of the work of HLH, the relationship with The Highland Council at both political and senior management levels, has been and continues to be productive.

During the last year, we have continued to strengthen the Company's overall governance and budget reporting regimes and ensured that the Company is financially sound, making for a good foundation for the longer term strategic planning phase to begin.

Since agreeing our first three-year Business Plan (2012-2015) in June 2012, the actions listed in the resultant Operation Plans have been reviewed by the Board on a regular basis and are progressing well.

High Life Highland Board Directors come from a wide variety of backgrounds. I am pleased that this diverse and talented group of individuals have come together well and are operating as an efficient and productive Board. Their mix of experience and enthusiasm ensures lively, in depth discussion on strategic issues. In seeking to continue 'getting to grips' with the full scope and scale of this £20M business, Directors have begun holding two meetings a year in different locations, allowing for visits to centres of operation and face-to-face interaction with staff in some of the more remote work settings.

HLH leases its buildings from The Highland Council. In partnership with the Council, the past year has seen several facility improvements completed - for example, a major refurbishment of Dingwall Leisure Centre including a new roof over the swimming pool and main elevations, the creation of a new dance/fitness studio and a significant enlargement and refit of the gym facility. At the Highland Folk Museum - work has begun on construction of a museum store which, when completed in 2013, will bring the museum's collections of rural and agricultural life together in one place and offer dedicated space for learning and teaching.

The past year has seen an increasingly positive and productive relationship built with NHS Highland, as HLH seeks to position itself as a key contributor to improving the health and wellbeing of the Highland population. The Company's relationship with sportscotland too, has developed well over the period - sharpening the focus of the work of Active Schools Co-ordinators to ensure best fit with the national scheme. Building relationships with other local and national partner agencies such as sportscotland and NHS Scotland is an important on-going priority.

It is clear that in the years ahead the two major challenges facing HLH are the continued diminution of public finances and its potential effect on the Contract with The Highland Council and the continuing growth in customer expectation for increased services. I am however, confident that both our Directors and staff are ready for and equipped to cope with that challenge.

Report of the Chief Executive

High Life Highland's primary business purpose is fulfilling the Service Delivery Contract on behalf of The Highland Council. The past year has seen the establishment of a governance process where the Council monitors HLH's delivery of the Contract through a twice yearly focus at a sub-committee of its Adult and Children's Service Committee. These formal meetings are supported by quarterly updates to the Council's Chief Executive and more regular review meetings with the Council's Director of Education Culture and Sport. This governance framework has established good communication channels between the two organisations, essential for the smooth running of the Contract.

The establishment of High Life Highland and the separation of its services from the Highland Council has been a major focus for senior management this year. Ensuring that services were unaffected by the change whilst robust policies and procedures covering everything from health and safety to financial controls were put in place has been a key element of our work. One of the intended benefits of setting up High life Highland was enabling senior staff with a clearer focus on the actual delivery of services to the public. This benefit is being achieved, with the result that the past year has also been a balancing act between "business as usual" and a real enthusiasm to make improvements across a range of areas of work. Being clear about priorities will continue to be very important if we are to maximise the time and energy of staff at all levels.

Over 75% of the Company's resources are invested in its staff. Almost 1,200 people have full or part time contracts with the company or coach or assist our work on a less structured basis. The work of the Company is also supported by around 1,300 volunteers who assist with everything from Adult Learning and literacy/numeracy work, to youth work, sports coaching and activity leadership. Through its senior management and Directors, HLH is committed to recognising staff and volunteer commitment. Each Board meeting sees time taken to reflect on the excellent programmes and projects being delivered by staff and volunteers across the Highland area.

We were very pleased this year to welcome two additional facilities to the High Life "family", the Avern Leisure Centre, where the local community management committee approached the Council and HLH to ask that HLH take up the reigns, and Culloden Academy Community Complex, where the Council wished to add it to the portfolio of leisure and community centres managed by the company. We were also approached to adopt the work of the previous stand-alone organisation, Coaching Highland. In total these changes have seen 19.81 FTE staff transfer to the company along with business to the value of £227K

Every organisation needs an identity. Establishing and communicating the HLH brand throughout the Company's area of operation is crucial to positioning the company positively in the minds of staff, customers and partners. A strong brand contributes positively to the Company's image and encourages staff and customers to feel good about working for and becoming advocates for the Company. The brand is increasingly being used and recognised on uniforms, publications and on buildings where significant upgrades have been possible.

The company is in a good place to face the challenges of the next few years and I look forward to moving from our initial, set up phase to one where service improvement and expansion can be the core focus.

High Life Highland Staff and Volunteer Awards



The work of High Life Highland (HLH) staff members and more than 1000 volunteers across the Highlands was celebrated at the first annual HLH Staff and Volunteer Awards in June. The event took place at the Highland Archive & Registration Centre which is operated by HLH. The evening was a happy affair with an air of celebration and pride clearly evident throughout the assembled guests. Awards were presented by former HLH director Craig Ewen to staff and volunteers whose work and efforts made an 'exceptional contribution' to the achievement of High Life Highland's aims.

VOLUNTEERS



CAROL DUDLEY: Exceptional Contribution through Volunteering - Active Schools Nairn

Carol signed up to become a parent volunteer for a cheerleading and dance group in 2006 for just a couple of hours per week while her kids were in the school. Seven years later and Carol's reliability, commitment, loyalty and sheer enthusiasm has seen her playing a pivotal role in the HLH Active Schools programme in Nairn. Carol not only helps with group management and equipment but has recently qualified as a Trampolining Coach, supporting the local gymnastics group as well as the cheerleading and dance groups. Carol's involvement has also allowed pupils with additional needs to take part in after school activity for the first time.

High Life Highland Staff and Volunteer Awards



JO BLAIR: Exceptional Contribution through Volunteering

Girls' Sport, Granttown on Spey

Jo has worked with HLH's Active Schools Co-ordinator Dawn Horsburgh for 3 years to develop girls' sport at Granttown Grammar School. Jo runs weekly rugby, netball and table tennis coaching sessions, mentoring senior pupil helpers, managing games and matches and organising group trips to international fixtures. 20 senior girl pupils regularly training and playing rugby under her tutelage have become Scottish Under-15 and 7's champions. Jo has contributed directly to a year on year increase in the number of girls taking part in sport in Strathspey & Badenoch. Jo has been inspirational to the girls' sports teams and has succeeded in making make sport an attractive and 'cool' activity for girls.



MAUREEN ROSS AND GILLIAN SIMPSON: Exceptional Contribution through Volunteering - Hilton Community Centre

Two very special ladies from Inverness were honoured. As Secretary of the Hilton Community Centre, **Gillian Simpson** has been responsible for completely revamping and developing Hilton's youth clubs and drop-in sessions, for continually looking for new funding opportunities, filling in application forms, selling raffle tickets and organising annual fayres. Gillian's latest project is as leader of the weekly 50+ 'Kandu' social club which sees her organising a programme of speakers, games, outings and other adventures.

High Life Highland Staff and Volunteer Awards

Maureen Ross is Chair of the Centre's Management Committee; Maureen has worked for over 20 years to ensure that the Centre is at the heart of the Hilton community. She was an original member of the steering group who raised funds to build the centre and since then has been a major force in its development. Maureen manages the café and thrift shop, plans the menus, recruits and trains staff and volunteers, makes the tea, helps with the cleaning, empties the bins, delivers the shopping and takes a lead in the decision making processes which affects and improves the centre.

ROISIN MCARTHUR AND KARA ELDER: Exceptional Contribution through Volunteering

Roisin McArthur – Gymnastics and Dance, Fort William

Kara Elder – Plantation Youth Club, Fort William

Roisin McArthur has been attending gymnastics classes for many years. In the last 4 years she has also been involved in helping to coach younger gymnasts, choreographing displays for up to 28 young gymnasts to perform at Gymfest, as well as running and choreographing weekly primary dance classes. Roisin continues her volunteer work and is a great role model for younger girls. She has fantastic gymnastic and dance skills and her leadership qualities, caring attitude and attention to detail make her a very popular and valued volunteer within the gymnastics and dance groups she is involved with.

Kara Elder has been a volunteer with Fort William's Plantation Youth Club for almost 10 years. During that time she has shown massive dedication to the club, organising events, Gala Days, baking stalls, sponsored walks and fun days.

High Life Highland Staff and Volunteer Awards

STAFF



LOCHABER DANCE PLATFORM:

BRIDGET THOMAS, ACTIVE SCHOOLS CO-ORDINATOR:

Bridget Thomas has worked hard to create links with other agencies to increase the learning opportunities that Dance Platform presents and last year Scottish Ballet taught workshops in the lead up to the event and performed as part of the event. An exciting dance event involving over 200 young people aged between 5 and 18 in which girls get to showcase their creativity and talents through choreographing their own dances, choosing their own music and costumes and mentoring and encouraging younger participants. Audiences have increased year on year, and 2 performances are now needed to meet demand. Last year 600 people watched the performances.

High Life Highland Staff and Volunteer Awards

HIGH LIFE HIGHLAND & NHS PARTNERSHIP PROGRAMMES:



LYNN JOHNSON, WILLIAM DURRAND, CHRIS NELLIES, KIMBERLEY MCMENEMY AND KELLY SKINNER

'Otago' is a gentle exercise programme aimed at developing strength, balance and flexibility for older adults. Classes have been piloted in Wick, Thurso, Tain and Golspie leisure centres and also offering a unique service in Tain where an instructor is delivering the programme in a care home setting.

The second programme "Cardiac Rehabilitation Phase 3 Programme" offers Cardiac patients the opportunity to undertake a Cardiac Rehabilitation Programme within the Leisure Centre in Fort William.

The Leisure Centre teams have whole heartedly embraced the opportunity to trial the delivery of these exciting, refreshing, innovative and new programmes and are blazing a trail, making a significant contribution to the delivery of a range of HLH business outcomes.

The teams have gone the extra mile to ensure the best possible care, value and service is delivered for HLH customers with a cheery and enthusiastic approach matched with an openness to try new things, for the benefit of the communities that they serve and for developing HLH.

This is an innovative new approach to delivering a high quality and essential service within the community, in a true partnership with colleagues from the health service.

High Life Highland Staff and Volunteer Awards

ADULT LEARNING LITERACY TRAIL:



MARY RHIND, NORMAN ROSS AND JULIE SIMMONS

The ongoing development of a Literacy Trail in partnership with Highland Adult Literacies (HLH), Abriachan Forest Trust and Apex Scotland. This multi-functional learning trail was opened at the beginning of April 2013 and has involved both learners and staff over the last 2 years from development to design of the trail allowing the improvement of literacy and numeracy skills in an integrated way.

High Life Highland Staff and Volunteer Awards

ENGAGEMENT PROGRAMME – INVERNESS MUSEUM AND ART GALLERY (IMAG):



CATHY SHANKLAND, CAIT MCCULLAGH, BRENDA FRENCH, LESLEY JUNOR AND JEANETTE PEARSON

IMAG have made a strategic shift in their approach to visitor involvement, enhancing the provision and range of opportunities available from simply viewing to hands on participation with the development of an on-going engagement programme.

The programme is designed to bring local communities together with the museum's collections and to complement the temporary touring exhibitions in the art galleries. Many of the activities have been developed through collaborative working across HLH services and facilities and has been designed to reach into every corner of the community to make the museum and art gallery an integral part of city life.

High Life Highland Staff and Volunteer Awards

LEISURE FACILITIES 'MOVE IT TO LOSE IT' INITIATIVE:



EMMA THOMSON, GRAEME ROSS, LAURIE PIPER, JOANNE CROSBIE AND DONNA REILLY

The concept of the **Move it to Lose It Campaign** was an initiative set up to address a recognised fall in user numbers and memberships in leisure facilities in the November and December period, the aim was to buck this trend.

The campaign was a six week programme promoting a healthier life style, being active, healthy eating and feeling good about yourself in a fun supportive environment prior to Christmas holidays. It was designed to capture the imagination of the customers, staff and media with exciting achievable goals which the community could engage with, have fun and see the results. This campaign saw more than 1500 people across the Highlands shed an incredible 504 stone 12 pounds in total – equivalent to 2 Minis!

HLH has now run this promotion 3 times, in November 2011, January 2012 and November 2012 due to its popularity with the customers and staff.

High Life Highland Staff and Volunteer Awards

CHAIR'S SPECIAL AWARDS

AVIEMORE COMMUNITY CENTRE STAFF



Toto Vastano, Ross Dudgeon, Kirsti McIntyre and Nia Morrison Donna Reilly

TAIN ROYAL ACADEMY COMMUNITY COMPLEX STAFF



Kelly Skinner, Eilidh Munro, Tanya Goller, Michelle McMenemy and Kieran Cunningham.

High Life Highland Staff and Volunteer Awards

HLH leisure facility staff are trained to deal with difficult situations but they very rarely have to put their emergency first aid training into practice. These two Special Awards recognise the outstanding contribution of two teams whose dedication went 'above and beyond' in particularly challenging circumstances.

These special awards were presented by Chair of the HLH board; Linda Kirkland.

Charity No: SC042593

Company No. SC407011

Directors' Report

The directors present their report and the group financial statements for the year to 31 March 2013.

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

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.

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

Achievement and performance

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.

Directors' Report

Results

During the period, the charity has been able to deliver its services and recorded a deficit of £23,279 (7 months ended 31 March 2012 – surplus of £152,763) before the actuarial gain (7 months ended 31 March 2012 – loss) on the pension fund.

The deficit in the pension scheme (which represents the company's share of the deficit in The Highland Council Pension Scheme) amounted to £263,000 (7 months ended 31 March 2012 - £176,000). £225,000 of this is an actuarial gain (7 months ended 31 March 2012 - £243,000 actuarial loss) in the period and this has left the company with an overall surplus for the period of £201,721 (7 months ended 31 March 2012 – deficit of £90,237).

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 surplus on its balance sheet of £111,484 (7 months ended 31 March 2012 – deficit £90,237). As explained above, there is a linkage between the level of service required and the funding provided. The directors are satisfied that the annual funding received from The Highland Council 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 recognise the importance of building up a reserve to enable the company to operate with sufficient liquidity. A target of 3% of the total budget was agreed by the directors.

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.

Directors' Report

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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 1. 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

Date:

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 2013 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 5, 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. 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 2013 and of the charitable group's and parent company's incoming resources and application of resources, including its income and expenditure, for the period 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 Directors' Report for the financial period 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:

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 period ended 31 March 2013

	<i>Unrestricted funds</i>	<i>Restricted Funds</i>	<i>2013 Total</i>	<i>Restated 2012 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	14,739,542	-	14,739,542	8,241,497
Other grants	-	2,000,023	2,000,023	235,969
Activities for generating funds	364,071	-	364,071	90,303
Incoming resources from charitable activities:				
Other income including High Life scheme	4,576,255	-	4,576,255	1,925,374
Total incoming resources	19,679,868	2,000,023	21,679,891	10,493,143
Resources expended				
Charitable activities:				
Costs of activities in furtherance of the charitable objects				
	5	19,920,363	1,767,613	21,687,976
Governance costs	5	15,194	-	15,194
		15,194	-	11,087
Total resources expended		19,935,557	1,767,613	21,703,170
Net incoming/(outgoing) resources before other recognised gains and losses		(255,689)	232,410	(23,279)
Actuarial gain/(loss) on defined benefit pension scheme		225,000	-	225,000
Net movement in funds		(30,689)	232,410	(90,237)
Opening funds at 1 April 2012		(90,237)	(90,237)	-
Total funds carried forward at 31 March 2013		(120,926)	232,410	(90,237)

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

for the period ended 31 March 2013

	<i>Unrestricted</i>	<i>Restricted</i>	<i>2013</i>	<i>Restated</i>
	<i>funds</i>	<i>Funds</i>	<i>Total</i>	<i>Total</i>
	£	£	£	£
<i>Incoming resources</i>				
Incoming resources from generated funds:				
Voluntary income:				
Management fee – Highland Council	14,739,542	-	14,739,542	8,241,497
Other grants		2,000,023	2,000,023	235,969
Gift Aid donation from subsidiary	212,527	-	212,527	30,464
Incoming resources from charitable activities:				
Other income including High Life scheme	4,576,255	-	4,576,255	1,925,374
<i>Total incoming resources</i>	19,528,324	2,000,023	21,528,347	10,433,304
<i>Resources expended</i>				
Charitable activities:				
Costs of activities in furtherance of the charitable objects	19,770,819	1,767,613	21,538,432	10,271,454
Governance costs	13,194	-	13,194	9,087
<i>Total resources expended</i>	19,784,013	1,767,613	21,551,626	10,280,541
<i>Net incoming/(outgoing) resources before other recognised gains and losses</i>	(255,689)	232,410	(23,279)	152,763
Actuarial loss on defined benefit pension scheme	225,000	-	225,000	(243,000)
<i>Net movement in funds</i>	(30,689)	232,410	201,721	(90,237)
<i>Opening funds at 1 April 2012</i>	(90,237)	-	(90,237)	-
<i>Total funds carried forward at 31 March 2013</i>	(120,926)	232,410	111,484	(90,237)

Group balance sheet

at 31 March 2013

Company number SC407011

	<i>Notes</i>	<i>2013</i> £	<i>Restated</i> <i>2012</i> £
Fixed assets			
Tangible assets	7	169,268	-
		<u>169,268</u>	<u>-</u>
Current assets			
Stocks	9	50,136	28,740
Debtors	10	5,237,761	10,537,174
Cash at bank and in hand		14,312	12,815
		<u>5,302,209</u>	<u>10,578,729</u>
Creditors: amounts falling due within one year	11	5,096,993	10,492,966
		<u>205,216</u>	<u>85,763</u>
Net current assets		<u>374,484</u>	<u>85,763</u>
Total assets less current liabilities excluding retirement benefits		<u>(263,000)</u>	<u>(176,000)</u>
Net pension liability		<u>111,484</u>	<u>(90,237)</u>
		<u><u>111,484</u></u>	<u><u>(90,237)</u></u>
Funds			
Unrestricted funds excluding the pension fund liability	12	142,074	85,763
Pension reserve	1 & 12	(263,000)	(176,000)
		<u>(120,926)</u>	<u>(90,237)</u>
Total deficit on unrestricted funds		<u>232,410</u>	-
Restricted funds	12	<u>111,484</u>	<u>(90,237)</u>
	13	<u><u>111,484</u></u>	<u><u>(90,237)</u></u>

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

Director

Date:

Company balance sheet

at 31 March 2013

Company number SC407011

	<i>Notes</i>	<i>2013</i> £	<i>Restated</i> <i>2012</i> £
Fixed assets			
Tangible assets	7	169,268	-
Investments	8	100	100
		<u>169,368</u>	<u>100</u>
Current assets			
Debtors	10	5,285,897	10,563,914
Cash at bank and in hand		14,312	12,815
		<u>5,300,209</u>	<u>10,576,729</u>
Creditors: amounts falling due within one year	11	5,095,093	10,491,066
		<u>205,116</u>	<u>85,663</u>
Net current assets		<u>374,484</u>	<u>85,763</u>
Total assets less current liabilities excluding retirement benefits		<u>(263,000)</u>	<u>(176,000)</u>
Net pension liability		<u>111,484</u>	<u>(90,237)</u>
Net assets		<u><u>111,484</u></u>	<u><u>(90,237)</u></u>
Funds			
Unrestricted funds excluding the pension fund liability	12	142,074	85,763
Pension reserve	1 & 12	(263,000)	(176,000)
		<u>(120,926)</u>	<u>(90,237)</u>
Total deficit on unrestricted funds		<u>232,410</u>	<u>-</u>
Restricted funds	12	<u>111,484</u>	<u>(90,237)</u>
	13	<u><u>111,484</u></u>	<u><u>(90,237)</u></u>

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

Director

Date:

Notes to the financial statements

at 31 March 2013

1. Fundamental accounting concept

Going concern

The company is dependent upon revenue funding provided by The Highland Council. The level of the management fee is agreed annually. The funding for the year ended 31 March 2014 is agreed. The funding for the year ended 31 March 2015 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 £263,000 at the balance sheet date. This represents the company's allocation of the deficit in the Highland Council Pension Fund at 31 March 2013 (see note 16). At 31 March 2013, 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 period ended 31 March 2013. 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 2013

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 period to 31 March 2012.

Fixed asset additions in the year to 31 March 2013 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
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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.

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.

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 2013

2. Accounting policies (continued)

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 incoming/(outgoing) resources

This is stated after charging:

	2013	<i>Restated</i> 2012
	£	£
Audit fee	13,000	10,000

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 £2,194 (7 months ended 31 March 2012 - £1,087).

5. Total resources expended

	2013	2013	2013	<i>Restated</i> 2012
	<i>Unrestricted</i> funds	<i>Restricted</i> funds	<i>Total</i> £	<i>Total</i> £
Costs of activities in furtherance of the charitable objects				
Salaries and wages	14,269,972	1,060,090	15,330,062	7,264,594
FRS17 adjustment to pension charge for the period	329,000	-	329,000	(62,000)
Property costs	566,957	32,311	599,268	227,668
Travel and transport	217,729	131,057	348,786	236,956
Supplies and services	3,931,850	387,036	4,318,886	2,311,628
Third party payments	580,257	157,119	737,376	355,447
Depreciation	41,598	-	41,598	-
Expected return on pension scheme assets	(135,000)	-	(135,000)	(17,000)
Interest on pension scheme liabilities	118,000	-	118,000	12,000
	<u>19,920,363</u>	<u>1,767,613</u>	<u>21,687,976</u>	<u>10,329,293</u>
Governance costs				
Audit fee	13,000	-	13,000	10,000
Directors' expenses reimbursed	2,194	-	2,194	1,087
	<u>15,194</u>	<u>-</u>	<u>15,194</u>	<u>11,087</u>

Notes to the financial statements

at 31 March 2013

6. Staff costs

	2013 £	2012 £
Wages and salaries	12,609,065	6,070,432
Social security costs	774,647	361,914
Pension costs	1,680,869	770,248
	<u>15,064,581</u>	<u>7,202,594</u>

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

	2013 No.	2012 No.
Management	4	4
Support services	29	28
Operations	955	840
	<u>988</u>	<u>872</u>

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

	2013 No.	2012 No.
£60,001 - £70,000	3	1
£70,001 - £80,000	1	1

7. Tangible fixed assets

Group and company

	<i>Total</i> £
<i>Plant and equipment</i>	
Cost:	
At 1 April 2012	-
Additions	210,866
At 31 March 2013	<u>210,866</u>
Depreciation:	
At 1 April 2012	-
Charge for year	41,598
At 31 March 2013	<u>41,598</u>
Net book value:	
At 31 March 2013	<u>169,268</u>
At 1 April 2012	<u>-</u>

Notes to the financial statements

at 31 March 2013

7. Tangible fixed assets (continued)

The transfer process from The Highland Council involved 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. This amount has been written off to revenue in the period to 31 March 2012.

Gym Equipment which was purchased in July 2012 was capitalised in the Financial Statements to 31 March 2013, a lease for the equipment was subsequently taken out in May 2013.

8. Fixed asset investments

	<i>Shares in group companies £</i>
Cost:	
At 1 April 2012 and 31 March 2013	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>	
	<i>2013</i>	<i>2012</i>
	<i>£</i>	
Turnover	364,071	90,303
Cost of sales and administrative expenses	(151,544)	(59,839)
Net profit before Gift Aid and tax	212,527	30,464
Amount Gift Aided to High Life Highland	(212,527)	(30,464)
Taxation	-	-
Profit for the year	-	-

The assets and liabilities of the subsidiary at 31 March 2013 were:

Current assets	50,136	28,740
Creditors: amounts falling due within one year	(50,036)	(28,640)
Aggregate share capital and reserves	100	100

Notes to the financial statements

at 31 March 2013

9. Stocks

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	£	£	£	£
Goods for resale	50,136	-	28,740	-
	<u>50,136</u>	<u>-</u>	<u>28,740</u>	<u>-</u>

10. Debtors

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	£	£	£	£
Trade debtors	-	-	213,600	213,600
Prepayments and other accrued income	159,204	159,204	654,013	654,013
Amounts owed by group undertakings	5,078,557	5,126,693	9,669,561	9,696,301
	<u>5,237,761</u>	<u>5,285,897</u>	<u>10,537,174</u>	<u>10,563,914</u>

11. Creditors: amounts falling due within one year

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
	£	£	£	£
Trade creditors	61,776	61,776	155,672	155,672
Other creditors and accruals	1,475,632	1,473,732	3,503,314	3,503,314
Amounts owed to group undertakings	3,559,585	3,559,585	6,833,980	6,832,080
	<u>5,096,993</u>	<u>5,095,093</u>	<u>10,492,966</u>	<u>10,491,066</u>

During the period, 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 £5,078,557 (2012: £9,669,561) 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 period. When this amount is settled, it will be offset against the amounts due to The Highland Council of £3,559,585 (2012: £6,833,980) for costs paid out on the company's behalf in the period.

Notes to the financial statements

at 31 March 2013

12. Statement of funds

Group

	Unrestricted Funds		Restricted Funds		Total Funds
	General	Pension	Total	Total	£
	fund	reserve			
	£	£			
At 1 April 2011 previously stated	85,763	(5,516,000)	(5,430,237)	-	(5,430,237)
Prior year adjustment	-	5,340,000	5,340,000	-	5,340,000
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 31 March 2013	142,074	(263,000)	(120,926)	232,410	111,484

Company

	Unrestricted Funds		Restricted Funds		Total Funds
	General	Pension	Total	Total	£
	fund	reserve			
	£	£			
At 1 April 2011 previously stated	85,763	(5,516,000)	(5,430,237)	-	(5,430,237)
Prior year adjustment	-	5,340,000	5,340,000	-	5,340,000
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 31 March 2013	142,074	(263,000)	(120,926)	232,410	111,484

Notes to the financial statements

at 31 March 2013

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 2013</i>
	£	£	£	£	£
Restricted funds:					
Coaching	-	48,681	-	-	48,681
Health & Wellbeing	-	70,508	-	-	70,508
Activity Agreements	-	31,500	-	-	31,500
Challenge Fund	-	80,705	(80,705)	-	-
Sportscotland	-	1,184,112	(1,184,112)	-	-
Highland Football	-	39,268	(39,268)	-	-
Junior Golf	-	61,187	(59,556)	-	1,631
Adult Education	-	56,794	(56,794)	-	-
Arts Education	-	6,975	(6,975)	-	-
Brora Learning Centre	-	42,951	(42,951)	-	-
Swimming Development	-	24,046	(24,046)	-	-
Youthwork	-	273,496	(193,406)	-	80,090
Disability Sports Officer	-	22,887	(22,887)	-	-
Alness Regeneration	-	56,913	(56,913)	-	-
Total funds	-	2,000,023	1,767,613	-	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 football coaching facilities to school children
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 literary 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
Brora Learning Centre -	Funding received from Job Centre Plus for the provision of employability training schemes

Notes to the financial statements

at 31 March 2013

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
Alness Regeneration -	Funding received to provide additional youth services in a deprived area

13. Analysis of net assets between funds

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Total</i>
	£	£	£
Fund balances at 31 March 2013 are represented by:			
Fixed assets	169,268	-	169,268
Current assets	5,069,799	232,410	5,302,209
Current liabilities	(5,096,993)	-	(5,096,993)
Pension liability	(263,000)	-	(263,000)
	<u>(120,926)</u>	<u>232,410</u>	<u>111,484</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.

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.

FRS17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation for The Highland Council Pension Scheme as at 31 March 2011 and has been updated to reflect conditions as at the balance sheet date. 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.

Notes to the financial statements

at 31 March 2013

16. Pension commitments (continued)

The assets and liabilities of the schemes at 31 March 2013 are:

	2013 £000's	Restated 2012 £000's
Scheme assets at fair value:		
Equities	2,831	813
Gilts	257	75
Other bonds	257	75
Property	294	96
Cash	37	11
	<hr/>	<hr/>
Fair value of scheme assets	3,676	1,070
Present value of scheme liabilities	(3,939)	(1,246)
	<hr/>	<hr/>
Deficit in the scheme	(263)	(176)
	<hr/>	<hr/>

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

	2013	2012
Equities	77%	76%
Gilts	7%	7%
Other bonds	7%	7%
Property	8%	9%
Cash	1%	1%

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

	31/3/13	31/3/12
	%	%
Equities	6.40	6.70
Gilts	3.00	3.30
Other bonds	4.10	4.60
Property	4.40	4.70
Other	0.50	3.00
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

at 31 March 2013

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:

	2013 £000's	Restated 2012 £000's
Recognised in the profit and loss account:		
Current service cost	(1,976)	(723)
Interest on obligation	(118)	(12)
Expected return on scheme assets	135	17
Loss on curtailment	(17)	-
Total	<u>(1,976)</u>	<u>(718)</u>
Actual return on scheme assets	<u>286</u>	<u>10</u>

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

	31/3/13 %	31/3/12 %
Rate of salary increases	4.80	4.80
Rate of increases in pensions in payment	2.60	2.50
Discount rate	4.70	4.60
Inflation assumption (CPI)	2.60	2.50
Inflation assumption (RPI)	3.40	3.30
Post-retirement mortality		
	31/3/13	31/3/12
Current pensions at 65 – male	21.3 yrs	21.3 yrs
Current pensions at 65 – female	23.6 yrs	23.5 yrs
Future pensions at 65 – male	22.6 yrs	22.6 yrs
Future pensions at 65 – female	<u>25.1 yrs</u>	<u>25.1 yrs</u>

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.

Notes to the financial statements

at 31 March 2013

16. Pension commitments (continued)

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

	2013	<i>Restated</i>
	£000's	2012
		£000's
Opening defined benefit obligations	1,246	-
Current service cost	1,976	723
Interest cost	118	12
Actuarial (gains)/losses	(75)	236
Loss on curtailment	17	-
Benefits paid	97	4
Contributions by scheme participants	560	271
At 31 March 2013	3,939	1,246

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

	2013	<i>Restated</i>
	£000's	2012
		£000's
Opening fair value of scheme assets	1,070	-
Expected return on scheme assets	135	17
Employer contributions	1,664	785
Contributions by scheme members	560	271
Benefits paid	97	4
Actuarial gains/(losses)	150	(7)
At 31 March 2013	3,676	1,070

The accumulated amount of actuarial gains and losses recognised in the Statement of Financial Activities was a loss of £225,000.

The best estimate of contributions to be paid by the group to the scheme for the period beginning after 31 March 2013 is £1,621,000.

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

Defined benefit pension scheme

	31/3/13	<i>Restated</i>
	£000's	31/3/12
		£000's
Fair value of scheme assets	3,939	1,070
Present value of defined benefit obligation	3,676	1,246
Net liability in scheme	263	176

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

Notes to the financial statements

at 31 March 2013

17. Prior year adjustment

In the prior year it was agreed between the company and The Highland Council (THC) that the opening deficit in The Highland Council Pension Scheme that related to employees transferred to the company, on 1 October 2011 would remain with THC. Thereafter the company would account for all movements in the deficit in respect of its employees.

However following consultation between THC and Audit Scotland it has been agreed that THC should continue to account for all adjustments relating to funded obligations accrued prior to 1 October 2011 and assets to fund these obligations which have been retained by THC. This means that THC will continue to account for all changes to liabilities in respect of accrued service pre 1 October 2011. The company therefore is treated as a new employer post 1 October 2011 and only accounts for accrued service pension obligations after that date.

The accounts have been adjusted to restate the 31 March 2012 figures on this basis. The effect of this is to reduce the deficit in the pension scheme at 31 March 2012 from £5,516,000 to £176,000.