



Company Number SC407011

**High Life Highland**  
**(A company limited by guarantee)**  
**Report and Financial Statements**  
**31 March 2016**

## Contents

	Page
Company Information	2
Report of the Chair	3
Report of the Chief Executive	4
High Life Highland Staff and Volunteer Awards	6
Trustees' and Directors' Report – including the Strategic Report	15
Report of the Independent Auditors	24
Group Statement of Financial Activity	26
Company Statement of Financial Activity	27
Group Balance Sheet	28
Company Balance Sheet	29
Notes to the Financial Statements	30

Charity No: SC042593

Company No. SC407011

## Company information

### Directors

D Graham

D McLachlan

K Nicol

J Douglas

K Gowans

F Parr

W Ross

J Welch

D Somerville (Appointed 10 March 2016)

E Macrae (Appointed 10 March 2016)

M Tate (Appointed 15 March 2016)

M Green (Appointed 13 August 2015)

D Millar (Appointed 14 May 2015 Resigned 19 June 2015)

J Clarke (Resigned 9 September 2015)

R Armitage (Resigned 3 November 2015)

C Maclean (Resigned 15 March 2016)

### Company secretary

M Morris

### Auditors

Ernst & Young LLP

Barony House

Stoneyfield Business Park

Stoneyfield

Inverness IV2 2PA

### Bankers

Clydesdale Bank

15 Academy Street

Inverness

IV1 1JN

### Registered Office

13 Ardross Street

Inverness IV3 5NS

## Report of the Chairman

2015/16 has been High Life Highland's third full year of operation and has been another year of consolidation, efficiencies and growth.

It is important that an organisation as diverse and geographically spread as High Life Highland (HLH) is led by Directors who are clear about their responsibilities to set policy and review performance. Following the development and implementation of a new Business Plan for 2015/18 during the last financial year, in December 2015, Directors took the opportunity to work with an outside facilitator to review the Board's operation and effectiveness. The review was a very useful process, looking at every aspect of the Board's work and planning processes. The resultant action plan covering the following topics is now a regular feature of Board meetings, thus ensuring that the recommendations of the review are implemented.

- Setting out a clear and shared vision and strategic direction for the organisation;
- Maintaining high standards of corporate governance and accountability;
- Clarity on Board and Board member roles and responsibilities;
- Performing effectively as a Board;
- Representing High Life Highland to its key stakeholders and partners; and
- Board Membership and Development.

The Company's financial position continued to be of prime concern to Directors and Senior Management alike and the year was another one of minimising the effect of necessary reductions to the Services Fee from The Highland Council. I am pleased that the strong focus on the budget resulted in a positive financial position at the end of the financial year, allowing previously modest reserves to be enhanced. The flexibility this allows will be crucial as we enter another year of reducing funding. My fellow Directors and I would like to thank the staff team at all levels for the consistent focus on the budget during the year, which resulted in that positive position.

New business of varying sizes and description was also a feature of the year, presenting both new opportunities and new challenges. Recognising the large volume of behind the scenes preparatory work involved, each of the transfers has progressed smoothly, with a strong focus on welcoming and supporting the staff involved.

One of the ongoing Company objectives is to work towards being a "trusted partner" with its primary stakeholders, The Highland Council and NHS Highland. I consider the invitation for High Life Highland to join the Community Planning Partnership [CPP] Board as a significant step forward in this regard. Being part of the CPP is enabling the Company to have a voice in Highland wide partnership discussions and at a local level, as community planning develops in the Highland Area, to be involved in practical partnership projects and programmes.

The year saw changes to the make-up of the Board, with thanks and farewells to Councillor Director Drew Millar and to Jenny Clarke, Richard Armitage and Catriona MacLean and a warm welcome to Highland Council Director Michael Green, and to Donald Somerville and Ella MacRae from the previous Inverness Leisure Board and Mark Tate from Cairngorm Business Partnership. Directors Rene Looper and Iain Claxton, who resigned from the Trading Board, have kindly agreed to continue working with staff as "friends of High Life Highland".

I look forward to another challenging year ahead.

**Donald McLachlan, Chairman**

## Report of the Chief Executive

The Senior Management Team and Directors worked closely over several months last financial year on the new Company Business Plan for 2015-18. It was therefore important that this year saw the development of actions designed to deliver the new Business Plan, through the Operational Plans. It is these Plans which guide the work of all sections of the Company and are key in reviewing the personal development planning of all staff.

In order to address the savings target agreed with The Highland Council this year, the HLH Directors agreed a plan, across all areas of works to make the savings which was challenging to deliver and which required close monitoring throughout the year. The plan set ambitious targets for increased income (earned income, donations and grants) and operational efficiencies while still ensuring a positive balance in terms of service delivery.

A very significant addition to the Operational Plan not only for leisure facilities but to all central functions, was the work involved in adopting Inverness Leisure, the area's largest stand-alone leisure facility into the HLH "family". Whilst the Transfer date was 31<sup>st</sup> March 2016, there was significant work required to ensure the smooth transfer and equalisation of terms and conditions of the staff from Inverness Leisure as they joined the wider HLH grouping of services. Inverness Leisure is by far the largest addition to the HLH portfolio. However it was not the only new business for the Company during the year, with Ben Nevis Visitor Centre, Broadford and Bettyhill Library and Service Points (which had not transferred when HLH was formed), the Highland Football Academy, Golspie All Weather Pitch and Independent Museum Officer and grant budget also now managed by HLH.

The service areas originally transferred from The Highland Council continue to represent the bulk of the work of the Company. It is important that in delivering these services we seek incremental improvements in their quality and efficiency. Three recent examples of improvement are:

- The achievement of HLH operated libraries in gaining accreditation through the Customer Service Excellence scheme;
- Highest ever attendances recorded at the Highland Folk Museum at over c66,000 visitors, up from c54,000 in 2014/15 along with a significant rise in donation income; and
- An almost doubling of visitors in a year to the Inverness Botanic Gardens at c97,000, up from c48,000 in 2014/15, along with high ratings on "Trip Advisor", placing the facility high up in the list of places to visit in Inverness.

Outwith the Service Delivery Contract from The Highland Council, health, well-being and the Prevention agenda continues to develop as a significant area of work for the Company adding strength and depth to our drive to be a trusted partner of The Highland Council and NHS Highland. Current programmes/projects include:

- Otago classes;
- Cardiac Rehabilitation Programme;
- Knowing Me Knowing You;
- You Time;
- Positive Moves;
- Diabetes Support;
- Back Pain Management;
- Teen Well Now Pilot;
- Phone-delivered Intervention for people with Breast Cancer – feasibility study; and
- Swim Scheme – helping children with Autism to enjoy swimming.

## **Report of the Chief Executive**

Looking outward, the stage of development of the Company is of interest to others considering moving services into an Arm's Length Organisation, including Angus and Borders Councils which have approached HLH over the year to understand how the Highland area handled the transfer of services, what difference it has made to services, along with other issues such as the treatment of pensions and TUPE. Along with the Director of Care and Learning in the Council, I was also asked this year to give verbal evidence to the Local Government and Regeneration Committee of the Scottish Parliament as part of its review into the operation of ALEOs across Scotland.

**Ian Murray, Chief Executive**

Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016

One of the first things the Directors of High Life Highland did when HLH was set up was to establish a process for acknowledging and celebrating the huge range of excellent and innovative work carried out by staff and volunteers across all aspects of the company and in all parts of the Highland area. Once again this year staff throughout HLH have been submitting examples of outstanding work to the Board, in the form of 'Successes', and it is from these that the selection panel selected the 5 winning staff teams. This year there were over 50 successes to select from along with over 30 volunteer nominations. This year, in addition, the Board selected 2 teams to receive the Chair's Special Award for outstanding contributions during the past year.

Now in its 4<sup>th</sup> year the Awards process has worked well so far, but to ensure it remains fresh and in a form that staff feel gives everyone an equal opportunity to be recognised, a small group of Directors and staff representatives are currently reviewing the Staff and Volunteer Awards scheme for next year.

In his opening remarks Donald McLachlan, Chair of HLH Board of Directors welcomed staff, volunteers and guests and commented on the importance of partnership working noting the presence of representatives from two of HLH's main partners, the Highland Council and NHS Highland to present awards.

This year's event took place on Thursday 16 June in the Highland Registration and Archive Centre following a reception in the Inverness Botanic Gardens.



Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016

**VOLUNTEER AWARDS – presented by Cllr. Isobel McCallum, Convener of The Highland Council**

### **Wendy Harrison – Active Schools – Tore**

Wendy is the driving force behind all the after-school activities offered at Tore Primary School. She provides indoor and outdoor coaching in football and hockey throughout the year and believes that it is really important for children to have the opportunity to experience games, develop their skills, learn how to play in teams and most importantly get more exercise. Volunteering up to 3 times a week, Wendy also manages to fit her career, family life and fostering into a busy schedule.



### **Roger Cope – Youth Work – Safe Highlanders, Inverness**

Roger has been an integral part of the Inverness Safe Highlanders event for the past 15 years. He has given his time and expertise freely as a volunteer 'Co-ordinator' and is responsible for the recruiting and scheduling of 30 plus community volunteers. Without Roger's support and enthusiasm the Inverness Safe Highlanders event wouldn't be the success it is today and he very deserving of the title - 'Inverness Safe Highlanders Community Champion'. Roger has also provided time, knowledge and assistance to help launch a Safe Highlander event in Dingwall.





Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016

### **Ewan McWilliam – Hilton Community Centre, Inverness**

Ewan has been volunteering at Hilton Community Centre every week for the past 5 years and helps the HLH stewards setting up and clearing rooms; sweeping and buffing the floors; keeping the books in order; and his speciality - cleaning all the glass in the many windows and doors.

He is well known and greatly appreciated by HLH customers and staff, keeping the centre looking great, and ready for them to partake in their activities. He does such a good job many want to take him home and help with their cleaning! Ewan enjoys the banter with our customers and it gives him great satisfaction and a pride in his work.



### **Sarah Gillanders - Active Schools, Lochaber**

Sarah has been involved in Lochaber Dance Platform since its inception, first as a participant, then a dance leader and now as an organiser. Last year she played a pivotal role in the staging of the 3 performance nights involving over 200 performers. As a high school pupil, Sarah led an after-school dance group at Banavie Primary School and after leaving school herself has remained involved in Dance Platform, taking on more responsibility each year from mentoring high school pupils, advising on choreography, supervising workshops and MCing the final showcase event.



Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016

### Poppy and Rebecca Castelo – Libraries – Culloden

Poppy and Rebecca are a volunteer team from Canine Concern Scotland Trust who meet weekly with primary school aged children under the 'Reading with Dogs' scheme. Children who have been identified as having difficulty learning to read come to the library to spend time reading to the Therapet, Poppy, who is non-judgemental and loves a good story! It is so important that children get off to a good start with something as fundamental as learning to read and spending time with Poppy really helps the children to overcome the anxiety associated with something they find difficult.



### **LIFETIME ACHIEVEMENT AWARD – presented by Cllr Drew Millar, Chair of Education, Children and Adult Services Committee, The Highland Council**

HLH values the contribution made by all its volunteers and is privileged to have over 1200 people working tirelessly, week in and out, to assist staff in delivering a wide range of activities in communities throughout the Highlands. However, this year there was one man in particular who the selection panel felt exemplified the dedication, enthusiasm and selflessness shown by volunteers, whilst helping create and develop facilities in Inverness that any community would be proud of.

Angus Dick has always taken a keen interest in the communities where he lived - as a boy growing up in Inverness he was a member of the Cameron Boys Club (now known as the Cameron Youth Centre) and served as a Highland Councillor for a number of years in Inverness. For the past 20 years he has been a member of the management committee of both Hilton Community Centre and the Cameron Youth Centre and now serves as Chairperson for both centres. Working alongside a small HLH team, he is very involved in the operation of each centre and his knowledge, experience and support have been invaluable to the HLH teams in the development of these facilities over the years.

He is a huge supporter of The Archie Café at Hilton Community Centre and was fundamental in the £146,640 funding application received from The Big Lottery two years ago.



Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016

**STAFF AWARDS - presented by Joanna Macdonald, Director of Adult Social Care with NHS Highland**

### Love To Swim – Facilities

Over the past 2 years Love to Swim has been developed to provide a bespoke one to one learning to swim experience for people of all ages. In the first 6 months of the pilot programme over 500 one to one lessons took place and demand for this service continues to grow.

Love to Swim has provided learners with an opportunity to learn and improve swimming techniques before moving into classes as part of the Learn to Swim Programme and this has helped reduce waiting lists for absolute beginners. It encourages adults and children to learn a new skill and include swimming as part of a healthier lifestyle and promotes continual use of the services available at HLH leisure facilities.

HLH is benefitting from an increase in income due to the demand for lessons and additional membership sales but the Love to Swim programme has also provided and encouraged significant staff development opportunities as all Love to Swim instructors must be ASA level 2 Qualified.

Even local celebrities have been getting involved and some of you may have heard MFR Breakfast Show presenter Gino being taught to swim by Kelly Skinner earlier in the year – live on the radio!



### Baby Massage – Get to Know your Library – Libraries

Library staff visited groups of new mothers and babies at baby massage classes to talk informally about what the library offers to families. It created a wonderful opportunity to tell new mums about all the benefits of reading to their baby, no matter how young. The time was also used to reassure new parents that HLH welcome their visits. They may feel self-conscious about bringing a noisy infant or an unwieldy pram into the library but staff are able to allay their fears and to actively encourage them to visit with their families.

New parents may have been library members when at school, but let it lapse during their teens and 20s. As they embark on a new stage of their lives, these sessions target this user group and ensure that their families benefit from the opportunity to improve their wellbeing by accessing the resources and support offered to them through the local library.

Many of these parents now not only use the library for books and Bookbug, but also choose it as a meeting place, allowing them to develop support networks. This is particularly important in the early days of new parenthood especially in places where people can be isolated by the nature of the rural area.

Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016



### **Transitions – The Journey: Celebrating the Art and Culture of Travelling People – Culture**

This project was developed in response to a request from HUG (Action for mental health) to participate in Inverness Museum's community curation programme and the resultant exhibition was both innovative and compelling, comprising of rarely exhibited and previously under-researched objects made and / or associated with Highland Travellers, newly created artworks and new creative writing compositions.

The project was curated and created in partnership between Inverness Museum and Art Gallery, HUG and Moniack Mhor Creative Writing Centre and in consultation with Highland Travellers Essie Stewart and Alec Williamson, researching, interpreting and sharing the gifts of Highland Travellers culture and craft making traditions. The curators and artists brought new life and fresh perspective to understanding the traditional life of Travelling People in the Highlands and participants learned new skills and gained confidence in handling, researching and exhibiting museum objects and also enabled them to explore the theme of social marginalisation as experienced by Travellers and reflect on their own experiences of social exclusion and labelling.

'Transitions' has made an exceptional contribution to enabling HLH to meet its responsibilities to care for, research and share museums' collections more effectively and develop an excellent track record as a trusted partner in responding creatively to the Preventative Agenda.



Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016

### The Rollout of Futsal – Facilities

Futsal is an exciting, fast-paced small sided football game which is played across the world and is officially recognised by both UEFA and FIFA. The HLH Futsal programme was designed using existing staff members' experience of professional football coaching and playing skills from around Scotland and Europe and has been developed as a fun soccer skills teaching programme suitable for all ages and abilities but especially aimed at children 4 -12 year olds.

During the development period, a coaching manual was created to assist Futsal coaches deliver a consistent programme throughout the Highlands and HLH staff partnered up to deliver rhythm and movement to music as part of the programme.

Sessions were initially run in Grantown, Aviemore and Kingussie to test the interest and impact. Since then, due to the success of the initial pilot (averaging 114 children per week), sessions are now running weekly, in Leisure Centre's across the Highland area, led by specially-trained HLH staff.



### BDMLR Marine Mammal Medic Course – Youth

In June, 2015, 21 Pilot whales became stranded in the waters around Staffin, on the North East Coast of Skye. This generated enormous interest locally and raised awareness of the risks and challenges faced by many marine mammals around the West coast of Scotland.

At the time of the incident only 3 people on the island had a current Marine Mammal Medic certificate required to safely facilitate the rescue of these animals and qualified volunteers had to be drafted in from Ullapool, Aberdeen and the central belt at considerable expense but far more importantly, the delay in rescue meant that the condition of the Pilot whales deteriorated considerably possibly contributing to the loss of 9 members of the pod.

In October 2015 a BDMLR Marine Mammal Medic Course was held, attracting 32 people. Funding was secured from HLH's Learning for Life fund to provide 5 free places to 16-25 year olds and 6 subsidised places to local people. The community now has access to a viable team, with experienced back-up, capable of taking immediate action if marine mammals are in need of intervention.

The course provided a new and different opportunity for volunteering and the skills developed are relevant to the local marine industry potentially providing increased employability opportunities for participants.



Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016



### Chair's Special Awards – presented by Donald McLachlan

All Award winners represented the very best of what HLH has to offer – dedicated, enthusiastic and innovative volunteers and staff carrying out amazing work throughout the Highlands but there were two teams that the Board felt required special mention for their exceptional endeavour during the past year.

### Lochaber Leisure Centre

With more than 4million attendances at HLH sites every year, serious health related incidents are very small in number. However, in January this year, a 68 year old man suffered a cardiac arrest whilst playing badminton at Lochaber High School. The HLH team of Rebecca MacLean and seventeen year old Mark MacLean commenced resuscitation and then used the defibrillator until the paramedics arrived on site. The gentleman was conscious and breathing when he left the High School to be transported to hospital where he received specialist treatment. Whilst staff in leisure facilities are trained to deal with situations like these, they very rarely have to put the training into practice and thanks to the quick, calm and professional way in which Rebecca and Mark handled the situation the customer did survive.



Charity No: SC042593

Company No. SC407011

## High Life Highland Staff & Volunteer Awards 2016

### Highland Folk Museum

2015/16 was an exceptional year for the Highland Folk Museum. Not only did visitor numbers go up by 22%, recording an all time high of over 66,000 visitors but since HLH started in 2011, income has increased by over 100%, to £286,000 last year. Add to these results a successful application to the Scottish Government funded Recognition Scheme which resulted in the Highland Folk Museum's entire collection being formally recognised as a collection of national and international significance and importance. This recognition will not only boost the profile and reputation of the collection but will also open up new funding streams for collection based projects. This is truly a great accolade for the organisation, and the collection is now officially recognised as one of the most important and significant collections of its type in the country.



Both teams demonstrated two very different but equally important examples of hard work, dedication and commitment to the aims and reputation of HLH.

Charity No: SC042593

Company No. SC407011

## **Trustees' and Directors' Report**

The Trustees, who are also the Directors of the company for the purposes of Company law, present their report and the group financial statements for the year to 31 March 2016.

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 Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006, and the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### **Formation of High Life Highland**

High Life Highland is a charitable company limited by guarantee, registered in Scotland. Its registered office address is 13 Ardross Street, Inverness, IV3 5NS (Company number SC407011, Charity number SC042593). It 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) (Company number SC408067) whose principal aim is to generate funds which will be utilised by the charity in pursuit of its charitable objectives.

On 31 March 2016 HLH took over the business of Inverness Leisure Limited with all of the assets and liabilities transferring to HLH Limited to carry on the same business for nil consideration. This has been accounted for as a charity combination. See note 7 for further details.

### **Principal activities and objectives**

The principal activities of the company are to develop and promote opportunities in culture, learning, sport, leisure and health and well-being.

The Company's aim is to be acknowledged and respected as the leading organisation for developing and promoting opportunities in these areas and to grow the business in a sustainable way by providing services that the public value and by being viewed as a trusted partner making the Highlands a better place to live, work and visit.

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



Charity No: SC042593

Company No. SC407011

## Trustees' and Directors' Report

### Principal activities and objectives (continued)

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

The trustees, who are also the Directors for the purposes of company law, who served the charity during the year, are listed on page 2.

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

The board consists of 8 independent Directors and 4 Highland Council nominated Directors. The retirement and replacement of the Directors is also governed by the Articles of Association.

The Company has a nominations committee, the purpose of which is to oversee the selection of Directors to the Board and to make recommendations for appointment to the Council. In carrying out its function the committee set an appropriate skills matrix to guide it through the selection and evaluation process. Nominations are sought from a range of appropriate sources. Once appointed, Directors undergo induction and training in line with the established recruitment process for Directors.

A board review and appraisal workshop took place in 2015 and was facilitated by an independent consultant.

The strategic 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 day to day management of the company are the responsibility of the Chief Executive in consultation with the appointed Heads of Service

Chief Executive: Ian Murray, Head of Resources: Graham Watson, Head of Performance: Douglas Wilby and Head of Business: Fiona Hampton.

The Company has an established Finance and Audit committee the purpose of which is to assist the Board of Directors in fulfilling its responsibilities with regard to the Company's financial reporting, Audit and the company's internal control procedures including risk management.

The Company has a Chief Executive Performance Review Committee whose remit is to agree the annual performance objectives and targets of the Chief Executive.

Charity No: SC042593

Company No. SC407011

## Trustees' and Directors' Report

### Our advisors

Our advisors are listed on page 2.

### 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 eight business outcomes identified are:

- To advance sustainable growth and financial sustainability
- Deliver the Service Delivery Contract with THC
- Improving staff satisfaction
- Improving customer satisfaction
- A positive company image
- Services designed around customers and through market opportunities
- Sustain a good health and safety performance
- A trusted partner

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 HLH. The transfer process involved the transfer of the employment of in excess of 800 employees and the assumption of the management of over 117 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.

### Results and Performance

Full details of the results are included in the Strategic 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.

Charity No: SC042593

Company No. SC407011

## Trustees' and Directors' Report

### 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 outwith the service level agreement with the Highland Council noting the difficulty in achieving the target in the current economic climate.

The total reserves held at year end excluding the pension liability of £3,737,000 (2015: £4,041,000) was £1,354,108 (2015: £275,449), of which £914,573 (2015: deficit of £176,385) was unrestricted and £439,535 (2015: £451,834) was restricted.

Within unrestricted funds there are funds that have been set aside as designated funds. £40,000 (2015: £nil) has been designated for the Library Civica project. As part of the charity combination with Inverness Leisure (see note 7) £584,999 (2015: £nil) of the reserves that have been transferred across have been designated for HLH terms and conditions on the TUPE of staff and a further £200,000 (2015: £nil) of the funds have been designated for capital works.

### Plans for the future

The company has prepared a Business Plan covering the period to March 2019 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.

### Key areas of focus

The board of Directors in reviewing the company's opportunities for growth and potential new business has prioritised the following areas:

- The Preventative Health Agenda;
- The HLH Tourism Offering;
- Other Management Portfolios; and
- Extension of the High Life Membership Scheme.

Charity No: SC042593

Company No. SC407011

## Trustees' and Directors' Report

### STRATEGIC REPORT

#### Review of the Business

HLH in the furtherance of its charitable objectives continues to develop all of the key areas of work. During the year a number of key projects were undertaken and key achievements realised in line with the Company's Business Plan.

#### Culture

- Highland Folk Museum's (HFM) entire collection was "Recognised" as being of national significance.
- HFM also made Trip Advisor's list of Top 10 Museums in Scotland.
- Inverness Museum & Art Gallery awarded the contract to provide a public engagement programme related to the Townscape Heritage regeneration project.
- Exhibitions Unit established as a 'go to' in Highland for public art project management services.
- Significant new, earned income generated via an innovative donations strategy and establishing a Conservation Unit, selling services to external clients.

#### Libraries

- Achievement of "Customer Service Excellence" accreditation.
- Almost 2.5 million visits to libraries, representing an increase of 7% (167,000) on previous year
- Opening of Thurso Library and Gallery to widespread acclaim including nomination as a top 3 finalist in SPORTA award for best new leisure/cultural facility in the UK.
- Highly successful launch of "Every Child a Library Member" initiative to improve early years literacy.
- Introduction of Free Wi Fi service in every Highland Library.

#### Sports Development

- Delivered the Active School programme in conjunction with our partners, sportscotland.
- Increased participation by Active School Co-ordinators, with Activity sessions showing a 13.5% increase from 20,728 to 23,536 and participant sessions an increase of 17% from 388,821 to 455,470
- The Leadership Programme continues to develop with 1009 young people developing their leadership skills through the programme.
- A new peer led dance project which was launched in 2015, Movers and Shakers, has shown a significant impact with 96 new dance leaders trained to lead session in their local community.

#### Facilities – Leisure

- In 2015/16 the total user numbers across all High Life facilities was 2,027,559. High Life Subscriptions increased by 2.3% from 12,127 in 2014/15 to 12,404 in 15/16,
- New sites include Ben Nevis Visitor Centre and a pilot project at Lochaber High School which sees HLH managing all school and community lets and Janitorial staff.
- A new initiative called "Love to Swim" was launched with 4,481 lessons delivered throughout the Highlands generating additional income and 72 new memberships.

Charity No: SC042593

Company No. SC407011

## Trustees' and Directors' Report

- Under the Health and wellbeing programme, HLH staff trained to deliver Level 3 Exercise for Older Adults, Level 2 Otago Exercise Programme, Level 3 Exercise Referral and Level 4 Cardiac Rehabilitation. A total of 22 Otago (falls prevention) classes were delivered on a weekly basis across Highland made up of 12 Community sessions, 6 care home sessions and 4 day care centre sessions, these sessions ran as part of the development of a wide ranging programme aimed at attracting older adults and individuals.

### Review of the Business (continued)

#### Youth Work

- Youth work staff delivered 255,861 learning hours for young people in 2015/16, an increase of 52,765 on the previous year.
- The number of contacts with young people were maintained with there having been 86,291 in 2014/15 and 86,319 in 2015/16
- Delivered the Highland Youth Parliament focusing on the “New Generation” campaign promoting youth democracy.
- Delivered fusion events focusing on good practice in universal youth work with a 66% increase in attendance on previous year of 4054 attendances
- Workforce development & training to equip Youth Work staff to deliver services included: mental health, sexual health and relationships and mindfulness.

#### Adult Learning

- Maintained the average number of unique participants in Literacy, Numeracy and English for Speakers of Other Languages (ESOL) programmes at 545 per month.
- Worked as a trusted partner within the Community Planning Partnership welcome and support for Syrian refugees - HLH sit on the local operation group which has successfully settled four families and 23 individuals into the area. HLH provided English for Speakers of Other Languages (ESOL) classes and contributed to the directory of opportunities that are available in the area.
- Maintained a Highland Adult Learning Partnership - HLH leads the partnership with a core of twelve partners that meet quarterly; and jointly organised a Highland Conference that attracted over 100 partners; learners and volunteers.
- Focus on reducing Social Isolation and Loneliness through Adult Learning provision especially in remote and rural communities - HLH commissioned 62 projects for 2015/16 that primarily delivered activities in the outlying areas of Highland.

#### Health & Well being

Health improvement underpins the work of all Company's services with positive strides made to successfully position HLH as the partner of choice with organisations responsible for the delivery of health and social care services. Some of the health and wellbeing work in 2015/16 included:

- You Time – Targeting older adults to support people to look after and improve their own health and wellbeing and live in good health for longer. Over 1200 registered participants across libraries, leisure and archives activities;
- Positive Moves – Support for men who have had a prostate cancer diagnosis to become more physically active. 30 men accessed the programme, with over 600 attendances at group physical activity sessions;

Charity No: SC042593

Company No. SC407011

## Trustees' and Directors' Report

- Knowing Me Knowing You – Familiarisation sessions for non-traditional participants in leisure and learning activities to encourage usage. Almost 400 people accessed the programme with an average of 18 return visits following initial consultation.

### Key Performance Indicators

The Finance and Audit Committee is responsible for developing and setting performance indicators for each of the business outcomes, which are reported to the Board.

### *Non-Financial KPI's reported throughout the year:*

	2016	2015
<b>Customer Numbers</b>	5,280,134	4,767,453
<b>High Life Subscriptions (monthly average for year)</b>	12,404	12,127
<b>Average Monthly Staff Turnover</b>	0.55%	0.57%
<b>Positive Media Clippings</b>	562	446
<b>Neutral Media Clippings</b>	257	79
<b>Negative Media Clippings</b>	59	59
<b>Complaints</b>	21	12

### Results and Performance

The Trustees are satisfied with the level of results achieved during the year and the financial position at year end.

The Company recorded an operational surplus, before any actuarial pension adjustment and prior to the charity combination, of £286,620 for the year, of which £298,919 was in unrestricted funds and (£12,299) in restricted funds. This positive result was achieved through balancing growth, maintaining existing services and delivering required savings/efficiency targets.

During the year ended 31 March 2016, the charity has been able to deliver and develop its services and recorded a deficit of £1,107,341 (2015 – deficit of £(841,621)) after allowing for the actuarial adjustment posted through the income statement of £1,337,000 (2015 – £1,051,000) on the pension fund for the year ended 31 March 2016.

The deficit in the pension scheme at the year end, (which represents the company's share of the deficit in The Highland Council Pension Scheme) also including the pension liability of £694,000 transferred from the Inverness Leisure charity combination amounted to £3,737,000 (2015 – £(4,041,000)). £2,490,000 of this is an actuarial gain (2015 – actuarial loss of £990,000) in the year.

The Trading Company recorded a profit of £300,465 for the year, £225,929 for the year ended 31 March 2015, of which £298,465 (2015 - £223,929) was donated to the Charity in the furtherance of its charitable objectives.

Charity No: SC042593

Company No. SC407011

## Trustees' and Directors' Report

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.

### Results and Performance (continued)

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 £2,382,892 (2015 – (£3,765,551)) including the actuarial adjustment. 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.

### Risks and Uncertainties

The Company maintains a comprehensive risk register which is reviewed monthly by Senior Managers and is reported to Finance and Audit Committee on a quarterly basis with an annual review by the Board.

The Company identifies the reduction in The Highland Council's Management fee, which is dependent in part on the level of funding from the Scottish Government, as the principal risk facing the Company.

### Statement of trustees' and Directors' responsibilities

The Directors are responsible for preparing the Trustees' and 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) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland". 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

Company No. SC407011

## Trustees' and 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.

In signing this report, the Trustees confirm that they have approved the strategic report in their capacity as company Directors of High Life Highland Limited.

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 HLH for the year ended 31 March 2016 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 23. 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) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's trustees and members 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 members 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 22, 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.

# **Independent auditors' report**

## **to the member and trustees of High Life Highland**

### **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 2016 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, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland"; 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Trustees' 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 charitable group and parent 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 charitable group and parent 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.

Donald Forsyth, 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 year ended 31 March 2016

		<i>Unrestricted Funds</i>	<i>Restricted Funds</i>	<i>2016 Total</i>	<i>2015 Total</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Income:</b>					
<u>Donations and legacies</u>					
Gain recognised on charity combination	3	90,999	7,040	98,039	-
<u>Income from charitable activities:</u>					
Management fee	4	14,257,709	-	14,257,709	14,589,170
Other grants	4	-	1,445,558	1,445,558	1,605,691
Delivery of service delivery contract	4	6,329,159	-	6,329,159	5,711,792
<u>Income from other trading activities:</u>					
Commercial trading operations	5	577,348	-	577,348	463,304
<b>Total income</b>		<u>21,255,215</u>	<u>1,452,598</u>	<u>22,707,813</u>	<u>22,369,957</u>
<b>Expenditure</b>					
<u>Expenditure on charitable activities:</u>					
Delivery of service delivery contract	6	22,145,514	1,390,757	23,536,271	22,974,203
<u>Costs of raising funds:</u>					
Commercial trading operations	5	278,883	-	278,883	237,375
<b>Total expenditure</b>		<u>22,424,397</u>	<u>1,390,757</u>	<u>23,815,154</u>	<u>23,211,578</u>
<b>Net income/(expenditure)</b>		<u>(1,169,182)</u>	<u>61,841</u>	<u>(1,107,341)</u>	<u>(841,621)</u>
Transfer between funds		74,140	(74,140)	-	-
<b>Other recognised gains/(losses):</b>					
Actuarial gains/(losses) on defined benefit pension scheme	20	2,490,000	-	2,490,000	(990,000)
<b>Net movement in funds</b>		<u>1,394,958</u>	<u>(12,299)</u>	<u>1,382,659</u>	<u>(1,831,621)</u>
<b>Opening funds at 1 April</b>		<u>(4,217,385)</u>	<u>451,834</u>	<u>(3,765,551)</u>	<u>(1,933,930)</u>
<b>Total funds carried forward at 31 March</b>		<u>(2,822,427)</u>	<u>439,535</u>	<u>(2,382,892)</u>	<u>(3,765,551)</u>
All income and expenditure derive from continuing activities.					

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

for the year ended 31 March 2016

		<i>Unrestricted funds £</i>	<i>Restricted Funds £</i>	<i>2016 Total £</i>	<i>2015 Total £</i>
<b>Income</b>					
<u>Donations and legacies</u>					
Gain recognised on charity combination	3	90,999	7,040	98,039	-
Gift aid donation from subsidiary	3	298,465	-	298,465	223,929
<u>Income from charitable activities:</u>					
Management fee	4	14,257,709	-	14,257,709	14,589,170
Other grants	4	-	1,445,558	1,445,558	1,605,691
Delivery of service delivery contract	4	6,329,159	-	6,329,159	5,711,792
<b>Total income</b>		<u>20,976,332</u>	<u>1,452,598</u>	<u>22,428,930</u>	<u>22,130,582</u>
<b>Expenditure</b>					
<u>Expenditure on charitable activities:</u>					
Delivery of service delivery contract	6	22,145,514	1,390,757	23,536,271	22,972,203
<b>Total resources expended</b>		<u>22,145,514</u>	<u>1,390,757</u>	<u>23,536,271</u>	<u>22,972,203</u>
<b>Net income/(expenditure)</b>		(1,169,182)	61,841	(1,107,341)	(841,621)
Transfer between funds		74,140	(74,140)	-	-
<b>Other recognised gains/(losses):</b>					
Actuarial gains/(losses) on defined benefit pension scheme	20	2,490,000	-	2,490,000	(990,000)
<b>Net movement in funds</b>		<u>1,394,958</u>	<u>(12,299)</u>	<u>1,382,659</u>	<u>(1,831,621)</u>
<b>Opening funds at 1 April</b>		<u>(4,217,385)</u>	<u>451,834</u>	<u>(3,765,551)</u>	<u>(1,933,930)</u>
<b>Total funds carried forward at 31 March</b>		<u><u>(2,822,427)</u></u>	<u><u>439,535</u></u>	<u><u>(2,382,892)</u></u>	<u><u>(3,765,551)</u></u>

All income and expenditure derive from continuing operations.

**Group balance sheet**

at 31 March 2016

Company number SC407011

		2016	As restated 2015
	Notes	£	£
<b>Fixed assets</b>			
Tangible assets	11	462,546	68,404
		<u>462,546</u>	<u>68,404</u>
<b>Current assets</b>			
Stocks	13	126,940	66,639
Debtors	14	3,945,579	2,436,863
Cash at bank and in hand		391,539	16,207
		<u>4,464,058</u>	<u>2,519,709</u>
<b>Creditors:</b> amounts falling due within one year	15	3,572,496	2,312,664
<b>Net current assets</b>		<u>891,562</u>	<u>207,045</u>
<b>Total assets less current liabilities excluding retirement benefits</b>		<u>1,345,108</u>	<u>275,449</u>
<b>Net pension liability</b>	20	(3,737,000)	(4,041,000)
		<u>(2,382,892)</u>	<u>(3,765,551)</u>
<b>Funds</b>			
Unrestricted funds excluding the pension fund liability	16	914,573	(176,385)
Pension reserve	16	(3,737,000)	(4,041,000)
		<u>(2,822,427)</u>	<u>(4,217,385)</u>
Total deficit on unrestricted funds			
Restricted funds	16	439,535	451,834
	17	<u>(2,382,892)</u>	<u>(3,765,551)</u>
Unrestricted funds excluding pension liability		914,573	(176,385)
Restricted funds		439,535	451,834
		<u>1,354,108</u>	<u>275,449</u>
Total funds excluding pension liability			
Pension Reserve		(3,737,000)	(4,041,000)
		<u>(2,382,892)</u>	<u>(3,765,551)</u>

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

**Director**

Date:

**Director**

Date:

The notes on pages 30 to 47 form part of these financial statements.

# Company balance sheet

at 31 March 2016

Company number SC407011

	Notes	2016 £	As restated 2015 £
<b>Fixed assets</b>			
Tangible assets	11	462,546	68,404
Investments	12	100	100
		<u>462,646</u>	<u>68,504</u>
<b>Current assets</b>			
Stocks	13	36,986	-
Debtors	14	4,033,433	2,501,302
Cash at bank and in hand		391,539	16,207
		<u>4,461,958</u>	<u>2,517,509</u>
<b>Creditors:</b> amounts falling due within one year	15	3,570,496	2,310,564
<b>Net current assets</b>		<u>891,462</u>	<u>206,945</u>
<b>Total assets less current liabilities excluding retirement benefits</b>		<u>1,354,108</u>	<u>275,449</u>
<b>Net pension liability</b>	20	(3,737,000)	(4,041,000)
		<u>(2,382,892)</u>	<u>(3,765,551)</u>
<b>Funds</b>			
Unrestricted funds excluding the pension fund liability	16	914,573	(176,385)
Pension reserve	16	(3,737,000)	(4,041,000)
Total deficit on unrestricted funds		<u>(2,822,427)</u>	<u>(4,217,385)</u>
Restricted funds	16	439,535	451,834
	17	<u>(2,382,892)</u>	<u>(3,765,551)</u>

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

Director

Director

Date:

Date:

The notes on pages 30 to 47 form part of these financial statements.

## Notes to the financial statements

at 31 March 2016

### 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 2017 is agreed. The funding for the year ended 31 March 2018 to 31 March 2019 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 FRS 102 'Retirement Benefits'. This has resulted in the inclusion of a pension liability of £3,737,000 at the balance sheet date. This represents the company's allocation of the deficit in The Highland Council Pension-Fund at 31 March 2016 (see note 20) and includes £694,000 of the liability transferred in from the charity combination with Inverness Leisure. At 31 March 2016, the company had a deficit in its unrestricted fund, including 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 further 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 FRS 102 accounting adjustments and the Directors are therefore of the opinion that the company is a going concern.

### 2. Accounting policies

#### *Statement of Compliance*

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.

The company was incorporated in Scotland and its registered office is 13 Ardross Street, Inverness, IV3 5NS.

The Group's financial statements have been prepared in compliance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)(effective January 2015) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006 for the year ended 31 March 2016.

The group transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and performance is given in note 22.

#### *Basis of preparation and change in accounting policy*

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group.

#### *Basis of consolidation*

The consolidated accounts incorporate the accounts of the company and its subsidiary undertaking for the year ended 31 March 2016. 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.

## Notes to the financial statements

at 31 March 2016

### 2. Accounting policies (continued)

#### ***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 available under FRS 102 from preparing a cashflow statement under the requirements of Section 7 – Statement of Cash Flows and Section 3 – Financial Statement Presentation paragraph 3.17d. The company is also exempt under the terms of FRS 102 s33.1A Related Party Transactions from disclosing related party transactions with entities that consolidated into the financial statements of The Highland Council.

#### ***Judgements and key sources of estimation uncertainty***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are no judgements (apart from those involving estimates) that would have a significant effect on amounts recognised in the financial statements.

The Company's key source of estimation uncertainty is the Pension adjustment.

The company participates in The Highland Council Pension Fund, a defined benefit scheme. 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.

#### ***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 October 2011, the contents and equipment within these buildings were sold by The Highland Council to HLH for £1. This amount was expensed in the year ended 31 March 2012.

Fixed asset additions in the year to 31 March 2016 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	-	20% 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. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside for a particular purpose.

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.



## Notes to the financial statements

at 31 March 2016

### 2. Accounting policies (continued)

#### *Incoming resources*

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

#### *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. Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the costs of commercial trading activities, including retail and catering facilities at sites operated by HLH.
- Expenditure on charitable activities includes all the costs on activities undertaken to further the purposes of the charity and their associated support costs.

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.

#### *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 lease term on a straight line basis.

## Notes to the financial statements

at 31 March 2016

### 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. Income from donations and legacies

The income from donations and legacies for the group was £98,039 (2015: £nil), of which £90,999 (2015: £nil) was unrestricted and £7,040 (2015: £nil) was restricted. All of this amount related to the gain on the charity combination with Inverness Leisure Limited. See note 7 for further details.

The income from donations and legacies for the company was £396,504 (2015: £223,929), of which £389,464 was unrestricted (2015: £223,929) and £7,040 restricted (2015: £nil). This is split on the face of the statement of financial activities and relates to the gain on the charity combination of £98,039 (2015: nil) (see note 7) and the gift aid donation received from the subsidiary of £298,465 (2015: £223,929) (see note 5).

### 4. Income from charitable activities

#### *Group and company*

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>2016 Total</i>	<i>2015 Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Management fee – Highland Council	14,257,709	-	14,257,709	14,589,170
Other grants	-	1,445,558	1,445,558	1,605,691
Delivery of service delivery contract	6,329,159	-	6,329,159	5,711,792
	<u>20,586,868</u>	<u>1,445,558</u>	<u>22,032,426</u>	<u>21,906,653</u>

Income from charitable activities was £22,032,426 (2015: £21,906,653) of which £20,586,868 was unrestricted (2015: £20,300,962) and £1,445,558 was restricted (2015: £1,605,691).

## Notes to the financial statements

at 31 March 2016

### 5. Income earned from other trading activities

The wholly owned subsidiary High Life Highland (Trading) C.I.C. is a company registered in Scotland (Registered number: SC408067), 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>	
	2016	2015
	£	£
Turnover	577,348	463,304
Cost of sales and administrative expenses	(278,883)	(239,375)
Net profit before Gift Aid and tax	298,465	223,929
Amount Gift Aided to HLH	(298,465)	(223,929)
Taxation	-	-
Profit for the year	-	-
The assets and liabilities of the subsidiary at 31 March 2016 were:		
Current assets	89,954	66,639
Creditors: amounts falling due within one year	(89,854)	(66,539)
Aggregate share capital and reserves	100	100

### 6. Expenditure on charitable activities – delivery of service delivery contract

*Group and company*

			<i>As restated</i>	
	2016	2016	2016	2015
	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Total</i>
	<i>funds</i>	<i>funds</i>	<i>Total</i>	<i>Total</i>
	£	£	£	£
Salaries and wages	14,953,043	1,092,142	16,045,185	15,517,377
FRS17 adjustment to pension charge for the period	1,337,000	-	1,337,000	1,051,000
Property costs	522,257	1,166	523,423	378,530
Travel and transport	265,586	33,470	299,056	310,270
Supplies and services	4,589,215	238,905	4,828,120	5,127,227
Third party payments	287,100	25,074	312,174	450,923
Depreciation	17,379	-	17,379	19,599
Gain on sale of fixed assets	-	-	-	-
Expected return on pension scheme assets	(358,000)	-	(358,000)	(302,000)
Interest on pension scheme liabilities	513,000	-	513,000	405,000
Audit fee	18,000	-	18,000	14,000
Directors' expenses reimbursed	934	-	934	2,277
	22,145,514	1,390,757	23,536,271	22,974,203

Expenditure on charitable activities was £23,536,271 (2015: £22,974,203) of which £22,145,514 was unrestricted (2015: £21,675,398) and £1,390,757 was restricted (2015: £1,298,805)

## Notes to the financial statements

at 31 March 2016

### 7. Charity combination

On 31 March 2016, the assets and liabilities of Inverness Leisure Limited, a Scottish charitable company limited by guarantee (Company No: SC181712 and Charity No: SC27392) were transferred to High Life Highland. This transfer also included the transfer of Inverness Leisure Limited's trading subsidiary Inverness Aquadome Limited (SC277231). This charity combination has been accounted for under paragraph 24.30 of the Charity FRS 102 SORP whereby the assets and liabilities were transferred at nil consideration and in substance, as a gift. The excess of assets over liabilities acquired has been included as a gain on charity combination and is included within donations and gifts.

The assets and liabilities acquired and included in the financial statements of High Life Highland Limited as at 31 March 2016 are as follows:-

	<i>Inverness Leisure Limited £</i>
Tangible fixed assets	420,401
Stock	36,986
Prepayments and other accrued income	11,368
Cash in hand	378,308
Other creditors and accruals	(55,024)
Pension liability	(694,000)
	<hr/>
Gain recognised on charity combination (see note 3) after pension adjustment	98,039
	<hr/>
Total Reserves before pension adjustment at 31 March 2016	792,039
	<hr/>
This gain is split as follows:	
Unrestricted reserves	90,999
Restricted reserves	7,040
	<hr/>
	98,039
	<hr/>

As part of the charity combination with Inverness Leisure £584,999 (2015: £nil) of the Unrestricted Reserves that have been transferred across have been designated for High Life Highland terms and conditions on the TUPE of staff and a further £200,000 (2015: £nil) of the funds have been designated for capital works.

### 8. Net outcoming resources

This is stated after charging:

	2016	2015
	£	£
Audit fee	18,000	14,000
Operating lease rentals	221,301	242,795
Depreciation	17,379	19,599
	<hr/>	<hr/>

## Notes to the financial statements

at 31 March 2016

### 9. Directors'/trustees' remuneration

The Directors/trustees are not entitled to any emoluments during the year. 4 Directors/trustees (year ended 31 March 2015 - 4) received reimbursement for travel expenses during the period totalling £ 934 (year ended 31 March 2015 – £2,277).

### 10. Analysis of Staff costs and the cost of key management personnel

	2016 £	2015 £
Wages and salaries	13,250,950	13,001,779
Social security costs	686,673	732,082
Pension costs	1,853,351	1,783,516
	<u>15,790,974</u>	<u>15,517,377</u>

In 2015/16 the employer's contribution rate is 18.50% of pensionable pay

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

	2016 No.	2015 No.
Management	4	4
Support services	30	30
Operations	1,087	1,053
	<u>1,121</u>	<u>1,087</u>

The number of employees remunerated at a rate of over £65,465 per annum in the current period was as follows:

	2016 No.	2015 No.
£60,001 – £70,000	3	3
£70,001 – £80,000	0	0
£80,001 – £90,000	1	1

#### Key management personnel

The key management personnel of the group comprise the trustees, the Chief Executive, the Head of Resources, the Head of Business and the Head of Performance. The total employee benefits of key management personnel of the group was £280,615 (2015 - £276,479).

#### Redundancies and Terminations

The total amount charged for the year ended 31 March 2016 in relation to redundancies/terminations was £64,020. All amounts were fully paid in the year, therefore there are no liabilities at the balance sheet date.

## Notes to the financial statements

at 31 March 2016

### 11. Tangible fixed assets

*Group and company*

	<i>Plant and Equipment £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
Cost:			
At 1 April 2015	87,562	10,431	97,993
Additions	-	-	-
Disposals	(11,100)	-	(11,100)
Transfer from charity combination	1,018,399	-	1,018,399
At 31 March 2016	1,094,861	10,431	1,105,292
Depreciation:			
At 1 April 2015	25,417	4,172	29,589
Charge for year	15,293	2,086	17,379
On disposals	(2,220)	-	(2,220)
Transfer from charity combination	597,998	-	597,998
At 31 March 2016	636,488	6,258	642,746
Net book value:			
At 31 March 2016	458,373	4,173	462,546
At 1 April 2015	62,145	6,259	68,404

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.

### 12. Fixed asset investments

	<i>Shares in group companies £</i>
Cost:	
At 1 April 2015 and 31 March 2016	100

The company holds 100% of the issued ordinary share capital of High Life Highland (Trading) C.I.C., a company registered in Scotland. These are the only shares allotted, called up and fully paid. The activities and results of this company is summarised in note 5.

## Notes to the financial statements

at 31 March 2016

### 13. Stocks

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2016</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Goods for resale	126,940	36,986	66,639	-
	<u>126,940</u>	<u>36,986</u>	<u>66,639</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material. Stocks recognised as an expense in the year for the group and the company was £538,371 (2015: £408,305).

### 14. Debtors

	<i>Group</i>	<i>Company</i>	<i>As restated</i>	<i>As restated</i>
	<i>2016</i>	<i>2016</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>2015</i>	<i>2015</i>
			<i>£</i>	<i>£</i>
Trade debtors	243,402	243,402	-	-
Prepayments and other accrued income	432,551	432,551	308,648	308,648
Amounts owed by group undertakings	3,269,626	3,357,480	2,128,215	2,192,654
	<u>3,945,579</u>	<u>4,033,433</u>	<u>2,436,863</u>	<u>2,501,302</u>

### 15. Creditors: amounts falling due within one year

	<i>Group</i>	<i>Company</i>	<i>As restated</i>	<i>As restated</i>
	<i>2016</i>	<i>2016</i>	<i>Group</i>	<i>Company</i>
	<i>£</i>	<i>£</i>	<i>2015</i>	<i>2015</i>
			<i>£</i>	<i>£</i>
Trade creditors	564,207	564,207	-	-
Other creditors and accruals	2,305,633	2,303,633	1,695,143	1,693,043
Amounts owed to group undertakings	702,656	702,656	617,521	617,521
	<u>3,572,496</u>	<u>3,570,496</u>	<u>2,312,664</u>	<u>2,310,564</u>

The company does not operate a bank account. All receipts and payments are made by The Highland Council on behalf of the company and its subsidiary. HLH has complete control over cash management in that all payments and receipts are accounted for and authorised independently of the Highland Council. HLH is set up as a separate Company in the Council's financial system with a separately identifiable intercompany account in the ledger which records all cash transactions. At each year end a reconciliation is completed and HLH receives interest on the average cash balances held throughout the year. Therefore at any point in time HLH's cash balances can be separately identified from the Council through the intercompany account with all transactions controlled and authorised by HLH management and reported to the Trustees.

Included in debtors in note 14, is an amount of £3,269,626 (2015 – £2,128,215) due from The Highland Council which represents income received on behalf of HLH. When this amount is settled, it will be

## Notes to the financial statements

at 31 March 2016

offset against the amounts due to The Highland Council of £702,656 (2015 – £617,521) for costs paid out on the company's behalf in the year.

### 16. Statement of funds

*Group*

	Unrestricted Funds		Restricted Funds		Total Funds
	General fund	Pension reserve	Total	Total	
	£	£	£	£	£
At 1 April 2014 – as originally reported	18,818	(1,881,000)	(1,862,182)	151,892	(1,710,290)
Prior year adjustment	(223,640)	-	(223,640)	-	(223,640)
At 1 April 2014 – restated	(204,822)	(1,881,000)	(2,085,822)	151,892	(1,933,930)
Income	20,764,266	-	20,764,266	1,605,691	22,369,957
Expenditure	(20,591,204)	(1,170,000)	(21,761,204)	(1,298,805)	(23,060,009)
Actuarial loss	-	(990,000)	(990,000)	-	(990,000)
Transfer between funds	6,944	-	6,944	(6,944)	-
Prior year adjustment	(151,569)	-	(151,569)	-	(151,569)
At 1 April 2015 – restated	(176,385)	(4,041,000)	(4,217,385)	451,834	(3,765,551)
Income	21,164,216	-	21,164,216	1,445,558	22,609,774
Expenditure	(20,932,397)	(1,492,000)	(22,424,397)	(1,390,757)	(23,815,154)
Actuarial gain		2,490,000	2,490,000	-	2,490,000
Transfer from charity combination (note 7)	784,999	(694,000)	90,999	7,040	98,039
Transfer between funds	74,140	-	74,140	(74,140)	-
At 31 March 2016	914,573	(3,737,000)	(2,822,427)	439,535	(2,382,892)



## Notes to the financial statements

at 31 March 2016

### 16. Statement of funds

*Company*

	Unrestricted Funds		Restricted Funds		Total Funds
	General fund £	Pension reserve £	Total £	Total £	£
At 1 April 2014 – as originally reported	18,818	(1,881,000)	(1,862,182)	151,892	(1,710,290)
Prior year adjustment	(223,640)	-	(223,640)	-	(223,640)
At 1 April 2014 – restated	(204,822)	-	(2,085,822)	-	(1,933,930)
Income	20,524,891	-	20,524,891	1,605,691	22,130,582
Expenditure	(20,351,829)	(1,170,000)	(21,521,829)	(1,298,805)	(22,820,634)
Actuarial loss		(990,000)	(990,000)	-	(990,000)
Transfer between funds	6,944	-	6,944	(6,944)	-
Prior year adjustment	(151,569)	-	(151,569)	-	(151,569)
At 1 April 2015 – restated	(176,385)	(4,041,000)	(4,217,385)	451,834	(3,765,551)
Income	20,885,333	-	20,885,333	1,445,558	22,330,891
Expenditure	(20,653,514)	(1,492,000)	(22,145,514)	(1,390,757)	(23,536,271)
Actuarial gain	-	2,490,000	2,490,000	-	2,490,000
Transfer from charity combination (note 7)	784,999	(694,000)	90,999	7,040	98,039
Transfer between funds	74,140	-	74,140	(74,140)	-
At 31 March 2016	914,573	(3,737,000)	(2,822,427)	439,535	(2,382,892)

## Notes to the financial statements

at 31 March 2016

### 16. Statement of funds (continued)

<i>Restricted funds</i>	<i>Opening fund</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers to Unrestricted funds</i>	<i>At 31 March 2016</i>	<i>At 31 March 2015</i>
	£	£	£	£	£	£
<b>Restricted funds:</b>						
Coaching	48,681	-	-	-	48,681	48,681
Health & Wellbeing	-	76,857	(76,857)	-	-	-
Activity Agreements	31,500	-	-	-	31,500	31,500
sportscotland	47,261	952,600	(933,650)	-	66,211	47,261
Adult Education	39,252	-	-	-	39,252	39,252
Anti-Sectarianism	67,196	53,972	(53,972)	(67,196)	-	67,196
Community Sports Hubs	2,409	86,000	(69,013)	-	19,396	2,409
Swimming Development	-	14,420	(14,420)	-	-	-
Disability Sports Officer	-	19,640	(19,640)	-	-	-
Museums (Capex)	19,873	-	-	(6,944)	12,929	19,873
Alness Regeneration	5,642	-	-	-	5,642	5,642
Youth-work	158,483	179,226	(161,029)	-	176,680	158,483
Youth work in Sport	9,128	18,700	(18,033)	-	9,795	9,128
Gymnastics	7,000	17,922	(17,922)	-	7,000	7,000
Facilities (Capex)	15,409	-	-	-	15,409	15,409
Movers and Shakers	-	26,221	(26,221)	-	-	-
<b>Transfer from charity combination (see note 7):</b>						
Scottish Executive		6,717	-	-	6,717	
Dance Studio	-	323	-	-	323	-
<b>Total funds</b>	<b>451,834</b>	<b>1,452,598</b>	<b>(1,390,757)</b>	<b>(74,140)</b>	<b>439,535</b>	<b>451,834</b>

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
sportscotland -	Funding received from sportscotland to develop, promote and encourage sport 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

## Notes to the financial statements

at 31 March 2016

### 16. Statement of funds (continued)

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. This project has now ended and the remaining funds were agreed to transfer to unrestricted funds.
Community Sports Hubs -	Funding from sportscotland for the purpose of establishing the sportscotland brand model of Community Sports Hub in the Highlands.
Swimming Development -	Funding received from Scottish Swimming to support the development of performance pathways for swimmers in the Highlands
Disability Sports Officer -	Funding received from Scottish Disability Sport Ltd to develop and support sport to disabled people of the Highlands
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
Youthwork	Funding received to provide targeted youthwork and services in specific areas of the Highlands
Youth work in Sport	Funding to support the development of a youth worker in sport to achieve a degree level qualification
Gymnastics	Funding to further develop a gymnastics programme for primary and preschool in conjunction with Scottish Gymnastics
Facilities (Capex)	Funds received for capital programme
Movers and shakers	A peer led dance leadership project funded through Legacy 2014 funding
Scottish Executive	Funding to promote access to leisure facilities for people with autism through Funding for Autism
Dance Studio	Funding to refurbish the dance studio from the Highland Council

#### *Designated Funds*

Within unrestricted funds there are funds that have been set aside as designated funds. £40,000 (2015: £nil) has been designated for the Library Civica project. As part of the charity combination with Inverness Leisure (see note 7) £584,999 (2015: £nil) of the reserves that have been transferred across have been designated for High Life Highland terms and conditions on the TUPE of staff and a further £200,000 (2015: £nil) of the funds have been designated for capital works.

## Notes to the financial statements

at 31 March 2016

### 17. Analysis of net liabilities between funds

	<i>Unrestricted funds £</i>	<i>Restricted funds £</i>	<i>Total £</i>
<b><i>Fund balances at 31 March 2016 are represented by:</i></b>			
Fixed assets	446,739	15,807	462,546
Current assets	4,040,330	423,728	4,464,058
Current liabilities	(3,572,496)	-	(3,572,496)
Pension liability	(3,737,000)	-	(3,737,000)
	<u>(2,822,427)</u>	<u>439,535</u>	<u>(2,382,892)</u>
<b><i>Fund balances (as restated) at 31 March 2015 are represented by:</i></b>			
Fixed assets	62,145	6,259	68,404
Current assets	2,074,134	445,575	2,519,709
Current liabilities	(2,312,664)	-	(2,312,664)
Pension liability	(4,041,000)	-	(4,041,000)
	<u>(4,217,385)</u>	<u>451,834</u>	<u>(3,765,551)</u>

### 18. 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.

### 19. 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 102 s33.1A Related Party Transactions, 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 HLH is that of The Highland Council. Copies of these financial statements can be obtained from [www.highland.gov.uk](http://www.highland.gov.uk).

### 20. 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 HLH. 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 2016

### 20. Pension commitments (continued)

#### *FRS17 disclosures*

The valuation used for FRS 102 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 102. A similar roll-forward approach was taken for the report as at 31 March 2015. 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 2015, 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 2016 are:*

	2016	2015
	£000's	£000's
Fair value of scheme assets	12,198	9,703
Present value of scheme liabilities	(15,223)	(13,724)
Present value of unfunded liabilities	(18)	(20)
Transfer of pension liability from charity combination (see note 7)	(694)	
Liability in the scheme	(3,737)	(4,041)

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

	2016	2015
Equities	67 %	69%
Bonds	18 %	20%
Property	11 %	10%
Cash	4 %	1%

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

	31 March 2016	31 March 2015
	%	%
Equities	3.30	3.30
Bonds	3.30	3.30
Property	3.30	3.30
Other	3.30	3.30

## Notes to the financial statements

at 31 March 2016

### 20. 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:*

	2016 £000's	2015 £000's
Recognised in the profit and loss account:		
Current service cost	(3,207)	(2,763)
Interest on obligation	(513)	(405)
Expected return on scheme assets	358	302
Loss on curtailment	-	(36)
Total	(3,362)	(2,902)
Actual return on scheme assets		984

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

	31 March 2016	31 March 2015
	%	%
Rate of salary increases (over life of the scheme)	4.20	4.40
Rate of increases in pensions in payment	2.20	2.50
Discount rate	3.60	3.30

Post-retirement mortality

	31 March 2016	31 March 2015
Current pensions at 65 – male	22.5 yrs	22.5 yrs
Current pensions at 65 – female	24.1 yrs	24.1 yrs
Future pensions at 65 – male	24.7 yrs	24.7 yrs
Future pensions at 65 – female	26.8 yrs	26.8 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 2016

### 20. Pension commitments (continued)

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

	2016 £000's	2015 £000's
Opening defined benefit obligations	13,744	7,824
Current service cost	3,207	2,763
Interest cost	513	405
Actuarial (gain)/loss	(2,650)	2,255
Loss on curtailment	-	36
Benefits paid	(169)	(107)
Contributions by scheme participants	597	570
Estimated Unfunded Benefits Paid	(1)	(2)
At 31 March 2016	15,241	13,744

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

	2016 £000's	2015 £000's
Opening fair value of scheme assets	9,703	5,943
Expected return on scheme assets	358	302
Employer contributions	1,869	1,730
Contributions in respect of Unfunded Benefits	1	2
Contributions by scheme members	597	570
Benefits paid	(169)	(107)
Actuarial (loss)/gain	(160)	1,265
Estimated Unfunded Benefits Paid	(1)	(2)
At 31 March 2016	12,198	9,703

The accumulated amount of actuarial gains and losses recognised in the Statement of Financial Activities was an actuarial gain of £29,000 (year ended 31 March 2015 – loss of £2,461,000).

The best estimate of contributions to be paid by the group to the scheme for the year beginning after 31 March 2016 is £1,904,000.

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

#### *Defined benefit pension scheme*

	31 March 2016 £000's	31 March 2015 £000's	31 March 2014 £000's	31 March 2013 £000's
Fair value of scheme assets	12,198	9,703	5,943	3,676
Present value of defined benefit obligation	(15,241)	(13,744)	(7,824)	(3,939)
Transfer of pension liability from charity combination (see note 7)	(694)	-	-	-
Net liability in scheme	(3,737)	(4,041)	(1,881)	(263)

## Notes to the financial statements

at 31 March 2016

### 21. Obligations under operating leases

Future minimum rentals under non-cancellable operating leases are as follows:

*Group and company*

	2016 £	2015 £
Within one year	257,168	160,846
In two to five years	471,441	297,951
In over 5 years	-	-
	<u>728,609</u>	<u>458,797</u>

### 22. Prior Year Adjustment

Adjustments have been made to expenditure on charitable activities, amounts owed by group undertakings and other creditors and accruals. The adjustment impacts the years ended 31 March 2013, 31 March 2014 and 31 March 2015.

The adjustment relates to both input VAT not recoverable and output VAT under declared over the years. At the start of the financial year 2015/16 management undertook a detailed VAT review and identified over claimed Input Vat under the partial exemption rules and under declared Output Vat in relation to treatment of various Income streams. The net effect of the adjustments is detailed as follows:

#### Income and Expenditure account

##### **Expenditure on charitable activities was understated as follows:**

Year ending March 2013	£63,465
Year ending March 2014	£160,475
Year ending March 2015	£151,569

#### Balance Sheet

##### **Current Assets: Amounts Owed by group undertakings was understated as follows:**

Year ending March 2013	£188,389
Year ending March 2014	£400,640
Year ending March 2015	£610,353

##### **Creditors: Other Creditors and Accruals was understated as follows:**

Year ending March 2013	£251,854
Year ending March 2014	£624,280
Year ending March 2015	£985,562



## Notes to the financial statements

at 31 March 2016

### 23. Transition to FRS 102

The group and company transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2014. The impact from the transition to FRS 102 is as follows:

#### Defined benefit pension scheme

There is a presentation change under FRS 102 whereby net interest on the net defined benefit pension liability is presented in the income and expenditure account using the liability discount rate. Under previous UK GAAP the interest on the expected return on net assets was calculated using an expected asset return discount rate. This had no impact on net funds on transition but affects the allocation of interest between the income and expenditure account and other recognised gains/(losses).

Under previous UK GAAP the financial statements included an expected return on pension scheme assets of £421,000 and an actuarial loss of £1,109,000. The revised figures under FRS 102 are an expected return on pension scheme assets of £302,000 and an actuarial loss of £990,000.

### 23. Transition to FRS 102 (continued)

Reconciliation of net income and expenditure for the year ended 31 March 2015 (as restated)

	<i>Group</i> <i>£000's</i>	<i>Company</i> <i>£000's</i>
Net income and expenditure for the year ended 31 March 2015 under previous UK GAAP	(722,621)	(722,621)
Adjustment to net interest on net defined pension liability	(119,000)	(119,000)
	<u>(841,621)</u>	<u>(841,621)</u>

## Notes to the financial statements

at 31 March 2016

### 24. Operating results – excluding the pension adjustment and charity combination

The operating results for High life Highland for the year ended 31 March 2016, excluding the pension adjustment and charity combination with Inverness Leisure Limited report an overall surplus of £286,620 of which £305,959 is a surplus in unrestricted reserves and a deficit £19,339 in restricted reserves after allowing for a transfer of £74,140 from restricted reserves to unrestricted reserves in the year.

#### *Operating Results - Excluding Pension Adjustment and Charity Combination*

	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
<b>Income:</b>			
<b>Income from Charitable activities</b>			
Management fee – The Highland Council	14,257,709		14,257,709
Other grants		1,445,558	1,445,558
Delivery of Service Delivery Contract	6,329,159		6,329,159
<b>Income From Trading activities</b>			-
Commercial trading operations	577,348		577,348
<b>Total income</b>	21,164,216	1,445,558	22,609,774
<b>Expenditure:</b>			
<b>Charitable activities:</b>			
Delivery of Service Delivery Contract	22,145,514	1,390,757	23,536,271
<b>Costs of raising funds:</b>			0
Commercial Trading Income	278,883		278,883
<b>Less Pension Adjustment</b>	<b>(1,492,000)</b>		<b>(1,492,000)</b>
<b>Total Expenditure (No Pension Adjustment)</b>	20,932,397	1,390,757	22,323,154
<b>Net income/(expenditure)</b>	231,819	54,801	286,620
Transfer between funds	74,140	(74,140)	
<b>Surplus ( Deficit) from operations</b>	<b>305,959</b>	<b>(19,339)</b>	<b>286,620</b>