

THE HIGHLAND COUNCIL

PLANNING, ENVIRONMENT & DEVELOPMENT COMMITTEE

6 NOVEMBER 2013

Agenda Item	13
Report No	PED 75/13

HIGHLAND OPPORTUNITY LTD.

Report by Director of Planning and Development

SUMMARY

This report provides a summary of Highland Opportunity Limited's activities during the financial year 2012/2013. In addition, it gives details of the Company's current performance against the range of targets set for it as part of its contract with the Council to deliver business support to Highland businesses and highlights key work priorities during the rest of this financial year.

This report supports the Council's Single Outcome Agreement commitment to ensure a competitive, sustainable and adaptable Highland economy. The activities of HOL assist the Council's efforts to ensure that the impact of the recession is limited and supports sustainable economic growth. HOL's activities ensure that more people are supported into employment.

1. Introduction

1.1 Highland Opportunity Ltd. (HOL) is the Council's wholly owned Enterprise Trust. The company was incorporated in 1986 as a company limited by guarantee with the mission to help businesses in the Highlands to start up and grow, and to create or sustain employment. At 31st March 2013 the HOL Group net asset value amounted to £3.787m. In financial year 2012/13 the group had a turnover of £1.384m and made an operating loss of £0.142m after a £0.296m pension fund provision is taken into account

1.2 HOL's present business activity falls into the following work streams:

- Financial Assistance to Small and Medium sized Enterprises (SME's): Affordable loan finance is offered to businesses to create or sustain employment in the Highlands. 18 businesses were awarded loan assistance amounting to £298.4k within the 2012/13 financial year. The Company holds the Highland agency for the Prince's Trust Youth Business Scheme (PTYBS). A further £25.5k worth of HOL loans were approved to match fund PTYBS loans to 9 young clients during the year. The Opportunity Fund and PTYBS assistance has helped sustain or create 153 full time jobs. Throughout the year 33 PTYBS clients were supported. All loans are supplemented by professional business advice and aftercare support. All commercial investment activity is handled by HOL's subsidiary company Highland Opportunity (Investments) Limited.
- Community Support and Social Enterprise: HOL's Community Enterprise Loan Fund provides discretionary loan finance to social enterprises, for example, community owned businesses, community lifeline facilities etc. In

2012/13 the Community Enterprise Loan Fund (CELF) approved £28k of loan assistance to 2 social enterprises and helped create or retain 6 full time equivalent jobs. HOL works closely with the Highlands and Islands Social Enterprise Zone (HISEZ) Community Interest Company (CIC). This organisation operates in partnership with the Just Enterprise consortium to support the start-up and growth of social enterprises. HISEZ is co-located within the HOL offices.

- European Business Support (EBS): HOL is a partner in the European Commission's Enterprise Europe Network (EEN), a local support service enabling Highland businesses to network and exploit business opportunities on a European level. The team in HOL provide access to market research, contacts for potential business partners and leads, information on European legislation, matchmaking at European trade fairs as well as funding searches and public procurement support. The EEN spans 51 countries with 600 partners and over 4,000 advisor colleagues which means that Highland businesses can access a vast range of European suppliers, customers, contacts & information across Europe from a local perspective. During 2012/13, the EBS team ran 6 events attended by 204 delegates on topics from exporting and trade fairs to public procurement. 2083 subscribers received online EEN services and alerts and 2 Partnership Proposals were produced. The team also promoted access to public contract opportunities by rolling out training in the use of www.publiccontractsscotland.gov.uk to public bodies throughout Scotland, and by assisted Highland companies to ensure they have strong supplier profiles registered on the website.
- Business Premises: HOL provides low cost office accommodation for rent in its premises at the Wick Enterprise Centre, Alness Enterprise Centre, West End Business Suite in the centre of Inverness and Ness Horizons Business Centre (NHBC) at Beechwood Business Park. Across the portfolio occupancy levels reflected the challenging property market with the high quality environment of NHBC proving consistently high occupancy rates, while the other properties were more difficult to fill.
- Business Gateway: HOL delivers the Business Gateway service under contract for Highland & Moray Councils through a three year 'shared service agreement'. The service is in its fourth year of operation and in 2012/13 assisted 338 businesses start-ups and provided 119 business training workshops for circa 1230 delegates. Via the Create and Employ programme business advisers provided advice to 232 businesses (162 repeat businesses) and created 74 jobs. The two day business start-up workshop continued to attract steady numbers and one day workshops on subjects such as marketing & sales, record keeping, e-commerce and social media for business were popular. The service handled over 2,681 business enquiries from businesses at various stages of development from those requiring support to weather the recessionary pressure to those planning for growth. 10 client companies were accepted into HIE Account Management during the year.

1.3 The Directors' report and financial statements for HOL, which were approved by the HOL Board at the AGM on the 18 October 2013, are attached as Appendix 1. Copies of these along with Directors' reports and financial statements for HOL's

subsidiary companies Highland Opportunity (Investments) Ltd., Highland Opportunity (EBS) Ltd., Highland Opportunity (Communities) Ltd., and Ness Horizons Limited are available on the Members' Bulletin and in hard copy form, for reference, in the Members' Library.

The Company Report (which will be tabled at Committee) outlines HOL's performance over the 2012/13 financial year and provides a summary of its financial statements for year to 31 March 2013. Marie Mackintosh, the HOL Chief Executive, will attend the Committee to answer any questions.

2 Performance Summary 2012/13

2.1 The table below records HOL's performance against its contract targets in 2012/13.

2.2

Performance against HOL's Contract Targets	Target	Actual
Businesses assisted with discretionary loans	35	18
Number of PTYBS Clients match funded	10	9
Total value of PTYBS match funding	£20k	£25.5k
Number of Community Enterprises assisted with loans (CELF)	5	2
Total value of CELF loans	£150k	£28k
Number of jobs created or retained (HOL, PTYBS)	150	153
Total value of business loans, Opportunity Fund	£400k	£298.4k
Minimum occupancy level of property	66%	*47%

*Occupancy at 31 March 2013 ranged from 8% for West End Business Suite to 88% for Ness Horizons Centre.

3 Resource implications

3.1 There are no resource implications arising from this report.

4 Fit with the Programme for the Highland council 2012-2017

4.1 The report considers actions which will help deliver Programme commitments for the Economy and Empowering Communities.

5 Fit with the Single Outcome Agreement

5.1 The report considers actions that support delivery of SOA objectives for a competitive, sustainable and adaptable Highland Economy.

6 Climate Change and Carbon Clever implications.

6.1 There are no climate change or Carbon Clever implications arising from this report.

7 Legal, Risk and Equality implications

7.1 There are no legal, risk or equality implications attached to this paper.

8. RECOMMENDATION

8.1 That the Committee:-

- (i) Note the performance of Highland Opportunity Limited and its Subsidiary Companies
- (ii) Accepts the financial statements for year ending 31 March 2013 of Highland Opportunity Limited on behalf of the Council

Designation: Director of Planning and Development

Date: 18 October 2013

Author: George Hamilton, Head of Environment & Development (Ext: 2252)

Background papers:

- Highland Opportunity Limited: Director's Report and Financial Statements for the year ended 31st march 2013.
- Highland Opportunity Limited: Business Support Report – Qtr 4 to 31st March 2013.

Registration number SC097373

Highland Opportunity Limited
Company limited by guarantee

Directors' report and financial statements

for the year ended 31 March 2013

Highland Opportunity Limited
Company limited by guarantee

Company information

Directors	D J Fallows J A H Ford I G Brown T J MacLennan W N Fernie K A Gowans W Lobban T G A Prag J H W Stone	(appointed 31 May 2012) (appointed 31 May 2012) (appointed 31 May 2012) (appointed 31 May 2012) (appointed 31 May 2012) (appointed 31 May 2012) (appointed 31 May 2012) (appointed 31 May 2012) (appointed 31 May 2012)
Secretary	Michelle Morris	
Company number	SC097373	
Registered office	81a Castle Street Inverness IV2 3EA	
Auditors	Frame Kennedy Metropolitan House 31 - 33 High Street Inverness IV1 1HT	
Bankers	Royal Bank of Scotland plc 29 Harbour Road Inverness IV1 1NU	
Solicitors	Corporate Services The Highland Council Glenurquhart Road Inverness IV3 5NX	

Highland Opportunity Limited
Company limited by guarantee

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Highland Opportunity Limited
Company limited by guarantee

Directors' report
for the year ended 31 March 2013

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

Principal activity

The principal activity of the company is to provide financial assistance and advice to businesses to protect and expand existing employment and assist in the creation of additional employment.

Directors

The directors who served during the year are as stated below:

D J Fallows	(appointed 31 May 2012)	H Carmichael	(resigned 3 May 2012)
J A H Ford	(appointed 31 May 2012)	W Barclay	(resigned 3 May 2012)
I G Brown	(appointed 31 May 2012)	I McCallum	(resigned 3 May 2012)
T J MacLennan	(appointed 31 May 2012)	W J Ross	(resigned 3 May 2012)
W N Fernie	(appointed 31 May 2012)	D Hendry	(resigned 3 May 2012)
K A Gowans	(appointed 31 May 2012)	I Brown	(resigned 3 May 2012)
W Lobban	(appointed 31 May 2012)	D Henderson	(resigned 3 May 2012)
T G A Prag	(appointed 31 May 2012)	G Smith	(resigned 3 May 2012)
J H W Stone	(appointed 31 May 2012)	J Gray	(resigned 3 May 2012)
Dr J S Black (appointed 3 May 2012, resigned 13 July 2012)			

Statement of directors' responsibilities

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

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

- select suitable accounting policies and 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 company will continue in business.

**Highland Opportunity Limited
Company limited by guarantee**

**Directors' report
for the year ended 31 March 2013**

..... continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

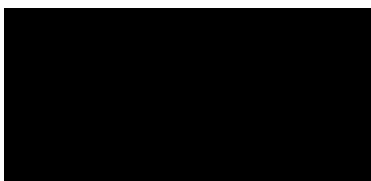
- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Frame Kennedy are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

This report was approved by the Board on 2 September 2013 and signed on its behalf by



**D J Fallows
Director**

Independent auditors' report to the members of Highland Opportunity Limited

We have audited the financial statements of Highland Opportunity Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 (APB's) Ethical Standards for Auditors, including "APB Ethical Standard - Provisions Available for Small Entities (Revised)", in the circumstances set out in note 4 to these financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditors' report to the members of
Highland Opportunity Limited**

.....continued

Opinion on other matter prescribed by the Companies Act 2006.

In our opinion the information given in the 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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.


Colin Gray B.Com./C.A. (senior statutory auditor)

For and on behalf of Frame Kennedy

Chartered Accountants and

Statutory Auditors

Metropolitan House

31 - 33 High Street

Inverness

IV1 1HT

2 September 2013

**Highland Opportunity Limited
Company limited by guarantee**

**Profit and loss account
for the year ended 31 March 2013**

		2013	2012
	Notes	£	£
Turnover	2	1,030,590	1,252,230
Administrative expenses		(1,217,788)	(1,484,195)
Operating loss	3	(187,198)	(231,965)
Other interest receivable and similar income	5	15,531	30,984
Loss on ordinary activities before taxation		(171,667)	(200,981)
Tax on loss on ordinary activities		-	-
Loss for the year	11	(171,667)	(200,981)
Statement of total recognised gains and losses			
Loss on ordinary activities after taxation		(171,667)	(200,981)
Actuarial gain/(loss) on pension scheme		83,000	(144,000)
Total recognised losses since last annual report		(88,667)	(344,981)

The notes on pages 8 to 20 form an integral part of these financial statements.

Highland Opportunity Limited
Company limited by guarantee

Balance sheet
as at 31 March 2013

	Notes	2013		2012	
		£	£	£	£
Fixed assets					
Tangible assets	6		508,918		520,874
Investments	7		410,002		410,002
			<u>918,920</u>		<u>930,876</u>
Current assets					
Debtors	8	1,259,176		842,420	
Cash at bank and in hand		1,351,310		1,066,251	
		<u>2,610,486</u>		<u>1,908,671</u>	
Creditors: amounts falling due within one year	9	<u>(2,112,951)</u>		<u>(1,284,425)</u>	
Net current assets			<u>497,535</u>		<u>624,246</u>
Total assets less current liabilities			1,416,455		1,555,122
Provisions for liabilities	10		<u>(296,000)</u>		<u>(346,000)</u>
Net assets			<u>1,120,455</u>		<u>1,209,122</u>
Reserves					
Other reserves	11		(296,000)		(346,000)
Profit and loss account	11		1,416,455		1,555,122
Members' funds			<u>1,120,455</u>		<u>1,209,122</u>

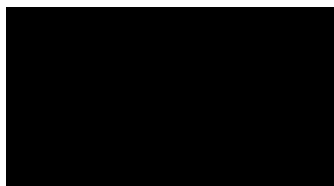
The notes on pages 8 to 20 form an integral part of these financial statements.

Highland Opportunity Limited
Company limited by guarantee

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 and the Financial Reporting Standard for Smaller Entities (effective April 2008) relating to small companies.

The financial statements were approved by the Board on 2 September 2013 and signed on its behalf by

D J Fallows
Director



Registration number SC097373

The notes on pages 8 to 20 form an integral part of these financial statements.

**Highland Opportunity Limited
Company limited by guarantee**

**Notes to the financial statements
for the year ended 31 March 2013**

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year and derives from the provision of goods falling within the company's ordinary activities.

1.3. Tangible fixed assets and depreciation

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

Land and buildings	-	Straight line over 50 years
Fixtures, fittings and equipment	-	15% straight line & 33.3% reducing balance

1.4. Investments

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

1.5. Pensions and other post-retirement benefits

The company participates in The Highland Council Pension Fund, part of the Local Government scheme, a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company.

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using an AA corporate bond rate.

Pension scheme assets are valued at market value at the balance sheet date.

The pension scheme deficit is recognised in full on the balance sheet.

The deferred tax relating to a defined benefit asset/liability is offset against the defined benefit asset/liability and not included with other deferred tax assets or liabilities.

Highland Opportunity Limited
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Notes to the financial statements
for the year ended 31 March 2013

..... continued

1.6. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.7. Group accounts

The company is entitled to the exemption under Section 398 of the Companies Act 2006 from the obligation to prepare group accounts.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3. Operating loss

	2013	2012
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	11,956	16,422
Auditors' remuneration (Note 4)	5,030	4,345
	<u>17,000</u>	<u>20,767</u>

**Highland Opportunity Limited
Company limited by guarantee**

**Notes to the financial statements
for the year ended 31 March 2013**

..... continued

4. Auditors' remuneration

	2013	2012
	£	£
Auditors' remuneration - audit of the financial statements	<u>3,600</u>	<u>3,020</u>
Auditors' remuneration - other fees:		
- Accountancy and tax	<u>1,430</u>	<u>1,325</u>

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

5. Interest receivable and similar income

	2013	2012
	£	£
Bank interest	5,776	3,704
Other interest	1,755	2,280
Net finance income in respect of defined benefit schemes	8,000	25,000
	<u>15,531</u>	<u>30,984</u>

Highland Opportunity Limited
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Notes to the financial statements
for the year ended 31 March 2013

..... continued

6. Tangible fixed assets	Land and buildings freehold	Fixtures, fittings equipment	Total
	£	£	£
Cost			
At 1 April 2012	597,776	95,013	692,789
At 31 March 2013	<u>597,776</u>	<u>95,013</u>	<u>692,789</u>
Depreciation			
At 1 April 2012	76,902	95,013	171,915
Charge for the year	11,956	-	11,956
At 31 March 2013	<u>88,858</u>	<u>95,013</u>	<u>183,871</u>
Net book values			
At 31 March 2013	<u>508,918</u>	<u>-</u>	<u>508,918</u>
At 31 March 2012	<u><u>520,874</u></u>	<u><u>-</u></u>	<u><u>520,874</u></u>

7. Fixed asset investments	Subsidiary undertakings shares	Other unlisted investments	Total
	£	£	£
Cost			
At 1 April 2012			
At 31 March 2013	360,002	50,000	410,002
Net book values			
At 31 March 2013	<u>360,002</u>	<u>50,000</u>	<u>410,002</u>
At 31 March 2012	<u><u>360,002</u></u>	<u><u>50,000</u></u>	<u><u>410,002</u></u>

**Highland Opportunity Limited
Company limited by guarantee**

**Notes to the financial statements
for the year ended 31 March 2013**

..... continued

7.1. Holdings of 20% or more

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Nature of business	Shares held class	Proportion of shares held
Subsidiary undertaking				
Highland Opportunity (Communities) Limited	Scotland	Community Projects	Ordinary	100%
Highland Opportunity (EBS) Limited	Scotland	European Information Centre	Ordinary	100%
Highland Opportunity (Investments) Limited	Scotland	Investment	Ordinary	100%
Ness Horizons Limited	Scotland	Provision of office services	Ordinary	100%

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves £	Profit for the year £
Highland Opportunity (Communities) Limited	353,604	2,822
Highland Opportunity (EBS) Limited	145,890	5,563
Highland Opportunity (Investments) Limited	2,191,857	21,749
Ness Horizons Limited	(20,866)	2,677

**Highland Opportunity Limited
Company limited by guarantee**

**Notes to the financial statements
for the year ended 31 March 2013**

..... continued

8. Debtors	2013	2012
	£	£
Trade debtors	51,916	23,053
Amount owed by connected companies	174,810	180,553
Other debtors	655,703	453,814
Prepayments and accrued income	376,747	185,000
	<u>1,259,176</u>	<u>842,420</u>

Amounts falling due after more than one year and included in debtors are:

Trade debtors	40,714	12,278
	<u>40,714</u>	<u>12,278</u>

9. Creditors: amounts falling due within one year	2013	2012
	£	£
Trade creditors	517,639	391,146
Amounts owed to group undertaking	1,075,810	638,851
Other taxes and social security costs	65,045	34,312
Other creditors	449,607	215,266
Accruals and deferred income	4,850	4,850
	<u>2,112,951</u>	<u>1,284,425</u>

**Highland Opportunity Limited
Company limited by guarantee**

**Notes to the financial statements
for the year ended 31 March 2013**

..... continued

10. Provisions for liabilities

	Pensions and obligation £	Total £
At 1 April 2012	346,000	346,000
Movement for the year	(50,000)	(50,000)
At 31 March 2013	<u>296,000</u>	<u>296,000</u>

11. Reserves

	Profit and loss account £	Pension reserve £	Total £
At 1 April 2012	1,555,122	(346,000)	1,209,122
Transfer to pension reserve	33,000	(33,000)	-
Actuarial gain recognised in the year	-	83,000	83,000
Loss for the year	(171,667)	-	(171,667)
At 31 March 2013	<u>1,416,455</u>	<u>(296,000)</u>	<u>1,120,455</u>

**Highland Opportunity Limited
Company limited by guarantee**

**Notes to the financial statements
for the year ended 31 March 2013**

..... continued

12. Pensions and other post-retirement benefits

The company participates in The Highland Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit scheme.

Pension contributions are determined by an actuary Barnett Waddingham, on the basis of triennial valuations using the projected unit method. A full actuarial valuation was carried out at 31 March 2011 and updated at 31 March 2013. The main assumptions used by the actuary were:

	2013	2012
	%	%
Rate of increase in salaries	4.8	4.8
Rate of increase in pensions	2.6	2.5
Discount rate	4.6	4.6
Inflation assumption	3.4	3.3

Highland Opportunity Limited
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Notes to the financial statements
for the year ended 31 March 2013

..... continued

12.1 The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are:

	Long-term rate of return expected		Long-term rate of return expected		Long-term rate of return expected	
	at 31/03/13 %	Value at £	at 31/03/12 %	Value at £	at 31/03/11 %	Value at £
Equities	6.4	1,493,000	6.7	1,207,000	7.8	1,239,000
Gilts	3.0	136,000	3.3	111,000	4.4	78,000
Bonds	4.1	136,000	4.6	111,000	5.5	94,000
Property	4.4	155,000	4.7	143,000	5.9	141,000
Cash	0.5	19,000	3.0	16,000	3.0	16,000
Total market value of assets		<u>1,939,000</u>		<u>1,588,000</u>		<u>1,568,000</u>
Present value of scheme liabilities		<u>(2,235,000)</u>		<u>(1,934,000)</u>		<u>(1,780,000)</u>
Surplus/(deficit) in the scheme		<u>(296,000)</u>		<u>(346,000)</u>		<u>(212,000)</u>
Net pension liability		<u><u>(296,000)</u></u>		<u><u>(346,000)</u></u>		<u><u>(212,000)</u></u>

An analysis of the movements in the deficit during the year are shown below:

	2013 £	2012 £
Deficit brought forward	(346,000)	(212,000)
Total operating charge	(152,000)	(127,000)
Total finance income	8,000	25,000
Actuarial gain/(loss)	83,000	(144,000)
Contributions	111,000	112,000
Deficit carried forward	<u><u>(296,000)</u></u>	<u><u>(346,000)</u></u>

Highland Opportunity Limited
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Notes to the financial statements
for the year ended 31 March 2013

..... continued

12.2 *Analysis of the amount charged to operating loss*

	2013	2012
	£	£
Current service cost	152,000	114,000
Pre-operating profit gain/ (loss) on settlements or curtailments	-	13,000
Total operating charge	<u><u>152,000</u></u>	<u><u>127,000</u></u>

	2013	2012
	£	£
Expected return on pension scheme assets	101,000	109,000
Interest on pension scheme liabilities	(93,000)	(84,000)
Total finance income	<u><u>8,000</u></u>	<u><u>25,000</u></u>

12.3 *Analysis of amount recognised in the statement of total recognised gains and losses*

	2013	2012
	£	£
Actual return less expected return on pension scheme assets	115,000	(190,000)
Experience gains/(losses) arising on the scheme liabilities	(2,000)	231,000
Loss arising from changes in assumptions underlying the present value of the scheme liabilities	(30,000)	(185,000)
Actuarial gain	<u><u>83,000</u></u>	<u><u>(144,000)</u></u>

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2013

..... continued

12.4 A history of experience gains and losses is shown below:

	2013	2012	2011	2010	2009
Difference between the expected and actual return on scheme assets:					
amount (£)	115,000	(190,000)	12,000	(291,000)	(46,000)
percentage of scheme assets	5.9%	(12.0)%	0.8%	(22.1)%	(12.3)%
Experience gains and losses on scheme liabilities:					
amount (£)	(2,000)	231,000	5,000	6,000	(95,000)
percentage of the present value of the scheme liabilities	(0.1)%	11.9%	0.3%	0.3%	(9.9)%
Total amount recognised in Statement of total recognised gains and losses:					
amount (£)	(303,000)	(386,000)	(242,000)	(479,000)	(95,000)
percentage of the present value of the scheme liabilities	13.6%	19.9%	13.6%	24.9%	4.8%

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2013

..... continued

13. Related party transactions

At 31 March 2013 the following balances were due from/(to) subsidiaries:

	2013	2012
	£	£
Highland Opportunity (Communities) Limited	(322,922)	(265,850)
Highland Opportunity (EBS) Limited	33,347	131,235
Highland Opportunity (Investments) Limited	(752,888)	(372,999)
Ness Horizons Limited	141,463	144,999

No interest was charged or paid on the above inter-company loans.

Included in trade debtors at 31 March 2013 is £223,005 (2012 - £95,682) due from Highland Opportunity (EBS) Limited.. Included in trade creditors at 31 March 2013 is £244,824 (2012 - £116,458) due to Highland Opportunity (EBS) Limited. Highland Opportunity (EBS) Limited is a wholly owned subsidiary of Highland Opportunity Limited.

Included in trade debtors at 31 March 2013 is £28,513 (2012 - £30,140) due from Ness Horizons Limited. Included in trade creditors at 31 March 2013 is £13,702 (2012 - £19,987) due to Ness Horizons Limited. Ness Horizons Limited is a wholly owned subsidiary of Highland Opportunity Limited.

During the year ended 31 March 2013 the company was invoiced the following amounts by its subsidiary companies:

	2013	2012
	£	£
Highland Opportunity (Communities) Limited - Contract fee	1,000	1,000
Highland Opportunity (EBS) Limited - Contract fee	23,800	56,200
Highland Opportunity (EBS) Limited - EEN service	265,123	94,299
Highland Opportunity (Investments) Limited - Contract fee	1,000	1,000
Ness Horizons Limited - Office space rental	20,270	18,955

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2013

..... continued

During the year ended 31 March 2013 the company invoiced the following to its subsidiary companies:

	2013	2012
	£	£
Highland Opportunity (Communities) Limited - Management fee	2,600	2,600
Highland Opportunity (EBS) Limited - Staff costs	135,114	102,807
Highland Opportunity (EBS) Limited - Office costs	12,546	12,632
Highland Opportunity (Investments) Limited - Management fee	10,500	10,200
Ness Horizons Limited - Salaries	23,761	22,812
Ness Horizons Limited - Staff costs	-	608

Included within other debtors at 31 March 2013 is £367,301 (2012 - £318,842) due from The Highland Council. During the year ended 31 March 2013 the company received income of £930,506 (2012 - £1,272,969) through The Highland Council.

Included within other creditors at 31 March 2013 is £212,513 (2012 - £210,643) due to The Highland Council. During the year ended 31 March 2013 the company was invoiced £6,752 (2012 - £8,359) by The Highland Council for legal and other services and £844,683 (2012 - £766,871) for staff costs.

The Highland Council is the sole member of Highland Opportunity Limited and the board of directors of Highland Opportunity Limited is drawn from the elected members of The Highland Council.

14. Company limited by guarantee

The company has no share capital but the liability of the members is limited by guarantee. In the event of the company being wound up the liability of each member is limited to £100. If there should be a residue of funds after winding-up this will be divided amongst the members in the proportion in which they contributed funds to the company.

**Highland Opportunity Limited
Company limited by guarantee**

The following pages do not form part of the statutory accounts.

Highland Opportunity Limited
Company limited by guarantee

Detailed trading profit and loss account
and expenses schedule
for the year ended 31 March 2013

	2013		2012	
Sales	£	£	£	£
The Highland Council - Contract services income		24,638		29,000
Contribution PSYBT		27,221		24,576
Business Gateway		721,843		929,065
Business Gateway - Create and Employ		93,234		17,219
West End Business Suite		2,270		12,444
Wick Business Suite		3,600		7,469
Project income		157,784		200,563
Highland Employer Coalition income		-		31,894
		<u>1,030,590</u>		<u>1,252,230</u>
Administrative expenses				
Staff costs - HOL	169,240		158,800	
Pension adjustment	(111,000)		(112,000)	
Pension scheme - current service cost	152,000		127,000	
Staff training and recruitment	2,118		1,557	
Office accommodation expenses	33,599		29,614	
Insurance	4,634		4,424	
Administration expenses	27,455		29,304	
Advertising	3,157		-	
Communication costs	8,819		8,285	
PSYBT expenses	4,231		4,265	
Travelling and subsistence	653		1,469	
West End Business Suite	9,327		14,091	
Wick Business Suite	5,396		5,211	
Business Gateway	665,162		899,904	
Business Gateway - Create and Employ	83,490		15,735	
Professional and financial services	9,351		11,262	
Accountancy	1,430		1,325	
Audit	3,600		3,020	
Recharged to subsidiaries	344		33,084	
Bad debts	(3,401)		6,500	
Irrecoverable VAT	2,400		3,933	
Project expenditure	133,775		189,095	
Highland Employer Coalition expenses	52		31,895	
Depreciation on freehold property	11,956		11,917	
Depreciation on fixtures & equipment	-		4,505	
		<u>1,217,788</u>		<u>1,484,195</u>
Operating loss		(187,198)		(231,965)

**Highland Opportunity Limited
Company limited by guarantee**

**Detailed trading profit and loss account
and expenses schedule
for the year ended 31 March 2013**

	2013	2012
Other income and expenses		
Interest receivable		
Bank deposit interest	5,776	3,704
Other interest	<u>9,755</u>	<u>27,280</u>
	15,531	30,984
Net loss for the year	<u><u>(171,667)</u></u>	<u><u>(200,981)</u></u>

Summary of Financial Statements for year to 31 March 2013

Extract of combined accounts for

Highland Opportunity Limited
 Highland Opportunity (Investments) Limited
 Highland Opportunity (Communities) Limited
 Highland Opportunity (EBS) Limited
 Highland Prospect Limited
 Ness Horizons Limited

<u>Balance Sheet</u>	31/03/2013	31/03/2012	31/03/2011	31/03/2010	31/03/2009
Fixed assets	1,042,558	1,061,221	1,087,712	1,081,042	1,014,138
Current assets	6,170,850	5,151,767	4,382,879	7,892,760	7,749,909
Liabilities	(3,128,419)	(2,019,503)	(1,157,079)	(4,545,349)	(4,264,987)
Provision for pension fund shortfall	(296,000)	(346,000)	(212,000)	(604,000)	(199,000)
Provisions for liabilities	(1,750)	(689)			
Net assets	<u>3,787,239</u>	<u>3,846,796</u>	<u>4,101,512</u>	<u>3,824,453</u>	<u>4,300,060</u>
Financed by					
Share capital in HOL subsidiaries	370,002	370,002	370,002	370,002	350,002
Profit and loss account	3,713,237	3,822,794	3,943,510	4,058,451	4,149,058
Pension reserve	(296,000)	(346,000)	(212,000)	(604,000)	(199,000)
Total capital and reserves	<u>3,787,239</u>	<u>3,846,796</u>	<u>4,101,512</u>	<u>3,824,453</u>	<u>4,300,060</u>
Profit and loss account					
Turnover	1,384,489	1,711,895	2,114,995	2,679,037	1,265,892
Interest receivable	99,485	115,849	104,492	105,791	154,878
Other income		-	-	-	27,278
Operating expenses	(1,622,988)	(1,940,656)	(2,163,043)	(2,814,535)	(1,488,244)
Surplus/(deficit) before tax	(139,014)	(112,912)	56,444	(29,707)	(40,196)
Taxation	(3,543)	2,197	(4,174)	(1,230)	(27,430)
Surplus/(deficit) for the year	<u>(142,557)</u>	<u>(110,715)</u>	<u>52,270</u>	<u>(30,937)</u>	<u>(67,626)</u>
Balance brought forward	3,476,794	3,731,510	3,438,451	3,950,058	3,975,684
Actuarial Gain/(Loss)	83,000	(144,000)	237,000	(433,000)	42,000
Acquisition of Ness Horizons	-	-	-	(211,400)	-
Exceptional Gain on disposal	-	-	-	179,730	-
Dissolution of Highland Prospect	-	-	3,789	-	-
Balance carried forward	<u>3,417,237</u>	<u>3,476,795</u>	<u>3,731,510</u>	<u>3,454,451</u>	<u>3,950,058</u>