

THE HIGHLAND COUNCIL

PLANNING, DEVELOPMENT & INFRASTRUCTURE COMMITTEE

5 NOVEMBER 2014

Agenda Item	17
Report No	PDI 51/14

HIGHLAND OPPORTUNITY LTD.

Report by Director of Development and Infrastructure

SUMMARY

This report provides a summary of Highland Opportunity Limited's activities during the financial year 2013/2014. In addition, it gives details of the Company's current performance against a 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 support business growth coming out of the recession and sustainable economic growth generally. 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 2014 the HOL Group net asset value amounted to £3.39m. In financial year 2013/14 the group had a turnover of £1.63m and made an operating loss of £0.153m

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. 25 businesses were awarded loan assistance amounting to £524.5k within the 2013/14 financial year. The Company holds the Highland agency for the Prince's Trust Youth Business Scheme (PTYBS). A further £27.5k 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 182 full time jobs. Throughout the year 30 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

2013/14 the Community Enterprise Loan Fund (CELF) approved £21k of loan assistance to 2 social enterprises. 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.

Following a recent review of operations and performance the board has agreed to wind up the CELF and to continue to support community enterprises via the mainstream Opportunity fund.

- 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. During 2013/14, 433 delegates attended events run by the EBS team on topics including exporting and public procurement. 2322 subscribers received online EEN services and alerts and 13 Partnership Proposals were produced.

The current EEN project is drawing to a conclusion and consideration is now being given to how a new project can be supported.

- 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. A cross 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. Average occupancy levels during the financial year were 52% and a review of the Group's property portfolio is currently underway.
- 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 fifth year of operation and in 2013/14 assisted 382 businesses start-ups. 114 businesses received expert advice and 190 business courses and events were delivered to around 2030 delegates. Via the Create and Employ programme, business advisers provided advice to 565 businesses (408 repeat businesses) and created 116 new jobs with first time employers. The service handled over 2,921 business enquiries from businesses at various stages of development from those requiring support to weather the recessionary pressure to those planning for growth. 8 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 3 October 2014, 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. Marie Mackintosh, the HOL Chief Executive, will attend the Committee to answer any questions.

2 Performance Summary 2013/14

2.1 The table below records HOL's performance against its contract targets in 2013/14.

Performance against HOL's Contract Targets	Target	Actual
Businesses assisted with discretionary loans	30	25
Number of PTYBS Clients match funded	10	9
Total value of PTYBS match funding	£20k	£27.5k
Number of Community Enterprises assisted with loans (CELF)	5	2
Total value of CELF loans	£150k	£21k
Number of jobs created or retained (HOL, PTYBS)	150	182
Total value of business loans, Opportunity Fund	£400k	£524.5k
Average occupancy level of property	100%	52%

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. Rural implications

8.1 There are no additional rural implications arising from this report. During the course of the financial year HOL seeks to assist business growth in both rural and urban areas of the Highlands. Performance results demonstrate HOL's significant contribution to the rural economy of the Highlands.

9. RECOMMENDATION

9.1 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 2014 of Highland Opportunity Limited on behalf of the Council.

Designation: Director of Development and Infrastructure

Date: 8 October 2014

Author: George Hamilton, Head of Environment & Economic Development

(Ext: 2252)

Background papers:

- Highland Opportunity Limited: Director's Report and Financial Statements for the year ended 31st March 2014.
- Highland Opportunity Limited: Business Support Report – Qtr 4 to 31st March 2014.

Registration number SC097373

**Highland Opportunity Limited
Company limited by guarantee**

Directors' report and financial statements

for the year ended 31 March 2014

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 W Lobban T G A Prag J H W Stone E Macdonald	(appointed 13 March 2014)
Secretary	Michelle Morris	
Company number	SC097373	
Registered office	81a Castle Street Inverness IV2 3EA	
Auditors	FKF Accounting Limited Metropolitan House 31 - 33 High Street Inverness IV1 1HT	
Business address	81a Castle Street Inverness IV2 3EA	
Bankers	Royal Bank of Scotland plc 29 Harbour Road Inverness IV1 1NU	

Highland Opportunity Limited
Company limited by guarantee

Solicitors

Corporate Services
The Highland Council
Glenurquhart Road
Inverness
IV3 5NX

Highland Opportunity Limited
Company limited by guarantee

Contents

	Page
Directors' report	1 - 2
Auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6 - 7
Notes to the financial statements	8 - 20

Highland Opportunity Limited
Company limited by guarantee

Directors' report
for the year ended 31 March 2014

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

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
J A H Ford
I G Brown
T J MacLennan
W N Fernie
K A Gowans (Retired 13 March 2014)
W Lobban
T G A Prag
J H W Stone
E Macdonald (Appointed 13 March 2014)

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 2014

..... 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

FKF Accounting Limited 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 15 August 2014 and signed on its behalf by

A black rectangular redaction box covering the signature of the director.

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 2014 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 pages 1-2, 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 2014 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 FKF Accounting Limited

Chartered Accountants and

Statutory Auditors

Metropolitan House

31 - 33 High Street

Inverness

IV1 1HT

15 August 2014

Highland Opportunity Limited
Company limited by guarantee

Profit and loss account
for the year ended 31 March 2014

		2014	2013
	Notes	£	£
Turnover	2	1,297,212	1,030,590
Administrative expenses		(1,457,630)	(1,217,788)
Operating loss	3	(160,418)	(187,198)
Other interest receivable and similar income	5	17,063	15,531
Loss on ordinary activities before taxation		(143,355)	(171,667)
Tax on loss on ordinary activities		-	-
Loss for the year	11	(143,355)	(171,667)
Statement of total recognised gains and losses			
Loss on ordinary activities after taxation		(143,355)	(171,667)
Actuarial gain/(loss) on pension scheme		(243,000)	83,000
Total recognised losses since last annual report		(386,355)	(88,667)

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 2014

	Notes	2014		2013	
		£	£	£	£
Fixed assets					
Tangible assets	6		520,623		508,918
Investments	7		410,002		410,002
			<u>930,625</u>		<u>918,920</u>
Current assets					
Debtors	8	832,046		1,259,176	
Cash at bank and in hand		1,439,668		1,351,310	
			<u>2,271,714</u>		<u>2,610,486</u>
Creditors: amounts falling due within one year	9	(1,875,239)		(2,112,951)	
Net current assets			<u>396,475</u>		<u>497,535</u>
Total assets less current liabilities			1,327,100		1,416,455
Provisions for liabilities	10		(593,000)		(296,000)
Net assets			<u>734,100</u>		<u>1,120,455</u>
Reserves					
Other reserves	11		(593,000)		(296,000)
Profit and loss account	11		1,327,100		1,416,455
Members' funds			<u>734,100</u>		<u>1,120,455</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 15 August 2014 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 2014

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
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... 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

	2014	2013
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	16,131	11,956
Auditors' remuneration (Note 4)	<u>5,225</u>	<u>5,030</u>

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

4. Auditors' remuneration

	2014	2013
	£	£
Auditors' remuneration - audit of the financial statements	<u>3,750</u>	<u>3,600</u>
Auditors' remuneration - other fees:		
- Accountancy and tax	<u>1,475</u>	<u>1,430</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

	2014	2013
	£	£
Bank interest	6,109	5,776
Other interest	1,954	1,755
Net finance income in respect of defined benefit schemes	9,000	8,000
	<u>17,063</u>	<u>15,531</u>

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

6. Tangible fixed assets	Land and buildings freehold	Fixtures, fittings equipment	Total
	£	£	£
Cost			
At 1 April 2013	597,776	95,013	692,789
Additions	-	27,836	27,836
At 31 March 2014	<u>597,776</u>	<u>122,849</u>	<u>720,625</u>
Depreciation			
At 1 April 2013	88,858	95,013	183,871
Charge for the year	11,956	4,175	16,131
At 31 March 2014	<u>100,814</u>	<u>99,188</u>	<u>200,002</u>
Net book values			
At 31 March 2014	<u>496,962</u>	<u>23,661</u>	<u>520,623</u>
At 31 March 2013	<u>508,918</u>	<u>-</u>	<u>508,918</u>

7. Fixed asset investments	Subsidiary undertakings	Other unlisted	Total
	shares	investments	
	£	£	£
Cost			
At 1 April 2013	360,002	50,000	410,002
At 31 March 2014	<u>360,002</u>	<u>50,000</u>	<u>410,002</u>
Net book values			
At 31 March 2014	<u>360,002</u>	<u>50,000</u>	<u>410,002</u>
At 31 March 2013	<u>360,002</u>	<u>50,000</u>	<u>410,002</u>

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... 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/(Loss) for the year £
Highland Opportunity (Communities) Limited	355,492	1,512
Highland Opportunity (EBS) Limited	104,677	(41,213)
Highland Opportunity (Investments) Limited	2,219,718	27,860
Ness Horizons Limited	(23,264)	1,680

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

8. Debtors	2014	2013
	£	£
Loans	63,754	51,916
Amount owed by connected companies	175,711	174,810
Other debtors	489,972	655,703
Prepayments and accrued income	102,609	376,747
	<u>832,046</u>	<u>1,259,176</u>

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

Loans	49,998	40,714
	<u>49,998</u>	<u>40,714</u>

9. Creditors: amounts falling due within one year	2014	2013
	£	£
Trade creditors	475,090	517,639
Amounts owed to group undertaking	1,217,554	1,075,810
Other taxes and social security costs	29,810	65,045
Other creditors	147,935	449,607
Accruals and deferred income	4,850	4,850
	<u>1,875,239</u>	<u>2,112,951</u>

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

10. Provisions for liabilities

	Pensions and obligation £	Total £
At 1 April 2013	346,000	346,000
Movement for the year	247,000	247,000
At 31 March 2014	<u>593,000</u>	<u>593,000</u>

11. Reserves

	Profit and loss account £	Pension reserve £	Total £
At 1 April 2013	1,416,455	(296,000)	1,120,455
Transfer to pension reserve	54,000	(54,000)	-
Actuarial gain recognised in the year	-	(243,000)	(243,000)
Loss for the year	(143,355)	-	(143,355)
At 31 March 2014	<u>1,327,100</u>	<u>(593,000)</u>	<u>734,100</u>

**Highland Opportunity Limited
Company limited by guarantee**

**Notes to the financial statements
for the year ended 31 March 2014**

..... 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 Hymans Robertson LLP, 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 2014. The main assumptions used by the actuary were:

	2014	2013
	%	%
Rate of increase in salaries	5.1	4.8
Rate of increase in pensions	2.8	2.6
Discount rate	4.3	4.6
Inflation assumption	3.6	3.4

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... 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		Long-term		Long-term	
	rate of return expected at	Value at 31/03/14 £	rate of return expected at	Value at 31/03/13 £	rate of return expected at	Value at 31/03/12 £
Equities	6.7	1,579,000	6.4	1,493,000	6.7	1,207,000
Bonds	4.0	423,000	3.6	272,000	4.0	222,000
Property	4.8	178,000	4.4	155,000	4.7	143,000
Cash	3.7	45,000	0.5	19,000	3.0	16,000
Total market value of assets		2,225,000		1,939,000		1,588,000
Present value of scheme liabilities		(2,818,000)		(2,235,000)		(1,934,000)
Surplus/(deficit) in the scheme		(593,000)		(296,000)		(346,000)
Net pension liability		(593,000)		(296,000)		(346,000)

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

	2014	2013
	£	£
Deficit brought forward	(296,000)	(346,000)
Total operating charge	(197,000)	(152,000)
Total finance income	9,000	8,000
Actuarial gain/(loss)	(243,000)	83,000
Contributions	134,000	111,000
Deficit carried forward	(593,000)	(296,000)

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

12.2 *Analysis of the amount charged to operating loss*

	2014	2013
	£	£
Current service cost	197,000	152,000
Total operating charge	<u>197,000</u>	<u>152,000</u>
	2014	2013
	£	£
Expected return on pension scheme assets	117,000	101,000
Interest on pension scheme liabilities	(108,000)	(93,000)
Total finance income	<u>9,000</u>	<u>8,000</u>

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

	2014	2013
	£	£
Actual return less expected return on pension scheme assets	25,000	115,000
Experience gains/(losses) arising on the scheme liabilities	(4,000)	(2,000)
Loss arising from changes in assumptions underlying the present value of the scheme liabilities	(264,000)	(30,000)
Actuarial (loss)/gain	<u>(243,000)</u>	<u>83,000</u>

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

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

	2014	2013	2012	2011	2010
Difference between the expected and actual return on scheme assets:					
amount (£)	25,000	115,000	(190,000)	12,000	(291,000)
percentage of scheme assets	1.1%	5.9%	(12.0)%	0.8%	(22.1)%
Experience gains and losses on scheme liabilities:					
amount (£)	(4,000)	(2,000)	231,000	5,000	6,000
percentage of the present value of the scheme liabilities	(0.1)%	(0.1)%	11.9%	0.3%	0.3%
Total amount recognised in Statement of total recognised gains and losses:					
amount (£)	(264,000)	(303,000)	(386,000)	(242,000)	(479,000)
percentage of the present value of the scheme liabilities	9.4%	13.6%	19.9%	13.6%	24.9%

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

13. Related party transactions

At 31 March 2014 the following balances were due from/(to) subsidiaries:

	2014	2013
	£	£
Highland Opportunity (Communities) Limited	(203,117)	(322,922)
Highland Opportunity (EBS) Limited	34,248	33,347
Highland Opportunity (Investments) Limited	(1,014,437)	(752,888)
Ness Horizons Limited	141,463	141,463

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

Included in other debtors at 31 March 2014 is £93,259 (2013 - £223,005) due from Highland Opportunity (EBS) Limited. Included in trade creditors at 31 March 2014 is £153,180 (2013 - £224,824) due to Highland Opportunity (EBS) Limited. Highland Opportunity (EBS) Limited is a wholly owned subsidiary of Highland Opportunity Limited.

Included in other debtors at 31 March 2014 is £23,246 (2013 - £28,513) due from Ness Horizons Limited. Included in trade creditors at 31 March 2014 is £1,200 (2013 - £13,702) due to Ness Horizons Limited. Ness Horizons Limited is a wholly owned subsidiary of Highland Opportunity Limited.

During the year ended 31 March 2014 the company was invoiced the following amounts by its subsidiary companies:

	2014	2013
	£	£
Highland Opportunity (Communities) Limited - Contract fee	1,000	1,000
Highland Opportunity (EBS) Limited - Contract fee	-	23,800
Highland Opportunity (EBS) Limited - EEN service	170,122	265,123
Highland Opportunity (Investments) Limited - Contract fee	1,000	1,000
Ness Horizons Limited - Office space rental	18,621	20,270

Highland Opportunity Limited
Company limited by guarantee

Notes to the financial statements
for the year ended 31 March 2014

..... continued

During the year ended 31 March 2014 the company invoiced the following to its subsidiary companies:

	2014	2013
	£	£
Highland Opportunity (Communities) Limited - Management fee	2,600	2,600
Highland Opportunity (EBS) Limited - Staff costs	94,461	135,114
Highland Opportunity (EBS) Limited - Office costs	13,871	12,546
Highland Opportunity (Investments) Limited - Management fee	20,500	10,500
Ness Horizons Limited - Salaries	10,969	23,761
Ness Horizons Limited - Administrative Costs	2,758	-

Included within other debtors at 31 March 2014 is £335,875 (2013 - £367,301) due from The Highland Council. During the year ended 31 March 2014 the company received income of £1,055,316 (2013 - £930,506) through The Highland Council.

Included within other creditors at 31 March 2014 is £244,354 (2013 - £212,513) due to The Highland Council. During the year ended 31 March 2014 the company was invoiced £8,367(2013 - £6,752) by The Highland Council for legal and other services and £938,351 (2013 - £844,683) 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 2014

	2014		2013	
Sales	£	£	£	£
The Highland Council - Contract services income		21,118		24,638
Contribution PSYBT		35,317		27,221
Business Gateway		913,631		721,843
Business Gateway - Create and Employ		139,172		93,234
Business Growth Plus / ERDF		13,923		-
Leonardo St-Art App		9,648		-
West End Business Suite		-		2,270
Wick Business Suite		3,600		3,600
Project income		160,803		157,784
		<u>1,297,212</u>		<u>1,030,590</u>
Administrative expenses				
Staff costs - HOL	178,497		169,240	
Pension adjustment	(134,000)		(111,000)	
Pension scheme - current service cost	197,000		152,000	
Staff training and recruitment	1,242		2,118	
Office accommodation expenses	28,253		33,599	
Insurance	3,406		4,634	
Administration expenses	15,395		27,455	
Advertising	7,843		3,157	
Communication costs	9,697		8,819	
PSYBT expenses	4,800		4,231	
Travelling and subsistence	963		653	
West End Business Suite	11,326		9,327	
Wick Business Suite	4,585		5,396	
Business Gateway	826,581		665,162	
Business Gateway - Create and Employ	129,549		83,490	
Business Growth Plus	12,945		-	
Leonardo St-Art App	1,843		-	
Professional and financial services	9,892		9,351	
Accountancy	1,475		1,430	
Audit	3,750		3,600	
Recharged to subsidiaries	(33,696)		344	
Bad debts	1,290		(3,401)	
Irrecoverable VAT	2,719		2,400	
Project expenditure	156,144		133,775	
Highland Employer Coalition expenses	-		52	
Depreciation on freehold property	11,956		11,956	
Depreciation on fixtures & equipment	4,175		-	
		<u>1,457,630</u>		<u>1,217,788</u>

Highland Opportunity Limited
Company limited by guarantee

**Detailed trading profit and loss account
and expenses schedule
for the year ended 31 March 2014**

	2014	2013
Operating loss	(160,418)	(187,198)
Other income and expenses		
Interest receivable		
Bank deposit interest	6,109	5,776
Other interest	10,954	9,755
	<u>17,063</u>	<u>15,531</u>
Net loss for the year	<u>(143,355)</u>	<u>(171,667)</u>