

**Charity number: SC037134**  
**Registered number: SC285912**

**Report of the Directors and  
Consolidated Financial Statements  
For the Year Ended 31 March 2007  
for  
Highland 2007  
(A Company Limited by Guarantee)**



**Highland 2007**  
**(A Company Limited by Guarantee)**

**Contents of the Consolidated Financial Statements**  
**for the Year Ended 31 March 2007**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Report of the Directors</b>	<b>2</b>
<b>Independent Auditor's Report</b>	<b>12</b>
<b>Consolidated Statement of Financial Activities</b> <b>(including Income and Expenditure Account)</b>	<b>14</b>
<b>Consolidated Balance Sheet</b>	<b>15</b>
<b>Notes to the Financial Statements</b>	<b>16</b>

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Company Information**

**DIRECTORS:**

M E M Foxley  
C J Marr  
J R Hunter  
G M Sword  
L E Evans  
B Absolon  
A S Park  
J Urquhart  
C Gardner

**SECRETARY:**

R Pieroni

**BUSINESS OFFICE:**

Abertarff House  
Church Street  
Inverness  
IV1 1EU

**REGISTERED NUMBER:**

SC285912

**CHARITY NUMBER:**

SC037134

**ACCOUNTANTS:**

Tenon Limited  
10 Ardross Street  
Inverness  
IV3 5NS

**AUDITOR:**

Tenon Audit Limited  
10 Ardross Street  
Inverness  
IV3 5NS

**SOLICITORS:**

Munro & Noble  
26 Church Street  
Inverness  
IV1 1HX

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

The directors, who are also the trustees of the charity, present their report with the financial statements of the company for the year ended 31 March 2007

**GOVERNING DOCUMENT**

The organisation is a charitable company, limited by guarantee, incorporated on 8 June 2005 and registered as a charity on 9 January 2006. The company was established under a Memorandum of Association which established the objectives and powers of the company and is governed under its Articles of Association. The members of the company are The Highland Council, Highland and Islands Enterprise, and The Scottish Ministers. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company. In addition to the Memorandum and Articles of Association, there is a Members' Agreement which has been approved by the company and its members.

The company has a wholly owned subsidiary Gaidhealtachd 2007 Limited, a company limited by guarantee, which was incorporated on 13 December 2006 and is to have a first accounting period to 31 March 2008. The objectives of the subsidiary are included in the Memorandum of Association and the subsidiary is governed under its Articles of Association.

**APPOINTMENT OF DIRECTORS**

The Articles of Association requires there to be a maximum of nine directors at any one time. The nine directors may comprise up to three representatives from each of the members of the company who are The Highland Council, Highland and Islands Enterprise, and The Scottish Ministers. The members of the company may appoint or remove any of their appointed directors at any time.

**ORGANISATION**

As a minimum, the Board of Directors meet quarterly to discuss the affairs of the company. This is the principal formal decision making forum for the management of Highland 2007 in its role of developing and delivering the programme of celebrations for "Scotland's Year of Highland Culture".

The Board has been supported in the development of the programme by the following organisational structure:

An Advisory Group comprising representatives of the Concordat and local cultural organisations, providing informal advice and opinion on the proposed content of the programme.

Highland 2007 Management groups in the following locations, responsible for encouraging and assessing applications for funding, recommending the award of area grants and for monitoring the successful completion of projects:

Badenoch and Strathspey  
Caithness  
Inverness  
Lochaber  
Na h-Eileanan Siar  
Ross and Cromarty  
Sutherland  
Skye and Lochalsh  
Argyll and Bute  
Moray  
Orkney  
Shetland  
Western Isles

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

In addition to the Advisory Group, Highland 2007 has benefited from the support of the following associated short life working groups for the purposes of stimulating, co ordinating and assessing potential events and projects within specific strands of the programme

Gaelic Steering Group  
Science Steering Group  
Sports Steering Group  
Environment Steering Group  
The Highland Promise Steering Group

**RELATED PARTIES**

Highland 2007 is supported by representatives of the company's three member organisations, The Scottish Ministers, Highland and Islands Enterprise, and The Highland Council. The company has a particularly close working relationship with The Highland Council, whose staff provide operational facilities to Highland 2007.

Highland 2007 is also supported by a Concordat that is comprised of 33 national agencies. The Concordat partners have undertaken to assist in the development of the Highland 2007 programme and in the promotion of Highland culture across Scotland, to the rest of the UK and abroad. The Concordat partners provide direct and indirect funding, material resources, in kind advice, expertise and staff time, access to communication networks, initiation of event and project proposals and cross agency collaboration.

The Highland 2007 Concordat is comprised of the following partners

EventScotland  
VisitScotland  
Scottish Arts Council  
SportScotland  
National Galleries of Scotland  
National Museums of Scotland  
- National Library for Scotland  
CILIPS/SLA  
National Trust for Scotland  
Scottish Natural Heritage  
Forestry Commission Scotland  
Historic Scotland  
British Waterways  
Bòrd na Gàidhlig  
An Comunn Gàidhealach  
Pròiseact nan Ealan  
Comunn na Gàidhlig  
British Council  
Scottish Council for Development and Industry  
Scottish Museums' Council  
Scottish Tourism Forum  
Arts and Business  
The Royal Incorporation of Architects in Scotland  
Scottish Council for Voluntary Organisations

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

In the prior year, the company was successful in securing the following commercial sponsorship support

Principal partner LifeScan Scotland Limited

Major partners Tulloch Limited, the Scottish Co-operative and BBC Scotland

Event partners The Royal Bank of Scotland plc, Clydesdale Bank plc, Morrison Construction and Bidwells

Suppliers Fionnar Water, EAE, PPD and Inverhouse Distillers

In kind Partners Caledonian MacBrayne, First Scotrail, Highlands and Islands Airports Limited, MacDonald Aviemore Highland Resort, and Macrae and Dick

**INVESTMENT POLICY**

The directors have authority to invest the monies of the company not immediately required for its purposes as they see fit

**RESERVES POLICY**

The directors have examined the requirement for free reserves which are those unrestricted funds not designated for specific purposes or otherwise committed. The directors consider that, given the nature of activities of the company, this should be adequate working capital for the next six months. The directors consider that this level will provide sufficient funds to respond to applications for grants and ensure that there are sufficient funds available to cover support and governance costs. Unrestricted funds were not maintained at or above this level throughout the year and not are expected to be adequate in the year to come, however, additional funding is expected during the remainder of the project which will enable the situation to be resolved.

**PLANS FOR FUTURE PERIODS**

The focus of activity for the company during 2007 until the end of the project will include the following priorities

Working with local and national event organisers and project managers to ensure that the proposed programme of events is delivered as planned

Co ordinating the marketing and promotion of events and projects within the programme to maximise on the exposure of the Highland 2007 brand

Acting as the central broker with all event organisers to create a sense of celebration across the Highlands and Islands

Identifying opportunities to spread the celebration of Highland culture outwith the Highlands and Islands without impacting negatively on the project budget

Ensuring the events directly commissioned by Highland 2007 (The Outsider and InvernessFest) achieve the aspirations of the Board and build upon the success of project launch and LifeScan Monster Street Party on 12 January 2007

Promoting the programme of events and projects to local, national and international audiences

Working with local and national media to ensure maximum positive promotion of the Highlands and Islands through coverage of Highland 2007 events and projects

Identifying additional opportunities to secure external funding to support the ongoing development of the programme of celebrations

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

Scottish Screen  
Scottish Enterprise  
Caledonian MacBrayne  
Camanachd Association  
Royal Commission for Ancient and Historic Monuments of Scotland  
Cairngorm National Park Authority  
Heritage Lottery Fund  
ProjectScotland  
The Royal Scottish Academy

The company also has a wholly owned subsidiary Gaidhealtachd 2007 Limited, a company limited by guarantee, which was incorporated on 13 December 2006 and is to have a first accounting period to 31 March 2008. The financial transactions of the subsidiary have been incorporated into these consolidated financial statements for the year ended 31 March 2007.

**RISK MANAGEMENT**

The directors have examined the risks which the project is likely to face and procedures are in place to mitigate the risks identified. The directors will continue to monitor the effectiveness of these procedures throughout the project and will implement procedures to mitigate other risks as they are identified.

**OBJECTIVES AND ACTIVITIES**

**Vision**

The vision of the company is to make 2007 "Scotland's Year of Highland Culture".

**Aims**

The aims of Highland 2007 are

- To promote the Highlands as a great place to live and to visit through showcasing the unique and special nature of Highland culture past, present and future

To provide the opportunity for people across Scotland, and in key target areas across the world, to join in a year long programme of celebrations of Highland culture

**Objectives**

The specific objectives of Highland 2007 are as follows

To develop and deliver a programme of events for 2007 that enthuses its target audiences and leaves them with memories of a great year of celebrations

To generate positive economic and social benefits for the Highlands and for Scotland

To contribute to the work of other agencies in promoting the Highlands as a modern, vibrant and prosperous place to visit through highlighting the wealth of cultural activity in the area

To establish positive and sustainable partnerships across Scotland to support the development of the cultural infrastructure of the Highlands in 2007 and beyond

To promote the significance of Highland culture to Scotland, past, present and future, to people living in the Highlands for the purpose of enhancing their awareness of and sense of pride in their local area

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

To contribute to the work of other agencies to increase the level of confidence, and to develop the skills and capacity of individuals and communities across the Highlands

To stimulate interest and participation in cultural activity in the Highlands in 2007 and beyond by people in the Highlands, across Scotland and abroad

To contribute to the development of the social and physical cultural infrastructure of the Highlands

To support other agencies and initiatives to promote the Gaelic language and culture and to increase the number of Gaelic speakers

To encourage young people to take part in cultural activities in 2007 and beyond through their involvement in planning the Highland 2007 programme and by their participation in projects and events

**Approach**

To achieve the vision, aims and objectives of Highland 2007, the project team have developed a programme of events and projects which built upon and developed the existing cultural infrastructure of the Highlands to leave a positive legacy beyond 2007

**Definition of culture and key themes**

Highland 2007 adapted the European definition of culture to include the following six strands

- Arts
- Sport
- Heritage
- Science
- Environment
- Language

The programme of events was influenced by the following seven key themes, with the promotion of the Gaelic language and culture featured at the heart of the planning process across each strand of the programme

- Youth
- Gaelic
- Creativity
- Highland Homecoming
- Access and Inclusiveness
- The Highlands as an Inspirational Place
- Re interpretation of Traditional Icons

**Scope**

Highland 2007 emerged from the ambitious bid of Inverness and the Highlands to be the European Capital of Culture in 2008. Representatives from The Highland Council and Highland and Islands Enterprise worked with other partners to develop and submit the proposal on behalf of the unitary authority area bounded by The Highland Council. The principal funding agencies have worked in partnership since the award of the Capital of Culture title was granted to Liverpool to build upon the momentum and focus achieved by the bidding panel during this process and to identify and provide the resources required to host Highland 2007. The focus of expenditure and activity within the Highland 2007 programme, therefore, reflects the origin of the project and is the area bounded by The Highland Council.



**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

2007 is, however, "Scotland's Year of Highland Culture" and the scope of the project reflects this. Within the parameters of the financial structure of the budget, plans were developed and implemented to encourage national agencies, major event organisers and Concordat partners to celebrate and showcase Highland culture across Scotland during 2007.

The project team have worked with other Local Authority areas in the Highlands and Islands to encourage their participation in Highland 2007. Highland and Islands Enterprise have encouraged the inclusion of Local Authorities in their Enterprise Network area outwith The Highland Council boundary in the celebrations through the provision of targeted funding. The purpose of this allocation was to support the development of a programme of Highland 2007 events within Moray, Argyll and Bute, Shetland, Orkney and The Western Isles Council areas. This funding has been matched in cash by each individual Local Authority.

**ACHIEVEMENTS AND PERFORMANCE**

**Programme**

The programme of Highland 2007 celebrations within the Highlands and Islands includes

- Major events
- Community events
- The Highland Promise – An Gealladh Mòr

Providing support for major events within the programme has focused on the ability of each event to attract spectators, participants or significant media interest to the Highlands and to Scotland. Approximately 100 major events have been supported by Highland 2007 grant funding.

The community programme centred on encouraging participation by people living in the Highlands and Islands, where community groups and organisations were afforded the opportunity to determine how Highland culture would be celebrated in their local area during 2007. Approximately 500 community events and projects have been supported by Highland 2007 grant funding.

The Highland Promise – An Gealladh Mòr created a menu of cultural opportunities for schoolchildren in The Highland Council area, where young people within each associated school group were able to choose to participate in a range of cultural activities during 2007 that they might not otherwise have had access to. A total of 28 bespoke cultural plans have been devised to reflect the choices made and the interests of the young people in each cluster.

Approximately 600 events and projects have been drawn together to form the Highland 2007 programme, with the 100 major and 500 community events ensuring that a line up of national and local stars have provided a broad range of audiences with a host of diverse reasons to visit and participate in a year long celebration of the culture of the Highlands. A full listing of all events and projects supported in the development of the Highland 2007 programme is available upon request.

The former First Minister of Scotland, Jack McConnell, officially launched the Highland 2007 celebrations on Friday 12 January 2007 in front of an estimated crowd of 15,000 spectators on the banks of the River Ness in the capital of the Highlands. The Highland 2007 launch and LifeScan Monster Street Party were a resounding success, combining fantastic fireworks and lighting effects, street theatre companies from all across Europe, traditional and contemporary Scottish music and a spectacular aerial finale in Falcon Square by Transe Expresse. Public and media reaction to the event was overwhelmingly positive and provided a truly memorable start to the year long programme of celebrations.

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

**Promotion of the Gaelic language and culture**

The promotion of the Gaelic language and culture is a core theme of Highland 2007. The company established positive links with Gaelic agencies and organisations across the region under the direction of both Bòrd na Gàidhlig and the Gaelic Select Committee of The Highland Council to identify and maximise the ways in which Highland 2007 could showcase the language and culture through the programme of celebrations in 2007. The company has also benefitted from the addition of a part time Gaelic Projects Officer to the Highland 2007 team.

In addition to providing direct financial support to a range of Gaelic based events and projects, Highland 2007 established the following arrangements to encourage new audiences to discover and learn the language.

The application process encouraged all event organisers to consider how they might promote Gaelic within their proposal at the outset.

One of the conditions of the award of funding for successful applicants was the requirement to include representation of Gaelic at their event and in its promotion.

Planning meetings with all major event organisers undertaken during 2006 explored the potential to promote Gaelic in addition to reinforcing the requirement to do so as a core theme within the Highland 2007 celebrations.

Seminars held across the region in 2006 enabled representatives of both Bòrd na Gàidhlig and Comunn na Gàidhlig to work directly with event organisers to encourage the promotion of Gaelic at all events and to advise on effective and innovative ways to do so.

At the same time, Highland 2007 worked with Cànan to develop proposals for Air Splaoid, a tailored campaign which focused on the promotion of Gaelic by creating direct links between the Highland 2007 programme and established routes for learning the language. Air Splaoid received the backing of national agencies and was launched across Scotland in 2007 with the support of BBC Scotland, Gaelic Media Services, Learning Teaching Scotland, learndirect Scotland, Bòrd na Gàidhlig, Highland and Islands Enterprise, and The Highland Council.

**Marketing and Communications**

The Marketing and Communications strategy for Highland 2007 has provided the framework for activity maximising the opportunities to promote the Highlands as a great place to live and to visit during 2007. Key outcomes achieved during 2006/07 include the following:

The partnership with VisitScotland was consolidated to maximise the impact of the opportunities to promote the Highlands and Islands during the period. Activities included attendance at consumer events in New York (Tartan Week 2006 and 2007), Dordrecht and Lorient, extensive coverage of Highland 2007 through VisitScotland websites and publications, as well as a television advert filmed in the Highlands and branded with the Highland 2007 logo.

Temporary and permanent branding indicating support from Highland 2007 was visible at events and projects across the area.

Activities designed to raise awareness of Highland 2007 within the Highlands and Islands have also been implemented as planned, with the consequence of a growing demand for detailed programme information well in advance of the start of 2007.

Activities raising awareness of the Highland 2007 programme and its aims were implemented across the Highlands and Islands, involving presentations across the area throughout the year.

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

Marketing and communications plans were produced and implemented for specific events and campaigns where required, including the Highland 2007 Launch and LifeScan Monster Street Party, InvernessFest and Fringe and Highland Lights

Relationships with local and national media were consolidated, aided by the success of the Highland 2007 Launch and LifeScan Monster Street Party communications campaign. Support from partner BBC Scotland continued throughout the year across all their media formats

The Highland 2007 website was developed as the key source of information about Highland 2007 and the events programme on offer, and the site generated over 350,000 hits at its peak

The print portfolio was developed to include a general information leaflet (including translation into six languages) and four editions of the events programme. In addition, a calendar was produced as a promotional tool prior to the start of the year, and a monthly e newsletter was distributed to Highland 2007 contacts and those of

Weber Shandwick Limited, a PR agency appointed to add support to the Marketing and Communications team, implemented a campaign of activities between August 2006 and January 2007 to raise public awareness of the programme and the information available on the Highland 2007 website

**FINANCIAL REVIEW**

During 2006/07, the budget available to develop and deliver Scotland's Year of Highland Culture has been increased to £14.6 million. This figure is comprised of £6.4 million in cash and £8.2 million of in kind contributions. The sources of funding and support that make up this figure include

	£
Scottish Government	5.5m
The Highland Council	4.2m
Highland and Islands Enterprise	3.3m
Other Local Authorities	0.55m
Sponsorship	0.5m
Other Grants	0.55m

The company has determined the following allocation of funds in developing and delivering the Highland 2007 programme

	£
Major Events	3.06m
Community Events	2.76m
The Highland Promise	1.7m
Small Capital Grants	1.75m
Specialist Projects	0.65m
Marketing	2.88m
Project Overheads	1.7m
Evaluation	0.18m
Deficit	(0.08)m

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Report of the Directors**  
**for the Year Ended 31 March 2007**

- Determining the most appropriate way of bringing the programme of celebrations to a close
- Ensuring appropriate financial management of the project budget and resources
- Liaising with sponsors and event organisers to ensure that the aspirations of sponsors are exceeded
- Working with the Centre for Cultural Policy Research to ensure that the evaluation of Highland 2007 proceeds as planned and on schedule
- Initiating discussions between relevant agencies to plan for a positive legacy to follow on from Highland 2007 into 2008 and beyond
- Bringing the project to a successful close at the end of 2007 and winding up the affairs of the company in 2008

**DIRECTORS**

The directors during the year under review were

A A Anderson (resigned 3 May 2007)

M E M Foxley

A L Magee (resigned 4 May 2007)

C J Marr

J A Brown (resigned 6 June 2007)

D Williams (resigned 30 March 2007)

J R Hunter

G M Sword

L E Evans

B Absolon (appointed 30 March 2007)

A S Park, J Urquhart and C Gardner were appointed as directors on 26 June 2007

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Directors  
for the Year Ended 31 March 2007**

In so far as the directors are aware

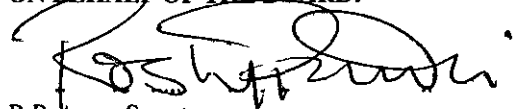
there is no relevant audit information of which the group's auditor is unaware, and  
the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit  
information and to establish that the auditors are aware of that information

**AUDITOR**

The auditor, Tenon Audit Limited, will be proposed for re appointment in accordance with Section 385 of the  
Companies Act 1985

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating  
to small companies

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'R Pieroni', is written over the text 'ON BEHALF OF THE BOARD:'.

R Pieroni Secretary

Date 28 January 2008

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Independent Auditor's Report to the Members of**  
**Highland 2007**  
**(A Company Limited by Guarantee)**

We have audited the financial statements of Highland 2007 for the year ended 31 March 2007 on pages fourteen to nineteen which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies as set out on page sixteen

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 work, for this report, or for the opinions we have formed.

**Respective responsibility of directors and auditor**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the provisions of the Companies Act 1985, and whether the information given in the Report of the Directors is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the director's report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud, other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard Provisions Available for Small Entities, in the circumstances set out in note eleven to the financial statements.

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Independent Auditor's Report to the Members of**  
**Highland 2007**  
**(A Company Limited by Guarantee)**

**Opinion**

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of affairs of the group as at 31 March 2007 and of its deficit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Report of the Directors is consistent with the financial statements

*Tenon Audit Limited*

Tenon Audit Limited  
Registered Auditor  
10 Ardross Street  
Inverness  
IV3 5NS

Date *30 January 2008*

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Consolidated Statement of Financial Activities (incorporating Income and Expenditure Account)**  
**for the Year Ended 31 March 2007**

	Note	Restricted funds £	Unrestricted funds £	Total funds 2007 £	Total funds 2006 £
<b>Incoming resources</b>					
<b>Incoming resources from generated funds:</b>					
Voluntary income					
Donation from The Highland Council					72,761
Investment income					
Bank interest received			27,167	27,167	
<b>Incoming resources from charitable activities:</b>					
Grants					
EventScotland		750,000		750,000	750,000
Highland and Islands Enterprise		1,672,000	368,000	2,040,000	399,843
LEADER+					150,000
Scottish Arts Council		296,363		296,363	
The Highland Council		323,000		323,000	
Sponsorship					
The Scottish Executive		125,000		125,000	
LifeScan Scotland Limited		150,000		150,000	
Tulloch Limited		25,000		25,000	
The Royal Bank of Scotland plc		25,000		25,000	
In kind income from The Highland Council			776,680	776,680	363,797
<b>Total incoming resources</b>		<b>3,366,363</b>	<b>1,171,847</b>	<b>4,538,210</b>	<b>1,736,401</b>
<b>Resources expended</b>					
<b>Charitable activities</b>	4	<b>4,040,837</b>	<b>1,491,337</b>	<b>5,532,173</b>	<b>730,721</b>
<b>Governance costs</b>	4	<b>-</b>	<b>66,304</b>	<b>66,304</b>	<b>32,389</b>
<b>Total resources expended</b>		<b>4,040,837</b>	<b>1,557,641</b>	<b>5,598,477</b>	<b>763,110</b>
<b>Net incoming/(outgoing) resources and net movement in funds</b>		<b>(674,474)</b>	<b>(385,794)</b>	<b>(1,060,268)</b>	<b>973,291</b>
<b>Total funds brought forward</b>		<b>1,030,497</b>	<b>(57,206)</b>	<b>973,291</b>	
<b>Total funds carried forward</b>		<b>356,023</b>	<b>(443,000)</b>	<b>(86,977)</b>	<b>973,291</b>

The Statement of Financial Activities includes all gains and losses in the year  
All incoming resources and resources expended derive from continuing activities



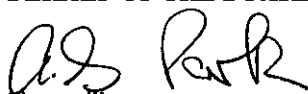
**Highland 2007**  
**(A Company Limited by Guarantee)**

**Consolidated Balance Sheet**  
**31 March 2007**

	Notes	Group		Company	
		31.3.07	31.3.06	31.3.07	31.3.06
		£	£	£	£
<b>CURRENT ASSETS:</b>					
Cash at bank	5	1,757,050	1,037,128	1,580,800	1,037,128
Debtors	6	1,685,791		1,644,629	
		3,442,841	1,037,128	3,225,429	1,037,128
<b>CREDITORS:</b> Amounts falling due within one year	7	(3,529,818)	(63,837)	(3,512,406)	(63,837)
<b>NET ASSETS/(LIABILITIES)</b>		(86,977)	973,291	(286,977)	973,291
<b>RESERVES:</b>	8				
Restricted funds		356,023	1,030,497	156,023	1,030,497
Unrestricted funds		(443,000)	(57,206)	(443,000)	(57,206)
		(86,977)	973,291	(286,977)	973,291

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

**ON BEHALF OF THE BOARD**



A S Park Director



J Urquhart Director

Approved by the Board on 28 January 2008

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Notes to the Consolidated Financial Statements**  
**for the Year Ended 31 March 2007**

**1 ACCOUNTING POLICIES**

**Accounting convention and basis of preparation of the financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) (FRSSE). The financial statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) issued in March 2005. The financial statements have been prepared in accordance with applicable accounting standards.

**Consolidation**

The consolidated financial statements combine the individual financial statements of Highland 2007 for the year ended 31 March 2007 and its subsidiary undertaking Gardhealtachd 2007 from incorporation on 13 December 2006 to 31 March 2007.

**Fundamental accounting policy going concern**

These financial statements have been prepared on a going concern basis despite the balance sheet of the company and the group showing a net liability position. The directors expect additional funding during the remainder of the project which will enable the net liability position to be resolved. On this basis, it is considered appropriate to prepare the financial statements on a going concern basis.

**Incoming resources**

Income is recognised when the group is entitled to receipt and where the amount can be measured with reasonable certainty. Grant income is generally subject to conditions which must be fulfilled before the income can be recognised.

In kind income represents the value of time spent by employees of The Highland Council assisting with the grants assessment and approval process. This is in addition to the employees provided by The Highland Council for the administration of the group (see note three).

**Resources expended**

Grants payable are recognised when a commitment has been given to the relevant organisation, and the attached conditions have been fulfilled. Other costs are accounted for as they are incurred.

**Fund accounting**

Restricted funds are to be used for particular restricted purposes within the objectives of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Unrestricted funds are those funds which can be used in accordance with the charitable objectives at the discretion of the directors.

**Cash at bank**

The company and its subsidiary do not operate bank accounts. The Highland Council provides all banking and payment services to the group. Excess funds are invested within The Highland Council Loans Fund.

**2 DIRECTORS' REMUNERATION**

Directors were not remunerated during the current or previous period. Expenses incurred were generally funded by the respective member organisation. During the year, however, director A A Anderson was reimbursed for expenses totalling £241 (2006 nil).

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Notes to the Consolidated Financial Statements**  
**for the Year Ended 31 March 2007**

**3 STAFF COSTS**

The group did not have any employees during the current or previous period. Personnel were provided by The Highland Council and Highland and Islands Enterprise. Those involved in the grants assessment and approval process were included as an in kind contribution from The Highland Council of £776,680 (2006 £363,797), and those involved in the day to-day running of the group were recharged from The Highland Council and Highland and Islands Enterprise at cost of £280,654 (2006 nil)

	Charitable activities £	Governance costs £	Year ended 31.3.07 £	Period ended 31 3 06 £
<b>4 OPERATING EXPENSES</b>				
Grants Major events	1,166,614		1,166,614	50,000
Community events	1,922,201		1,922,201	116,550
The Highland Promise	702,659		702,659	2,953
Scottish Arts Council	249,363		249,363	
In kind costs personnel	776,680		776,680	363,797
Staff costs	280,654		280,654	
Property costs	9,914		9,914	27,149
Administration costs	2,715	49,775	52,490	23,754
Auditor's remuneration		3,701	3,701	2,585
Marketing costs	372,917		372,917	102,726
Transport costs	18,773		18,773	14,017
Supplies and services costs	47,272	12,828	60,099	59,579
VAT adjustment	(17,588)		(17,588)	
	<u>5,532,173</u>	<u>66,304</u>	<u>5,598,477</u>	<u>763,110</u>
	<b>Group</b>	<b>Company</b>		
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>5 CASH AT BANK</b>				
Cash deposited with The Highland Council Loans Fund (see note one)	<u>1,757,050</u>	<u>1,037,128</u>	<u>1,580,800</u>	<u>1,037,128</u>
<b>6 DEBTORS</b>				
Prepayments	41		41	
Accrued income	1,685,750		1,627,000	
VAT recoverable			17,588	
	<u>1,685,791</u>		<u>1,644,629</u>	
<b>7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Grant expenditure awarded	3,493,614	44,160	3,493,614	44,160
Accrued expenses	18,792	19,677	18,792	19,677
VAT payable	17,412			
	<u>3,529,818</u>	<u>63,837</u>	<u>3,512,406</u>	<u>63,837</u>

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Notes to the Consolidated Financial Statements**  
**for the Year Ended 31 March 2007**

	<b>Group</b>		<b>Company</b>	
	<b>Restricted funds</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Unrestricted funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>8 RESERVES</b>				
Total funds brought forward	1,030,497	(57,206)	1,030,497	(57,206)
Incoming resources	3,366,363	1,171,847	3,166,363	1,171,847
Outgoing resources	(4,040,837)	(1,557,641)	(4,040,837)	(1,557,641)
Total funds carried forward	<u>356,023</u>	<u>(443,000)</u>	<u>156,023</u>	<u>(443,000)</u>

Restricted funds represents the balance of committed grants receivable less grants payable in respect of events and activities funded by the company in its role of developing and delivering the programme of celebrations for "Scotland's Year of Highland Culture"

**9 ANALYSIS OF NET ASSETS BETWEEN FUNDS**

Cash at bank	2,172,637	(415,587)	2,022,637	(441,837)
Debtors	1,677,000	8,791	1,627,000	17,629
Creditors	(3,493,614)	(36,204)	(3,493,614)	(18,792)
	<u>356,023</u>	<u>(443,000)</u>	<u>156,023</u>	<u>(443,000)</u>

**10 RELATED PARTY DISCLOSURE**

The Highland Council, Highland and Islands Enterprise, and the Scottish Ministers (The Scottish Executive) are the members of the company. Transactions which took place with those members during the year were

	<b>Year ended 31.3.07 £</b>	<b>Period ended 31 03 06 £</b>
<b>Receipt of funding:</b>		
The Highland Council (donation)		72,761
The Highland Council (bank interest received)	27,167	
The Highland Council (in kind provision of staff)	776,680	363,797
The Highland Council (grants)	323,000	
Highland and Islands Enterprise	2,040,000	399,843
The Scottish Executive (grant through EventScotland)	750,000	750,000
The Scottish Executive (grant)	125,000	
<b>Expenditure incurred:</b>		
The Highland Council (in kind provision of staff)	776,680	363,797
The Highland Council (provision of staff)	246,658	
Highland and Islands Enterprise (provision of staff)	33,996	7,271
The Scottish Executive sundry		2,560

At 31 March 2007, the company owed nil (2006 £7,187) to Highland and Islands Enterprise, which is included in creditors falling due within one year

**Highland 2007**  
**(A Company Limited by Guarantee)**

**Notes to the Consolidated Financial Statements**  
**for the Year Ended 31 March 2007**

**11 APB ETHICAL STANDARDS**

In common with many other businesses of our size and nature we use our auditor to assist with the preparation of the financial statements

**12 OPERATING LEASE COMMITMENTS**

The company has an annual commitment for the lease of its office premises in Church Street, Inverness of £15,000 per annum. The lease expires on 31 March 2008

**13 ULTIMATE CONTROLLING PARTY**

The directors consider that the company is controlled jointly by the members