

Charity registration number SC043521 (Scotland)

Company registration number SC425808 (Scotland)

**HIGHLAND THIRD SECTOR INTERFACE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

HIGHLAND THIRD SECTOR INTERFACE LTD

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Sally Amour David Brookfield Valerie Gale Linda Lawton Catherine Wright Lyndy Geddes John Ling N Sutherland	(Appointed 27 May 2023) (Appointed 27 May 2023) (Appointed 27 May 2023)
Secretary	Mhairi Wylie	
Charity number (Scotland)	SC043521	
Company number	SC425808	
Registered office	Thorfin House Dingwall Ross-Shire Scotland IV15 9SL	
Auditor	A9 Accountancy Limited Elm House Cradlehall Business Park Inverness United Kingdom IV2 5GH	

HIGHLAND THIRD SECTOR INTERFACE LTD

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HIGHLAND THIRD SECTOR INTERFACE LTD

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2023

The trustees, who are also the directors of the charity for the purposes of the Companies Act 2006, present their annual report and financial statements for the year ended 31 March 2023.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's articles of association, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019).

Objectives and activities

Activities

The Highland Third Sector Interface has been formed to promote the benefit of the public within Highland by advancing citizenship and community development, including rural and urban regeneration and the promotion of civic responsibility, volunteering, the voluntary sector and the effectiveness and efficiency of charities.

The trustees have paid due regard to guidance issued by the Office of the Scottish Charity Regulator (OSCR) in deciding what activities the charity should undertake.

Strategic report

The description under the headings "Achievements and performance" and "Financial review" meet the company law requirements for the trustees to present a strategic report.

Achievements and performance

Significant activities and achievements against objectives

The Highland Third Sector Interface continues to sustain income from various sources reflecting the increasing diversity of the activity of the organisation. The staffing numbers fluctuate within the organisation to reflect Project adjustments and the ongoing pressures of a competing employment market.

Key areas for development were the new volunteering pilot app, a new membership platform called Very Connect and further development of our website and online information for groups. Planning for more in person events, including a more robust and in person Third Sector Assembly were well underway for delivery in early 2023/24.

We continued to host the Community Mental Health and Wellbeing Funding roll out for year two to community groups as well as a new funding stream in collaboration with the Highland Alcohol and Drug Partnership for third sector community groups.

Our activities for the period are more fully summarised in a separate annual report but focus on the continued delivery of the TSI Outcome Framework across Highland through funding and support provided by the Scottish Government. The year also saw the final delivery of the LGOWIT (Lets Get On With It Together) activity as this area of project work established themselves as a new entity in 2023/24. Further to this, work continued in the delivery of the Custody Link Service, Health Walks and further development of the social Café 1668 as individually funded activities within HTSI.

We continued to host the Community Justice Partnership (CJP) Manager and Chair, as well as a new development post, on behalf of the (CJP) as well as the admin officer for the Green Health Partnership.

Emerging from the pandemic and social distancing measures meant that we were able to return with our in person Third Sector Awards as well as many other events.

Financial review

Presently the HTSI core activities are funded through an agreement with the Scottish Government, however, this funding has been subject to annual confirmation and no inflationary uplift since the establishment of the organisation in 2012. The Scottish Government have provided a 4% uplift for the 2023/24 financial year, which is warmly welcomed, but is a marginal reduction in the real term reduction of funds experienced in the last ten years. The open dialogue with colleagues across the Scottish Government and the wider TSI network in Scotland does help to ensure that, despite the annual nature of the funding arrangement, the Board are able to manage any associated risks within the fullness of their ability.

We have received confirmation of funding for some aspects of project work into 2023/34 but the competition and demand for funds has put pressure on our ability to secure longer term positions for some of this activity.

HIGHLAND THIRD SECTOR INTERFACE LTD

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Reserves policy

Purpose:

To ensure the stability of the mission, programs, employment, and ongoing operations of the HTSI. Our Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, non-recurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of HTSI for Operating Reserves to be used and replenished within a reasonably short period of time.

The Operating Reserve Policy will be implemented in concert with the other governance and financial policies of HTSI and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Definitions and intentions:

The Operating Reserve Fund is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to three months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, rent, travel, insurances, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

The amount of the Operating Reserve Fund target minimum will be calculated each year after the approval of the annual budget, reported to the Finance Committee/Board of Directors, and included in the regular financial reports.

Accounting for reserves:

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in a segregated bank account or investment fund, in accordance with the agreement of the Board at the start of any financial year.

Funding of reserves:

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

Use of reserves:

The use of the Operating Reserves requires three steps:

Identification of appropriate use of reserve funds:

The Directors and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

Authority to use operating reserves:

The Board of Directors will receive a request to use Operating Reserves from either the Finance Sub Committee or the Chief Officer. The request will include the analysis and determination of the use of funds and plans for replenishment. The organisation's goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinised more carefully. The Board will approve or modify the request and authorize transfer from the fund.

HIGHLAND THIRD SECTOR INTERFACE LTD

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Structure, governance and management

The Charity is a company limited by guarantee as well as a Scottish registered charity, governed by its articles of association that were reviewed and adopted most recently on the 16th December 2022.

Day to day management of the HTSI is overseen by the Chief Officer, this post is currently being held by Mhairi Wylie, who is supported in this role by the Management Team formed across the various teams and functions of HTSI work and activity.

The Chief Officer attends the board meetings to present reports and provide assurances to the Trustees.

The Trustees are aware of their responsibility towards their staff and have taken out all the necessary insurances. A training and development policy has been written and the Trustees are committed to supporting the growth and development of staff.

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Sally Amour

David Brookfield

Valerie Gale

Linda Lawton

David Caulfield

(Resigned 12 September 2022)

Alexandria Gilchrist

(Resigned 16 December 2022)

Catherine Wright

Lyndy Geddes

(Appointed 27 May 2023)

John Ling

(Appointed 27 May 2023)

N Sutherland

(Appointed 27 May 2023)

Recruitment and appointment of trustees

The Board of Trustees meets on a quarterly basis with a membership formed from a maximum of ten from within the membership of HTSI and four appointed members based on skill needs, with a minimum of six in total and a maximum of fourteen. Currently there are four appointed based on skill needs and four from within the wider membership of HTSI.

Auditor

In accordance with the company's articles, a resolution proposing that A9 Accountancy Limited be reappointed as auditor of the company will be put at a General Meeting.

The trustees' report was approved by the Board of Trustees.


Mhairi Wylie
Secretary

19 December 2023

HIGHLAND THIRD SECTOR INTERFACE LTD

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2023

The trustees, who are also the directors of Highland Third Sector Interface Ltd for the purpose of company law, are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees 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.

HIGHLAND THIRD SECTOR INTERFACE LTD

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF HIGHLAND THIRD SECTOR INTERFACE LTD

Opinion

We have audited the financial statements of Highland Third Sector Interface Ltd (the 'charity') for the year ended 31 March 2023 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2023 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

HIGHLAND THIRD SECTOR INTERFACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF HIGHLAND THIRD SECTOR INTERFACE LTD

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

HIGHLAND THIRD SECTOR INTERFACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF HIGHLAND THIRD SECTOR INTERFACE LTD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Generally Accepted Accounting Practice
- Companies Act 2006
- Corporation Tax legislation
- Charities and Trustees Investment (Scotland) Act 2005
- Charities Accounts (Scotland) Regulations 2006
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management. We corroborated these enquiries through our review of relevant correspondence and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.
- Procedures to confirm the existence and completeness of revenue ensuring it was recognised in line with the company's accounting policies.
- Enquiries with management regarding the compliance with laws and regulations.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

HIGHLAND THIRD SECTOR INTERFACE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF HIGHLAND THIRD SECTOR INTERFACE LTD

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Capewell (Senior Statutory Auditor)
for and on behalf of A9 Accountancy Limited

19 December 2023

Chartered Accountants
Statutory Auditor

Elm House
Cradlehall Business Park
Inverness
United Kingdom
IV2 5GH

A9 Accountancy Limited is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

HIGHLAND THIRD SECTOR INTERFACE LTD

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

		Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
	Notes						
Income from:							
Charitable activities	3	786,828	1,825,020	2,611,848	766,883	1,984,993	2,751,876
Expenditure on:	4						
Charitable activities	5	759,574	1,962,114	2,721,688	786,408	1,771,451	2,557,859
Net income/(expenditure) and movement in funds		27,254	(137,094)	(109,840)	(19,525)	213,542	194,017
Reconciliation of funds:							
Fund balances at 1 April 2022		193,706	524,886	718,592	213,231	311,344	524,575
Fund balances at 31 March 2023		<u>220,960</u>	<u>387,792</u>	<u>608,752</u>	<u>193,706</u>	<u>524,886</u>	<u>718,592</u>

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

The notes on pages 12 to 25 form part of these financial statements.

HIGHLAND THIRD SECTOR INTERFACE LTD

BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Fixed assets					
Tangible assets	12		46,951		57,314
Current assets					
Debtors	13	96,574		139,710	
Cash at bank and in hand		1,262,724		1,119,438	
		<u>1,359,298</u>		<u>1,259,148</u>	
Creditors: amounts falling due within one year	14				
		<u>797,497</u>		<u>597,870</u>	
Net current assets			561,801		661,278
Total assets less current liabilities			<u>608,752</u>		<u>718,592</u>
The funds of the charity					
Restricted income funds	17	387,792		524,886	
Unrestricted funds		220,960		193,706	
		<u>608,752</u>		<u>718,592</u>	

The notes on pages 12 to 25 form part of these financial statements.

The company is entitled to the exemption from the audit requirement contained in section 477 of the Companies Act 2006, for the year ended 31 March 2023, although an audit has been carried out under section 144 of the Charities Act 2011.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements under the requirements of the Companies Act 2006, for the year in question in accordance with section 476.

The financial statements were approved by the trustees on 19 December 2023



Catherine Wright
Trustee

Company registration number SC425808 (Scotland)

HIGHLAND THIRD SECTOR INTERFACE LTD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash generated from operations	22		154,439		575,672
Investing activities					
Purchase of tangible fixed assets		(15,854)		(7,771)	
Proceeds from disposal of tangible fixed assets		4,701		-	
		<u>4,701</u>		<u>-</u>	
Net cash used in investing activities			(11,153)		(7,771)
Net cash used in financing activities			-		-
			<u>-</u>		<u>-</u>
Net increase in cash and cash equivalents			143,286		567,901
Cash and cash equivalents at beginning of year			1,119,438		551,537
			<u>1,119,438</u>		<u>551,537</u>
Cash and cash equivalents at end of year			<u>1,262,724</u>		<u>1,119,438</u>

The notes on pages 12 to 25 form part of these financial statements.

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Charity information

Highland Third Sector Interface Ltd is a private company limited by guarantee incorporated in Scotland. The registered office is Thorfin House, Dingwall, Ross-Shire, IV15 9SL, Scotland.

The charity is a public benefit entity.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's articles of association, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Restricted funds are subject to specific conditions by donors or grantors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity.

1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Where there are performance conditions attached to any grant or donation the income has been recognised when the conditions have been met or when the conditions are within the control of the charity and there is sufficient evidence that the performance conditions will be met. Where a grant allows for the recovery of any unexpended grant, a liability has been recognised when that repayment becomes probable.

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Property improvements	10% straight line basis.
Fixtures and fittings	25% straight line basis.
Motor vehicles	25% straight line basis.
Office equipment	25% straight line basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

1.7 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.10 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

3 Income from charitable activities

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Recovery Cafe						
Donations and legacies	-	6,318	6,318	-	-	-
Grant income	-	111,989	111,989	-	188,385	188,385
Other income	-	18,658	18,658	-	26,551	26,551
Community Justice						
Grant income	-	91,890	91,890	-	199,616	199,616
Projects						
Donations and legacies	-	50,566	50,566	-	-	-
Grant income	-	192,387	192,387	-	230,459	230,459
Funding						
Grant income	-	1,183,436	1,183,436	-	1,168,166	1,168,166
LGOWIT						
Donations and legacies	-	2,676	2,676	-	-	-
Grant income	-	167,100	167,100	-	171,816	171,816
HTSI General						
Donations and legacies	1,176	-	1,176	-	-	-
Grant income	683,549	-	683,549	683,200	-	683,200
Other income	102,103	-	102,103	83,683	-	83,683
	<u>786,828</u>	<u>1,825,020</u>	<u>2,611,848</u>	<u>766,883</u>	<u>1,984,993</u>	<u>2,751,876</u>

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

4 Grants received

Grants received, which are included in charitable activities include:

	2023	2022
Scottish Government	1,442,344	1,719,488
Highland Alcohol and Drug Partnership	454,742	55,019
The Highland Council	128,155	292,189
NHS Highland	65,486	117,987
Paths for All	52,530	-
Nature Scot	50,931	-
Glasgow Council for The Voluntary Sector	44,827	-
The National Lottery Community Fund	36,300	127,856
Covid Aid	31,350	-
Health & Social Care Alliance	72,540	31,597
Robertson Trust	21,850	19,000
DWP	8,821	175,823
SCVO	10,306	-
Cairngorms National Park Authority	5,000	-
Versus Arthritis	4,960	4,095
Scottish Community Alliance	209	-
Adult learning fund	-	85,000
Highlands and Islands Enterprise	-	11,432
Other grants	-	2,156
	<u>2,430,351</u>	<u>2,641,642</u>

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

5 Expenditure on charitable activities	Recovery Cafe		Community Justice		Projects		Funding		LGOWIT		HTSI General		Total	
	2023	£	2023	£	2023	£	2023	£	2023	£	2023	£	2023	£
Direct costs	17,560		60,667		89,140		1,194,870		26,457		26,361		1,415,055	
Direct costs	-		-		-		-		-		358,880		358,880	
Grant funding of activities (see note 6)	-		-		-		-		-		-		-	
Share of support and governance costs (see note 7)	123,815		38,712		216,122		50,004		144,767		362,133		935,553	
Support	-		-		-		-		-		12,200		12,200	
Governance	141,375		99,379		305,262		1,244,874		171,224		759,574		2,721,688	
Analysis by fund	-		-		-		-		-		759,574		759,574	
Unrestricted funds	141,375		99,379		305,262		1,244,874		171,224		-		1,962,114	
Restricted funds	141,375		99,379		305,262		1,244,874		171,224		759,574		2,721,688	

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

5 Expenditure on charitable activities		(Continued)													
Previous year:		Recovery Cafe		Community Justice		Projects		Funding		LGOWIT		HTSI General		Total	
	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Direct costs	98,172	20,565	36,920	1,137,643	48,892	61,114	1,403,306								
Direct costs	-	-	-	-	-	324,430	324,430								
Grant funding of activities (see note 6)	-	-	-	-	-	-	-								
Share of support and governance costs (see note 7)	116,258	31,550	136,980	134	144,337	389,350	818,609								
Support	-	-	-	-	-	11,514	11,514								
Governance	214,430	52,115	173,900	1,137,777	193,229	786,408	2,557,859								
Analysis by fund	-	-	-	-	-	-	-								
Unrestricted funds	214,430	52,115	173,900	1,137,777	193,229	786,408	786,408								
Restricted funds	214,430	52,115	173,900	1,137,777	193,229	786,408	2,557,859								

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

6 Grants payable

	HTSI General 2023 £	HTSI General 2022 £
Grants to institutions:		
CVG	77,764	77,764
SLCVO	88,754	71,003
VABS	47,837	47,837
VAL	83,493	66,794
VG ES	61,032	61,032
	<u>358,880</u>	<u>324,430</u>

7 Support costs allocated to activities

	2023 £	2022 £
Staff costs	799,201	703,887
Operating lease charges	20,500	27,924
Property expenses	17,015	15,053
Insurance	2,339	4,468
Telephone	14,161	12,627
Sundry expenses	895	179
Bank charges	90	92
Expenses	14,486	18,710
Legal fees	-	594
Property insurance	643	643
IT equipment and accessories	42,481	1,902
Software	23,742	32,530
Governance costs	12,200	11,514
	<u>947,753</u>	<u>830,123</u>
Analysed between:		
Recovery Cafe	123,815	116,258
Community Justice	38,712	31,550
Projects	216,122	136,980
Funding	50,004	134
LGOWIT	144,767	144,337
HTSI General	374,333	400,864
	<u>947,753</u>	<u>830,123</u>

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

8 Auditor's remuneration

Fees payable to the charity's auditor and associates:	2023	2022
	£	£
For audit services		
Audit of the financial statements of the charity	9,450	6,000
Auditor remuneration for non-audit services	2,750	5,514
	<u>12,200</u>	<u>11,514</u>

9 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

10 Employees

The average monthly number of employees during the year was:

	2023	2022
	Number	Number
Management and support staff	31	28

Employment costs	2023	2022
	£	£
Wages and salaries	712,759	620,363
Social security costs	58,259	51,081
Other pension costs	28,183	32,443
	<u>799,201</u>	<u>703,887</u>

There were no employees whose annual remuneration was more than £60,000.

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2023	2022
	£	£
Aggregate compensation	46,785	44,555

11 Taxation

The charity is exempt from taxation on its activities because all its income is applied for charitable purposes.

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

12 Tangible fixed assets

	Property improvements	Fixtures and fittings	Motor vehicles	Office equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2022	35,223	18,087	7,194	27,282	87,786
Additions	-	842	-	15,012	15,854
Disposals	-	-	(7,194)	(11,531)	(18,725)
At 31 March 2023	35,223	18,929	-	30,763	84,915
Depreciation and impairment					
At 1 April 2022	7,045	9,043	1,799	12,585	30,472
Depreciation charged in the year	3,522	4,732	-	7,690	15,944
Eliminated in respect of disposals	-	-	(1,799)	(6,653)	(8,452)
At 31 March 2023	10,567	13,775	-	13,622	37,964
Carrying amount					
At 31 March 2023	24,656	5,154	-	17,141	46,951
At 31 March 2022	28,178	9,044	5,395	14,697	57,314

13 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	64,662	134,110
Other debtors	15,059	4,000
Prepayments and accrued income	16,853	1,600
	96,574	139,710

14 Creditors: amounts falling due within one year

	Notes	2023	2022
		£	£
Other taxation and social security		20,141	16,105
Deferred income	15	542,729	521,402
Trade creditors		76,074	2,872
Other creditors		1,352	1,352
Accruals		157,201	56,139
		797,497	597,870

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

15 Deferred income

	2023 £	2022 £
Other deferred income	542,729	521,402

Deferred income is included in the financial statements as follows:

	2023 £	2022 £
Deferred income is included within:		
Current liabilities	542,729	521,402

16 Retirement benefit schemes

Defined contribution schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £28,183 (2022 - £32,443).

17 Restricted funds

The restricted funds of the charity comprise the unexpended balances of donations and grants held on trust subject to specific conditions by donors as to how they may be used.

	At 1 April 2022 £	Incoming resources £	Resources expended £	At 31 March 2023 £
Recovery Cafe	(16,694)	136,965	(141,376)	(21,105)
Community Justice	290,226	91,890	(99,380)	282,736
Projects	143,510	242,953	(305,262)	81,201
Funding	30,388	1,183,436	(1,244,873)	(31,049)
LGOWIT	77,456	169,776	(171,223)	76,009
	<u>524,886</u>	<u>1,825,020</u>	<u>(1,962,114)</u>	<u>387,792</u>

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

17 Restricted funds (Continued)

Previous year:	At 1 April 2021 £	Incoming resources £	Resources expended £	At 31 March 2022 £
Recovery Cafe	-	197,736	(214,430)	(16,694)
Community Justice Projects	142,726	199,615	(52,115)	290,226
Funding	69,930	247,480	(173,900)	143,510
LGOWIT	-	1,168,165	(1,137,777)	30,388
	98,688	171,997	(193,229)	77,456
	<u>311,344</u>	<u>1,984,993</u>	<u>(1,771,451)</u>	<u>524,886</u>

Restricted funds

Recovery Cafe

Fund represents grants and other income received towards or made by the Cafe 1668 less the costs of its' operations. There are a number of projects operated or partly operated through the Recovery Cafe fund including the Kickstart Programme, Cafe Link Worker, the Community Justice Partnerships' support and interests in the Cafe, and other Cafe related projects.

Community Justice

Fund primarily represents the income and costs associated with the Charity providing the Community Justice Manager on behalf of The Community Justice Partnership. Also included is development work for the Community Justice Partnership.

Projects

This fund heading includes multiple different projects which received restricted funding, including: Arts in Nature, Custody Links Project, Health Walks, Green Health Communication, Equalities, and Youth Highland.

Funding

This fund includes multiple funding projects which received restricted funding, including: Alcohol and Drug Partnership, Scottish Government Mental Health Funding and NHS / Velocity funding.

LGOWIT

Fund relates to the LGOWIT project (Let's Get on With it Together), a project to support people with long-term health needs to access resources.

18 Unrestricted funds

The unrestricted funds of the charity comprise the unexpended balances of donations and grants which are not subject to specific conditions by donors and grantors as to how they may be used. These include designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

	At 1 April 2022 £	Incoming resources £	Resources expended £	At 31 March 2023 £
General funds	<u>193,706</u>	<u>786,828</u>	<u>(759,574)</u>	<u>220,960</u>

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

18 Unrestricted funds (Continued)

Previous year:	At 1 April 2021	Incoming resources	Resources expended	At 31 March 2022
	£	£	£	£
General funds	213,231	766,883	(786,408)	193,706

Unrestricted funds

General fund

These funds represent the free and unrestricted reserves of the charity.

Included within the unrestricted fund is the grant from the Scottish Government towards the core costs of the charity £683,200 (2022 - £683,200).

19 Analysis of net assets between funds

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £
Fund balances at 31 March 2023 are represented by:			
Tangible assets	17,574	29,377	46,951
Current assets/(liabilities)	203,386	358,415	561,801
	<u>220,960</u>	<u>387,792</u>	<u>608,752</u>

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Fund balances at 31 March 2022 are represented by:			
Tangible assets	18,680	38,634	57,314
Current assets/(liabilities)	175,026	486,252	661,278
	<u>193,706</u>	<u>524,886</u>	<u>718,592</u>

HIGHLAND THIRD SECTOR INTERFACE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

20 Operating lease commitments

Lessee

The operating leases represent leases for the office used by the charity and the rental of an officer printer. The office lease is on a 12 year term and is subject to 3 yearly rent reviews. The printer lease is on a 5 year fixed term.

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	17,384	17,384
Between two and five years	66,076	67,460
In over five years	30,667	46,667
	<u>114,127</u>	<u>131,511</u>

21 Related party transactions

There were no disclosable related party transactions during the year (2022 - none).

	2023	2022
	£	£
(Deficit)/surplus for the year	(109,840)	194,017
Adjustments for:		
Loss on disposal of tangible fixed assets	5,572	-
Depreciation and impairment of tangible fixed assets	15,944	16,661
Movements in working capital:		
Decrease/(increase) in debtors	43,136	(132,023)
Increase in creditors	178,300	46,748
Increase in deferred income	21,327	450,269
Cash generated from operations	<u>154,439</u>	<u>575,672</u>

23 Analysis of changes in net funds

The charity had no material debt during the year.