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 2026

A9 Accountancy Limited
Chartered Accountants
Elm House
Cradlehall Business Park
Inverness
IV2 5GH

HIGHLAND THIRD SECTOR INTERFACE LTD

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	David Brookfield Linda Lawton Owen Cochrane Iain Mckenzie Kenny Steele	
Secretary	Mhairi Wylie Janet Miles	(Resigned 30/04/2026) (Appointed 30/04/2026)
Key management	Mhairi Wylie Janet Miles	(Resigned 30/04/2026) (Appointed 30/04/2026)
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

CONTENTS

	Page
Trustees' report	1 - 4
Statement of trustees' responsibilities	5
Independent auditor's report	6 - 9
Statement of financial activities	10 - 11
Balance sheet	12
Statement of cash flows	13
Notes to the financial statements	14 - 29

HIGHLAND THIRD SECTOR INTERFACE LTD

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2026

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 2026.

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.

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.

During the year, with support from the Scottish Government, we continued our core activities of

- building capacity of the third sector;
- facilitating connections across the public, third sector and private sectors to aid collaboration and partnership working;
- growing our understanding of the third sector and the current issues and challenges it faces, so that we could be an effective voice for the sector at strategic level within local and national planning structures; and
- acting as a central source of knowledge for the third sector on a range of issues that matter to it.

Alongside these core activities HTSI also launched a new Volunteer Academy with support from the Highland Council. The Volunteer Academy aims to promote volunteering across Highland, raising awareness of the benefits of volunteering and active citizenship to our region and provide support to organisations that involve volunteers. Also in partnership with Highland Council, HTSI developed a new Senior Development Officer for Employability position with the aim of better understanding the role the third sector plays in employability and supporting the sector to increase its capacity and impact in this area.

We also continued to distribute grant funding on behalf of others including the Community Mental Health and Wellbeing Funding for a fourth year.

More information on our activities for the period is covered in a separate annual report.

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 in all but one year as a standstill budget since 2012. As a result cost pressures have grown year on year. The open dialogue with colleagues across the Scottish Government and the wider TSI network in Scotland, however, 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 2025/26 but the competition and demand for funds has put pressure on our ability to secure longer term positions for some of our activity.

The results for the year show a deficit of £153,823 (2025: £37,831). The restricted funds decreased by £162,143 (2025: £61,030) and the unrestricted funds increased by £8,320 (2025: £23,199). The total funds at 31 March 2026 were £435,738 (2025: £589,561) of which £288,500 (2025: £280,180) were unrestricted and £147,238 (2025: £309,381) were restricted.

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 polices 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.

In 2025/26 the Operating Reserve was calculated at £200,000 which equated to three months operating costs. This fell well within the total Unrestricted Reserves for the year of £288,500.

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.

Reporting and monitoring:
The Chief Officer is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Chief Officer will maintain records of the use of funds and plan for replenishment. They will provide regular reports to the Finance Sub Committee/Board of Directors of progress to restore the Funds to the target minimum amount.

Plans for future periods

HTSI plans to review its current organisation strategy throughout 2026/27. In the meantime it will continue to operate its current core activities in line with an annual workplan submitted to Scottish Government. We will also continue to work closely with Highland Council on the Volunteer Academy and Employability services as well as exploring new ideas and opportunities as part of our strategic planning and development.

A significant change for 2026/27 will be the transfer of the Recovery Café to a new legal entity in its own right. A new Recovery Café SCIO will be established with all assets and liabilities for the Recovery Café transferred from HTSI into the new entity in 2026/27.

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 by Mhairi Wylie until April 2026 when Janet Miles took up the role of Chief Officer. The Chief Officer 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:

David Brookfield	
Linda Lawton	
Catherine Wright	(Resigned 21 November 2025)
Natalie Sutherland	(Resigned 27 May 2026)
Owen Cochrane	
Iain Mckenzie	
Kenny Steele	
Corey Spengler-Gathercole	(Resigned 17 November 2025)

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.

Auditor
As part of the trustees' commitment to ensuring value for money and maintaining robust governance arrangements, the audit of the financial statements for the year ending 31 March 2027 is currently subject to a competitive tender exercise. The outcome of the process will be considered by the trustees in due course.

Disclosure of information to auditor
Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

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



Kenny Steele
Trustee
Date: 2/11/26

HIGHLAND THIRD SECTOR INTERFACE LTD

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2026

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.

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 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.

HIGHLAND THIRD SECTOR INTERFACE LTD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS AND 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 2026 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 2026 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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, except to the extent otherwise explicitly stated in our report, 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF HIGHLAND THIRD SECTOR INTERFACE LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

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 144 of the Charities Act 2011 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF HIGHLAND THIRD SECTOR INTERFACE LTD

Use of our report

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

Paul Capewell

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

3 November 2026

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 2026

Current financial year	Notes	Unrestricted funds 2026 £	Restricted funds 2026 £	Total 2026 £	Total 2025 £
Income from:					
Charitable activities	3	800,491	1,638,093	2,438,584	2,141,301
Investments	4	86	-	86	-
Total income		800,577	1,638,093	2,438,670	2,141,301
Expenditure on:					
Charitable activities	5	745,702	1,846,791	2,592,493	2,179,132
Total expenditure		745,702	1,846,791	2,592,493	2,179,132
Net income/(expenditure)		54,875	(208,698)	(153,823)	(37,831)
Transfers between funds		(46,555)	46,555	-	-
Net movement in funds		8,320	(162,143)	(153,823)	(37,831)
Reconciliation of funds:					
Fund balances at 1 April 2025		280,180	309,381	589,561	627,392
Fund balances at 31 March 2026		288,500	147,238	435,738	589,561

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 14 to 29 form part of these financial statements.

HIGHLAND THIRD SECTOR INTERFACE LTD

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2026

Prior financial year	Notes	Unrestricted funds 2025 £	Restricted funds 2025 £	Total 2025 £
Income from:				
Charitable activities	3	849,761	1,291,540	2,141,301
Total income		849,761	1,291,540	2,141,301
Expenditure on:				
Charitable activities	5	825,755	1,353,377	2,179,132
Total expenditure		825,755	1,353,377	2,179,132
Net income/(expenditure)		24,006	(61,837)	(37,831)
Transfers between funds		(807)	807	-
Net movement in funds		23,199	(61,030)	(37,831)
Reconciliation of funds:				
Fund balances at 1 April 2024		256,981	370,411	627,392
Fund balances at 31 March 2025		280,180	309,381	589,561

HIGHLAND THIRD SECTOR INTERFACE LTD

BALANCE SHEET

AS AT 31 MARCH 2026

	Notes	2026 £	2026 £	2025 £	2025 £
Fixed assets					
Tangible assets	12		19,785		26,933
Current assets					
Debtors	13	111,094		252,465	
Cash at bank and in hand		699,676		847,644	
		810,770		1,100,109	
Creditors: amounts falling due within one year	14	(394,817)		(537,481)	
Net current assets			415,953		562,628
Total assets less current liabilities			435,738		589,561
The funds of the charity					
Restricted income funds	17		147,238		309,381
Unrestricted funds	18		288,500		280,180
			435,738		589,561

The notes on pages 14 to 29 form part of these financial statements.

The financial statements were approved by the trustees on 2/11/26

.....

Kenny Steele
Trustee

HIGHLAND THIRD SECTOR INTERFACE LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2026

	Notes	2026 £	£	2025 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	23		(144,286)		420,360
Investing activities					
Purchase of tangible fixed assets		(3,768)		(1,511)	
Investment income received		86		-	
Net cash used in investing activities			(3,682)		(1,511)
Net cash generated from financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(147,968)		418,849
Cash and cash equivalents at beginning of year			847,644		428,795
Cash and cash equivalents at end of year			699,676		847,644

The notes on pages 14 to 29 form part of these financial statements.

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 Basis of preparation

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.

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.
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.

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 Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.11 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.

1.12 Retirement benefits

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

1.13 Grants receivable

Grants are recognised when the charity has an entitlement to the funds and any conditions linked to the grants have been met. Where performance conditions are attached to the grant and are yet to be met, the income is recognised as a liability and included on the balance sheet as deferred income to be released.

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.

3 Income from charitable activities

	Unrestricted funds 2026	Restricted funds 2026	Total 2026	Unrestricted funds 2025	Restricted funds 2025	Total 2025
	£	£	£	£	£	£
Recovery Cafe						
Donations and legacies	-	10,277	10,277	-	7,167	7,167
Grant income	-	7,000	7,000	-	28,400	28,400
Other income	-	43,842	43,842	-	38,560	38,560
Community Justice						
Grant income	-	49,343	49,343	-	50,972	50,972
Projects						
Grant income	-	114,856	114,856	-	236,245	236,245
Other income	-	8,695	8,695	-	-	-
Funding						
Grant income	-	1,404,080	1,404,080	-	927,210	927,210
Other income	-	-	-	-	2,986	2,986
HTSI General						
Donations and legacies	332	-	332	862	-	862
Grant income	760,623	-	760,623	759,592	-	759,592
Other income	39,536	-	39,536	89,307	-	89,307
	800,491	1,638,093	2,438,584	849,761	1,291,540	2,141,301

3 Income from charitable activities (Continued)

Grants received

	Total 2026 £	Total 2025 £
Scottish Government	1,603,879	1,448,421
Highland Alcohol and Drug Partnership	114,673	294,694
The Highland Council	478,961	149,642
NHS Highland	66,537	20,825
Paths for All	-	4,052
Glasgow Council for The Voluntary Sector	49,353	47,632
Mental Health Fund	-	17,154
Police Scotland	999	19,999
Do It Life Social Enterprise	4,000	-
Highlands & Islands Climate Hub	14,500	-
The Wood Foundation	3,000	-
	2,335,902	2,002,419

4 Income from investments

	Unrestricted funds 2026 £	Unrestricted funds 2025 £
Interest receivable	86	-

5 Expenditure on charitable activities

	Recovery Cafe 2026 £	Community Justice 2026 £	Projects 2026 £	Funding 2026 £	LGOWIT 2026 £	HTSI General 2026 £	Total 2026 £
Direct costs							
Depreciation and impairment	298	317	1,209	147	406	8,539	10,916
Direct costs	6,034	20,209	3,233	1,289,091	-	33,616	1,352,183
	6,332	20,526	4,442	1,289,238	406	42,155	1,363,099
Grant funding of activities (see note 6)	-	-	-	-	-	302,534	302,534
Share of support and governance costs (see note 7)							
Support	93,695	63,457	265,460	103,086	149	371,344	897,191
Governance	-	-	-	-	-	29,669	29,669
	100,027	83,983	269,902	1,392,324	555	745,702	2,592,493
Analysis by fund							
Unrestricted funds	-	-	-	-	-	745,702	745,702
Restricted funds	100,027	83,983	269,902	1,392,324	555	-	1,846,791
	100,027	83,983	269,902	1,392,324	555	745,702	2,592,493

5 **Expenditure on charitable activities** (Continued)

Previous year:	Recovery Cafe 2025 £	Community Justice 2025 £	Projects 2025 £	Funding 2025 £	LGOWIT 2025 £	HTSI General 2025 £	Total 2025 £
Direct costs							
Depreciation and impairment	321	317	899	387	606	9,388	11,918
Direct costs	5,839	8,151	47,091	851,919	-	35,404	948,404
	6,160	8,468	47,990	852,306	606	44,792	960,322
Grant funding of activities (see note 6)	-	-	-	-	-	310,805	310,805
Share of support and governance costs (see note 7)							
Support	105,329	57,144	229,577	45,596	201	424,682	862,529
Governance	-	-	-	-	-	45,476	45,476
	111,489	65,612	277,567	897,902	807	825,755	2,179,132
Analysis by fund							
Unrestricted funds	-	-	-	-	-	825,755	825,755
Restricted funds	111,489	65,612	277,567	897,902	807	-	1,353,377
	111,489	65,612	277,567	897,902	807	825,755	2,179,132

6 Grants paid out

	HTSI General 2026 £	HTSI General 2025 £
Grants to institutions:		
CVG	75,213	76,628
SLCVO	57,431	57,431
VABS	46,256	47,139
VAL	64,603	69,466
VG ES	59,031	60,141
	302,534	310,805

-

7 Support costs allocated to activities

	2026 £	2025 £
Staff costs	803,533	759,196
Operating lease charges	20,500	18,900
Property expenses	20,624	24,405
Insurance	2,398	2,349
Telephone	11,274	15,961
Sundry expenses	381	500
Bank charges	169	125
Expenses	13,050	13,173
IT equipment and accessories	6,054	8,039
Software	19,208	19,881
Governance costs	29,669	45,476
	926,860	908,005
Analysed between:		
Recovery Cafe	93,695	105,329
Community Justice	63,457	57,144
Projects	265,460	229,577
Funding	103,086	45,596
LGOWIT	149	201
HTSI General	401,013	470,158
	926,860	908,005

7 Support costs allocated to activities (Continued)

Governance costs comprise:	2026 £	2025 £
Audit fees	23,802	40,466
Accountancy	5,867	5,010
	29,669	45,476

8 Auditor's remuneration

Fees payable to the charity's auditor and associates:

	2026 £	2025 £
For audit services		
Audit of the financial statements of the charity	23,802	29,239
Audit of prior year accounts	-	11,227
	23,802	40,466
For other services		
All other non-audit services	5,867	5,010

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:

	2026 Number	2025 Number
Management and support staff	27	26

Employment costs	2026 £	2025 £
Wages and salaries	700,087	670,995
Social security costs	75,031	55,627
Other pension costs	28,415	32,574
	803,533	759,196

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

10 Employees (Continued)

Remuneration of key management personnel

The remuneration of key management personnel was as follows:

	2026	2025
	£	£
Aggregate compensation	49,529	54,795

11 Taxation

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

12 Tangible fixed assets

	Property improvements	Fixtures and fittings	Office equipment	Total
	£	£	£	£
Cost				
At 1 April 2025	35,223	23,509	36,138	94,870
Additions	-	-	3,768	3,768
At 31 March 2026	35,223	23,509	39,906	98,638
Depreciation and impairment				
At 1 April 2025	17,611	21,008	29,318	67,937
Depreciation charged in the year	3,522	1,355	6,039	10,916
At 31 March 2026	21,133	22,363	35,357	78,853
Carrying amount				
At 31 March 2026	14,090	1,146	4,549	19,785
At 31 March 2025	17,612	2,501	6,820	26,933

13 Debtors

	2026	2025
Amounts falling due within one year:	£	£
Trade debtors	52,232	206,239
Other debtors	32,695	32,695
Prepayments and accrued income	26,167	13,531
	111,094	252,465

14 Creditors: amounts falling due within one year

	Notes	2026 £	2025 £
Other taxation and social security		4,736	14,603
Deferred income	15	345,267	496,583
Trade creditors		1,848	-
Other creditors		3,004	3,915
Accruals		39,962	22,380
		394,817	537,481

15 Deferred income

	2026 £	2025 £
Other deferred income	345,267	496,583

Deferred income is included in the financial statements as follows:

	2026 £	2025 £
Deferred income is included within:		
Current liabilities	345,267	496,583
Movements in the year:		
Deferred income at 1 April 2025	496,583	153,575
Released from previous periods	(496,583)	(153,575)
Resources deferred in the year	345,267	496,583
Deferred income at 31 March 2026	345,267	496,583

Deferred income relates to funds received from the Digital Inclusion Alliance and The Highland Council for distribution in future years.

16 Retirement benefit schemes

Defined contribution schemes	2026 £	2025 £
Charge to profit or loss in respect of defined contribution schemes	28,415	32,574

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.

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 2025	Incoming resources	Resources expended	Transfers	At 31 March 2026
	£	£	£	£	£
Recovery Cafe	788	61,118	(100,026)	-	(38,120)
Community Justice	176,768	49,343	(83,983)	-	142,128
Projects	89,890	123,551	(269,903)	46,000	(10,462)
Funding	41,935	1,404,081	(1,392,324)	-	53,692
LGOWIT	-	-	(555)	555	-
	309,381	1,638,093	(1,846,791)	46,555	147,238

Previous year:	At 1 April 2024	Incoming resources	Resources expended	Transfers	At 31 March 2025
	£	£	£	£	£
Recovery Cafe	38,150	74,127	(111,489)	-	788
Community Justice	191,408	50,972	(65,612)	-	176,768
Projects	131,212	236,245	(277,567)	-	89,890
Funding	9,641	930,196	(897,902)	-	41,935
LGOWIT	-	-	(807)	807	-
	370,411	1,291,540	(1,353,377)	807	309,381

17 Restricted funds (Continued)

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: Custody Links Project, Equalities, Refugee Resettlement Officer, Digital Inclusion Alliance, Volunteer Academy and Social Prescribing Mapping. The transfer relates to the contribution to HTSI costs for the Volunteer Academy Development, launch and website.

Funding
This fund includes multiple funding projects which received restricted funding, including: Alcohol and Drug Partnership, Scottish Government Mental Health Funding and NHS 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 2025	Incoming resources	Resources expended	Transfers	At 31 March 2026
	£	£	£	£	£
Designated funds	-	200,000	-	-	200,000
General funds	280,180	600,577	(745,702)	(46,555)	88,500
	280,180	800,577	(745,702)	(46,555)	288,500

Previous year:	At 1 April 2024	Incoming resources	Resources expended	Transfers	At 31 March 2025
	£	£	£	£	£
General funds	256,981	849,761	(825,755)	(807)	280,180

18 Unrestricted funds **(Continued)**

Unrestricted funds

Designated fund

These funds represent the Board-Designated Operating Reserve.

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 £710,528 (2025 - £710,528).

19 Analysis of net assets between funds

	Unrestricted funds 2026 £	Restricted funds 2026 £	Total 2026 £
At 31 March 2026:			
Tangible assets	16,856	2,929	19,785
Current assets/(liabilities)	271,644	144,309	415,953
	288,500	147,238	435,738

	Unrestricted funds 2025 £	Restricted funds 2025 £	Total 2025 £
At 31 March 2025:			
Tangible assets	24,044	2,889	26,933
Current assets/(liabilities)	256,136	306,492	562,628
	280,180	309,381	589,561

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 10 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:

	2026 £	2025 £
Within one year	19,200	19,892
Between two and five years	56,000	75,200
	75,200	95,092

The amount of non-cancellable operating lease payments recognised as an expense during the year was £19,892 (2025: £20,584).

21 Events after the reporting date

The charity is in the process of separating the Recovery Café (Café 1668), including all assets and liabilities, from the charity into a new legal entity. This process is ongoing, with completion planned in 2026/27. The charity will receive no consideration for the transaction. During the year to 31 March 2026, income from the café represented approximately 3.5% of the charity's total incoming resources. However, as the café's income is restricted for use by the café, the separation of the café from the charity is not expected to impact the charity's other activities.

22 Related party transactions

Transactions with related parties

During the year the charity entered into the following transactions with related parties:

22 Related party transactions (Continued)

Expenses of £1,373 (2025: £1,987) were paid to key management as reimbursement for expenses paid personally. These expenses were in relation to travel and phone costs.

Organisations connected to one or more of the Trustees were paid £296 (2025: £Nil) as reimbursement for expenses paid on behalf of the charity. Organisations connected to one or more of the Trustees were paid £Nil (2025: £49,848) in grant funding. The grant funding was part of the MHWF.

This was approved by the other directors and the payments were made in accordance with the charitable company's governing document.

The charity received income of £195 (2025: £250) from organisations connected to one or more of the Trustees. The income was in relation to room hire, meetings and a vacancy advert.

23 Cash (absorbed by)/generated from operations

	2026	2025
	£	£
Deficit for the year	(153,823)	(37,831)
Adjustments for:		
Investment income recognised in statement of financial activities	(86)	-
Depreciation and impairment of tangible fixed assets	10,916	11,918
Movements in working capital:		
Decrease in debtors	141,371	91,568
Increase in creditors	8,652	11,697
(Decrease)/increase in deferred income	(151,316)	343,008
Cash (absorbed by)/generated from operations	(144,286)	420,360

24 Analysis of changes in net funds

The charity had no material debt during the year.