

**INVERCLYDE LEISURE**  
**TRUSTEES REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2019**

**Scottish Charity No. SC032161**

**Company Registration No. SC223197 (Scotland)**

## **INVERCLYDE LEISURE**

### **COMPANY INFORMATION**

#### **TRUSTEES**

A. Hetherington  
C. Jewell  
W. Hawthorne  
R. Ahlfeld (resigned 3 May 2019)  
J. Clocherty  
G. Brooks  
P. Gupta  
J. McEleny  
C. Wilson  
L. Quinn (appointed 15 July 2019)

#### **SECRETARY**

A. Lavelle

#### **COMPANY NUMBER**

SC223197

#### **CHARITY NUMBER**

SC032161

#### **REGISTERED OFFICE**

Waterfront Leisure Complex  
Customhouse Way  
Greenock  
Inverclyde PA15 1EW

#### **AUDITORS**

Welsh Walker Limited  
179A Dalrymple Street  
Greenock PA15 1BX

#### **BANKERS**

Bank of Scotland  
64/66 West Blackhall Street  
Greenock PA15 1XG

#### **SOLICITORS**

Patten & Prentice  
2 Ardgowan Square  
Greenock PA16 8PP

# INVERCLYDE LEISURE

## CONTENTS

	<b>Page</b>
Trustees' Report	1 – 9
Independent Auditors' Report	10 - 12
Consolidated Income & Expenditure Account	13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Financial Activities	15
Company Statement of Financial Activities	16
Consolidated Balance Sheet	17
Company Balance Sheet	18
Consolidated Cash Flow Statement	19
Notes to the Financial Statements	20 - 33

**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019**

The trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2019 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities and Trustees Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Report Standard applicable in the UK and Republic of Ireland (FRS 102).

**Our purposes and activities****The Charity's objectives are:**

- (i) To provide affordable quality sport and leisure opportunities for all residents and visitors to Inverclyde;
- (ii) To continually improve the service to our customers by developing the effectiveness of our staff and our working practices, as well as addressing service quality, variety and responding to changing trends and needs;
- (iii) To work with partner agencies, health, education, Inverclyde Council to promote good health throughout our communities with particular reference to the role that regular exercise plays in maintaining a healthy lifestyle.

**The strategies employed to achieve the charities aims and objectives are:**

- (i) Executive Management Team keeping abreast of current developments and trends within the industry. Information is obtained on this from media, industry literature, liaising with colleagues in other Leisure Trusts throughout the UK and attendance at conferences;
- (ii) Provision of a focused staff training programme to keep our staff best equipped to meet the needs of our customers;
- (iii) Regular contact with our partners and customers to determine their changing needs;
- (iv) Deliver products and services to our overall mission statement of "Providing Great Products & Fun Activity for our Customers";
- (v) Implementing our values across Inverclyde Leisure of Enthusiasm, Being Positive, Professional, Open Minded, Innovative and Honest;
- (vi) Implementing our vision of "be the best in the eyes of our customers, employees and our stakeholders".

**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)****Achievements and performance**

It's been a fantastic year for development with year 2 of the 2017/20 Strategic Plan laying down some solid foundations to build on with new developments being planned and implemented in the year. This could not have been achieved without our teams going the extra mile driving sustained change in many business areas.

The Board of Directors have guided these changes giving advice and support when needed and many of these projects were made possible by our partnership working with Inverclyde Council creating opportunities for a healthier Inverclyde.

Financially, we have had another successful year and have grown income to £6.9m an increase of £200k on the previous year and delivered a small operating surplus. Income in our core activities also grew by over £360k which allowed us to reduce council funding by £92k and invest £229k of capital expenditure in the year. Usage grew again from the previous year to 1.61 million visits. This was an increase of approximately 5% and 70,000 visits.

We also developed our employees by partnering with the University of the West of Scotland to deliver Chartered Management Institute training level 6, 8 and 11 and celebrated our employees through the Annual Excellence Awards.

The company continued to have a strong market presence in the area working with our partners at Bigwave media to deliver many campaigns throughout the year, developing new branding and designing and implementing the new Inverclyde Leisure mobile app.

Information Technology remains a key area for IL and we continue to look at new technology to see if they are applicable to leisure. In the year we installed our first self-service kiosk, developed the IL app, researched RFID fast access, improved access control and continued our IT and phone lifecycle replacement strategy.

We continued to invest in the facilities along with our partners Inverclyde Council in preventive and reactive maintenance and also carried out a number of upgrades to lighting, replacing units with LED lights, refurbishing studios at Waterfront and Boglestone and the refurbishment of Lady Octavia and the Indoor Bowling.

Lady Octavia was launched in February to include our third Fitness for Less club and business development remained a core focus throughout the year. This included developing new plans for Boglestone with soft play, café and gym upgrade, a bid for a new tennis centre to include toddler play, gym and vended café, embedding the new café, a skill bike studio at the Waterfront and managing the refurbishment of the bowling centre. We also continued to drive key areas of the business including swim school, skate school, CrossFit, children's activities, ticketed events, fitness and memberships.

We did extremely well in the year delivering customer service through several different platforms. This included "you said we did boards", customer surveys, comments cards, formal feedback, the WOW customer comments system "catching our employees doing things right", national benchmarking and NPS. This helped us achieve 89% of our customers surveyed being very satisfied with our employee's customer service. We achieved 1st place out of 509 leisure clubs, public and private, for outstanding customer satisfaction as part of the NPS surveys and the 3<sup>rd</sup> highest in Scotland with 87% of Inverclyde residents being satisfied with local leisure facilities as part of the National Benchmarking Survey. We also achieved a National Award for Quality Service Provider of the year at the WOW Awards.

The company continued to improve its audit scores for quality management delivering a corporate average of 87% which was 9% above target for year 2 and Health & Safety audits saw a slight improvement of 1% above target to 88%.

Health and wellbeing saw some great results with Live Active referral baseline appointments growing 7%, vitality attendances growing by 53% and supported sessions growing 20%. Move More Cancer rehab session made solid progress with 564 hours of participant interactions.

## **INVERCLYDE LEISURE**

page 3

### **REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)**

#### **Achievements and performance (cont'd)**

The Town Halls had some fabulous bookings including 16 weddings, Ardgowan Hospice, the Medical Aid Society, Amazon, EE, Buchanans and River Clyde Homes. We also had several bookings and organised events as part of our showcase brand, these included Oasis vs Stone Roses tribute acts, U2 tribute, Example, Red Hot Chili Pipers and Hogmanay with Big Vern & The Shootahs. We also saw an increase in community bookings of 6%.

Parks and Pitches in the year saw significant changes to the operation with a full review of the service decreasing costs by 33% but also increasing parks and pitches income by 18%. The team also catered for Greenock Morton at Parklea, the Paisley and Johnstone football league at Battery Park, Denmark under 19s women's national team, Poland's under 17s football team as well as a number of Inverclyde Football, Rugby and Athletics club bookings.

Fitness Gyms and Sports Facilities saw another fantastic year with a growth in total membership of 374 members and overall income growing by £179K. The team delivered many new initiatives at the Bowling, Lady Octavia, Ravenscraig and Boglestone. The team also helped drive the sporting and event program this included Primary School Athletics, Group Fitness Launches, Gourock Triathlon, Kilmacolm Running Festival and launching Tennis at Greenock Sports Centre.

In the year Swim School income remained steady with a slight growth at Port Glasgow Pool. Skate School continued to grow finishing the year with the excellent skate show produced by our dedicated team selling over 1,000 tickets. We also invested in the Waterfront with new skate accessories to help tuition, launched the Skillbike studio, purchased a Zamboni ice machine, upgraded the Waterfront toilets and fully launched the Parent Portal for swimming lessons

We achieved a lot in the year thanks to the dedication and commitment of our employees, the board and the continued support from Inverclyde Council.

#### **Financial Review**

Inverclyde Leisure had a very successful year delivering an operating surplus of £1,521.

Income in core activities grew whilst continuing in partnership with Inverclyde Council to reduce the management fee received.

After adjusting for pension costs and actuarial loss on pension costs, Inverclyde Leisure reported total losses of £1,465,479.

Inverclyde Leisure are reporting total funds of the charity of (£1,182,610).

#### **Principal Funding Sources**

The principal funding source for the Company is the management fee receivable from Inverclyde Council. The percentage of our turnover arising from this element in 2018/19 was 18.3% (20.2% 2017/18). This reflects both the slight increase in income generated from customers and reduction in management fee (£91,678). In the first year of the Company's life (2001/02) the management fee accounted for 52% of total income. In 2018/19 £93,130 (2017/18 £78,580) was financed through contributions from funds allocated by the NHS & MacMillan to improve the health and lifestyle of the population.

#### **Investment Policy**

All the Company's funds are held in an interest bearing bank current account.

**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)****Reserves Policy and Going Concern**

The unrestricted reserves, excluding the pension provision of the Company, stood at £585,417 at 31 March 2019 compared to £453,892 in the previous year.

Inverclyde Leisure is an admitted body to Strathclyde Pension Fund so employees are entitled to join the Local Government Pension Scheme (LGPS). Therefore, the Financial Statements show the amounts contributed by the council to the scheme in the year. The LGPS is a defined benefit scheme, requiring an actuarial assessment of the Company's overall assets and liabilities to be included in the Financial Statements. The 2018/19 actuarial report shows a £2,242,000 pension liability as at 31 March 2019.

The increase in the liability relates to actuarial loss.

The accounts for the year recognise the cost of retirement benefits when employees earn them, rather than when the benefits are eventually paid as pensions. However, our business plan is based on the cash payable in the year.

The LGPS is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over time. The actuarial assessment provides only a snapshot as at 31 March 2019 and necessarily changes on a day-to-day basis to reflect stock market movements in particular. The appointed actuaries remain of the view that the asset holdings of the fund and the contributions from employees and employers provide sufficient security and income to meet future pension liabilities.

Despite the pension liability, the trustees are of the opinion that the Charitable Company have the necessary funds to continue for a period in excess of 12 months and that the accounts should therefore be prepared on the going concern basis.

**Plans for future periods**

Building on the success of Inverclyde Leisure's last Business Plan which saw the refurbishment of Ravenscraig Activity Centre, development of low cost gyms in Inverclyde, reduced the price barrier to many customers, diversification into new market places, increased usage of facilities, new branding and increased marketing of facilities, increased membership, more swimming and skating lessons, increased usage of health related services, the inclusion of parks & pitches and the development of events within community facilities.

The remaining year of Inverclyde Leisure's current strategic plan focuses on "Providing Great Products and Fun Activity for our Customers" whilst providing value for money, promoting healthier and more active communities and providing a choice of imaginative products and services.

The company's vision remains the same, "to be the best in the eyes of customers, employees and our stakeholders", and we aim to achieve the vision through working with a transparent framework of core values these include:-

- Enthusiasm
- Being Positive
- Being Professional
- Being Open minded
- Innovative
- Honest

Inverclyde Leisure's strategic direction aims to retain its customer base and expand its operation. Retention deals with our existing customer base aiming to keep our customer for as long as possible in our product portfolio. Expansion seeks to develop new products in our current business and potentially new business. This strategy will see Inverclyde Leisure in its core market of leisure, fun activity and health.

Detailed market research has been carried out. This includes economic and political outlook, UK economic outlook, Scottish economy, local government funding, non-domestic rates, council tax, councils' capital spending and an overview of the UK Leisure market and although the outlook is uncertain, leisure has seen continual growth over the past few years nationally especially in the low-cost sector.

**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)****Plans for future periods (cont'd)**

The research section also covers the areas demographics including population, ethnic make-up and social grades. The catchment maps form 10-minute drive time from facilities and consumer research and shows a potential decrease in population over the coming years therefore a need to attract people from outside of Inverclyde.

The plan includes a detailed SWOT and PEST analysis that highlights approaches to the business and has helped shape the new objectives to drive the business.

The customer research demonstrated an encouraging improvement on the previous business plan with 99.5% of the customers surveyed committing on our staff being friendly, helpful and approachable, 98.5% of our customers committing we were good value for money and 86% of our customer scoring Inverclyde Leisure 8 or above in the net promoter survey.

In terms of the Corporate Strategy, Inverclyde Leisure continues to develop and improve corporate services with a number of new and creative initiatives, such as the development of Human Resources.

Marketing continues to go from strength to strength with the development of Strategic support on a monthly basis and a new marketing and promotion calendar. There is a greater emphasis in the plan on the implementation of electronic forms of marketing and the targeting of key demographics through automation of data sets.

We continue to develop our Information Technology platforms by working with our software providers developing new initiatives to keep up to date with the latest customer trends. This includes: creating customer portals, improving electronic systems for facilities management, sports courses, HR, beacons and access control.

Customer service continues to be a focus of Inverclyde Leisure with a commitment to the WOW! Awards. Awards work with organisations across the world, helping them to engage with their customers in a positive way. They provide Inverclyde Leisure with the tools to make it easy for our customers to tell us when we have delivered great service for them, and then to give positive recognition to the employees in our organisation that are delivering that great service. The aim of the WOW! Awards is to be motivational, inspirational, encourage our employees to deliver great customer service at a consistently high standard.

Over the next year we will continue to improve and develop our Quality Management System and Health and Safety systems by committing to improved external audit scores. It will remain the cornerstone for quality at IL with the concept of the customer and supplier working together for mutual benefit.

The operation team help to drive change in the organisation. The team are committed to delivering high quality leisure and community facilities within Inverclyde. The aim is to continue to develop stronger partnerships, enhance our Inverclyde Leisure brand, improving activity, diversify products and services, increase usage, develop income and deliver quality throughout the operation. The operational strategy continues to focus on the delivering good quality services at all sites and developing key areas of the business.



**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)****Plans for future periods (cont'd)**

Four areas have some major operational improvements. Health and wellbeing aims to increase the amount of programmed activity and referrals. Inverclyde Leisure aim to improve Health and wellbeing by:-

- Encourage and enable the inactive to be more active
- Encourage and enable the active to stay active throughout Life
- Support wellbeing and resilience in communities through physical activity and sport
- Develop physical confidence and competence from the earliest age
- Improve opportunities to participate progress and achieve in sport

Community Halls and pitches aims to further advance bookings and develop new Inverclyde Leisure ticketed promotion calendar to include tribute acts, comedians, party nights, pantos, shows, local band challenges, travelling entertainment and Burns suppers to help build stronger foundations at the halls. Parks and pitches will be continually reviewed by Inverclyde Leisure to ensure they are being run efficiently.

Fitness gyms and sports facilities continue to see growth potential, especially in the budget gyms and children's activities, and the potential for new opportunities for family activity and the expansion of the fitness programme.

The Waterfront and swimming Pools see the development of the lesson programme for both swimming and skating as well as the increased development of targeted marketing to drive customers to our centres.

Inverclyde Leisure has made a commitment of 2% cut per year in the current funding agreement but realises that with the pressure on public funds, this will decrease further.

**Trustees' responsibilities in relation to the financial statements**

The trustees (who are the directors of Inverclyde Leisure for the purpose of company law) are responsible for preparing the Trustees Annual 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)**

**Reference and administrative details**

Trustees delegate authorities to the Chief Executive, Kieron Vango. The specific authorities are contained in the "Scheme of Delegation to the Chief Executive" approved in November 2002.

Charity number: SC032161  
Company number: SC223197  
Registered office: Waterfront Leisure Complex, Customhouse Way, Greenock, PA15 1EW

**Our Advisors**

Auditors: Welsh Walker Limited, 179a Dalrymple Street, Greenock, PA15 1BX  
Bankers: Bank of Scotland, 64/66 West Blackhall Street, Greenock, PA15 1XG  
Solicitors: Patten & Prentice, 2 Ardgowan Square, Greenock, PA16 8PP

**Key management personnel: Trustees' and Directors**

The directors of the charitable company (the charity) are its trustees for the purpose of charity law.

The trustees and officers serving during the year and since the year end were as follows:

C. Jewell  
W. Hawthorne  
R. Ahlfeld (resigned 3 May 2019)  
A. Hetherington  
J. Clocherty  
G. Brooks  
P. Gupta  
J. McEleny  
C. Wilson  
L. Quinn (appointed 15 July 2019)

**Trustees interests**

There are no trustees' interests requiring disclosure under the Companies Act 2006.

**Key management personnel**

The trust operates with a team of managers with tasks delegated accordingly. Overall responsibility for the trust lies with the trustees, however it is the opinion of the Trustees that the Chief Executive, Head of Leisure Community Facilities and the Finance Manager should be considered as the Key Management Personnel of the Charitable Company.

**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)****Structure, Governance and Management****Governing Document**

The organisation is a charitable company limited by guarantee, incorporated on 10 September 2001 and registered as a charity on 14 September 2001. The company was established under a Memorandum which established the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up, members are each required to contribute an amount not exceeding £1.00.

**Appointment of Trustees**

The subscribers to the Memorandum of the Company and such other persons are admitted to membership in accordance with the Articles shall be Members of the Company. There shall be a maximum of 9 Members at any time.

There are two classes of Members (1) "Nominated Members" and (2) "Co-opted Members" which make up the 9 Trustees.

There are presently 5 "Nominated Members" made up as follows:

- 4 from Inverclyde Council
- 1 employee from the Company – employees offer themselves for appointment to serve for a period of three years. An interview process is then carried out by the Trustees before an appointment is made. The last selection process was on 1 February 2017.

The remaining four Members are chosen from the business and local community. Their experience and expertise strengthen and broaden that of the Board of Trust

**Procedures for Induction and Training of Trustees**

At the inception of the Company, all Trustees attended a workshop at which the Company's Solicitors explained their roles and responsibilities. When a new Trustee is appointed or circumstances change, Trustees are updated on their roles and responsibilities by the Company's Solicitors.

**Organisation Structure**

A Scheme of Delegation is in place and responsibility for the day to day operation of the Company rests with the Chief Executive and Executive Management Team comprising of the Head of Leisure and Community Facilities and Finance Manager.

**Details of Any Related Parties**

There is a Funding Agreement between Inverclyde Council and the Company. The Company provides the services as defined in the Agreement in return for the payment by the Council to the Company of a management fee upon the terms and conditions contained in the document.

The company also has a trading subsidiary, Inverclyde Leisure Trading Limited, consolidated in the attached Financial Statements.

The charitable company also employs family members of those identified as Key Management Personnel. Details of their salaries have been included in note 20 to the account.

**Statement on Risk Management**

Greenwood Insurance Brokers review our insurance cover on a bi-annual basis to highlight any uninsured risk and expose elements of cover that require adjusting or deleting. Insurance cover based on this assessment is in place.

Inverclyde Leisure management confirm on an ongoing basis that best practice inherent in the operating procedures and financial regulations is being followed at all locations.

Risk Management within the Charity continues to develop and the Executive Management Team is committed to continuing to make satisfactory progress to ensure neither Inverclyde Leisure nor Inverclyde Council are exposed to business failure. Inverclyde Leisure now has a risk register in place which is reviewed on a regular basis.

**REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2019 (Cont'd)**

**Auditors**

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

**Statement as to disclosure to our auditors**

In so far the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

By order of the board of trustees

W. Hawthorne  
**Chairperson and Director**

**2019**

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF INVERCLYDE LEISURE****Opinion**

We have audited the financial statements of Inverclyde Leisure (the 'charitable company') for the year ended 31 March 2019 which comprise Consolidated Income and Expenditure Account, Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Activities, Consolidated and Parent Company Balance Sheets, Consolidated Cash Flow Statement, and notes to the financial statements, including a summary of 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 group and parent charitable company's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 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 charitable company 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**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. 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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## **INVERCLYDE LEISURE**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF INVERCLYDE LEISURE**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- The information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Trustees' Report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require 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 Trustees' responsibilities statement (set out on page 6), the Trustees (who are also the directors of the charitable company for the purposes 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 group and parent charitable company'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 group or parent 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 under Companies Act 2006 and report in accordance with the Acts 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://frc.org.uk/auditorsresponsibilities>. The description forms part of our auditor's report.

**INVERCLYDE LEISURE**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND TRUSTEES OF INVERCLYDE LEISURE**

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and 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 charitable company's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

**Craig Lindsay (Senior Statutory Auditor)**

**Date: 2019**

**For and on behalf of Welsh Walker Ltd  
Chartered Accountants  
Statutory Auditor**

**179A Dalrymple Street  
Greenock  
PA15 1BX**

## CONSOLIDATED INCOME &amp; EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
<b>Income</b>		6,794,946	6,678,388
Cost of sales		(4,474,469)	(4,354,740)
		<hr/>	<hr/>
<b>Gross Surplus</b>		2,320,477	2,323,648
Administrative expenses		(2,403,510)	(2,313,556)
Other operating income		93,130	61,435
		<hr/>	<hr/>
<b>Operating Surplus</b>	<b>5</b>	10,097	71,527
Other interest receivable and similar income		7,095	3,697
Interest payable and similar charges		(15,671)	(16,909)
		<hr/>	<hr/>
<b>Operating Surplus after interest</b>		1,521	58,315
Other finance costs		(730,000)	(392,000)
<b>(Deficit) for the financial year</b>		<hr/> <u>(728,479)</u>	<hr/> <u>(333,685)</u>
Where of:			
Inverclyde Leisure		(896,121)	(455,440)
Inverclyde Leisure Trading Services Ltd		167,642	121,755
		<hr/> <u>(728,479)</u>	<hr/> <u>(333,685)</u>
		<hr/> <u>=====</u>	<hr/> <u>=====</u>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
<b>(Deficit) for the financial year</b>		(728,479)	(333,685)
Actuarial (loss) / gain on pension scheme	13	(737,000)	165,000
<b>Total losses recognised since last financial statements</b>		<u>(1,465,479)</u> =====	<u>(168,685)</u> =====

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 Unrestricted Funds £	2019 Restricted Funds £	2019 Total Funds £	2018 Total Funds £
<b>Incoming resources from:</b>					
Grants		-	56,300	56,300	61,435
Charitable activities		5,222,945	-	5,22,945	5,052,246
Other trading activities		350,311	-	350,311	275,944
Other	3	1,265,615	-	1,265,615	1,353,895
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>		6,838,871	56,300	6,895,171	6,743,520
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditure on:</b>					
Raising funds	4(a)	182,669	-	182,669	168,120
Charitable activities	4(b)	7,307,339	133,642	7,440,981	6,909,085
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>		7,490,008	133,642	7,623,650	7,077,205
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net expenditure</b>		(651,137)	(77,342)	(728,479)	(333,685)
<b>Transfers between funds</b>		(18,507)	18,507	-	-
<b>Other recognised (losses) / gains:</b>					
Actuarial (losses) / gains on defined benefit pension schemes		(737,000)	-	(737,000)	165,000
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net movement in funds</b>		(1,406,644)	(58,835)	(1,465,479)	(168,685)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Reconciliation of funds</b>					
Total funds brought forward		(229,858)	512,727	282,869	451,554
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total funds carried forward</b>		(1,636,502)	453,892	(1,182,610)	282,869
		=====	=====	=====	=====

## COMPANY STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 Unrestricted Funds £	2019 Restricted Funds £	2019 Total Funds £	2018 Total Funds £
<b>Incoming resources from:</b>					
Grants		-	56,300	56,300	61,435
Charitable activities		5,222,945	-	5,222,945	5,052,246
Other	3	1,433,257	-	1,433,257	1,461,719
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>		6,656,202	56,300	6,712,502	6,575,400
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditure on:</b>					
Charitable activities	4(b)	7,307,339	133,642	7,440,981	6,909,085
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>		7,307,339	133,642	7,440,981	6,909,085
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net expenditure</b>		(651,137)	(77,342)	(728,479)	(333,685)
<b>Transfers between funds</b>		(18,507)	18,507	-	-
<b>Other recognised (losses) / gains:</b>					
Actuarial (losses) / gains on defined benefit pension schemes		(737,000)	-	(737,000)	165,000
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net movement in funds</b>		(1,406,644)	(58,835)	(1,465,479)	(168,685)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Reconciliation of funds</b>					
Total funds brought forward		(229,858)	512,727	282,869	451,554
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total funds carried forward</b>		(1,636,502)	453,892	(1,182,610)	282,869
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		1,221,952		1,285,736
<b>Current assets</b>					
Stocks	9	13,176		19,305	
Debtors	10	587,654		415,464	
Cash at bank and in hand		429,185		1,099,622	
		1,030,015		1,534,391	
<b>Creditors: amounts falling due within one year</b>	11	(751,048)		(1,278,840)	
<b>Net current assets</b>			278,967		255,551
<b>Total assets less current liabilities</b>			1,500,919		1,541,287
<b>Creditors: amount falling due after more than one year</b>	11		(441,529)		(483,418)
<b>Net assets excluding pension liability</b>			1,059,390		1,057,869
<b>Pension scheme liability</b>	13		(2,242,000)		(775,000)
<b>Net assets including pension liability</b>			(1,182,610)		282,869
<b>The Funds of the Charity:</b>					
Unrestricted income funds excluding pension liability	16		605,498		545,142
Restricted funds	16		453,892		512,727
Pension provision	16		(2,242,000)		(775,000)
<b>Total funds of the charity</b>			(1,182,610)		282,869

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 44 of the Charities and Trustee Investment (Scotland) Act 2005. These accounts are prepared in accordance with the special provisions of part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

The notes on the following pages form part of these accounts.

Signed:

Name: W Hawthorne

On behalf of the Trustees

Approved by the Trustees on: 2019

Company Registration No. SC223197

## COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		1,221,952		1,285,736
Investments	8		1		1
			<u>1,221,953</u>		<u>1,285,737</u>
<b>Current assets</b>					
Stocks	9	5,531		6,621	
Debtors	10	595,298		428,147	
Cash at bank and in hand		429,185		1,099,622	
		<u>1,030,014</u>		<u>1,534,390</u>	
<b>Creditors: amounts falling due within one year</b>	11	(751,048)		(1,278,840)	
<b>Net current assets</b>			<u>278,966</u>		<u>255,550</u>
<b>Total assets less current liabilities</b>			<u>1,500,919</u>		<u>1,541,287</u>
<b>Creditors: amount falling due after more than one year</b>	11		(441,529)		(483,418)
<b>Net assets excluding pension liability</b>			<u>1,059,390</u>		<u>1,057,869</u>
<b>Pension scheme liability</b>	13		(2,242,000)		(775,000)
<b>Net assets including pension liability</b>			<u>(1,182,610)</u>		<u>282,869</u>
<b>The Funds of the Charity:</b>					
Unrestricted income funds excluding pension liability	16		605,498		545,142
Restricted funds	16		453,892		512,727
Pension provision	16		(2,242,000)		(775,000)
<b>Total funds of the charity</b>			<u>(1,182,610)</u>		<u>282,869</u>

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 44 of the Charities and Trustee Investment (Scotland) Act 2005. These accounts are prepared in accordance with the special provisions of part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

The notes on the following pages form part of these accounts.

Signed:

Name: W Hawthorne

On behalf of the Trustees

Approved by the Trustees on: 2019

Company Registration No. SC223197

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	£	2019	£	2018	£
<b>Cash flows from operating activities</b>						
<b>Net cash (used in) / provided by Operating activities</b>	<b>23</b>			(398,136)		465,115
<b>Cash flow from investing activities</b>						
Purchase of property, plant and equipment		(230,412)		(170,600)		
Proceeds from disposal of tangible fixed assets		-		250		
<b>Net cash used in investing activities</b>				(230,412)		(170,350)
<b>Cash flows from financing activities</b>						
Repayments of borrowing		(41,889)		(48,593)		
<b>Net cash used in financing activities</b>				(41,889)		(48,593)
<b>Net change in cash and cash equivalents in the reporting period</b>				(670,437)		246,172
<b>Cash and cash equivalents at the beginning of the reporting period</b>				1,099,622		853,450
<b>Cash and cash equivalents at the end of the reporting period</b>				429,185		1,099,622

## **1. Accounting Policies**

Inverclyde Leisure is a charitable company limited by guarantee and has no share capital. The Registered Office is Waterfront Leisure Complex, Customhouse Way, Greenock, PA15 1EW.

### **1.1 Accounting Convention**

The Financial Statements have been prepared in accordance with 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 (FRS102) (effective 1 January 2015) – Charities SORP (FRS102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) and the Companies Act 2006.

Inverclyde Leisure meets the definition of a public benefit entity under FRS102.

The Financial Statements are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts in these Financial Statements are rounded to the nearest £.

The Financial Statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies are set out below.

### **1.2 Going Concern**

The trustees are of the view that the trust is financially secure for the next 12 to 18 months. On this basis, the assessment of the trustees is that the charity is a going concern.

Whilst the Balance Sheet shows the funds of the charity to be in net deficit, the pension liability constitutes a balance greater than the deficit.

As stated in Note 13, Inverclyde Council will assume any liability for the pension, should the charity cease to exist.

For this reason, the Trustees have considered the financial position of the charity without the pension liability, and are of the opinion that the charity has healthy reserves.

### **1.3 Group Financial Statements**

The financial statements consolidate the results of the charity and its wholly owned subsidiary Inverclyde Leisure Trading Services Limited.

### **1.4 Income**

Items of income are recognised and included in the accounts when all of the following criteria are met:

- The charity or its subsidiary have entitlement to the funds;
- Any performance conditions attached to the items of income have been met or are fully within the control of the charity or its subsidiary;
- There is sufficient certainty that receipt of the income is considered probably; and
- The amount can be measured reliably.

### **1.5 Interest Receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

**1. Accounting Policies (cont'd)**

**1.6 Fund Accounting**

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Restricted funds are grants which the funder has specified are to be solely used for particular areas of the Trust's work or for specific projects being undertaken by the Trust.

**1.7 Expenditure and Irrecoverable VAT**

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity heading:

- Expenditure on charitable activities includes the costs of providing leisure facilities and the associated support costs.

Irrecoverable VAT is charged as a single cost within support costs.

**1.8 Allocation of Support Costs**

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include bank office costs, finance, personnel, payroll and governance costs which support the Trusts activities.

**1.9 Donated Services and Facilities**

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time is not recognised.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

**1.10 Operating Leases**

The charity classifies the lease of gym equipment as operating leases; the title to the equipment remains with the lessor. Rental charges are charged on a straight line basis over the term of the lease. Operating lease charges are included within direct costs.

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

<b>Asset Category</b>	<b>Annual rate</b>
Tenants improvements	10-20% straight line
Plant & Machinery	25% reducing balance
Fixtures & fittings	15-33% straight line
Gym equipment	15-33% straight line, 25% reducing balance

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 credited or charged to profit or loss.



**1. Accounting Policies (cont'd)**

**1.12 Impairment of Fixed Assets**

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

**1.13 Stock**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stock to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in the income and expenditure.

**1.14 Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount or waivers offered.

**1.15 Creditors and Provisions**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

**1.16 Cash and Cash Equivalents**

Cash at bank and in hand are basic financial assets and 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.

**1.17 Financial Instruments**

The charitable company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

***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.

## **1. Accounting Policies (cont'd)**

Financial assets classified as receivable within one year are not amortised.

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date. Any impairment loss is recognised in the profit and loss account. Subsequent reversals are reversed recognised in profit and loss but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years.

### ***Classification of Financial Liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### ***Basic Financial Liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 business 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.

### **1.18 Pensions**

The Strathclyde Pension Fund is a multi-employer defined benefit scheme administered for the benefit of Local Authorities and other bodies and is managed in accordance with the Local Government Pension Scheme Regulations 2013 (as amended).

### **1.19 Employment Benefits**

The costs of short-term employee benefits including holiday pay are recognised as a liability and an expense.

## **2. Judgements and Key Sources of Estimation Uncertainty**

In the application of the charitable company'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.

### **Critical Judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

2. Judgements and Key Sources of Estimation Uncertainty (cont'd)

**Depreciation**

Depreciation of fixed assets has been based on estimated useful lives and residual values deemed appropriate by the trustees. Estimated useful lives and residual values are reviewed annually and revised as appropriate.

**Stock**

Stock provisions are provided at rates to write off stock for theft, spoilage, obsolescence or other damages to physical stock holdings. The provisions are reviewed annually by the trustees and revised accordingly. Provisions are made where it is probably current stock holdings, due to slow movements, are likely to become obsolete or spoiled.

**Bad Debts**

Bad debt provisions are provided at rates deemed appropriate by the trustees.

Specific allowances are provided for when it is known to the trustees that the debtor is not recoverable in part or in full.

General allowances are provided based on the trustees' cumulative knowledge and experience of the industry, where it is deemed probable a portion of the debtors balance will become unrecoverable.

	2019 Unrestricted Funds £	2019 Restricted Funds £	2019 Total Funds £	2018 Total Funds £
<b>3. Other Income - Group</b>				
Management Fee	1,258,520	-	1,258,520	1,350,198
Bank Interest Received	7,095	-	7,095	3,697
	-----	-----	-----	-----
	1,265,615	-	1,265,615	1,353,895
	=====	=====	=====	=====

All Other Income was unrestricted in 2019 and 2018.

**Other Income – Company**

Management Fee	1,258,520	-	1,258,520	1,350,198
Bank Interest Received	7,095	-	7,095	3,697
Administration fee from Inverclyde Leisure Trading Services Ltd	167,642	-	167,642	107,824
	-----	-----	-----	-----
	1,433,257	-	1,433,257	1,461,719
	=====	=====	=====	=====

All Other Income was unrestricted in 2019 and 2018.

	2019 Unrestricted Funds £	2019 Restricted Funds £	2019 Total Funds £	2018 Total Funds £
<b>4a. Expenditure on Raising Funds</b>				
Waterfront Café	55,002	-	55,002	8,090
Ravenscraig Café	44,191	-	44,191	37,425
Other goods for Resale	69,779	-	69,779	59,347
Employment Costs	1,920	-	1,920	15,715
Fake Festival Costs	-	-	-	33,360
Repair Costs	11,115	-	11,115	12,022
Other Costs	662	-	662	2,161
	<u>182,669</u>	<u>-</u>	<u>182,669</u>	<u>168,120</u>
	=====	=====	=====	=====
<b>4b. Expenditure on Charitable Activities</b>				
Pool and Material Costs	17,169	-	17,169	19,389
Employment Costs	4,087,324	73,086	4,160,410	3,989,248
Operating Leases	125,998	-	125,998	133,166
Property Costs	1,232,867	-	1,232,867	1,180,712
Staff Related Costs	44,721	561	45,282	57,893
Office Costs	200,053	-	200,053	203,213
Finance Costs	165,241	-	165,241	253,280
Depreciation	234,201	59,995	294,196	249,567
Irrecoverable VAT	276,558	-	276,558	233,527
Special Events	59,892	-	59,892	60,376
Other Costs	47,481	-	47,481	49,196
Legal & Professional Fees	35,594	-	35,594	33,755
Audit Fees	10,300	-	10,300	10,030
Consultancy Fees	24,269	-	24,269	27,074
Costs Associated with Pension Scheme	730,000	-	730,000	392,000
Interest Payable	15,671	-	15,671	16,909
Gain on Disposal of Fixed Assets	-	-	-	(250)
	<u>7,307,339</u>	<u>133,642</u>	<u>7,440,981</u>	<u>6,909,085</u>
	=====	=====	=====	=====
<b>5. Operating Surplus</b>			<b>2019</b>	<b>2018</b>
			£	£
The surplus is stated after charging – Auditor's Remuneration			10,300	10,030
Depreciation of Tangible Fixed Assets			<u>294,196</u>	<u>249,567</u>
			=====	=====

6. Interest Payable

	2019	2018
	£	£
Loan interest paid	15,671	16,909
	=====	=====

7. Group & Company Tangible Fixed Assets

	Tenants Improvements	Plant & Machinery	Fixtures & Fittings	Gym Equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2018	2,039,779	110,408	525,856	742,286	3,418,329
Additions	96,003	34,300	7,070	93,039	230,412
At 31 March 2019	2,135,782	144,708	532,926	835,325	3,648,741
<b>Depreciation</b>					
At 1 April 2018	972,112	100,605	409,605	650,271	2,132,593
Charge for the year	158,701	4,757	71,884	58,854	294,196
At 31 March 2019	1,130,813	105,362	481,489	709,125	2,426,789
<b>Net Book Value</b>					
At 31 March 2019	1,004,969	39,346	51,437	126,200	1,221,952
	=====	=====	=====	=====	=====
At 31 March 2018	1,067,667	9,803	116,251	92,015	1,285,736
	=====	=====	=====	=====	=====

8. Fixed Asset Investments

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 April 2018 & at 31 March 2019	1
	=====

**Holdings of more than 20%**

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

Company	Country of registration or Incorporation	Shares held Class	%
<b>Subsidiary Undertaking</b>			
Inverclyde Leisure Trading Services Ltd.	Scotland	Ordinary	100.00

9. Stocks

	2019		2018	
	Group £	Company £	Group £	Company £
Materials & Consumables	13,176	5,531	19,305	6,621
	=====	=====	=====	=====

**10. Debtors**

	2019		2018	
	Group £	Company £	Group £	Company £
Trade Debtors	400,739	400,739	228,321	228,321
Amounts Owed by Subsidiary Undertakings	-	7,644	-	12,683
Prepayments and Accrued Income	156,972	156,972	132,044	132,044
Other Debtors	29,943	29,943	55,099	55,099
	<u>587,654</u>	<u>595,298</u>	<u>415,464</u>	<u>428,147</u>
	=====	=====	=====	=====

**11. Creditors: Amounts Falling Due Within One Year**

	2019		2018	
	Group £	Company £	Group £	Company £
Inverclyde Council Loan	41,896	41,896	40,619	40,619
Trade Creditors	106,746	106,746	554,201	554,201
Taxes and Social Security Costs	72,489	72,489	65,341	65,341
Other Creditors	437,950	437,950	448,035	448,035
Accruals	91,967	91,967	170,644	170,644
	<u>751,048</u>	<u>751,048</u>	<u>1,278,840</u>	<u>1,278,840</u>
	=====	=====	=====	=====

Inverclyde Council hold a bond and floating charge over the whole assets of the company for any monies advanced or facilities granted by them.

**Creditors: Amounts Falling Due Outwith One Year**

	2019		2018	
	Group £	Company £	Group £	Company £
Inverclyde Council Loan	441,529	441,529	483,418	483,418
	<u>441,529</u>	<u>441,529</u>	<u>483,418</u>	<u>483,418</u>
	=====	=====	=====	=====

**12. Loans**

	2019		2018	
	Group £	Company £	Group £	Company £
Inverclyde Council Loans Comprise:				
Amounts Repayable Within Five Years	223,045	223,045	216,245	216,245
After More Than Five Years	260,380	260,380	307,792	307,792
	<u>483,425</u>	<u>483,425</u>	<u>524,037</u>	<u>524,037</u>
	=====	=====	=====	=====
Included in Creditors – Amounts Falling Due Within One Year	41,896	41,896	40,619	40,619
	<u>41,896</u>	<u>41,896</u>	<u>40,619</u>	<u>40,619</u>
	=====	=====	=====	=====

**13. Pension Costs**

The company operates a defined benefit statutory pension scheme. The valuation of this scheme was updated at 31 March 2019.

The assets of the scheme are held separately from those of the company in an independently administered fund.

In September 2001 Inverclyde Council agreed to act as sponsors to Inverclyde Leisure's application for admission to the Strathclyde Pension Fund. By agreeing to act as sponsors, the Council are required to assume any contingent liability for non-funded costs of the pension fund relevant to Inverclyde Leisure should they cease to exist for any reason.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2019 by Hymans Robertson LLP. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

<b>Key Assumptions:</b>	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Discount rate	2.5	2.7
Expected rate of increase of pensions in payment	2.4	2.3
Expected rate of salary increases	2.5	2.5
	=====	=====
<b>Mortality Assumptions:</b>	<b>2019</b>	<b>2018</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>
Current Pensioners		
- Males	21.4	21.4
- Females	23.7	23.7
	=====	=====
Future Pensioners		
- Males	23.4	23.4
- Females	25.8	25.8
	=====	=====
<b>Amounts Recognised in the Profit &amp; Loss Account:</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Current service cost	1,201,000	809,000
Net interest on defined benefit liability	30,000	20,000
	-----	-----
Total costs	1,231,000	829,000
	=====	=====
<b>Amounts Taken to Other Comprehensive Income</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Actual return on scheme assets	(819,000)	119,000
Less: calculated interest element	372,000	364,000
	-----	-----
Return on scheme assets excluding interest income	(447,000)	483,000
Actuarial changes related to obligations	1,184,000	(648,000)
	-----	-----
Total loss / (gain)	737,000	(165,000)
	=====	=====

13. Pension Costs (cont'd)

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

	2019 £	2018 £
Present value of defined benefit obligations	17,075,000	14,345,000
Fair value of plan assets	(14,833,000)	(13,570,000)
	<u>2,242,000</u>	<u>775,000</u>
	=====	=====

**Movements in the present value of defined benefit obligations**

	2019 £
Liabilities at 1 April 2018	14,345,000
Current service cost	1,201,000
Benefits paid	(204,000)
Contributions from scheme members	147,000
Actuarial gains and losses	1,184,000
Interest cost	402,000
At 31 March 2019	<u>17,075,000</u>
	=====

**The defined benefit obligations arise from plans funded as follows:**

	2019 £
Wholly unfunded obligations	256,000
Wholly or partly funded obligations	16,819,000
	<u>17,075,000</u>
	=====

**Movements in the fair value of plan assets**

	2019 £
Fair value of assets at 1 April 2018	13,570,000
Interest income	372,000
Return on plan assets (excluding amounts included in net interest)	447,000
Benefits paid	(204,000)
Contributions by the employer	501,000
Contributions by scheme members	147,000
At 31 March 2019	<u>14,833,000</u>
	=====

	2019 £	2018 £
<b>Fair value of plan assets at the reporting period end</b>		
Equity instruments	9,493,120	8,972,700
Debt instruments	3,559,920	1,996,900
Property	1,483,300	1,228,600
Cash	296,660	1,371,800
	<u>14,833,000</u>	<u>13,570,000</u>
	=====	=====



**14. Share Capital**

The company does not have share capital but is limited by guarantee. The liability of members is limited to £1 each. At 31 March 2019 the company had 9 members.

**15. Analysis of Net Assets Between Funds – Group**

	<b>General Funds</b>	<b>Restricted Funds</b>	<b>Total Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Fixed Assets	801,986	419,966	1,221,952
Current Assets	996,089	33,926	1,030,015
Liabilities	(1,192,577)	-	(1,192,577)
Pension Reserve	(2,242,000)	-	(2,242,000)
	<u>(1,636,502)</u>	<u>453,892</u>	<u>(1,182,610)</u>
	=====	=====	=====

**Analysis of Net Assets Between Funds – Company**

	<b>General Funds</b>	<b>Restricted Funds</b>	<b>Total Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Fixed Assets	801,987	419,966	1,221,953
Current Assets	996,088	33,926	1,030,014
Liabilities	(1,192,577)	-	(1,192,577)
Pension Reserve	(2,242,000)	-	(2,242,000)
	<u>(1,636,502)</u>	<u>453,892</u>	<u>(1,182,610)</u>
	=====	=====	=====

**16. Movements in Funds – Group and Company**

	<b>Total Reserves</b>
	<b>£</b>
Balance at 1 April 2018	282,869
Deficit for the year	(728,479)
Actuarial loss on pension scheme	(737,000)
	<u>(1,182,610)</u>
	=====

16. Analysis of Reserves

	At 1 April 2018 £	Incoming Resources £	Transfers Between Funds £	Outgoing Resources £	At 31 March 2019 £
<b>Restricted Funds</b>					
Live Active Fund	-	50,000	18,507	(68,507)	-
Community Rehabilitation Fund	18,067	1,675	-	(1,675)	18,067
Ravenscraig Activity Centre	479,961	-	-	(59,995)	419,966
Vitality Fund	14,699	4,625	-	(3,465)	15,859
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted Funds	512,727	56,300	18,507	(133,642)	453,892
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Unrestricted Funds</b>					
General Funds	551,204	6,802,041	(18,507)	(6,729,185)	605,553
Designated Fund – Move More	(6,062)	36,830	-	(30,823)	(55)
Pension Provision	(775,000)	-	-	(1,467,000)	(2,242,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Unrestricted Funds	(229,858)	6,838,871	(18,507)	(8,227,008)	(1,636,502)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Funds</b>	282,869	6,895,171	-	(8,360,650)	(1,182,610)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Purposes of Restricted Funds**

**Live Active**

This project is a referral scheme delivered in partnership with NHS Greater Glasgow and Clyde Health Board, allowing professionals to refer appropriate patients to an exercise and lifestyles intervention initiative.

**Community Rehabilitation Fund**

This service is delivered in partnership with NHS Greater Glasgow and Clyde. Inverclyde Leisure coaches work with NHS physiotherapists to deliver COPD rehabilitation classes in Inverclyde Leisure facilities and other community facilities. Funds are also used to enable Cardiac Rehabilitation classes to take place in the Waterfront Leisure Complex Fitness Gym.

**Ravenscraig Activity Centre**

This was a joint project with Inverclyde Council whereby Inverclyde Leisure received a contribution from Inverclyde Council to refurbish Ravenscraig Recreation Centre. The centre had been turned into a 100 station affordable fitness centre and opened a new Xheight climbing facility, Children's Soft Play area and Café.

**Vitality Fund**

The Vitality Fund is a programme of exercise classes which supports participants in exercising at a level suitable to their abilities. The classes are suitable for people with different physical abilities and medical conditions including stroke, heart conditions, Parkinson's Disease, multiple sclerosis, osteoporosis and breathing difficulties. The classes are designed to help participants carry out daily activities more easily and hopefully make daily life more manageable.

**Purpose of Designated Fund**

**Move More**

Move More is delivered in partnership with the MacMillan organisation. This programme is aimed at those living with a cancer diagnosis and gives them opportunity to participate in cancer specific physical activity and wellbeing activities. These include Phase 4 cancer rehab classes, gentle movement and relaxation classes and walking.

Clients are supported for up to a year by the Move More Co-ordinator employed by Inverclyde Leisure.

**17. Financial Commitments**

At 31 March 2019 the company was committed to making the following payments under non-cancellable operating leases:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Operating leases which expire: Over 5 years	396,000	408,000
	=====	=====

This relates to a lease which expires in 2052.

**18. Trustees' Emoluments**

During the year, one trustee that served during the year received emoluments (including ER NIC and Pension Contributions) from the charitable company. Andrew Hetherington received remuneration of £51,654 and reimbursed expenses of £235 during his time as a trustee. Remuneration includes Gross Salary, Benefits, Employer's Pension contribution and Employer NIC costs.

**19. Control**

The company is controlled by the trustees, who are also the directors for the purposes of Company Law.

**20. Related Party Transactions**

Inverclyde Council made a contribution of £1,258,520 (2018 - £1,350,198) to the Company by payment of a management fee.

The Company occupied facilities and paid leasing charges and rental to Inverclyde Council of £12,000 (2018 - £12,000). In addition, the Council provided financial and administrative support to the Company and its subsidiary at a cost of £11,000 (2018 - £11,000) to the Company.

During the year the company paid two employees who are related to the Key Management Personnel as follows:

Margaret Kincaid	£14,377
Carly Vango	£6,517

The above figures include Gross Salary, Pension Contributions and Employers NIC costs.

**21. Taxation**

As a charity, Inverclyde Leisure is exempt from tax on income and gains falling within section 1177 of the Corporation Taxes Act 2010 or s256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charge has arisen in the Charity.

**22. Key Management Personnel**

The members of staff identified as Key Management Personnel received remuneration from the Charitable Company totalling £247,458. This figure includes Gross Salary, Benefits, Employers Pension Contribution and Employer NIC costs.

**23. Reconciliation of Net (Expenditure) / Income to Net Cash Flow from Operating Activities**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Net (expenditure) / income for the reporting period (as per the Statement of financial activities)	(501,479)	(333,685)
Adjustments for:		
Depreciation charges	294,196	249,567
Decrease / (Increase) in stock	6,129	(10,583)
(Increase) in debtors	(172,190)	(79,295)
(Decrease) / Increase in creditors within one year	(527,792)	247,361
Finance cost of defined benefit pension	503,000	392,000
Gain on sale of tangible fixed asset	-	(250)
	<hr/>	<hr/>
	(398,136)	465,115
	=====	=====

**24. Employees**

The average monthly number of persons employed by the charitable company during the year was 288 (2018 – 289).