

Financial Statements

North Ayrshire Leisure Limited

For the year ended 31 March 2018

Reference and Administration Details

Company registration number	SC202978
Charity registration number	SC029780
Registered office	Montgomerie House Byrehill Drive West Byrehill Industrial Estate Kilwinning KA13 6HN
Company trading name	KA Leisure
Trustees	G Higgon (Chairman) A Pringle (Vice Chairman) T Billings (Appointed 29 June 2017) J Brahim (Appointed 29 June 2017) M Burns (Resigned 4 May 2017) H Campbell I Clarkson (Resigned 4 May 2017) T Marshall (Resigned 4 May 2017) R Martin S Macaulay (Appointed 16 August 2017) J Montgomery (Resigned 31 August 2017) A Munro (Resigned 4 May 2017) J Sweeney (Appointed 29 June 2017)
Chief executive officer	E Cairns
Senior management team	E Cairns C Glencorse L Barrie L Campbell
Solicitor	Shepherd and Wedderburn 191 West George Street Glasgow G2 2LB
Auditors	Campbell Dallas Audit Services Limited Registered Auditors 5 Whitefriars Crescent Perth PH2 0PA
Bankers	Clydesdale Bank 151 High Street Irvine KA12 8AD

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Foreword

It is with great pleasure, as the Chairman of KA Leisure, that I provide this foreword to our 18th Annual Report.

During the financial year 2017/18 the Company has recorded an increase in customer visits of approximately 14%. This equates to 2.7 million visits across our facilities and venues compared to approximately 2.3 million in the previous year. Customer visits have increased predominantly due to growth within the fitness area of the Company particularly at our newest sites, the Portal and Garnock Community Campus both of which opened on the cusp of financial year 2017/18. Development of programmes within these newer sites has provided more opportunities for fitness participation and has been well received by our customers.

During 2017/18 the Company has maintained its financial integrity, generating an operational surplus of 0.74% of turnover (£58,898). Operational income has grown mainly due to increases within fitness participation. The Company is a not for profit organisation and all surpluses generated are re-invested into maintaining leisure provision.

There have been many highlights during 2017/18. This includes the DrEAM week that took place in September 2017 and which showcased the social benefits and improvements to quality of life that can be gained by making small healthy and active lifestyle changes via a campaign utilising people across our communities. This event was inspiring, supportive and motivational, it was also fun.

I would also like to highlight our Mind and Be Active community project. This project, launched in 2015, was designed to improve the mental health and wellbeing of participants through supported physical activity opportunities. I am delighted to say that this project has gone from strength to strength and in a recent evaluation of the project it was determined that the project manages approximately 285 referrals on an annual basis and of which 85% of participants reported improvements to their quality of life.

Active engagement with our employees, customers and external partners is essential to ensure service delivery meets needs and expectations, and that we strive to achieve. Consultation is vital to delivering focused programmes and initiatives that promote inclusiveness and positivity encouraging the adoption of a physically active lifestyle, and particularly targeting hard to reach groups. We continue to actively engage with numerous groups, forums and associations both externally and internally to reach across the North Ayrshire localities in order to provide opportunities for everyone to engage in a healthy active lifestyle. I am pleased that as a Company we continue to be represented within the Community Planning Partnership thus enabling collaborative working with other agencies.

Finally I would like to thank our employees, Board of Directors, North Ayrshire Council and strategic partners for their commitment, dedication and hard work during the last financial year. I would also like to thank our customers for their continued support and loyalty.

Gary Higgon, Board Chairman

Directors' report (incorporating the Strategic report) Structure, Governance and Management

Company Structure

North Ayrshire Leisure Limited is a Company limited by guarantee and has charitable status. The Company's trading name is KA Leisure. The Company is governed by its Articles of Association. The Company is a not for profit organisation, any surpluses generated are reinvested in improving facilities and services.

The Company is responsible for the management and operation of the following facilities in North Ayrshire;

- Auchenhavrie Leisure Centre, Stevenston
- Garnock Community Campus, Glengarnock
- Portal, Irvine
- Vikingar!, Largs
- KA Campuses
 - Dalry Primary School
 - Kilwinning Academy
 - Greenwood Academy
 - St Matthew's Academy
 - Arran High School
 - Stanley Primary School (Company acts as booking agent only)
 - West Kilbride (in partnership with West Kilbride Community Association)
- Golf Courses
 - Ravenspark, Irvine
 - Auchenhavrie, Stevenston
 - Routenburn, Largs
- Outdoor Sports Facilities
- North Ayrshire Leisure Trading Services Limited (dormant)

Facilities are owned by North Ayrshire Council but are leased to the Company. Specific contractual agreements are in existence to enable sport, leisure and recreational community use within school facilities.

Directors

The trustees, as detailed on page 2, are also Directors of the Company and both references will be used in the Annual Report. As set out in the Company Articles of Association the maximum number of Directors is 9 and comprises of the following;

- a maximum of 4 Directors appointed by North Ayrshire Council.
- a maximum of 4 Directors appointed from, and representative of, the North Ayrshire area (with skills to assist the Company in carrying out its objects).
- a maximum of 1 Director appointed from and by the employees of the Company.

Directors' report (incorporating the Strategic report) Structure, Governance and Management

The Board of Directors meet at least six times a year to consider Company business. The Company has an HR Committee and Audit Committee.

Trustee Induction and Training

The Board seek to ensure that all members possess the range of skills and interests that are relevant to meeting the Company's overall objectives.

All new Directors are provided with the Company Articles of Association, Annual Report and Company Progress Report incorporating the financial budget. Directors are provided with training on various topics including charity and company legislation.

Employees

The Company communicates and consults with employees, and, where represented, trade unions. The Company is committed to staff training and development to ensure all employees have the necessary skill base to effectively contribute to the objectives of the Company.

Applications for employment by disabled persons are given full and fair consideration. In the event of employees becoming disabled every effort is made to provide support to ensure their employment with the Company can continue.

The Company over the period has employed an average of 335 employees. The Company has a Senior Management Team comprising of a Chief Executive and 3 Business Managers covering the areas of Leisure, Physical Activity and Business Development.

During the period the Company continues to meet the criteria to maintain the Healthy Working Lives Silver Award and is actively working towards the Gold Award from NHS Health Scotland. Maintenance of this award helps provide a healthy and safe workplace for employees, demonstrating clear commitment to promoting healthy working lives within the Company.

The Company has an Employee Forum comprising employee representatives drawn from each facility and service area of the Company. The Forum is chaired by a Company Director and acts as an effective communication vehicle.

Related Parties

The Company owns 100% of the share capital of North Ayrshire Leisure Trading Services Limited. The trading subsidiary was dormant throughout the year to 31 March 2018.

A funding agreement exists between the Company and North Ayrshire Council. North Ayrshire Council provides the Company with a financial contribution to assist in the maintenance of the facilities and the delivery of sport, leisure and recreational services. The existing funding agreement is being revised by both parties and will be replaced with a flexible service specification. This will also include reviewing the funding mechanism to encompass revenue and capital requirements to ensure the sustainability of facilities across North Ayrshire.

North Ayrshire Council also provides assistance to the Company within the treasury management function and provides some administrative support.

Directors' report (incorporating the Strategic report) Structure, Governance and Management

Risk Management

As part of the Company's risk management policy and strategy a Strategic Risk Register is reviewed on an ongoing basis by the Company Audit Committee and approved annually by the Board of Directors. A range of controls and actions are maintained to mitigate the impact of any of these risks on the future operations of the Company. Principal risks are identified on page 18 of this report.

Health and Wellbeing

KA Leisure continue to be committed to developing a positive health and wellbeing culture where the inherent risks in our workplace are controlled, reduced and where possible eliminated, through the involvement and commitment of all employees in delivering a quality service.

KA Leisure aims to foster the commitment, co-operation and involvement of all staff in developing and delivering a health and wellbeing culture. We seek to channel the ideas, experience and enthusiasm of our employees into continually improving health and wellness culture across the Company. A key element of employee engagement is the operation of a staff Health and Wellbeing Forum.

Nurturing an effective health and wellbeing culture has led to KA Leisure being awarded the Royal Society for the Prevention of Accidents (ROSPA) Gold Award for the fourth year running for the organisation's health and safety practices and the prevention of accidents. KA Leisure is the only leisure trust in Scotland to be awarded the RoSPA Gold Award.

In addition two KA Leisure Team Leaders were awarded the IOSH Order of Merit Award for their health and safety leadership and commitment to the development of the Company Health and Wellbeing Culture.

Director's report (incorporating the Strategic report) Objectives and Activities

Making a Difference

KA Leisure is an organisation with a clear vision. We are committed to delivering outstanding leisure, sport and physical activity opportunities and are always working to continually improve what we do to benefit our customers and partners.

Our vision, More People More Active More Often, underpins our commitment to improve personal, social and community health outcomes across North Ayrshire. Our innovative programmes interact with our community in compelling ways, building lasting relationships, motivating and supporting individuals to join in and act now.

North Ayrshire Active Communities

As a committed member of North Ayrshire Community Planning Partnership (NACPP) we are passionate about working collaboratively with our partners and likeminded organisations to increase activity levels to improve the health and wellbeing of our communities across North Ayrshire. In collaboration with partners across the NACPP the North Ayrshire Active Communities Strategy was launched in 2016, providing strategic direction and leadership to a broad range of partners to realise our vision over the coming 10 years.

A vital element of the strategy was a mass engagement initiative focussing on 3 key strands; active, involved, and inspired, to enthuse and support everyone across our communities to become and stay active. The initiative featured people from across our community emphasising how a small change could make a big difference.

A Helping Hand to Better Health

Active North Ayrshire (ANA) our Exercise on Referral programme provides supported physical activity opportunities for individuals at risk or recovering from health conditions or disabilities and those who are not currently engaged in physical activity to help support them towards a healthy active lifestyle.

An impact evaluation of ANA has provided us with valuable evidence to demonstrate our contribution to the national physical activity and health agenda and better demonstrate the impact on individuals and local community priorities.

- ANA is delivered in all 6 North Ayrshire Localities.
- There are 16 referring partners.
- 100 new referrals each month.
- 54% of participants are from the most deprived areas postcodes.
- 66% of participants stated they would not have exercised if they hadn't been involved in the programme.
- 1 in 3 people referred reported improved mood.
- Every £1.00 invested provides a social return on investment of £5.45.

Director's report (incorporating the Strategic report) Objectives and Activities

HARP

The Healthy Active Rehabilitation Programme (HARP), a partnership with NHS Ayrshire and Arran, provides a structured pathway of physical activity from rehabilitation, led by health professionals, to longer term community based supported physical activity. It provides support for people who are affected by stroke, coronary heart disease, cancer, pulmonary conditions or are at risk of falling.

Move More

The McMillan North Ayrshire Move More programme supports patients who have recently been diagnosed with cancer or are within 3 years of cancer diagnosis to become more active during and after treatment.

Weight Management

Weigh to Go supports participants with a Body Mass Index (BMI) of 25+ and SWAP supports individuals with a BMI of 40+ with education sessions and one to one support to make small lifestyle changes that assist sustainable weight loss.

Changing Lives

We are passionate about using fun social physical activity opportunities as a mechanism to engage and empower communities across North Ayrshire to achieve physical and mental wellbeing. We are dedicated to promoting the benefits and powerful affect physical activity has on mental health.

As a Legacy 2014 physical Activity Fund partner we developed Mind and Be Active (MBA), a community project which aims to improve mental health and wellbeing through supported physical activity opportunities. This innovative programme promotes early intervention and addresses a number of challenges including the provision of effective support and timely access.

A process evaluation has identified:

- 5,000 annual class attendances
- 25 new referrals each month
- 94% of participants are of working age
- 63% of participants are from the most deprived areas postcodes
- 45% have other health conditions
- 7 in 10 people previously inactive
- 85% reported increases in activity levels
- 85% reported improved quality of life
- 100% experienced an improved mood

Legacy

We are embedding our learning to continually inform practice and reflect this within all service provision. We now have a better understanding of how to engage the inactive, create behaviour change and support our participants.

Director's report (incorporating the Strategic report) Objectives and Activities

THRIVE

We were delighted to be invited to act as an Ambassador for the Legacy 2014 Physical Activity Fund. This led to the launch of THRIVE, a national digital toolkit for practitioners that brings together what works when helping inactive people become more active.

Power of Sport

We continue to harness the unique power of sport to ensure our activities are welcoming, positive and inclusive. It is vital that we understand and meet the needs of communities who may experience barriers to participation with a particular focus on age, disability, gender and social economic disadvantage.

Inspiring Communities to Shape the Future

In partnership with North Ayrshire Council we deliver the SportsScotland Community Sport Hub Programme (CSH). CSH's bring together sports clubs and key local partners who have a desire to improve the sporting landscape in North Ayrshire to ensure that opportunities are accessible and safe as well as building capacity among local communities.

Dalry Community Sports Club and KA Leisure Employability Project

The project supported 10 unemployed local people through a skills development project focussed on sport. Participants took part in accredited sports workshops, as well as training and support from CEIS on seeking employment and developing their employability skills. The participants volunteered with local sports clubs to help develop their skills and increase their experience, leading to:

- 4 participants enrolling in sports related courses at Ayrshire College.
- 2 participants taking up employment within KA Leisure.

North Ayrshire Community Sports Awards

We continued to work in partnership with North Ayrshire Council to recognise and celebrate the extraordinary achievements of local people who use the power of sport to make a positive impact within their community, through the annual North Ayrshire Community Sports Awards.

Outreach

Our outreach programme offers a diverse range of physical activity opportunities targeting specific groups who are most in need.

Activator

Our Activator is a versatile, mobile, physical activity and health unit proving a valuable service of health checks support within the heart of local communities. The Activator provides easy access for people to get advice and is often the first point of contact for health issues to be identified with individuals then signposted to a range of related services.

Director's report (incorporating the Strategic report) Objectives and Activities

Workplace Wellbeing

We support local companies to develop health promotion and safety themes in the workplace. We offer opportunities for employers to encourage staff to improve their health and to create a healthier and happier working environment.

Volunteers

We continue to provide a variety of opportunities for volunteering and are fortunate to have a committed network who assist in the delivery and development of a broad range of activities and events throughout North Ayrshire.

Key to Success

Working together with partners enables us to reach those most at need, to improve health and reduce inequalities. We will continue to nurture our partner relationships as we recognise the importance and rewarding benefits that collaboration brings including ensuring we reach those most at need, develop specialised skill, mental health expertise, training and support.

Shaping the Future

Shaping the Future sets out our fitness aspirations to be the leading fitness provider in Ayrshire and inspire more people to be active.

The introduction of two new venues, Garnock Community Campus and the Portal, provided a unique opportunity to develop and expand our fitness provision through the development of exciting places to be active.

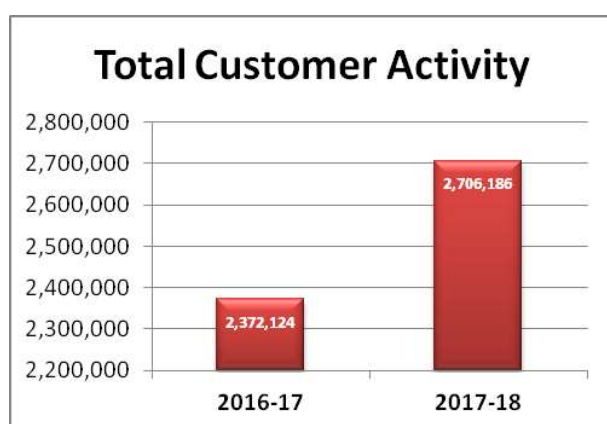
We recognise its one thing to have a goal but it's not always easy to know how to achieve it. That's where our member journey comes in! Developed to ensure the customer experience is exciting, challenging and rewarding. It's important for us to establish customer relationships that allow us to understand how we can meet and exceed our customers' expectations.

Director's report (incorporating the Strategic report) Achievements and Performance

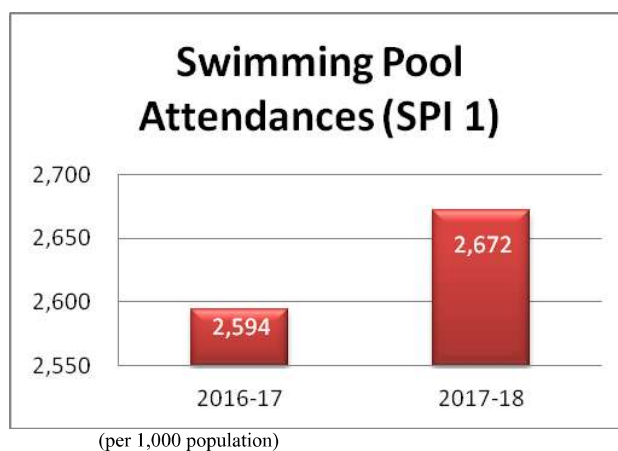
To measure performance the Company provides Statutory Performance Indicators (SPIs) information to North Ayrshire Council on an annual basis. The Company also produces a series of key performance indicators (KPIs).

Overall attendance figures for the Company in 2017/18 have shown an increase of 334,062 visits and an operational surplus of £58,898. The following graphs highlight the main areas of activity and report on any fluctuations.

Key Facts

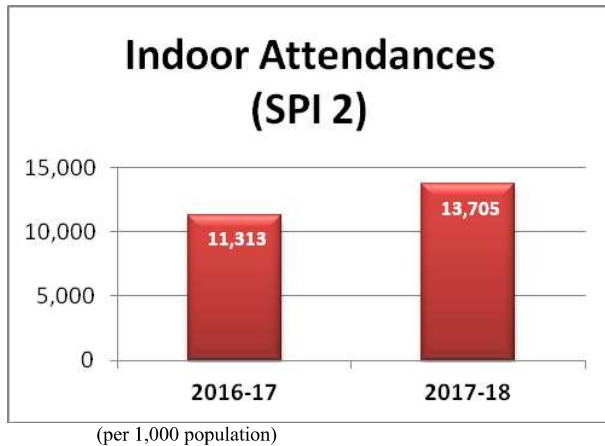


Overall Customer Activity visits have marginally increased during 2017/18. A further breakdown of each activity area is highlighted in the following graphs:

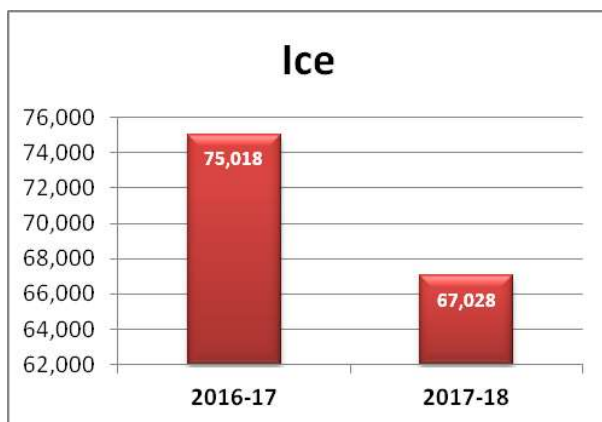


Aquatic activity attendances have increased by 3% during the financial year despite reduced swimming pool capacity at the new Portal in comparison to the Magnum Leisure Centre. The greatest contribution to this small increase has been the development of the KA Leisure Learn to Swim programme.

Director's report (incorporating the Strategic report) Achievements and Performance

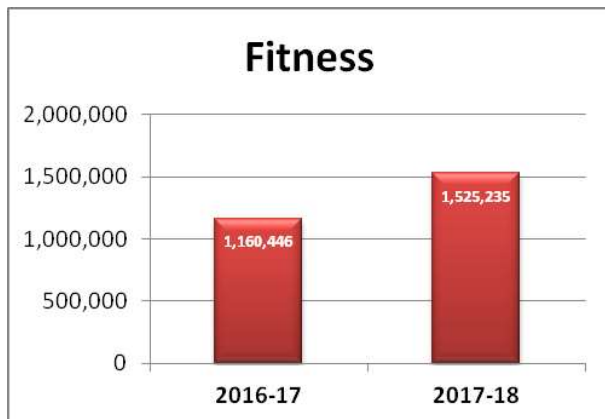


A 21% increase in customer attendances has been achieved due to the introduction of additional sports hall capacity within the Garnock Community Campus.

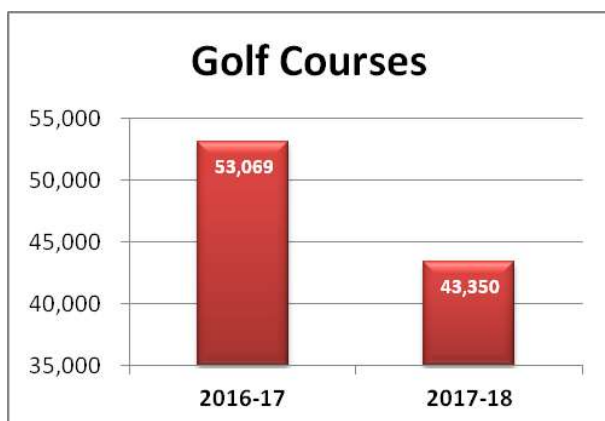


Customer visits to the ice rink at Auchenharvie Leisure Centre has recorded a decrease during the financial year predominantly due to a planned 6 week maintenance closure to complete works to the ice pad.

Director's report (incorporating the Strategic report) Achievements and Performance

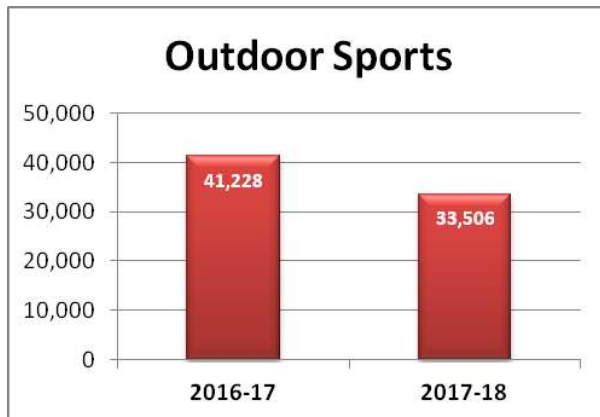


Fitness activity visits have increased by 31% due to a combination of increased capacity at the new Garnock Community Campus and Portal venues, the development of the fitness customer journey and development of activity programmes.

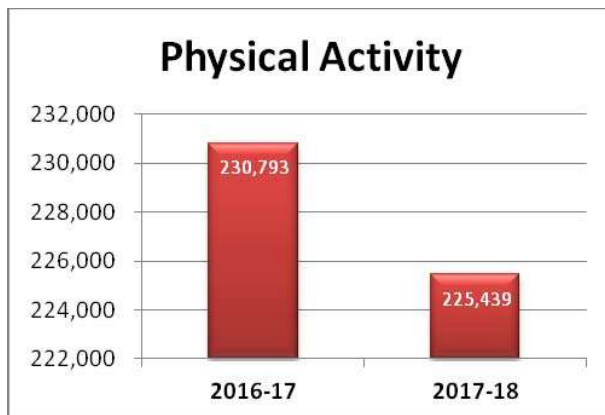


Customer visits to the three golf courses operated by the Company have reduced by 18% during the financial year. Recorded visits have been impacted by wet weather conditions as well as mirroring a national downturn across Scotland.

Director's report (incorporating the Strategic report) Achievements and Performance



Customer visits to Outdoor Sports have reduced in comparison to the previous financial year. A reduction in availability of grass sports pitches has had a significant impact during the year.



Attendances across physical activity have reduced by 2% in comparison to the previous financial year. This is primarily due to a reduction in attendances recorded at the Rugby School of Sport Programme and variety of community events which were not repeated during the year.

Director's report (incorporating the Strategic report)

Financial Review

The financial statements for North Ayrshire Leisure Limited at 31 March 2018 show a turnover of £7,926,952 (2017: £7,605,601), an Investment Reserve of £302,186 (2017: £231,774), and General Reserves in deficit by £707,169, incorporating £864,000 reflecting Defined Benefit Pension Fund liabilities (2017: reserves deficit £4,307,067, incorporating £4,505,000 pension liability). The Company is an Admitted Body to Strathclyde Pension Fund.

North Ayrshire Council's financial contribution towards the cost of maintaining facilities and delivering services is £3,036,624 (2017: £3,186,624).

Reserves Policy

It is the policy of the Company to hold reserves of funds which have not yet been committed or designated for any particular purpose.

The trustees have set aside these general reserves in order to protect future operations of the Company from the effects of any unforeseen variations in its income streams as part of a policy of good financial management practice. At 31 March 2018 the general reserve amounted to a deficit of £707,169 (2017: deficit £4,307,067). Setting aside the pension deficit the trustees are aware that the Company has minimal free reserves and are working on improving this position by ensuring the Company is operating efficiently.

It is also the policy of the Company to provide a designated reserve where it is deemed necessary in considering the future intentions of the Company. Such a reserve has been set aside for investment. At 31 March 2018 the investment reserve amounted to £302,186 (2017: £231,774).

Pension Deficit

The trustees acknowledge the net pension deficit at 31 March 2018 of £864,000 (2017: deficit £4,505,000). This is in relation to the Company's share of assets and liabilities within the Strathclyde Pension Fund, a local government pension scheme. The Company continues to meet its ongoing commitments in accordance with the payment plan.

Going Concern

The trustees have assessed, based on future budgets, that there are adequate resources in place from both committed funding and cash resources to meet the ongoing costs of the Company for a minimum of 12 months from the date of signing these financial statements. Accordingly, these financial statements are prepared on the going concern basis.

Director's report (incorporating the Strategic report) Plans for Future Periods

Strategic Direction

We have a clear vision and are committed to delivering leisure, sport and physical activity opportunities to an outstanding level. We strive to improve what we do to benefit our partners, customers, and participants.

As a committed member of the North Ayrshire Community Planning Partnership (NACPP) we are dedicated to working collaboratively with our partners and like minded organisations to increase activity levels and improve the health and wellbeing of our communities across North Ayrshire.

We are passionate about using fun social physical activity opportunities as a mechanism to engage and empower communities across North Ayrshire to achieve physical and mental wellbeing. We are dedicated to promoting the benefits and positive effect physical activity has on mental health.

We continue to harness the unique power of sport to ensure our activities are welcoming, positive and inclusive. It is vital that we understand and meet the needs of communities who may experience barriers to participation with a particular focus on age, disability, gender and social economic disadvantage.

We strive to make a difference in the community and our outreach programme offers a diverse range of physical activity opportunities targeting specific groups who are most in need.

The Company aspires to be the leading fitness provider in Ayrshire and to inspire more people to get active.

Future Plans

Facilities

KA Leisure is currently working in partnership with North Ayrshire Council regarding the operation of the following 2 new facilities:

- Largs Academy, Largs – leisure facility within school encompassing fitness suite, indoor gymnasium and outdoor pitches. Scheduled opening period is April 2018.
- Quarry Road, Irvine – Phase 1 – office accommodation. Scheduled opening period is June 2018.
Phase 2 – leisure facilities. Scheduled opening period is late 2019.

Director's report (incorporating the Strategic report)

The Company is committed to ensuring that it responds to and manages any challenges that may impact on the organisation. The Company recognises that a certain amount of risk is inevitable if the organisation is to achieve its priorities. A risk management framework is in place to assist with taking informed decisions regarding the risks that impact on the Company's priorities, whether Strategic or Operational.

Principle risks identified through the Company Strategic Risk Register which have the potential to seriously affect the performance, future prospects or reputation of the Company are detailed below along with mitigating actions being taken by the Company.

Principal Risks and Uncertainties

Strategic Risk	Possible Impact	Mitigating Actions
Maintenance of Adequate Corporate Reserves	Insufficient reserves questions the future viability of the organisation.	Development of revised funding agreement with North Ayrshire Council and a reserves budgetary provision within the 2018/19 revenue budget.
Health and Safety	The Health, Safety and Wellbeing of employees and customers are a statutory responsibility of the Company. Failure to provide a safe environment may lead to the forced closure of a facility or activity with the knock on effects of reduced income, reduced confidence from strategic partners and reduced customer satisfaction.	Maintenance of a comprehensive Health and Safety Policy and Strategy; training provided for employees and Directors; engagement of an external specialist leisure, health and safety consultancy to provide ongoing support and independent audit of health and safety management. Attainment of the RoSPA Gold Award.
Customer Satisfaction	Maintaining customer satisfaction levels is a high priority for the company in a range of areas. These areas include maintaining income generation targets through continuing customer loyalty; favourable perception with key partners from customer/consultation activities; minimising competitor activity; achievement of key and statutory performance indicators and avoidance of adverse publicity within the local and national press.	Maintenance of customer consultation forums; adoption of social media communication techniques; ongoing customer service training for staff; compliance with freedom of information legislation and maintenance of competitive pricing structure and roll out of the customer charter.
Asset Management	The Company operates a range of facilities across North Ayrshire including leisure centres, golf courses and sports pavilions. While wind and watertight responsibility remains with North Ayrshire Council, responsibility for plant, machinery, internal decoration and adaptations lies with the Company. The age of facilities operated by the company and relative lack of investment to date, identify facility management as a significant risk to the Company.	Contracting of specialist providers to maintain and repair plant and equipment on an ongoing basis, installation of a computerised maintenance management system to enable speedy identification of general maintenance issues and develop a facilities management agreement with North Ayrshire Council assist in mitigation of this risk.

Director's report (incorporating the Strategic report)

Trustees' Responsibilities for the Financial Statements

The trustees (who are also the Directors for the purposes of Company Law) are responsible for preparing the Trustee's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the results of the Company for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and Statements of Recommended Practice 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 Company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Company law, as the Company's Directors, we certify that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- as the Directors of the Company we have taken all the steps that we ought to have taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BY ORDER OF THE TRUSTEES

G Higgon
Trustee

Date: 28 June 2018

Independent auditor's report to the trustees and members of North Ayrshire Leisure Limited

We have audited the financial statements of North Ayrshire Leisure Limited for the year ended 31 March 2018. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 and to the charity's directors, as a body, in accordance with section 44(1)(c) of the Charities & Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

Independent auditor's report to the trustees and members of North Ayrshire Leisure Limited

- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by The Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

NEIL MORRISON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF CAMPBELL DALLAS AUDIT SERVICES
STATUTORY AUDITOR
CAMPBELL DALLAS AUDIT SERVICES IS ELIGIBLE TO ACT AS AN AUDITOR IN TERMS
OF SECTION 1212 OF THE COMPANIES ACT 2006
5 WHITEFRIARS CRESCENT
PERTH
PH2 0PA

Dated:

Accounting policies

Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Basis of preparation

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 (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102), and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Company meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

North Ayrshire Leisure Limited is a charitable Company, limited by guarantee, registered in Scotland. The Company's registered number and registered office address can be found on the Company Information page.

The financial statements are presented in Sterling (£). Monetary amounts in these financial statements are rounded to the nearest £.

Security

The hire purchase debt is secured over the asset to which it relates.

Going concern

The financial statements are prepared on the going concern basis. The reserves are in deficit at the year end, arising through the liability on the defined benefit pension scheme. Detailed budgets have been prepared for the Company for the year ended 31 March 2019 and the trustees have also reviewed the period to 28 June 2018.

For this reason, the trustees have formed a judgement that, at the time of approval of these financial statements, the Company has sufficient resources to continue to operate for the foreseeable future and will continue to monitor the pension deficit.

Accounting policies (continued)

Basis of consolidation

The subsidiary undertaking North Ayrshire Leisure Trading Services Limited is dormant and therefore, in accordance with paragraph 405 of the Companies Act 2006, no consolidation is required.

Incoming resources

Membership subscriptions and income from sport and physical activity is recognised in the period in which the Company is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the Company has to fulfil conditions before becoming entitled to it.

Contributions receivable

Contributions are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Grants receivable

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred. Any related expenditure is included within resources expended.

Investment income

Investment income is recognised when receivable.

Resources expended

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods or services are supplied.

Charitable activities include expenditure associated with the provision of leisure services, sports development community programme of health and fitness and include both the direct costs and support costs relating to these activities. Support costs are overheads of running the Company.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Company and include the audit fees and costs linked to the strategic management of the Company.

Fund accounting

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund, together with a fair allocation of overheads and support costs.

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the Company.

Designated reserves

A designated "investment reserve" has been set up for future investment in the Company. This would include long term maintenance and future capital projects and fixed assets.

Accounting policies (continued)

Fixed assets

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets held for Company use by equal annual instalments over their expected useful lives. The rates generally applicable are:

Plant and machinery	20% and 33% straight line
Fixtures and fittings	20% straight line

It is the policy of the Company to charge depreciation in the year of acquisition of an asset.

Capitalisation policy

The Company does not capitalise repairs or renewals of a capital nature with a value below £5,000. All other assets are capitalised at cost.

Investments

Assets held for investment purposes are valued at cost at the Balance Sheet date.

Stocks

Stocks are stated at the lower of cost and net realisable value in the ordinary course of business. Net realisable value is based on estimated selling price.

Pension costs

The Company operates a defined benefit pension scheme. The assets of the scheme are administered by the trustees in a fund separate from those of the Company.

Scheme assets are measured at market values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the Statement of Comprehensive Income. Contributions payable for the year to the defined benefit scheme are charged to the Statement of Financial Activities (incorporating the Income and Expenditure Account).

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Statement of Financial Activities (incorporating the Income and Expenditure Account) over the period of the lease.

Accounting policies (continued)

All other leases are regarded as operating leases and the payments made under them are charged to the Statement of Financial Activities (incorporating the Income and Expenditure Account) on a straight line basis over the lease term.

Irrecoverable input VAT

Irrecoverable input VAT is charged directly to the Statement of Financial Activities (incorporating the Income and Expenditure Account) in the year it is incurred, under the heading of supplies and services.

Taxation

The Company has charitable status and is therefore exempt from taxation under Section 505 of the Income and Corporation Taxes Act 1988.

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. The trustees' annual report contains further information about their contribution.

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.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the Company 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.

Financial instruments

The Company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Statement of Financial Activities (incorporating the income and expenditure account)

	Note	Unrestricted funds £	Restricted funds £	Total funds 2018 £	Total funds 2017 £
Income from donations and legacies					
Lottery and other funded projects	1	-	401,443	401,443	446,149
Income from charitable activities					
Services provided to North Ayrshire Council	2	3,036,624	-	3,036,624	3,186,624
Charitable trading operations	2	4,346,243	139,083	4,485,326	3,969,808
Income from investments					
Investment income	3	3,559	-	3,559	3,020
Total income and endowments		<u>7,386,426</u>	<u>540,526</u>	<u>7,926,952</u>	<u>7,605,601</u>
Expenditure on charitable activities					
Charitable activities	4	8,085,116	540,526	8,625,642	7,864,913
Total resources expended		<u>8,085,116</u>	<u>540,526</u>	<u>8,625,642</u>	<u>7,864,913</u>
Net income / (expenditure)		<u>(698,690)</u>	<u>-</u>	<u>(698,690)</u>	<u>(259,312)</u>
Actuarial (losses)/ gains on defined benefit pension schemes	20	4,369,000	-	4,369,000	(3,004,000)
Net movement in funds		<u>3,670,310</u>	<u>-</u>	<u>3,670,310</u>	<u>(3,263,312)</u>
Funds brought forward at 1 April 2017		<u>(4,075,293)</u>	<u>-</u>	<u>(4,075,293)</u>	<u>(811,981)</u>
Funds carried forward at 31 March 2018		<u>(404,983)</u>	<u>-</u>	<u>(404,983)</u>	<u>(4,075,293)</u>

There is no difference between the result as disclosed in the Statement of Financial Activities and the result on an unmodified historical cost basis.

None of the Charitable Company's activities were acquired or discontinued during the above two years.

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	9	513,548	724,867
Investments	10	1	1
		<u>513,549</u>	<u>724,868</u>
Current assets			
Stocks	11	38,071	38,814
Debtors	12	818,774	666,036
Cash at bank and in hand		163,480	141,772
		<u>1,020,325</u>	<u>846,622</u>
Creditors: amounts falling due within one year	13	<u>(904,999)</u>	<u>(890,752)</u>
Net current assets		<u>115,326</u>	<u>(44,130)</u>
Total assets less current liabilities		<u>628,875</u>	<u>680,738</u>
Creditors: amounts falling due after more than one year	14	<u>(169,858)</u>	<u>(251,031)</u>
Net assets excluding pension liability		<u>459,017</u>	<u>429,707</u>
Net pension liability	20	<u>(864,000)</u>	<u>(4,505,000)</u>
Net assets including pension liability		<u><u>(404,983)</u></u>	<u><u>(4,075,293)</u></u>
Funds			
Designated funds: Investment Reserve: Unallocated	16	263,140	181,957
Allocated	16	39,046	49,817
Unrestricted funds: General Reserve	16	<u>(707,169)</u>	<u>(4,307,067)</u>
		<u><u>(404,983)</u></u>	<u><u>(4,075,293)</u></u>

These financial statements were approved by the Board of Trustees on 28 June 2018 and are signed on their behalf by:

G Higgon
Trustee

A Pringle
Trustee

Company Registration Number: SC202978

The accompanying accounting policies and notes form part of these financial statements.

Statement of cash flows

	Note	2018 £	2017 £
Cash flows from operating activities			
Net incoming resources		(698,690)	(259,312)
Pension scheme payments		728,000	241,000
Depreciation		230,135	165,756
(Increase)/ decrease in stock		743	(1,371)
Decrease/(increase) in debtors		(152,737)	181,079
(Decrease)/increase in creditors		51,040	6,233
Net cash generated from operating activities		158,491	333,385
Cash flows from investing activities			
Purchase of tangible fixed assets		18,816	226,689
Net cash from investing activities		(18,816)	(226,689)
Cash flows from financing activities			
Capital element of finance lease rentals		117,967	94,936
Net cash used in financing activities		(117,967)	(94,936)
Net increase/(decrease) in cash and cash equivalents	18	21,708	11,760
Cash and cash equivalents at the beginning of year		141,772	130,012
Cash and cash equivalents at end of year		163,480	141,772

The accompanying accounting policies and notes form part of these financial statements.

Statement of comprehensive income

	Note	2018 £	2017 £
Net (outgoing)/incoming resources for the financial year		(698,690)	(259,312)
Actuarial gain/(loss) in the pension scheme	20	<u>4,369,000</u>	<u>(3,004,000)</u>
Total comprehensive gains/(losses) relating to the year		<u><u>3,670,310</u></u>	<u><u>(3,263,312)</u></u>

Notes to the financial statements

1 Income from donations and legacies

	2018 £	2017 £
Spirit of 2012 Funding	5,533	49,487
Other Project Funding	395,910	396,662
	<u>401,443</u>	<u>446,149</u>

2 Income from charitable activities

	2018 £	2017 £
Contribution from North Ayrshire Council	3,036,624	3,186,624
Income from charitable trading		
Auchenharvie Leisure Centre	1,014,004	1,025,112
Garnock Pool / Community Campus	274,372	169,677
Magnum Leisure Centre / Portal	1,252,717	1,009,841
Vikings Leisure Centre	527,743	485,542
KA Campus	389,690	380,656
Golf	253,795	268,844
Outdoor Sports	51,672	55,876
Physical Activity	265,838	228,345
Other	316,412	227,397
Project income (restricted)	139,083	118,518
	<u>4,485,326</u>	<u>3,969,808</u>

3 Investment income

	2018 £	2017 £
Investment income comprises income from:		
Funds held by North Ayrshire Council	3,559	2,343
Interest payable/(receivable)	-	677
	<u>3,559</u>	<u>3,020</u>

4 Direct charitable expenditure

	2018 £	2017 £
Other direct expenditure		
Employee costs	5,713,628	5,010,463
Property costs	1,339,057	1,495,422
Supplies and services	761,666	816,669
Transport costs	47,558	43,432
	<u>7,861,909</u>	<u>7,365,986</u>

Notes to the financial statements (continued)

4 Direct charitable expenditure (continued)

	2018 £	2017 £
Brought forward	7,861,909	7,365,986
Support costs		
Rent and insurance	95,551	-
Post, stationery and advertising	106,203	105,734
Telephone	117,948	98,845
Depreciation	230,135	165,756
Bank charges	12,253	11,376
Bad debts	2,809	(506)
Finance lease interest	13,718	13,451
Operating lease charge	213	1,836
Other finance expense - pension scheme	125,000	48,000
Governance costs (see note 5)	59,903	54,435
	<hr/> 763,733 <hr/>	<hr/> 498,927 <hr/>
Total	<hr/> 8,625,642 <hr/>	<hr/> 7,864,913 <hr/>

Included in supplies and services is irrecoverable input VAT of £168,062 (2017: £228,957).

5 Governance costs

	2018 £	2017 £
Fees paid to auditors	16,100	15,700
Fees paid to auditors for non-audit work	5,600	4,950
Legal and professional fees	38,203	33,785
	<hr/> 59,903 <hr/>	<hr/> 54,435 <hr/>

Notes to the financial statements (continued)

6 Net incoming resources

Net incoming resources are stated after charging/(crediting):

	2018 £	2017 £
Auditors remuneration	16,100	15,700
Depreciation and amortisation:		
Tangible fixed assets, owned	103,022	82,220
Tangible fixed assets held under finance leases	127,113	83,536
Other operating lease rentals		
Land and buildings	30,000	-
Plant and machinery	2,564	2,907

7 Employees

Staff costs during the year were as follows:

	2018 £	2017 £
Wages and salaries	4,127,707	3,848,101
Social security costs	258,974	249,891
Pension costs	1,234,000	766,000
Other employee costs	92,947	146,471
	5,713,628	5,010,463

The average monthly number of employees during the year was as follows:

	2018 No.	2017 No.
Managers and officers	29	28
Support services and reception	73	67
Manual workers and technicians	104	101
Temporary/seasonal employees	129	114
	335	310

Notes to the financial statements (continued)

7 Employees (continued)

Number of employees with emoluments in excess of £60,000 during the year.

	2018	2017
£60,000 - £69,999 (2017: £60,000 - £69,999)	1	1

The total pension payments in relation to the defined pension scheme made in respect of the higher paid employees numbered above totalled £13,224 (2017: £13,093).

Total salary costs for the Company's senior management team was £204,483 (2017: £202,458).

8 Trustees

No remuneration was paid to trustees in their capacity as trustees. However, during the year one trustee was paid in their capacity as employee's of the Charity. Helen Campbell was paid £23,973 (2017: £1,962), in this period, to provide fitness classes and first aid training to the Company's customers in her capacity as a Health and Fitness Officer. No other trustees received remuneration under a contract of employment. There were no expenses paid to trustees in the year.

9 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2017	447,842	1,083,837	1,531,679
Additions	-	18,816	18,816
Disposals	-	(47,247)	(47,247)
At 31 March 2018	447,842	1,055,406	1,503,248
Depreciation			
At 1 April 2017	268,939	537,873	806,812
Provided in the year	61,825	168,310	230,135
Disposals	-	(47,247)	(47,247)
At 31 March 2018	330,764	658,936	989,700
Net book value at 31 March 2018	117,078	396,470	513,548
Net book value at 31 March 2017	178,903	545,964	724,867

All tangible fixed assets were used for charitable purposes.

The majority of the operations of the Company are carried out from fixed assets leased from North Ayrshire Council as explained in note 24.

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

The figures stated above include assets held under finance leases as follows:-

	£
Net book amount at 31 March 2018	279,222
Net book amount at 31 March 2017	406,336
Depreciation provided in the year	127,114

10 Fixed asset investments - unquoted

	£
Value at 31 March 2017 and 31 March 2018	1
Historical cost at 31 March 2017 and 31 March 2018	1

Fixed asset investments comprise the following:-

Name of Company	Country of registration	Holding	Proportion held	Capital and reserves 2017	Results 2018
North Ayrshire Leisure Trading Services Limited	Scotland	Ordinary shares	100%	£1	£-

The subsidiary company is dormant.

11 Stocks

	2018 £	2017 £
Goods for resale and consumable stores	38,071	38,814

Notes to the financial statements (continued)

12 Debtors

	2018 £	2017 £
Trade debtors	43,033	41,876
Prepayments and accrued income	84,757	60,547
Other debtors	42,556	19,865
Amounts due from related parties	648,428	543,748
	<u>818,774</u>	<u>666,036</u>

13 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	45,998	85,323
Social security and other taxes	222,767	159,288
Other creditors	1,254	1,342
Amounts due to related parties	-	183,472
Accruals and deferred income	478,886	276,953
Pension creditor	74,921	66,407
Finance lease creditor	81,173	117,967
	<u>904,999</u>	<u>890,752</u>

14 Creditors: amounts falling due after more than one year

Future commitments under finance lease and hire purchase agreements are as follows:

	2018 £	2017 £
Finance lease creditor (see note 15)	169,858	251,031
	<u>169,858</u>	<u>251,031</u>

Notes to the financial statements (continued)

15 Commitments under finance leases and hire purchase agreements

Future commitments under finance lease and hire purchase agreements are as follows:

	2018 £	2017 £
Amounts payable within 1 year	81,173	117,967
Amounts payable between 1 to 5 years	169,858	251,031
	<u>251,031</u>	<u>368,998</u>

The hire purchase debt is secured over the asset to which it relates.

16 Funds

	Restricted reserve £	Investment reserve £	General reserve £	Total £
As at 1 April 2017	-	231,774	(4,307,067)	(4,075,293)
Incoming resources	540,526	-	7,386,426	7,926,952
Expenditure	(540,526)	-	(8,085,116)	(8,625,642)
Net outgoing resources	-	-	(698,690)	(698,690)
Transfer to General Reserve in respect of depreciation	-	(29,588)	29,588	-
	-	(29,588)	(669,102)	(698,690)
Actuarial (loss)/gain in the pension scheme	-	-	4,369,000	4,369,000
Transfer from General Reserve	-	100,000	(100,000)	-
As at 31 March 2018	<u>-</u>	<u>302,186</u>	<u>(707,169)</u>	<u>(404,983)</u>

Investment reserve

The investment reserve is represented by:

	£
Unallocated	263,140
Allocated	39,046
	<u>302,186</u>

The transfer to the general reserve from the investment reserve is in respect of the depreciation charges for fixed assets.

Notes to the financial statements (continued)

16 Funds (continued)

Restricted reserve	Deferred income at 1 April 2017	Deferred income released in year	Incoming resources	Current year income deferred	Outgoing resources	Deferred income at 31 March 2018
	£	£	£	£	£	£
Externally Funded and Partnership Projects						
North Ayrshire Community Planning Partnership	-	-	100,547	-	(100,547)	-
Rugby Development Officers	12,602	12,602	45,000	(13,654)	(43,948)	13,654
Basketball Development Officer	2,017	2,017	7,500	-	(9,517)	-
Developing Community Activities	8,855	8,855	-	-	(8,855)	-
Community Sports	-	-	2,100	(600)	(1,500)	600
Active North Ayrshire	6,360	6,360	288,911	(12,212)	(283,059)	12,212
Cashless Accounts	26,438	11,594	6,650	(6,650)	(11,594)	21,494
Support for Community Events	-	-	6,093	(5,708)	(385)	5,708
Mind and Be Active	-	-	70,239	-	(70,239)	-
Cycling Scotland	-	-	7,855	(116)	(7,739)	116
Active Girls North Ayrshire	-	-	12,358	(9,215)	(3,143)	9,215
	56,272	41,428	547,253	(48,155)	(540,526)	62,999

The Company delivers a broad and diverse range of projects across the communities of North Ayrshire. Some of these projects are delivered through external funding attracted by the Company however, all are delivered in partnership with public sector agencies, community groups and charities. All projects are aimed at addressing joint targets and outcomes of the partners involved and evidence the impact of supported physical activity and sports sessions on a broad range of community issues.

Incoming resources in addition to those detailed above have been received from a number of external bodies. In accordance with the Statement of Recommended Practice: Accounting by Charities (the SORP) this income has been deferred into future accounting periods.

Notes to the financial statements (continued)

16 Funds (continued)

Analysis of Net Assets between Funds

	Restricted reserve	Investment reserve	General reserve	Total
	£	£	£	£
Tangible fixed assets	-	39,046	474,502	513,548
Investments	-	-	1	1
Cash at bank and in hand	-	-	163,480	163,480
Other net current assets/(liabilities)	-	263,140	(1,345,152)	(1,082,012)
	-	302,186	(707,169)	(404,983)

17 Share capital

North Ayrshire Leisure Limited is a private company limited by guarantee.

18 Reconciliation of net cash inflow to movement in net funds

	2018 £	2017 £
Decrease in cash in the year	21,708	11,760
Cash outflow from financing	117,967	94,936
Change in net funds resulting from cash flows	139,675	106,696
Inception of finance leases	-	(321,985)
Movement in net funds in the year	139,675	(215,289)
Net funds at 1 April 2017	(227,226)	(11,937)
Net funds at 31 March 2018	(87,551)	(227,226)

19 Analysis of changes in net funds

	At 1 April 2017 £	Cash flows £	Non-cash Items £	At 31 March 2018 £
Cash at bank and in hand	141,772	21,708	-	163,480
Finance leases	(368,998)	117,967	-	(251,031)
	(227,226)	139,675	-	(87,551)

Notes to the financial statements (continued)

20 Pensions

The employees of North Ayrshire Leisure Limited may participate in the Strathclyde Pension Fund, a defined benefit statutory scheme.

The Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. The assets are invested in equities, bonds, property and cash. Contributions to the Fund are charged to participating employers to spread the cost of pensions to the Statement of Financial Activities over employees' working lives.

The level of contributions to the Fund are determined by a qualified actuary on the basis of triennial valuations. The most recent actual valuation of the Strathclyde Pension Fund was at 31 March 2017.

The contributions to the Fund ranged from 5.5% to 9.1% of earnings by employees and 19.3% of employee earnings by North Ayrshire Leisure Limited for the year ended 31 March 2018.

The pension charge for the year was £1,234,000 (2017: £766,000).

A full actuarial valuation was carried out at 31 March 2017 by qualified actuary of the Strathclyde Pension Fund.

Valuation of Assets

Assets of the Fund have been taken into account at their market value as indicated in the audited financial statements of North Ayrshire Leisure Limited for the year ended 31 March 2018.

Included is an allowance for the future expected payments in respect of early retirement strain and augmentation costs granted prior to the valuation date in the value of assets, for consistency with the liabilities and with the previous valuation. Further included is an allowance for individual transfers of members' service between the No 1 Fund and vice versa for consistency with the liabilities.

The opinion is that, the basis for placing a value on members' benefits is compatible with that for valuing the assets; both are related to market conditions at the valuation date.

Notes to the financial statements (continued)

20 Pensions (continued)

The assets and liabilities of the scheme and the expected rate of return at 31 March were:

	Rate of return %	2018 £000	Rate of return %	2017 £000
Market value of assets:				
Equities	2.7	18,011	2.6	18,036
Bonds	2.7	4,631	2.6	2,965
Property	2.7	2,830	2.6	2,471
Cash	2.7	257	2.6	1,235
		<u>25,729</u>		<u>24,707</u>
Present value of scheme liabilities		<u>(26,593)</u>		<u>(29,212)</u>
Net pension asset/(deficit)		<u>(864)</u>		<u>(4,505)</u>

The historic asset values have not been re-stated from mid-market rates.

The movement in the deficit during the year was:

	2018 £000	2017 £000
Deficit in scheme assets at 1 April	(4,505)	(1,260)
Movement in year:		
Current service cost	(1,234)	(766)
Losses on curtailments	-	-
Contributions	620	562
Contributions in respect of unfunded benefits	11	11
Interest cost	(125)	(48)
Actuarial gain/(loss)	4,369	(3,004)
Deficit in scheme assets at 31 March	<u>(864)</u>	<u>(4,505)</u>

Notes to the financial statements (continued)

20 Pensions (continued)

The main assumptions used by the actuary were:

	2018 %	2017 %
Salary increases	3.6	4.4
Pension increases	2.4	2.4
Discount rate	2.7	2.6

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2016 model with an allowance for smoothing of recent mortality experience and long term rates of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.4 years	23.7 years
Future Pensioners*	23.4 years	25.8 years

*figures assume members aged 45 as at the last formal valuation date.

Historic Mortality

Life expectancies for the prior year end are based on the Fund's VitaCurves with allowance for future improvements as shown below:

Year Ended	Prospective Pensioners	Pensioners
31 March 2017	CMI 2012 model assuming current rate of improvement have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females.	CMI 2012 model assuming current rate of improvement have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females.
31 March 2016	CMI 2012 model assuming current rate of improvement have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females.	CMI 2012 model assuming current rate of improvement have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females.

Notes to the financial statements (continued)

20 Pensions (continued)

Employer Membership Statistics

	Number		Total Salaries/ Pensions £(000)		Average Age
	31 Mar 2017	31 Jan 2015	31 Mar 2015	31 Mar 2015	31 Mar 2017
Actives	269	179	3,002	2,549	48
Deferred Pensioners	164	95	171	*	48
Pensioners	58	52	297	*	65

* = Current figures are not available for the amount of pensions in payment and deferred pensions. Calculations are based on estimates from the latest formal valuation. Deferred pensions include undecided leavers and frozen refunds. Salaries are actual, not full-time equivalent.

Period Ended	31 Mar 2018 £(000)	31 Mar 2017 £(000)
Fair Value of Employer Assets	25,729	24,707
Present Value of Funded Liabilities	(26,362)	(28,976)
Net (Under)/Overfunding in Funded Plans	(633)	(4,269)
Present Value of Funded Liabilities	(231)	(236)
Unrecognised Past Service Cost	-	-
Net Liability	(864)	(4,505)

Reconciliation of fair value of employer assets

Period Ended	31 Mar 2018 £(000)	31 Mar 2017 £(000)
Opening Fair Value of Employer Assets	24,707	19,786
Interest Cost	646	697
Contributions by Members	186	169
Contributions by the Employer	620	562
Contributions in respect of Unfunded Benefits	11	11
Actuarial gains /(losses)	79	3,930
Estimated Unfunded Benefits Paid	(11)	(11)
Estimated Benefits Paid	(509)	(437)
Closing Fair Value of Employer Assets	25,729	24,707

Notes to the financial statements (continued)

20 Pensions (continued)

Measurement of Liabilities

Calculation is made of estimated cost of benefits accruing to existing employee members over the year following the valuation date allowing for all expected future pay and pension costs. This amount is expressed as a percentage of the members' pensionable pay over the year following the valuation date and is known as the 'future service contribution rate'.

This method of assessing the future contribution requirement is applied only to the Fund membership at the valuation date. If new entrants are admitted to the Fund to the extent that the membership profile remains broadly unchanged (and if the actuarial assumptions are unchanged) then the future service contribution rate assessed at future valuations should be reasonably stable. However, if the average age of employee members rises (for example if few or no new entrants are admitted to the Fund), and if the actuarial assumptions are unchanged, then the future service contribution rate will increase. This funding method is known as Projected Unit Method.

The estimated Employer's contributions for the year to 31 March 2019 will be approximately £620,000.

History of experience gains and losses

	2018 £000	2017 £000
Difference between the expected and the actual return on scheme assets:		
- amount	79	3,930
- percentage of scheme assets	0.0%	15.9%
Experience gains and losses on scheme assets:		
- amount	2,615	(3)
- percentage of scheme assets	10.2%	0.0%
Total amount recognised in statement of total comprehensive income:		
- amount	4,369	(3,004)
- percentage of scheme assets	17.0%	12.2%
i) Amount charged to operating profit		
	2018 £000	2017 £000
Current service cost	1,234	766
Losses on curtailments	-	-
Total operating charge	<u>1,234</u>	<u>766</u>

Notes to the financial statements (continued)

20 Pensions (continued)

ii) Amount credited to other finance income

	2018 £000	2017 £000
Interest cost on pension scheme liabilities	(125)	(48)
Net return	(125)	(48)

iii) Amount recognised in the Statement of comprehensive income

	2018 £000	2017 £000
Changes in demographic assumptions	(18)	-
Actual return less expected return on pension scheme assets	79	3,930
Experienced gains and losses arising on the scheme liabilities	2,615	(3)
Change in financial assumptions underlying the scheme liabilities	1,693	(6,931)
Actuarial loss recognised in the Statement of comprehensive income	4,369	(3,004)

Amount Recognised in Statement of comprehensive income

	31 Mar 2018 £(000)	31 Mar 2017 £(000)
Actuarial Gains/(Losses) – as recognised in the Statement of comprehensive income	4,369	(3,004)
Cumulative Actuarial Gains and Losses	397	(3,972)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2018:

	Approximate increase to employer liability %	Approximate monetary amount £000
0.5% decrease in real discount rate	12	3,252
0.5% increase in the salary increase rate	3	676
0.5% increase in the pension increase rate	9	2,512

Notes to the financial statements (continued)

21 Leasing commitments

The Company has annual operating lease commitments which expire as follows:

	2018 Land & Buildings	2017 Land & Buildings	2018 Other £	2017 Other £
In one year or less	30,000	-	-	-
Between one and five years	-	30,000	8,197	7,572
	<u>30,000</u>	<u>30,000</u>	<u>8,197</u>	<u>7,572</u>

22 Capital commitments

There were no capital commitments at 31 March 2018 (2017: £ nil).

23 Contingent liabilities

There were no contingent liabilities at 31 March 2018 (2017: £ nil).

24 Related party transactions

North Ayrshire Council provided a banking facility during the year and paid £3,559 (2017: £2,343) interest to the Company in this regard. As at 31 March 2018 the net amount due from North Ayrshire Council was £648,428 (2017: £360,276).

Total monies received from North Ayrshire Council in the year was £3,498,691 (2017: £3,689,131). North Ayrshire Council lease the facilities occupied by the Company for a peppercorn rent. In addition the Council provided some administrative support and assistance to the Company for which they made no charge.

The company owns 100% of the share capital of North Ayrshire Leisure Trading Services Limited.

25 Ultimate controlling party

During the year the Company was under the control of the trustees.