

Financial Statements

North Ayrshire Leisure Limited

For the year ended 31 March 2020

Reference and Administration Details

Company registration number	SC202978
Charity registration number	SC029780
Registered office	22 Quarry Road Irvine KA12 0TH
Company trading name	KA Leisure
Trustees	G Higgon (Chairman) A Pringle (Vice Chairman) T Billings J Brahim (Resigned 13 th November 2019) H Campbell S Macaulay J McClung (Appointed 28 th November 2019) J Sweeney A Todd (Appointed 27 th June 2019) L Tulloch (Appointed 27 th June 2019)
Chief executive officer	E Cairns
Senior management team	E Cairns C Glencorse L Barrie
Solicitor	Shepherd and Wedderburn 191 West George Street Glasgow G2 2LB
Auditors	Azets Audit Services Limited Registered Auditors 5 Whitefriars Crescent Perth PH2 0PA
Bankers	Clydesdale Bank 151 High Street Irvine KA12 8AD

Contents

Foreword	4
Directors' report (incorporating the Strategic report)	5 - 25
Report of the independent auditor	26 - 28
Accounting policies	29 - 33
Statement of financial activities (incorporating the income and expenditure account)	34
Balance sheet	35
Statement of cash flows	36
Statement of comprehensive income	37
Notes to the financial statements	38 - 53

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

As chairman of KA Leisure, I am pleased and proud to provide this foreword and share with you our 2019/2020 Annual Report.

The last financial year was the 20th anniversary of our Company incorporation in January 2000, since when, over 30 million activity attendances have been recorded at our facilities, of which approximately 2.7 million customer visits were recorded in the last year.

The financial year 2019/2020 has been a challenging year, with temporary closures at some sites to accommodate necessary refurbishment and facility expansion as well as a downturn in business at the end of the year due to the coronavirus pandemic. Nevertheless, the Company has attained a turnover of £8,455,262 during the year, an increase of 2.3% in comparison to the previous year and retained a consistent staff profile of 351 employees.

Our focus continues to provide the best possible service to our community and in so doing improve the health and wellbeing of the residents of North Ayrshire. In this respect we are grateful to all of our partners, and in particular North Ayrshire Council for supporting us in this endeavour.

There have been many highlights during the year including, the opening of the new Circuit facility, and national recognition for the delivery of innovative projects. During the past year we have continued to reinvest in fitness venues with the refurbishment and extension of the fitness suite at Auchenharvie Leisure Centre.

We continue to develop our fitness portfolio with the launch of our new "ELEVATE" fitness club and "EVOLVE" cycling series, as well as the introduction of a new personal training service. These developments have been well received, as indicated by the fact that customer visits to our fitness activities now provide 54% of overall customer attendances.

KA Leisure has always recognised the importance of mental health within the community. Our Active Lifestyle Team has developed a new Health and Wellbeing Service with the North Ayrshire Health and Social Care Partnership, and in partnership with the North Ayrshire Drug and Alcohol Partnership and North Ayrshire Active Schools our "North Ayrshire Champions for Change" programme was created.

As a Company we continue to strive to ensure everyone's health and safety, and nurture a positive health, safety and wellbeing culture across our workplaces. I am delighted to record that our efforts have again been recognised with our 6th consecutive Royal Society for the Prevention of Accidents (RoSPA) Gold Award, achieving the RoSPA Gold Medal and being awarded the inaugural RoSPA Gold Leisure safety Award.

We are familiar with the challenges ahead, the coronavirus pandemic has, and will continue to impact how we operate therefore we will continue to seek out new and novel ways to offer our services to the community. Our focus remains however, on improving the health and wellbeing of the communities of North Ayrshire by doing everything we can to provide a safe, healthy and happy experience.

To conclude I would like to take this opportunity to thank our employees, Board of Directors, North Ayrshire Council and all strategic partners for their dedication and commitment over the previous twelve months, as well as our valued customers for all their ongoing loyalty and support.

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)
 - Largs Academy
- 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 and Impact 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 351 employees. The Company has a Senior Management Team comprising of a Chief Executive and 2 Business Managers covering the areas of Leisure and Physical Activity. The remuneration of key management personnel is reviewed annually and normally increased in line with local government agreements.

During the period the Company continued to meet the criteria to maintain the Healthy Working Lives Silver Award and we are now actively working towards achieving the Gold Award from NHS Health Scotland. As part of the Gold award portfolio we will produce a Company Health, Safety and Wellbeing Strategy demonstrating clear commitment to promoting a healthy working environment for our employees.

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 2020.

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.

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

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

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 pages 22 to 24 of this report.

Health and Wellbeing

The Company continues to be committed to developing a positive health and wellbeing culture through the involvement and commitment of all employees in delivering a quality service.

The Company 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 our health and wellness culture across the Company. A key element of employee engagement is the operation of two staff forums which meet on a regular basis throughout the year – the Employee Forum and the Health and Wellbeing Forum.

Recognition of the Company health and wellbeing culture has led to KA Leisure being awarded a second consecutive Gold Medal from the Royal Society for the Prevention of Accidents (RoSPA) for achieving six consecutive annual Gold Awards through RoSPA's international awards scheme. KA Leisure is the only leisure trust in Scotland to be awarded the RoSPA Gold Award. Additionally, the Company has successfully achieved a second consecutive RoSPA Gold Leisure Safety Award, making KA Leisure one of only four Companies to have achieved this honour in the UK.

In addition, in recognition of their health and safety leadership and commitment to the development of the Company health and wellbeing culture, one of our Assistant Customer Service Managers was awarded the Institution of Occupational Safety & Health (IOSH) Certificate of Merit Award.

Directors' report (incorporating the Strategic report) Objectives and Activities

Making a Difference

Our portfolio of community venues form the foundation of what we do. Our venues offer opportunities to participate in a wide range of sporting and physical activity activities; from baby ballet to ballroom dancing, learning to swim to club swimming, and, mini kickers through to walking football. We have activities to suit everyone, for individuals, teams, clubs and organisations providing; coaching and instruction, competitive and performance sport, or, simply opportunities to feel better about yourself and have fun.

As an organisation we have been fortunate to benefit from significant investment from North Ayrshire Council during recent years. The newest edition, the Circuit – indoor and outdoor sports pitches, compliments previous investment in Garnock Community Campus, Largs Campus and the Portal.

In addition to the North Ayrshire Council investment we have continued to invest in our fitness venues during the last 12-months, creating exciting spaces for our customers at Auchenharvie Leisure Centre and Vikingar. We have also continued to reimagine what fitness means to our customers with the launch of our new fitness brand ELEVATE fitness club providing opportunities to take part regards of fitness level.

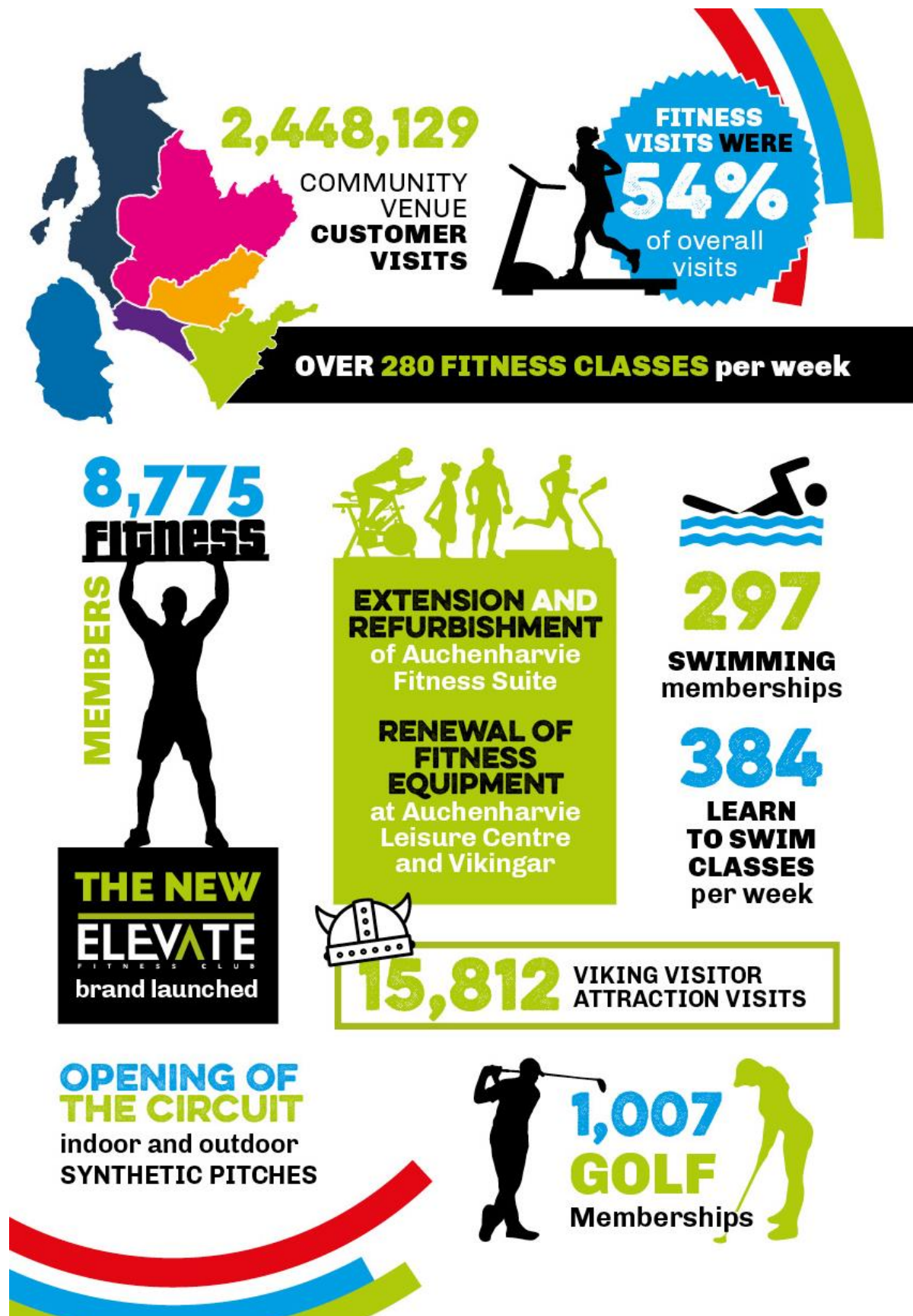
As well as encouraging active participation the continued success of our fitness activities is crucial to the maintenance and development of our wider programmes. The income from fitness activity ensures a range of activities and programmes remain accessible, affordable and inclusive particularly for those requiring a more supportive approach.

Additionally, to core programmes and activities community venues provide a base for a range of innovative programmes delivered by our Active Lifestyles and Community Sport Teams, supporting individuals to act now!

One such session is the Circuit Friday night 'Just Play' session delivered by the Community Sport Team in partnership with the Scottish Football Association and Fullarton Connections. This free diversionary programme offers the opportunity for young people to socialise and get active with friends in a safe, welcoming environment.

Another example is our inaugural Golden Games that took place at the Portal in November 2019. The games provide older adults an opportunity to participate as part of a team in a range of activities including; adapted golf, boccia, carpet bowls, cycling, netball, seated yoga and table tennis.

Directors' report (incorporating the Strategic report) Objectives and Activities



Directors' report (incorporating the Strategic report) Objectives and Activities

Move More North Ayrshire

Move More North Ayrshire is a project funded by Macmillan Cancer Support, which provides physical activity opportunities for patients who have recently been diagnosed with cancer or are within 3 years of a cancer diagnosis. Moving into the final year of the project we have supported 169 participants from the project target of 180 through both behaviour change interventions and physical activity opportunities.

Volunteer led activities and support has been an integral part of the Move More North Ayrshire programme which now has 36 volunteers assisting in the delivery of classes, gardening and walking opportunities. Our partnership with Kilwinning Sports Club has continued over the past year allowing us to develop volunteer led activities within an area of low deprivation which has the highest cancer incidence in North Ayrshire.

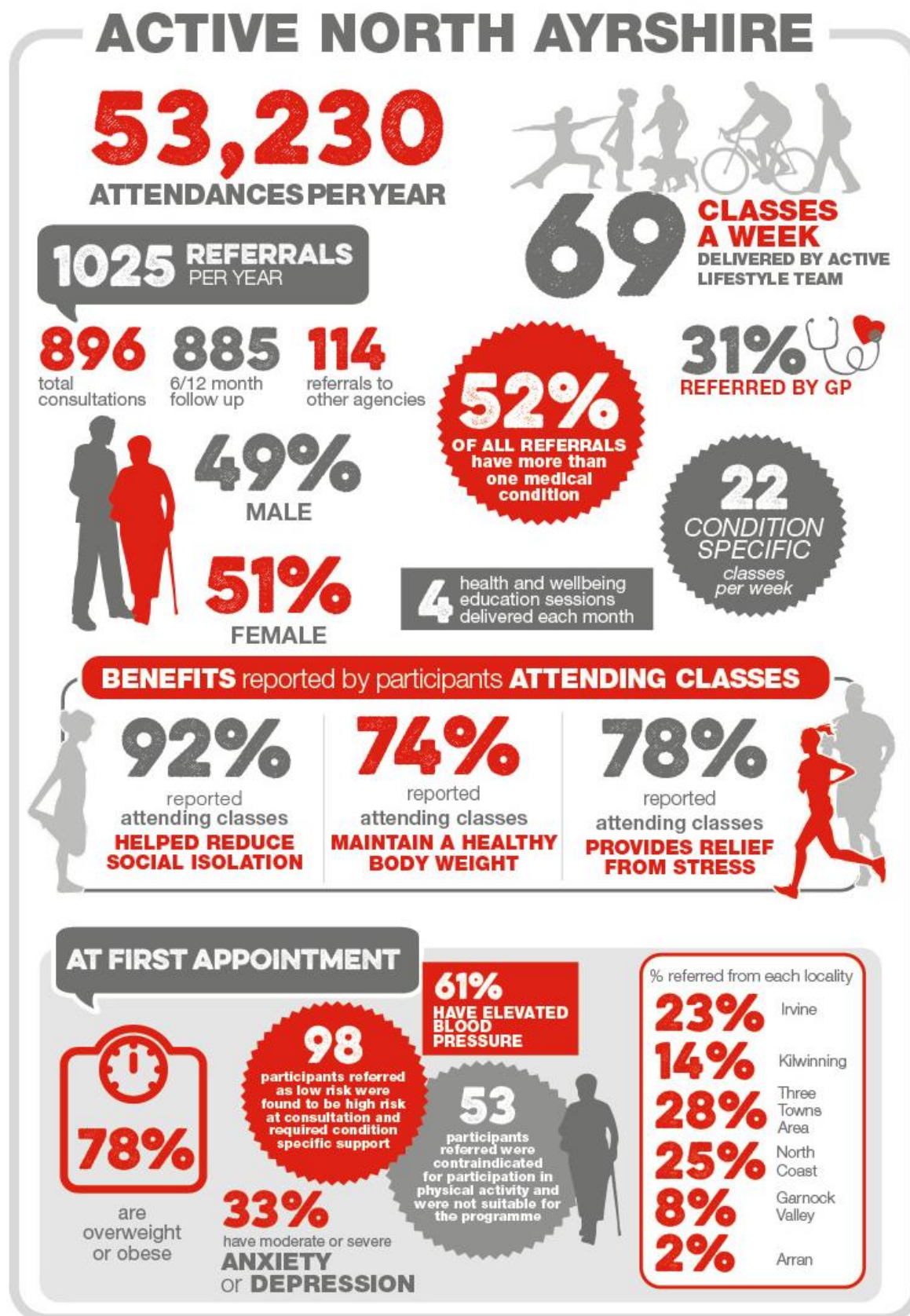
Health & Wellbeing Service

We continue to work in partnership with North Ayrshire Health and Social Care Partnership and NHS Ayrshire and Arran. During 2019 we continued to develop our Health and Wellbeing Service, enabling us to provide a variety of physical activity opportunities and support individuals to adopt an active, healthy lifestyle across all 6 North Ayrshire Localities. Working together with partners we can reach those most in need, improve health and reduce inequalities.

The overarching Physical Activity Referral Programme, Active North Ayrshire (ANA) also includes:

- **Healthy Active Rehabilitation Programme (HARP)** that provides a structured pathway of physical activity from rehabilitation led by health professionals to longer term supported physical activity
- **Mind and Be Active (MBA)** programme which aims to improve mental health and wellbeing through supported physical activity.
- **Weigh To Go** weight management programme
- **Move More North Ayrshire** which supports people who are living with or have recently recovered from a cancer diagnosis.

Directors' report (incorporating the Strategic report) Objectives and Activities



Directors' report (incorporating the Strategic report)

Objectives and Activities

Activator

Our Activator is a versatile, mobile, physical activity and health unit providing a valuable service of health checks and lifestyle advice within the heart of local communities. Over the past 12 months we carried out a number of health checks that identified potential health issues that required referral to a medical professional. In some instances, this resulted in the identification of a health condition and the prescription of medication, demonstrating the impact our service can have as the first point of contact and an opportunity for early intervention.

North Ayrshire Green Health Partnership

The North Ayrshire Green Health Partnership is one of four pilot Green Health Partnerships across Scotland. Established to demonstrate how cross-sectoral co-ordination can mainstream approaches to increasing physical activity and improving mental health through engagement with the natural environment. These innovative partnerships bring together the health, social care, environment, leisure, sport and active travel sectors in order to make more use of local green space as a health-promoting resource.

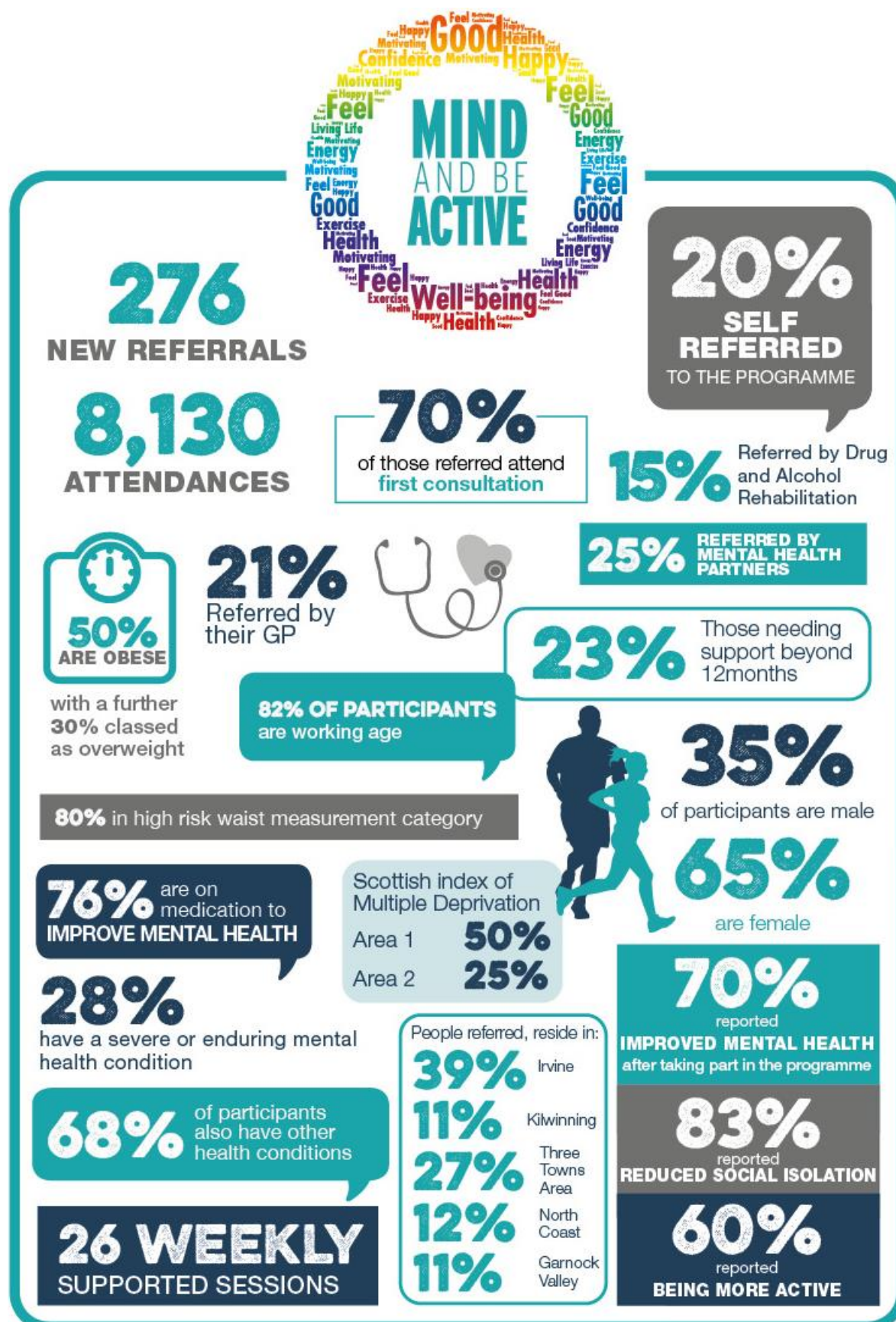
Each partnership draws on its sound knowledge of community needs, existing outdoor assets and green health activity, and adds value by identifying co-benefits. It's an integral part of our Active North Ayrshire exercise referral programme and offers a variety of green activities such as gardening, conservation and nature walks as an alternative to the more traditional activities based within leisure centres.

Mental Health and Wellbeing

Mental health and wellbeing continue to be a priority across all localities in North Ayrshire. Over the last year 276 participants within the Mind and Be Active programme were supported become more physically active on a regular basis to help improve their mental health and wellbeing.

The Company participated in a variety of campaigns to support positive mental health throughout the year including Mental Health Awareness Week, Loneliness Awareness Week, Stress Awareness Week and World Mental Health Day. The campaigns used a variety of methods to engage with Mind and Be Active participants, customers within our facilities and KA Leisure employees including social media, poster displays, drop in sessions and information events.

Directors' report (incorporating the Strategic report) Objectives and Activities



Directors' report (incorporating the Strategic report) Objectives and Activities

Community Sport

Champions for Change

The Changing Lives Through Sport and Physical Activity (CLTSPA) Fund was launched in partnership between the Scottish Government, sportscotland, the Robertson Trust and Spirit of 2012, and supports organisations to deliver positive change in communities across the country.

Champions for Change in North Ayrshire involves an innovative partnership between KA Leisure, North Ayrshire Active Schools and North Ayrshire Alcohol and Drug Partnership. The project is based in the Irvine and Garnock Valley localities and focuses on two key outcomes.

1. The development of volunteers in unemployment or disengaged at school.
2. The delivery of a schools and community activity programme which incorporates educational messages of drugs, alcohol and tobacco misuse.

The project draws on the energy and passion of the people in North Ayrshire and serves as a vehicle for tackling social challenges. It includes support for achieving sports coaching qualifications, employability training and education and awareness around drug and alcohol issues.

North Ayrshire Community Sport Hubs

National Lottery funded Community Sport Hubs (CSH) are one of sportscotland's national programmes which focus on sustainable, community-led approaches that get local sports clubs working together to develop welcoming, safe and fun environments for sport.

We support 5 Community Sport Hubs in the North Ayrshire CSH programme which is in partnership with North Ayrshire Council. The programme brings together sport clubs and community organisations who have a common aim to develop and grow the sporting offering in their community. CSH's provide information, support and advice on a wide range of sports and physical activities to make it easier for local people to get involved and engage in a more active and healthier lifestyle.

The specifics of each hub and what it offers vary according to local need and local resource. However, all our hubs work to the following five principles:

- Growth in participation
- Engage the local community
- Promote community leadership
- Offer a range of sporting opportunities
- Bring all appropriate partners, groups and people together

CSH's across North Ayrshire aim to support local sports clubs and individuals who may experience barriers to participation with a focus on age, disability, gender, and social and economic disadvantage.

Coach and Volunteer Development

Volunteers are an integral part of sport across North Ayrshire. There are currently 62 affiliated clubs in our Community Sport Hub Programme and 559 volunteers across the area.

We value the contribution volunteers make to clubs and to our communities. To ensure the volunteer experience is rewarding the Community Sport Team provide a programme of support throughout the year.

Directors' report (incorporating the Strategic report) Objectives and Activities

Development opportunities, workshops and training support individuals across several sport club roles. These include –

- Coach and sport specific qualifications
- Child protection
- First Aid
- Marketing
- Funding support
- Volunteer recruitment
- Community Engagement
- Club development planning
- Disability inclusion

All courses are available for free or at a reduced cost through the CSH programme or the Scottish FA's Quality Mark scheme.

Kilmarnock FC Health & Wellbeing Programme

We are delighted to have developed a new partnership with Kilmarnock FC, Scottish FA South West and the Kilmarnock Community Sports Trust (KCST). The partnership includes access to project funding, affiliation to the club, player and stadium visits and shared marketing and branding opportunities

Our Community Sport Team delivered a North Ayrshire primary school launch project to raise awareness of the importance of leading healthier lives. The project focused on the power of football to generate conversations around healthy eating, the benefits of physical activity and the dangers of alcohol.

KA Dance

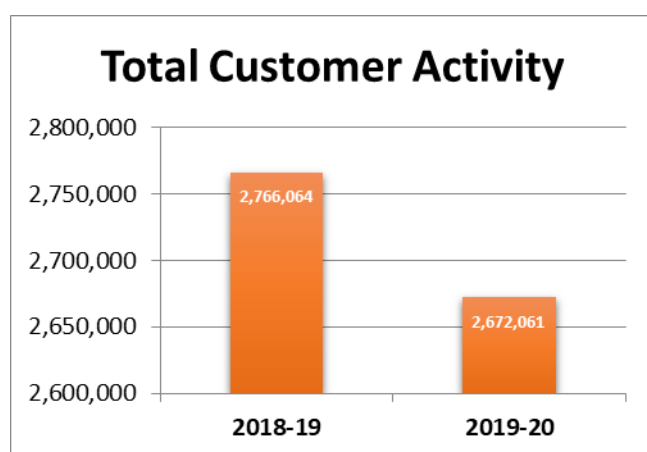
As part of the DrEAM programme in November 2019 we co-ordinated and led inter-generational dance sessions within 4 local care homes. Children from 4 local Early Years Centres participated in singing and dancing with the residents from the homes. The partnership continued throughout December and focused on festive activities which included carol singing and making Christmas cards.

Directors' report (incorporating the Strategic report) Achievements and Performance

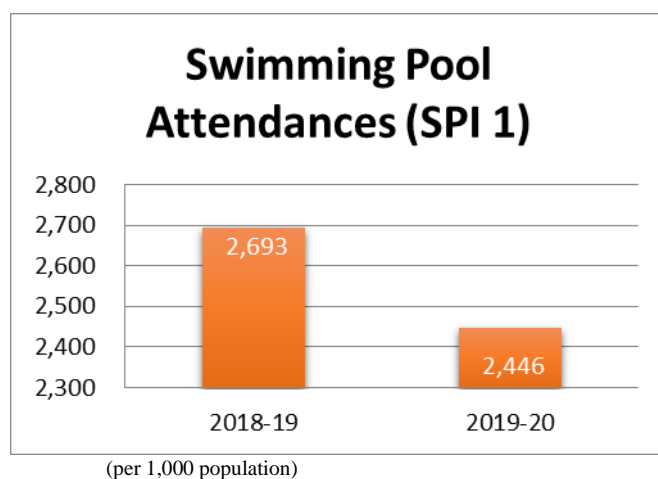
To measure performance the Company provides Statutory Performance Indicators (SPIs) information to North Ayrshire Council on an annual basis. The Company also produces a series of key performance indicators (KPIs).

Overall attendance figures for the Company in 2019/20 have shown a reduction of 94,003 visits and an operational surplus of £40,656. The following graphs highlight the main areas of activity and report on any fluctuations.

Key Facts

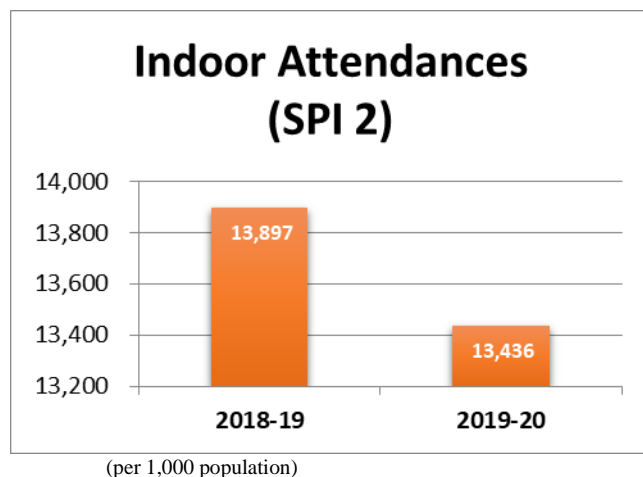


Overall customer visits have reduced by 3.4% during 2019/20. Attendances across all activities have been affected by the coronavirus pandemic. A breakdown of activity areas is provided in the following graphs:

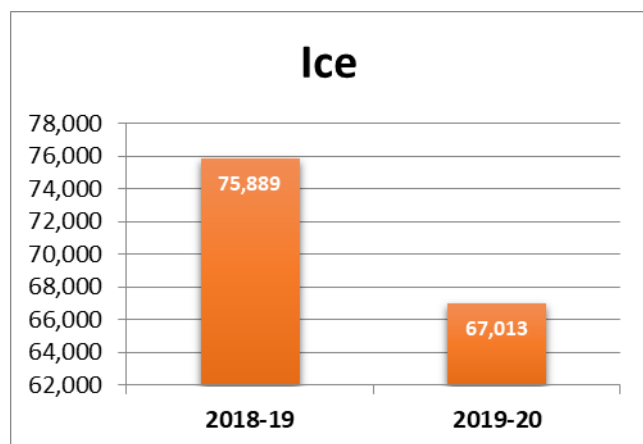


Directors' report (incorporating the Strategic report) Achievements and Performance

Aquatic activity has decreased in comparison to the previous year. The biggest reduction was due to a 12-week closure of the swimming pools at the Portal to complete necessary remedial maintenance.

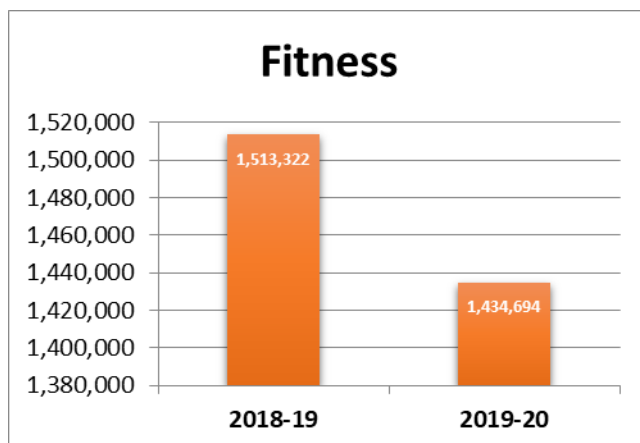


Despite the pandemic indoor sports attendances have maintained a similar number of visits to the previous year.

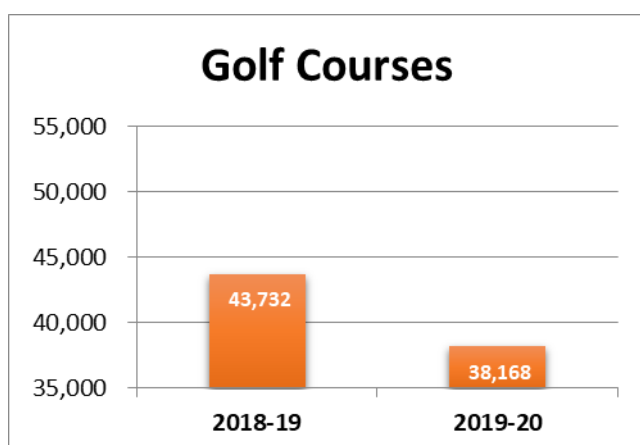


Customer visits to the ice rink have recorded a reduction in comparison to the previous year. In addition to the impact of the pandemic the rink was closed for 6-weeks to facilitate the extension of the fitness suite at Auchenharvie Leisure Centre.

Directors' report (incorporating the Strategic report) Achievements and Performance

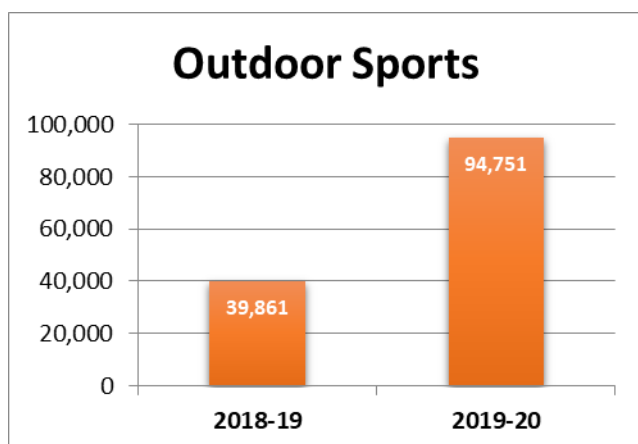


The implementation of a pricing review in May 2019 resulted in a reduction to memberships and therefore customer visits. Attendances had been gradually recovering up until January 2020 however they were impacted by the pandemic during February and March 2020.

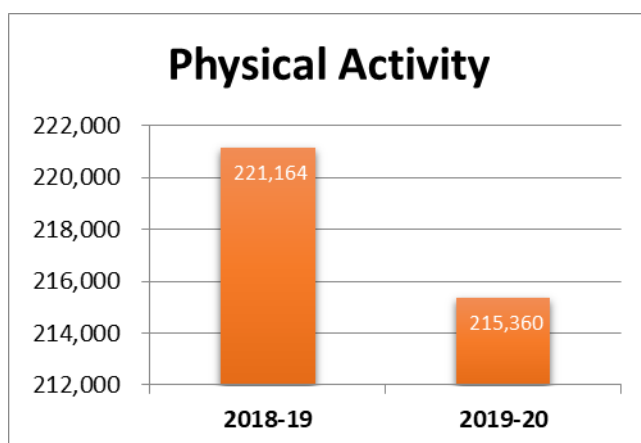


Customer visits to our three golf courses have been impacted during the latter part of the financial year due to a combination of inclement weather and the coronavirus pandemic.

Directors' report (incorporating the Strategic report) Achievements and Performance



Recorded customer visits in outdoor sports have increased in comparison to the previous year. The main contributing factor to the increase has been the opening of the indoor and outdoor sports pitches at the new Circuit facility.



Attendances across physical activity which includes both Active Lifestyles and Community Sport has reduced by 2% in comparison to the previous financial year. Attendances have increased across Active Lifestyles due to an increase in the number of community based weekly classes and an increase in the number of community visits made by the Activator. Overall attendances have decreased, which is primarily due to programme funding ending for the Rugby and Basketball School of Sport Programme. In addition, attendances previously recorded within physical activity for aquatics and campus programmes are now recorded within leisure attendances.

Directors' report (incorporating the Strategic report) Financial Review

The financial statements for North Ayrshire Leisure Limited at 31 March 2020 show a turnover of £8,455,262 (2019: £8,264,945), an Investment Reserve of £314,648 (2019: £331,061), and General Reserves in deficit by £1,045,671, incorporating £1,262,000 reflecting Defined Benefit Pension Fund liabilities (2019: reserves deficit £3,353,327, incorporating £3,529,000 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 £2,965,825 (2019: £2,886,624).

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 2020 the general reserve amounted to a deficit of £1,045,671 (2019: deficit £3,353,327). 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 2020 the investment reserve amounted to £314,648 (2019: £331,061).

Pension Deficit

The trustees acknowledge the net pension deficit at 31 March 2020 of £1,262,000 (2019: deficit £3,529,000). 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.

Directors' report (incorporating the Strategic report)

Strategic Direction

As a committed member of the North Ayrshire Community Planning Partnership, as well as an active member of the North Ayrshire Active Communities Strategic Partnership, KA Leisure engages with partners to capitalise on opportunities to fulfil the Company ambition of:

North Ayrshire More Active More Often

Through taking a focussed approach, and by working with our many partners, we will continue to use our resources to make the greatest impact across North Ayrshire and will continue to develop and grow participation by:

Expanding our reach to maximise the impact of the health and wellbeing of North Ayrshire

We are committed to growing our programmes and activities to make North Ayrshire, more active, more often and by doing so contribute to the collective North Ayrshire Active Communities target of a 10% increase in activity levels by 2026.

Our universal activity programmes are for the whole community and we remain committed to keeping them accessible, affordable and inclusive. While we continue to strengthen the scope of our health and wellbeing programmes, with activity geared towards the prevention and management of long-term health conditions.

Balancing inclusiveness, accessibility and affordability with charitable sustainability

A key challenge for KA Leisure is achieving and maintaining a balance between providing sustainable services with those that are socially worthwhile and meet our charitable purpose. We ensure that activities and programmes are accessible, affordable and inclusive, through the effective use of resources and investment.

We will continue to maintain a strong focus on fitness activities. Fitness activities provide 44% of our income, supporting initiatives for those requiring a more specific approach to overcoming barriers to participation, as well as contributing to investment in venues to ensure they remain relevant for all our customers.

Future Plans

The Coronavirus pandemic has and will continue to have a significant impact on KA Leisure. In partnership with North Ayrshire Council the immediate focus in 2020/2021 will be on re-opening venues and restarting activities in line with the Scottish Government Route Map.

We will review and adapt how we operate to ensure the sustainability of the Company.

Directors' 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 objectives. 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	Maintaining low reserves levels could result in the organisation being unable to absorb unforeseen or unplanned expenditure. The Company is experiencing financial difficulties due to the Coronavirus pandemic. Discussions are ongoing with North Ayrshire Council (NAC) with regards the financial viability of the Company going forward.	The Company is participating in on-going discussions with NAC on future Service Level Agreement including revenue and capital funding. NAC has advised that they deem the Company a going concern and are including the Company's situation in the overall recovery plan for the Council.
Business Continuity	Loss of one of more Company facilities would result in loss of income and customer loyalty whilst increasing opportunity for competitors. The Company faces a clear and existential threat as a result of the Coronavirus pandemic that will require reshaping and reforming of activities in order to protect the viability of KA Leisure.	The Board of Directors continually reviewing the structure and operational direction of the Company to ensure its future viability. Maintaining strong and robust relationship with NAC with regards going concern. Adherence to new COVID19 guidance, revision of risk assessments, NOPs and EAPs. Review pricing structure and continue to deliver digital products to complement onsite delivery of activities.
Asset Management	Failure to manage facilities during the Coronavirus pandemic may result in further closures leading to lost revenue and lower customer satisfaction. Major plant and machinery failure may require large replacement/repair costs placing increased pressure on Company finances. Facilities presented in poor operational and decorative order reduce customer satisfaction, adversely impact community perceptions of Company facilities and reduce partner confidence.	Adherence to Government guidelines as a result of the Coronavirus pandemic. Contracting specialist providers to maintain and repair plant and equipment. Halo system to identify and record maintenance issues. Continual use of Quality Leisure Management audits to assess health & safety effectiveness across facilities. Collaborative working with partners to ensure service meets expectation.

Directors' report (incorporating the Strategic report)

Strategic Risk	Possible Impact	Mitigating Actions
Health & Safety	Failure to provide a safe environment for staff, contractors and customers may lead to a forced closure of a facility resulting in lost income, loss of confidence and reduced customer satisfaction and loyalty	Comprehensive health and safety policy and strategy, training for staff and Directors to include specific COVID19 sessions, health and safety forum, maintenance of RoSPA Gold Accreditation. Compliance with all Government guidance in relation to the Coronavirus pandemic.
Social, Economic, Environmental, & Legislative Pressures	The Coronavirus pandemic has highlighted that it's impossible to plan for every eventuality even with robust procedures in place. However, the Company must respond proactively to minimise the impact COVID19 has had on operations. Failing to adequately monitor and react to pressures from the external environment could result in increasing costs, loss of customer satisfaction and loss of revenue and loss of confidence with strategic partners.	Follow all Government guidance in response to the Coronavirus pandemic to ensure compliance. Retention of Company solicitors, membership of industry body, engagement and consultation with external advisors and strategic partners to enable service delivery whilst adhering to legislative and guidance requirements.
Information & Communication Technology	During the current pandemic the importance of ICT has never been more significant as the Company is working more virtually with customer activities also being delivered in a digital format. If the business does not remain current with the continual developments within ICT it could lead to inefficient operating systems, lack of customer satisfaction and data security.	IT policies and control procedures for staff to ensure appropriate use of IT and communication systems. Ongoing corporate ICT development and training to ensure compliance with General Data Protection Regulation

Directors' report (incorporating the Strategic report)

Strategic Risk	Possible Impact	Mitigating Actions
Strategic Workforce Issues	Apprehension from employees concerned about the future of the Company, returning to the workplace whilst the pandemic continues and undertaking additional training to revise working practices to adapt to the new COVID19 environment. If the Company does not comply with Government guidance the Company will not be able to operate. If employees are not provided with information and training this could lead to absenteeism, reputational damage and legal claims. If communication and engagement with employees and Trade Unions is not open and collaborative this will foster mistrust, misunderstanding and a lack of willingness to assist the Company to respond proactively to the crisis.	The Company provides all employees with staff updates on re-opening, advice and guidance relating to COVID19 and supporting mechanisms to assist with mental health issues during the pandemic. The Company engages with a number of partners including Trade Unions and NAC. The Company has revised risk assessments and operating procedures and training will be carried out. The Company engages with a number of professional organisations including legal and financial advisors, health and safety and industry specialists, these are pivotal in supporting the re-opening of operations.
Customer Satisfaction	The Company's inability to fulfil customer expectation due to the Government guidance restricting service availability. The lack of confidence in the Company from major funding partners. Possible adverse press coverage of the Company. Lack of confidence in the Company from delivery partners and failure to achieve revised performance targets. Economic downturn could result in fewer customers returning to the service.	Adoption of Government advice on safety and social distancing measures as result of the pandemic. Maintenance of customer consultation forums, adoption of social media communication techniques, ongoing customer service training for staff; maintenance of competitive pricing structure and roll out of the customer charter.
Governance & Management	Failing to consider issues surrounding the pandemic would lead to the Company no longer being viable. The lack of effective governance could lead to the Company lacking strategic direction, possible misallocation of funds, poor performance and non-adherence to charity and company law.	External audit, retention of Company solicitors, membership of Industry body, Director training, records held with Companies House and OSCR
Partnership Working	Loss of funding from NAC would seriously impact the ongoing viability of the Company. During the pandemic NAC has provided assurance to the Company that it will remain a going concern via cashflow support. Robust engagement with NAC is more important than ever to ensure going forward from the pandemic that facilities are fit for purpose and programmed activities meet local need.	Development of funding arrangements with NAC and membership of the North Ayrshire Community Planning Partnership. Regular meetings take place with NAC officers. Attendance at partnership forums, meetings and events by senior members of staff. Due to circumstances these meetings and forums may be held virtually and timeframes subject to change.

Directors' 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 Trustees' 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: 26 November 2020

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 2020 which comprise Statement of Financial Activities, Balance sheet, Statement of Cash Flows, Statement of Comprehensive Income and the 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 General 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 and 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Conclusion 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 companies' 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.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, given the current situation with COVID-19, it is difficult to evaluate all the potential implications on the company's trade, customers, suppliers and the wider economy.

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 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.

Opinion 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 Directors' report, which incorporates the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report, which incorporates the Strategic report, have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate and proper 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 directors' report and from the requirement to prepare a strategic report.

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

Responsibilities of Trustees

As explained more fully in the trustee's responsibilities statement set out on page 21 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.

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 the 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 a Report of the Independent Auditors 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 aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

A further description of our responsibilities of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.

Neil Morrison (Senior Statutory Auditor)

For and on behalf of Azets Audit Services Limited

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

5 Whitefriars Crescent

Perth

Perthshire

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. In common with most businesses and charities, KA Leisure is facing potential issues as a result of the COVID-19 pandemic. COVID-19 is an ongoing situation and KA Leisure is addressing strategy in conjunction with North Ayrshire Council to manage the ever changing situation as effectively as possible. In particular, North Ayrshire Council has indicated in letters of support dated 8 and 23 September 2020, that it will continue to work with KA Leisure to enable it to continue as a going concern and that it is not currently aware of anything which is likely to result in funding being reduced below the level where KA Leisure would cease to be viable in the next 12 months. The directors and trustees of KA Leisure are satisfied that, in view of the letters of support provided by North Ayrshire Council, recent events do not affect KA Leisure's ability to continue as a going concern and that the continued support of North Ayrshire Council presents an appropriate basis on which to prepare the accounts on a going concern basis.

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% 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.

Accounting policies (continued)

Critical accounting estimates and judgements

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 are made in the application of income recognition accounting policies and the timing and recognition of income in accordance with the Charities SORP (FRS 102).

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

	Note	Unrestricted funds £	Restricted funds £	Total funds 2020 £	Total funds 2019 £
Income from donations and legacies					
Lottery and other funded projects	1	-	445,904	445,904	443,883
Income from charitable activities					
Services provided to North Ayrshire Council	2	2,965,825	-	2,965,825	2,886,624
Charitable trading operations	2	4,864,129	174,094	5,038,223	4,930,269
Income from investments					
Investment income	3	5,310	-	5,310	4,169
Total income and endowments		<u>7,835,264</u>	<u>619,998</u>	<u>8,455,262</u>	<u>8,264,945</u>
Expenditure on charitable activities					
Charitable activities	4	8,948,021	619,998	9,568,019	8,893,228
Total resources expended		<u>8,948,021</u>	<u>619,998</u>	<u>9,568,019</u>	<u>8,893,228</u>
Net income / (expenditure)		<u>(1,112,757)</u>	<u>-</u>	<u>(1,112,757)</u>	<u>(628,283)</u>
Actuarial (losses)/ gains on defined benefit pension schemes		<u>3,404,000</u>	<u>-</u>	<u>3,404,000</u>	<u>(1,989,000)</u>
Net movement in funds		<u><u>2,291,243</u></u>	<u><u>-</u></u>	<u><u>2,291,243</u></u>	<u><u>(2,617,283)</u></u>
Funds brought forward at 1 April 2019		<u>(3,022,266)</u>	<u>-</u>	<u>(3,022,266)</u>	<u>(404,983)</u>
Funds carried forward at 31 March 2020		<u><u>(731,023)</u></u>	<u><u>-</u></u>	<u><u>(731,023)</u></u>	<u><u>(3,022,266)</u></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 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	9	456,901	476,831
Investments	10	1	1
		<u>456,902</u>	<u>476,832</u>
Current assets			
Stocks	11	33,885	38,229
Debtors	12	1,087,420	969,723
Cash at bank and in hand		12,275	170,099
		<u>1,133,580</u>	<u>1,178,051</u>
Creditors: amounts falling due within one year	13	<u>(894,366)</u>	<u>(983,797)</u>
Net current assets		<u>239,214</u>	<u>194,254</u>
Total assets less current liabilities		<u>696,116</u>	<u>671,086</u>
Creditors: amounts falling due after more than one year	14	<u>(165,139)</u>	<u>(164,352)</u>
Net assets excluding pension liability		<u>530,977</u>	<u>506,734</u>
Net pension liability		<u>(1,262,000)</u>	<u>(3,529,000)</u>
Net assets including pension liability		<u><u>(731,023)</u></u>	<u><u>(3,022,266)</u></u>
Funds			
Designated funds: Investment Reserve: Unallocated	16	258,747	293,401
Allocated	16	55,901	37,660
Unrestricted funds: General Reserve	16	<u>(1,045,671)</u>	<u>(3,353,327)</u>
		<u><u>(731,023)</u></u>	<u><u>(3,022,266)</u></u>

These financial statements were approved by the Board of Trustees on 26 November 2020 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	2020 £	2019 £
Cash flows from operating activities			
Net incoming resources		(1,112,757)	(628,283)
Pension scheme payments		1,137,000	676,000
Depreciation		206,162	199,627
(Increase)/ decrease in stock		4,344	(158)
Decrease/(increase) in debtors		(117,697)	(150,949)
(Decrease)/increase in creditors		(119,544)	78,707
		<hr/>	<hr/>
Net cash generated from operating activities		(2,492)	174,944
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of tangible fixed assets		40,455	73,782
		<hr/>	<hr/>
Net cash from investing activities		(40,455)	(73,782)
		<hr/>	<hr/>
Cash flows from financing activities			
Capital element of finance lease rentals		114,877	94,543
		<hr/>	<hr/>
Net cash used in financing activities		(114,877)	(94,543)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	18	(157,824)	6,619
Cash and cash equivalents at the beginning of year		170,099	163,480
		<hr/>	<hr/>
Cash and cash equivalents at end of year		12,275	170,099
		<hr/>	<hr/>

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

Statement of comprehensive income

	Note	2020 £	2019 £
Net (outgoing)/incoming resources for the financial year		(1,112,757)	(628,283)
Actuarial gain/(loss) in the pension scheme	20	3,404,000	(1,989,000)
Total comprehensive gains/(losses) relating to the year		<u>2,291,243</u>	<u>(2,617,283)</u>

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

Notes to the financial statements

1 Income from donations and legacies

	2020 £	2019 £
Spirit of 2012 Funding	25,491	24,072
Other Project Funding	420,413	419,811
	<u>445,904</u>	<u>443,883</u>

2 Income from charitable activities

	2020 £	2019 £
Contribution from North Ayrshire Council	<u>2,965,825</u>	<u>2,886,624</u>
Income from charitable trading		
Auchenharvie Leisure Centre	1,037,500	1,060,149
Garnock Community Campus	334,305	319,585
Portal	1,205,507	1,297,648
Vikings Leisure Centre	511,332	524,343
KA Campus	439,601	457,929
Golf	253,248	249,533
Outdoor Sports	105,100	50,764
Physical Activity	285,048	296,407
Income from HMRC – Job Retention Scheme	24,247	-
Other	668,241	514,432
Project income (restricted)	174,094	159,479
	<u>5,038,223</u>	<u>4,930,269</u>

3 Investment income

	2020 £	2019 £
Investment income comprises income from:		
Funds held by North Ayrshire Council	<u>5,310</u>	<u>4,169</u>
	<u>5,310</u>	<u>4,169</u>

4 Direct charitable expenditure

	2020 £	2019 £
Other direct expenditure		
Employee costs	6,580,378	6,009,005
Property costs	1,398,299	1,423,436
Supplies and services	802,354	809,542
Transport costs	36,963	47,551
	<u>8,817,994</u>	<u>8,289,534</u>

Notes to the financial statements (continued)

4 Direct charitable expenditure (continued)

	2020 £	2019 £
Brought forward	8,817,994	8,289,534
Support costs		
Rent and insurance	134,486	75,644
Post, stationery and advertising	107,332	101,385
Telephone	110,319	119,195
Depreciation	206,162	199,627
Bank charges	16,364	14,125
Bad debts	(493)	1,153
Finance lease interest	12,594	9,999
Other finance expense - pension scheme	96,000	32,000
Governance costs (see note 5)	67,261	50,566
	<u>750,025</u>	<u>603,694</u>
Total	<u>9,568,019</u>	<u>8,893,228</u>

Included in supplies and services is irrecoverable input VAT of £205,991 (2019: £200,673).

5 Governance costs

	2020 £	2019 £
Fees paid to auditors	16,500	16,000
Fees paid to auditors for non-audit work	1,960	650
Legal and professional fees	48,801	33,916
Board expenses	-	-
	<u>67,261</u>	<u>50,566</u>

Notes to the financial statements (continued)

6 Net incoming resources

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

	2020 £	2019 £
Auditors remuneration	16,500	16,000
Depreciation and amortisation:		
Tangible fixed assets, owned	88,759	104,097
Tangible fixed assets held under finance leases	117,403	95,530
Other operating lease rentals		
Land and buildings	-	12,500
Plant and machinery	9,344	5,607
	<u>16,500</u>	<u>16,000</u>

7 Employees

Staff costs during the year were as follows:

	2020 £	2019 £
Wages and salaries	4,440,706	4,321,357
Social security costs	291,144	265,024
Pension costs	1,773,000	1,328,000
Other employee costs	75,529	94,624
	<u>6,580,379</u>	<u>6,009,005</u>

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

	2020 No.	2019 No.
Managers and officers	28	29
Support services and reception	81	81
Manual workers and technicians	102	101
Temporary/seasonal employees	140	140
	<u>351</u>	<u>351</u>

Notes to the financial statements (continued)

7 Employees (continued)

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

	2020	2019
£60,000 - £69,999 (2019: £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 £15,445 (2019: £13,224).

Total salary costs for the Company's senior management team was £156,817 (2019: £206,880).

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 employees of the Charity. Helen Campbell was paid £26,355 (2019: £24,772), 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 2019	491,193	1,139,235	1,630,428
Additions	-	186,232	186,232
Disposals	-	(365,486)	(365,486)
At 31 March 2020	491,193	959,981	1,451,174
Depreciation			
At 1 April 2019	389,715	763,882	1,153,597
Provided in the year	41,319	164,843	206,162
Disposals	-	(365,486)	(365,486)
At 31 March 2020	431,034	563,239	994,273
Net book value at 31 March 2020	60,159	396,742	456,901
Net book value at 31 March 2019	101,478	375,353	476,831

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 2020	299,536
Net book amount at 31 March 2019	247,942
Depreciation provided in the year	117,403

10 Fixed asset investments - unquoted

	£
Value at 31 March 2019 and 31 March 2020	1
Historical cost at 31 March 2019 and 31 March 2020	1

Fixed asset investments comprise the following:-

Name of Company	Country of registration	Holding	Proportion held	Capital and reserves 2020	Results 2020
				£	£
North Ayrshire Leisure Trading Services Limited	Scotland	Ordinary shares	100%	1	-

The subsidiary company (SC203399) is dormant.

11 Stocks

	2020 £	2019 £
Goods for resale and consumable stores	33,885	38,229

Notes to the financial statements (continued)

12 Debtors

	2020 £	2019 £
Trade debtors	58,508	32,583
Prepayments and accrued income	66,289	59,022
Other debtors	19,451	23,028
Amounts due from related parties	943,172	855,090
	<u>1,087,420</u>	<u>969,723</u>

13 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	83,447	98,515
Social security and other taxes	213,714	253,253
Other creditors	605	518
Accruals and deferred income	407,536	475,400
Pension creditor	77,687	74,847
Finance lease creditor	111,377	81,264
	<u>894,366</u>	<u>983,797</u>

14 Creditors: amounts falling due after more than one year

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

	2020 £	2019 £
Finance lease creditor (see note 15)	165,139	164,352
	<u>165,139</u>	<u>164,352</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:

	2020 £	2019 £
Amounts payable within 1 year	111,378	81,265
Amounts payable between 1 to 5 years	165,139	164,352
	<u>276,517</u>	<u>245,617</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 2019	-	331,061	(3,353,327)	(3,022,266)
Incoming resources	619,998	-	7,835,264	8,455,262
Expenditure	(619,998)	-	(8,948,021)	(9,568,019)
Net outgoing resources	-	-	(1,112,757)	(1,112,757)
Transfer to General Reserve in respect of depreciation	-	(16,413)	16,413	-
	-	(16,413)	(1,096,344)	(1,112,757)
Actuarial (loss)/gain in the pension scheme	-	-	3,404,000	3,404,000
Transfer from General Reserve	-	-	-	-
As at 31 March 2020	-	314,648	(1,045,671)	(731,023)

Investment reserve

The investment reserve is represented by:

	£
Unallocated	258,747
Allocated	55,901
	<u>314,648</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 2019	Deferred income released in year	Incoming resources	Current year income deferred	Outgoing resources	Deferred income at 31 March 2020
	£	£	£	£	£	£
Externally Funded and Partnership Projects						
North Ayrshire Community Planning Partnership	113	113	135,720	(7)	(135,826)	7
Basketball Development Officer	-	-	14,250	(2,883)	(11,367)	2,883
Community Sports	2,197	2,197	8,150	(7,673)	(2,674)	7,673
Community Sports Hubs	-	-	40,550	(12,252)	(28,298)	12,252
Active North Ayrshire	-	-	243,149	(13,095)	(230,054)	13,095
Cashless Accounts	47,259	19,118	7,448	(7,448)	(19,118)	35,589
Support for Community Events	-	-	4,823	-	(4,823)	-
Mind and Be Active	7,350	7,350	123,481	(5,000)	(125,831)	5,000
Active Girls North Ayrshire	-	-	15,908	-	(15,908)	-
McMillan Move More	-	-	35,401	-	(35,401)	-
Champions For Change	25,505	25,505	25,491	(19,893)	(31,103)	19,893
	82,424	54,283	654,371	(68,251)	(640,403)	96,392

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	-	55,901	401,000	456,901
Investments	-	-	1	1
Cash at bank and in hand	-	-	12,275	12,275
Other net current assets/(liabilities)	-	258,747	(1,458,947)	(1,200,200)
	-	314,648	(1,045,671)	(731,023)

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

	2020 £	2019 £
Increase in cash in the year	(157,824)	6,619
Cash outflow from financing	114,877	94,543
Change in net funds resulting from cash flows	(42,947)	101,161
Inception of finance leases	(145,777)	(89,129)
Movement in net funds in the year	(188,724)	12,033
Net funds at 1 April 2018	(75,518)	(87,551)
Net funds at 31 March 2019	(264,242)	(75,518)

19 Analysis of changes in net funds

	At 1 April 2019 £	Cash flows £	Non-cash Items £	At 31 March 2020 £
Cash at bank and in hand	170,099	(157,824)	-	12,275
Finance leases	(245,617)	114,877	(145,777)	(276,517)
	(75,518)	(42,947)	(145,777)	(264,242)

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 2020.

The pension charge for the year was £1,773,000 (2019: £1,328,000).

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 2020.

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 %	2020 £000	Rate of return %	2019 £000
Market value of assets:				
Equities	2.3	16,723	2.4	17,716
Bonds	2.3	6,743	2.4	6,643
Property	2.3	3,237	2.4	2,768
Cash	2.3	270	2.4	554
		<u>26,973</u>		<u>27,681</u>
Present value of scheme liabilities		<u>(28,235)</u>		<u>(31,210)</u>
Net pension asset/(deficit)		<u>(1,262)</u>		<u>(3,529)</u>

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

The movement in the deficit during the year was:

	2020 £000	2019 £000
Deficit in scheme assets at 1 April	(3,529)	(864)
Movement in year:		
Current service cost	(1,682)	(1,328)
Losses on curtailments	(91)	-
Contributions	721	673
Contributions in respect of unfunded benefits	11	11
Interest cost	(96)	(32)
Actuarial gain/(loss)	3,404	(1,989)
Deficit in scheme assets at 31 March	<u>(1,262)</u>	<u>(3,529)</u>

Notes to the financial statements (continued)

20 Pensions (continued)

The main assumptions used by the actuary were:

	2020 %	2019 %
Salary increases	3.0	3.7
Pension increases	1.9	2.5
Discount rate	2.3	2.4

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	20.7 years	22.9 years
Future Pensioners*	22.2 years	24.6 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 2019	CMI 2016 model, long term rates of 1.5% p.a. for males and 1.25% p.a. for females.	CMI 2016 model, long term rates of 1.5% p.a. for males and 1.25% p.a. for females.
31 March 2018	CMI 2016 model, long term rates of 1.5% p.a. for males and 1.25% p.a. for females.	CMI 2012 model, long term rates 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	47
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 2020 £(000)	31 Mar 2019 £(000)
Fair Value of Employer Assets	26,973	27,681
Present Value of Funded Liabilities	(28,235)	(30,971)
Net (Under)/Overfunding in Funded Plans	(1,262)	(3,290)
Present Value of Funded Liabilities	(208)	(239)
Unrecognised Past Service Cost	-	-
Net Liability	(1,470)	(3,529)

Reconciliation of fair value of employer assets

Period Ended	31 Mar 2020 £(000)	31 Mar 2019 £(000)
Opening Fair Value of Employer Assets	27,681	25,729
Interest Cost	670	700
Contributions by Members	216	200
Contributions by the Employer	721	673
Contributions in respect of Unfunded Benefits	11	11
Actuarial gains /(losses)	(1,855)	841
Estimated Unfunded Benefits Paid	(11)	(11)
Estimated Benefits Paid	(460)	(462)
Closing Fair Value of Employer Assets	26,973	27,681

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 2021 will be approximately £721,000.

History of experience gains and losses

	2020 £000	2019 £000
Difference between the expected and the actual return on scheme assets:		
- amount	(1,855)	841
- percentage of scheme assets	(6.9%)	3.0%
Experience gains and losses on scheme assets:		
- amount	(158)	(5)
- percentage of scheme assets	0.6%	0.0%
Total amount recognised in statement of total comprehensive income:		
- amount	(3,404)	(1,989)
- percentage of scheme assets	12.6%	7.2%
i) Amount charged to operating profit		
	2020 £000	2019 £000
Current service cost	1,682	1,328
Losses on curtailments	91	-
Total operating charge	1,773	1,328

Notes to the financial statements (continued)

20 Pensions (continued)

ii) Amount credited to other finance income

	2020 £000	2019 £000
Interest cost on pension scheme liabilities	(96)	(32)
Net return	(96)	(32)

iii) Amount recognised in the Statement of comprehensive income

	2020 £000	2019 £000
Changes in demographic assumptions	1,131	-
Actual return less expected return on pension scheme assets	(1,855)	841
Experienced gains and losses arising on the scheme liabilities	158	(5)
Change in financial assumptions underlying the scheme liabilities	3,970	(2,825)
Actuarial loss recognised in the Statement of comprehensive income	3,404	(1,989)

Amount Recognised in Statement of comprehensive income

	31 Mar 2020 £(000)	31 Mar 2019 £(000)
Actuarial Gains/(Losses) – as recognised in the Statement of comprehensive income	3,404	(1,989)
Cumulative Actuarial Gains and Losses	1,812	(1,592)

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

Change in assumptions at year ended 31 March 2020:	Approximate increase to employer liability %	Approximate monetary amount £000
0.5% decrease in real discount rate	13	3,708
0.5% increase in the salary increase rate	2	663
0.5% increase in the pension increase rate	10	2,986

Notes to the financial statements (continued)

21 Leasing commitments

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

	2020 Land & Buildings	2019 Land & Buildings	2020 Other £	2019 Other £
In one year or less	-	-	-	-
Between one and five years	-	-	14,490	23,774
	-	-	14,490	23,774

22 Capital commitments

The capital commitments at 31 March 2020 were £56,237 (2019: £ nil).

23 Contingent liabilities

There were no contingent liabilities at 31 March 2020 (2019: £ nil).

24 Related party transactions

North Ayrshire Council provided a banking facility during the year and paid £5,310 (2019: £4,169) interest to the Company in this regard. As at 31 March 2020 the net amount due from North Ayrshire Council was £838,971 (2019: £855,090).

Total monies received from North Ayrshire Council in the year was £3,889,621 (2019: £3,684,535). 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.