

INVERCLYDE LEISURE
TRUSTEES REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017



Scottish Charity No. SC032161
Company Registration No. SC223197 (Scotland)

WELSH WALKER

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS

INVERCLYDE LEISURE

COMPANY INFORMATION

TRUSTEES

A. Hetherington
C. Jewell
R. Taggart (resigned 28 March 2017)
W. Hawthorne
R. Ahlfeld
J. McColgan (resigned 25 May 2017)
M. Campbell – Sturgess (resigned 25 May 2017)
J. Clocherty
J. MacLeod (resigned 25 May 2017)
S. Sutherland (resigned 28 March 2017)
J. Lyon (resigned 28 March 2017)
G. Brooks (appointed 5 June 2017)
P. Gupta (appointed 5 June 2017)
J. McEleny (appointed 5 June 2017)
C. Wilson (appointed 5 June 2017)

SECRETARY

A. Lavelle (appointed 4 April 2016)

COMPANY NUMBER

SC223197

CHARITY NUMBER

SC032161

REGISTERED OFFICE

Waterfront Leisure Complex
Customhouse Way
Greenock
Inverclyde PA15 1EW

AUDITORS

Welsh Walker Limited
179A Dalrymple Street
Greenock PA15 1BX

BANKERS

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

SOLICITORS

Patten & Prentice
2 Ardgowan Square
Greenock PA16 8PP

INVERCLYDE LEISURE

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REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017

The trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2017 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

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

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

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

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

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)

Achievements and performance

Year three of the Business Plan has allowed the company to build on the solid foundations of previous years. This has enabled us to make tangible improvements. Below is a summary of those improvements that demonstrates the hard work and dedication of our employees, great partnership working with Inverclyde Council and good governance from the Board of Directors.

During this year we developed the new Strategic Plan 2017/20 carrying out research with key stakeholders. The company also recognised the Board to bring in new Directors with key skills to help the organisation develop in future years.

Employee staff turnover has remained very low with all key employees remaining in post. We were also able to continue to offer the Scottish Living Wage for all front-line employees.

We have increased the usage of facilities for the second year running. Last year the company increased usage by 10% and we have increased a further 17% this year totaling a fantastic 27% growth in usage in the last two years.

Income has also improved by 7% on the previous year and has increased by 16% over the last two years. This increase can be attributed to the development of facilities and key product developments including fitness, swimming, ice skating and events.

Direct Debits have also grown through these product developments from the previous year 15.5% increasing Direct Debits to over £2.4 million.

The company also managed expenditure and reviewed key areas of the business and made significant savings in cash collection, phones, security and fire maintenance contacts.

The company performed well in terms of customer service with 100 customers nominating employees for great customer service and 76 certificates being issued though quarterly WOW presentation. The year also brought about our first customer service national award for outstanding customer service selected by a panel of customer service experts.

Marketing continued to improve by managing campaigns on a monthly basis with our partners at Big Wave, use of market research, targeted data, social marketing, e-marketing as well as traditional targeted distribution, billboard, bus advertisement, text messaging and general advertising boards.

Operations went from strength to strength by developing business plans for each centre and the results of those business plans were celebrated at our second excellence awards with high achievers within the company winning awards for finance, quality, health and safety and individual excellence.

We completed another successful event calendar with events including Fake Festival, triathlon, 3k, 10k, half marathons, school athletics and Christmas party nights.

Health related activities also improved on previous years with 28% more customers attending Vitality community rehabilitation and 35% more customers attending Live Active general practice referrals.

Community facilities achieved a number of objectives including delivering over 15,000 community bookings - 95% of those through electronic invoices, operating Fake Festival, re-tendering the catering for the town halls, developing a new 5-year management agreement for Kilmacolm Community Centre, delivering summer play schemes and ongoing facility management development.

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)**Achievements and performance (cont'd)**

Our pools and Waterfront Leisure Complex also continued to developing products and services with swim school income increasing by 26% on the previous year and ice skating lesson increasing 29% on the previous year. A number of initiatives were also achieved throughout the year. These included: refurbishment works throughout the Waterfront Leisure Complex, development of SWIMTAG and development of REDRO fault reporting system.

Fitness gyms and sport facilities have also seen significant growth within the portfolio with fitness income growing by 13.5%. A number of objectives were also achieved including the development of 5-year plans for all fitness facilities, the introduction of Dashboard for reporting, the refurbishment of Gourrock fitness gym of £113k, the development of the wellness system and free Tanita health scales assessments.

Quality and health and safety audit scores increased from the previous year with the corporate score for quality rising by 6% and health and safety rising by 12% which demonstrates the continual improvement ethos within the culture of the company.

We continued to develop our staff with a mixture of Continuous Personal Development (CPD) courses, e-learning, professional courses, training courses through the Chartered Management Institute (CMI) and development plans.

The year saw the bedding in of the new IT network as well as a number of projects to improve the way we operate. These included the development of personal training voucher system, reviewing all security permissions on Legend, development of shared document access and a review of email and login accounts.

Head office also developed new processes and systems to improve the management of debt, administering of supplier payments, improving security by having dual electronic signatures.

There were a lot of improvements in 2016 /17 and these could not have been achieved without excellent staff delivering brilliant products and services to our customers.

Financial Review

Despite some unforeseen costs, Inverclyde Leisure achieved budget and delivered an operating surplus, after adjustment of interest, of £1,913.

After adjusting for pension costs, actuarial loss on pension fund and FRS102 changes, Inverclyde Leisure reported a net transfer to reserves of £362,364.

The FRS102 changes required Inverclyde Leisure to increase reserves by £585,451 as, the contribution received from Inverclyde Council for the Ravenscraig project had to be realised in full in year 1, and, prior year reserves were restated to adjust for the holiday pay provision.

Principal Funding Sources

The principal funding source for the Company is the management fee receivable from Inverclyde Council. The percentage of our turnover arising from this element in 2016/17 was 23%. This reflects both the increase in income generated from customers (£438,971 or 10%) and reduction in management fee (£101,116 or 6%). In the first year of the Company's life (2001/02) the management fee accounted for 52% of total income. In 2016/17 £85,833 (2014/15, £94,132) was financed through contributions from funds allocated by the Scottish Executive to improve the health and lifestyle of the population.

Investment Policy

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)**Reserves Policy and Going Concern**

The unrestricted reserves, excluding the pension provision of the Company, stood at £457,023 at 31 March 2017 compared to £381,243 in the previous year.

Inverclyde Leisure is an admitted body to Strathclyde Pension Fund so employees are entitled to join the Local Government Pension Scheme (LGPS). Therefore, the Financial Statements show the amounts contributed by the council to the scheme in the year. The LGPS is a defined benefit scheme, requiring an actuarial assessment of the Company's overall assets and liabilities to be included in the Financial Statements. The 2016/17 actuarial report shows a £548,000 pension liability as at 31 March 2017.

The increase in the liability relates to actuarial loss.

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

The LGPS is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over time. The actuarial assessment provides only a snapshot as at 31 March 2017 and necessarily changes on a day-to-day basis to reflect stock market movements in particular. The appointed actuaries remain of the view that the asset holdings of the fund and the contributions from employees and employers provide sufficient security and income to meet future pension liabilities.

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

Plans for future periods

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

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

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

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

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

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)**Plans for future periods (cont'd)**

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

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

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

In terms of the Corporate Strategy, Inverclyde Leisure continues to develop and improve corporate services with a number of new and creative initiatives, such as the development of Human Resources. We have secured a provider for employment Law and HR advice and will be embedding a new electronic cloud based HR System to ensure all records are up to date and to improve efficiency through less paper process. Inverclyde Leisure will also be reviewing our appraisal system and developing a new training programme for our employees

Marketing continues to go from strength to strength with the development of Strategic support on a monthly basis and a new marketing and promotion calendar. There is a greater emphasis in the plan on the implementation of electronic forms of marketing and the targeting of key demographics through automation of data sets. Inverclyde Leisure will also be developing an exciting new app that brings together third party suppliers opening up API access for the benefit of our customers as well as updating and mobile enabling website.

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

We plan to do a full review of our facilities management system and undertake an energy audit of key facilities starting with the Waterfront to see if there can be any savings identified this will look at building management systems, LED lighting, Boilers, Dehumidifiers, air handling and micro combined heat and power units,

In terms of business development, we have some exciting projects that could see significant growth for Inverclyde Leisure in terms of income these projects are in the form of ideas at the moment and will need through investigating in terms of feasibility.

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

Over the next 3 years will continue to improve and develop our Quality Management System and Health and Safety systems by committing to improved external audit scores. It will remain the cornerstone for quality at IL with the concept of the customer and supplier working together for mutual benefit.

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)**Plans for future periods (cont'd)**

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

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

We will also be entering a three year agreement with Macmillan to deliver specialist cancer support in our centres.

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

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

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

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

Trustees' responsibilities in relation to the financial statements

The trustees (who are the directors of Inverclyde Leisure for the purpose of company law) are responsible for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)**Reference and administrative details**

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

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

Our Advisors

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

Key management personnel: Trustees' and Directors

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

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

C. Jewell
W. Hawthorne
R. Ahlfeld
A. Hetherington
J. Clocherty
G. Brooks (appointed 5 June 2017)
P. Gupta (appointed 5 June 2017)
J. McEleny (appointed 5 June 2017)
C. Wilson (appointed 5 June 2017)
J. MacLeod (resigned 25 May 2017)
J. McColgan (resigned 25 May 2017)
M. Campbell – Sturgess (resigned 25 May 2017)

Trustees interests

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

Key management personnel

The trust operates with a team of managers with tasks delegated accordingly. Overall responsibility for the trust lies with the trustees.

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)

Structure, Governance and Management

Governing Document

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

Appointment of Trustees

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

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

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

- 4 from Inverclyde Council
- 1 employee from the Company – these members are elected by employees to serve for a period of two years. Last election was on 1 February 2016.

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

Procedures for Induction and Training of Trustees

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

Organisation Structure

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

Details of Any Related Parties

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

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

Statement on Risk Management

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

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

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

REPORT OF THE TRUSTEES FOR THE YEAR ENDING 31 MARCH 2017 (Cont'd)

Auditors

The auditors, Welsh Walker Limited, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

Statement as to disclosure to our auditors

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

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

By order of the board of trustees



W. Hawthorne
Chairperson and Director

6 December 2017

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF INVERCLYDE LEISURE

We have audited the financial statements of Inverclyde Leisure for the year ended 31 March 2017 which comprise of the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Statement of Financial Activities, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006, and to the group and parent Charitable Company's Trustees, 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 we might state to the group and parent Charitable Company's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and parent Charitable Company's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 9, 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.

We have been appointed as auditors 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 (APB'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 group and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material 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 group's and the parent charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including the group's and the parent charitable company's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 & 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

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


INVERCLYDE LEISURE

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

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 parent charitable 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 parent charitable company's 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 exemption in preparing the Trustees' Annual Report.



Craig Lindsay (Senior Statutory Auditor)
For and on behalf of Welsh Walker Limited
Statutory Auditors
179a Dalrymple Street
GREENOCK
PA15 1BX

Date : 6 December 2017

Welsh Walker Limited is eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	Restated 2016 £
Income		6,642,773	6,241,462
Cost of sales		(4,317,814)	(4,033,785)
		<hr/>	<hr/>
Gross Surplus		2,324,959	2,207,677
Administrative expenses		(2,451,671)	(2,364,636)
Other operating income		720,822	94,132
		<hr/>	<hr/>
Operating Surplus/(Deficit)	5	594,110	(62,827)
Other interest receivable and similar income		11,364	8,924
Interest payable and similar charges		(18,110)	(1,578)
		<hr/>	<hr/>
Operating Surplus/(Deficit) after interest		587,364	(55,481)
Other finance costs		(130,000)	(319,000)
		<hr/>	<hr/>
Surplus / (Deficit) for the financial year	16	457,364	(374,481)
		<hr/>	<hr/>
Where of:			
Inverclyde Leisure Limited		374,404	(452,199)
Inverclyde Leisure Trading Services Ltd		82,960	77,718
		<hr/>	<hr/>
		457,364	(374,481)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	Restated 2016 £
Surplus / (Deficit) for the financial year		457,364	(374,481)
Actuarial (loss) / gain on pension scheme	13, 16	(95,000)	2,584,000
Total gains recognised since last financial statements		<u>362,364</u> =====	<u>2,209,519</u> =====

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £	Restated 2016 Total Funds £
Incoming resources from:					
Grants		-	677,551	677,551	79,883
Charitable activities		4,924,358	43,271	4,967,629	4,499,636
Other trading activities		228,891	-	228,891	165,438
Other	3	1,500,888	-	1,500,888	1,599,564
Total		6,654,137	720,822	7,374,959	6,344,521
Expenditure on:					
Raising funds	4(a)	145,931	-	145,931	87,720
Charitable activities	4(b)	6,562,426	209,238	6,771,664	6,631,282
Total		6,708,357	209,238	6,917,595	6,719,002
Net (expenditure)/income		(54,220)	511,584	457,364	(374,481)
Transfers between funds		(13,683)	13,683	-	-
Other recognised (losses)/gains:					
Actuarial (losses)/gains on defined benefit pension schemes		(95,000)	-	(95,000)	2,584,000
Net movement in funds		(162,903)	525,267	362,364	2,209,519
Reconciliation of funds					
Total funds brought forward		58,243	30,947	89,190	(2,120,329)
Total funds carried forward		(104,660)	556,214	451,554	89,190
		=====	=====	=====	=====

COMPANY STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £	Restated 2016 Total Funds £
Incoming resources from:					
Grants		-	677,551	677,551	79,883
Charitable activities		4,924,358	43,271	4,967,629	4,499,636
Other	3	1,583,848	-	1,583,848	1,677,282
Total		6,508,206	720,822	7,229,028	5,937,801
Expenditure on:					
Charitable activities	4(b)	6,562,426	209,238	6,771,664	6,312,282
Total		6,562,426	209,238	6,771,664	6,312,282
Net (expenditure)/income		(54,220)	511,584	457,364	(374,481)
Transfers between funds		(13,683)	13,683	-	-
Other recognised (losses)/gains:					
Actuarial (losses)/gains on defined benefit pension schemes		(95,000)	-	(95,000)	2,584,000
Net movement in funds		(162,903)	525,267	362,364	2,209,519
Reconciliation of funds					
Total funds brought forward		58,243	30,947	89,190	(2,120,329)
Total funds carried forward		(104,660)	556,214	451,554	89,190

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	Restated 2016 £	£
Fixed assets					
Tangible assets	7		1,364,703		1,529,547
Current assets					
Stocks	9	8,722		11,618	
Debtors	10	336,169		462,384	
Cash at bank and in hand		853,450		501,368	
		<u>1,198,341</u>		<u>975,370</u>	
Creditors: amounts falling due within one year	11	(1,031,479)		(929,372)	
Net current assets			<u>166,862</u>		<u>45,998</u>
Total assets less current liabilities			<u>1,531,565</u>		<u>1,575,545</u>
Creditors: amount falling due after more than one year	11		(532,011)		(563,404)
Deferred income			-		(599,951)
Net assets excluding pension liability			<u>999,554</u>		<u>412,190</u>
Pension scheme liability	13		(548,000)		(323,000)
Net assets including pension liability			<u>451,554</u>		<u>89,190</u>
			=====		=====
The Funds of the Charity:					
Unrestricted income funds excluding pension liability	16		443,340		381,243
Restricted funds	16		556,214		30,947
Pension provision	16		(548,000)		(323,000)
Total funds of the charity			<u>451,554</u>		<u>89,190</u>
			=====		=====

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

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

Signed:

Name: W Hawthorne

On behalf of the Trustees

Approved by the Trustees on: 6 December 2017

Company Registration No. SC223197

COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2017

		2017	Restated 2016
	Notes	£	£
Fixed assets			
Tangible assets	7	1,364,703	1,529,547
Investments	8	1	1
		<u>1,364,704</u>	<u>1,529,548</u>
Current assets			
Stocks	9	4,986	5,409
Debtors	10	339,904	468,592
Cash at bank and in hand		853,450	501,368
		<u>1,198,340</u>	<u>975,369</u>
Creditors: amounts falling due within one year	11	(1,031,479)	(929,372)
Net current assets		<u>166,861</u>	<u>45,997</u>
Total assets less current liabilities		<u>1,531,565</u>	<u>1,575,545</u>
Creditors: amount falling due after more than one year	11	(532,011)	(563,404)
Deferred income		-	(599,951)
Net assets excluding pension liability		<u>999,554</u>	<u>412,190</u>
Pension scheme liability	13	(548,000)	(323,000)
Net assets including pension liability		<u>451,554</u>	<u>89,190</u>
The Funds of the Charity:			
Unrestricted income funds excluding pension liability	16	443,340	381,243
Restricted funds	16	556,214	30,947
Pension provision	16	(548,000)	(323,000)
Total funds of the charity		<u>451,554</u>	<u>89,190</u>

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

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

Signed:

Name: W Hawthorne

On behalf of the Trustees

Approved by the Trustees on: 6 December 2017

Company Registration No. SC223197

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Net cash provided by/(used in) Operating activities	22	1,065,757	(154,246)
Cash flow from investing activities			
Purchase of property, plant and equipment		(75,551)	(1,406,755)
Net cash provided by/(used in) investing activities		(75,551)	(1,406,755)
Cash flows from financing activities			
Repayments of borrowing		(38,173)	(3,469)
Release of capital grants		(599,951)	-
Cash inflows from new borrowing		-	601,578
Receipt of capital grant		-	599,951
Net cash (used in)/provided by financing activities		(638,124)	1,198,060
Net change in cash and cash equivalents in the reporting period		352,082	(362,941)
Cash and cash equivalents at the beginning of the reporting period		501,368	864,309
Cash and cash equivalents at the end of the reporting period		853,450	501,368

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting Policies

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

1.1 Accounting Convention

The Financial Statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) – Charities SORP (FRS102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) and the Companies Act 2006.

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

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

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

These Financial Statements for the period ended 31 March 2017 are the first Financial Statements of Inverclyde Leisure prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2015. An explanation of how the transition to FRS102 has affected the reported financial position and performance is given in note 23.

1.2 Going Concern

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

1.3 Group Financial Statements

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

1.4 Income

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

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

1.5 Interest Receivable

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

1.6 Fund Accounting

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting Policies (cont'd)

1.7 Expenditure and Irrecoverable VAT

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

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

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

1.8 Allocation of Support Costs

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

1.9 Donated Services and Facilities

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

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

1.10 Operating Leases

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

1.11 Tangible Fixed Assets

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

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

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting Policies (cont'd)

1.12 Impairment of Fixed Assets

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

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

1.13 Stock

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

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

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

1.14 Debtors

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

1.15 Creditors and Provisions

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

1.16 Cash and Cash Equivalents

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

1.17 Financial Instruments

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

Basic Financial Assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting Policies (cont'd)

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

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

Classification of Financial Liabilities

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

Basic Financial Liabilities

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

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

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

1.18 Pensions

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

1.19 Employment Benefits

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

2. Judgements and Key Sources of Estimation Uncertainty

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

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

Critical Judgements

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

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

Depreciation

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

Stock

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

Bad Debts

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

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

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

	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £	Restated 2016 Total Funds £
3. Other Income - Group				
Management Fee	1,489,524	-	1,489,524	1,590,640
Bank Interest Received	11,364	-	11,364	8,924
	<hr/>	<hr/>	<hr/>	<hr/>
	1,500,888	-	1,500,888	1,599,564
	=====	=====	=====	=====

All Other Income was unrestricted in 2017 and 2016.

Other Income – Company

Management Fee	1,489,524	-	1,489,524	1,590,640
Bank Interest Received	11,364	-	11,364	8,924
Donations from Trading Company	82,960	-	82,960	77,718
	<hr/>	<hr/>	<hr/>	<hr/>
	1,583,848	-	1,583,848	1,677,282
	=====	=====	=====	=====

All Other Income was unrestricted in 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 Unrestricted Funds £	2017 Restricted Funds £	2017 Total Funds £	Restated 2016 Total Funds £
4a. Expenditure on Raising Funds				
Ravenscraig Café	33,478	-	33,478	4,587
Other goods for Resale	74,331	-	74,331	67,936
Employment Costs	1,712	-	1,712	1,913
Fake Festival Costs	33,332	-	33,332	12,460
Repair Costs	2,656	-	2,656	-
Other Costs	422	-	422	824
	<u>145,931</u>	<u>-</u>	<u>145,931</u>	<u>87,720</u>
	=====	=====	=====	=====

All Expenditure on Raising Funds was unrestricted in 2017 and 2016.

4b. Expenditure on Charitable Activities

Pool and Material Costs	19,188	-	19,188	19,302
Employment Costs	3,877,576	147,160	4,024,736	3,857,659
Operating Leases	131,037	-	131,037	69,928
Property Costs	1,294,499	-	1,294,499	1,350,995
Staff Related Costs	34,381	2,083	36,464	45,262
Office Costs	209,674	-	209,674	224,769
Finance Costs	247,084	-	247,084	201,878
Depreciation	180,400	59,995	240,395	104,334
Irrecoverable VAT	269,553	-	269,553	240,667
Special Events	45,158	-	45,158	51,237
Other Costs	62,872	-	62,872	78,218
Legal Fees	10,214	-	10,214	9,505
Audit Fees	10,730	-	10,730	10,100
Accountancy Fees	-	-	-	4,000
Consultancy Fees	21,950	-	21,950	42,850
Costs Associated with Pension Scheme	130,000	-	130,000	319,000
Interest Payable	18,110	-	18,110	1,578
	<u>6,562,426</u>	<u>209,238</u>	<u>6,771,664</u>	<u>6,631,282</u>
	=====	=====	=====	=====

During the year £6,771,664 (2016 - £6,631,282) was spent on the Charitable Activities. Of this £6,562,426 (2016 - £6,530,957) was unrestricted and £209,238 (2016 - £100,325) was restricted.

5. Operating Surplus

	2017 £	2016 £
The surplus is stated after charging –		
Auditor's Remuneration	10,730	10,100
Depreciation of Tangible Assets	240,395	104,334
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

6. Interest Payable

	2017 £	2016 £
Loan interest paid	18,110	1,578
	=====	=====

7. Group & Company Tangible Fixed Assets

	Tenants Improvements £	Plant & Machinery £	Fixtures & Fittings £	Gym Equipment £	Total £
Cost					
At 1 April 2016	1,981,945	110,408	422,405	657,739	3,172,497
Additions	41,541	-	30,810	3,200	75,551
At 31 March 2017	2,023,486	110,408	453,215	660,939	3,248,048
Depreciation					
At 1 April 2016	677,418	94,209	282,727	588,596	1,642,950
Charge for the year	145,857	3,456	63,165	27,917	240,395
At 31 March 2017	823,275	97,665	345,892	616,513	1,883,345
Net Book Value					
At 31 March 2017	1,200,211	12,743	107,323	44,426	1,364,703
	=====	=====	=====	=====	=====
At 31 March 2016	1,304,527	16,199	139,678	69,143	1,529,547
	=====	=====	=====	=====	=====

8. Fixed Asset Investments

	Shares in subsidiary undertakings £
Cost	
At 1 April 2016 & at 31 March 2017	1
	===

Holdings of more than 20%

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

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

9. Stocks

	2017 Group £	2017 Company £	2016 Group £	2016 Company £
Materials & Consumables	8,722	4,986	11,618	5,409
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

10. Debtors

	2017		2016	
	Group £	Company £	Group £	Company £
Trade Debtors	239,113	239,113	309,878	309,878
Amounts Owed by Subsidiary Undertakings	-	3,735	-	6,208
Prepayments and Accrued Income	91,428	91,428	74,324	74,324
Other Debtors	5,628	5,628	78,182	78,182
	<u>336,169</u>	<u>339,904</u>	<u>462,384</u>	<u>468,592</u>
	=====	=====	=====	=====

11. Creditors: Amounts Falling Due Within One Year

	2017		2016	
	Group £	Company £	Group £	Company £
Inverclyde Council Loan	31,394	31,394	38,174	38,174
Trade Creditors	83,695	83,695	150,089	150,089
Taxes and Social Security Costs	82,951	82,951	66,027	66,027
Other Creditors	707,589	707,589	434,672	434,672
Accruals	125,850	125,850	240,410	240,410
	<u>1,031,479</u>	<u>1,031,479</u>	<u>929,372</u>	<u>929,372</u>
	=====	=====	=====	=====

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

Creditors: Amounts Falling Due Outwith One Year

	2017		2016	
	Group £	Company £	Group £	Company £
Inverclyde Council Loan	532,011	532,011	563,404	563,404
	=====	=====	=====	=====

12. Loans

	2017		2016	
	Group £	Company £	Group £	Company £
Inverclyde Council Loans Comprise:				
Amounts Repayable Within Five Years	201,666	201,666	203,255	203,255
After More Than Five Years	361,739	361,739	398,323	398,323
	<u>563,405</u>	<u>563,405</u>	<u>601,578</u>	<u>601,578</u>
	=====	=====	=====	=====
Included in Creditors –				
Amounts Falling Due Within One Year	31,394	31,394	38,174	38,174
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

13. Pension Costs

The company operates a defined benefit statutory pension scheme. The valuation of this scheme was updated at 31 March 2017.

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

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 March 2017 by Hymans Robertson LLP. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key Assumptions:	2017	2016
	%	%
Discount rate	2.7	3.6
Expected rate of increase of pensions in payment	2.4	2.4
Expected rate of salary increases	2.5	3.5
	=====	=====
Mortality Assumptions:	2017	2016
Assumed life expectations on retirement at age 65:	Years	Years
Current Pensioners		
- Males	22.1	22.1
- Females	23.6	23.6
-	=====	=====
Future Pensioners		
- Males	24.8	24.8
- Females	26.2	26.2
-	=====	=====
Amounts Recognised in the Profit & Loss Account:	2017	2016
	£	£
Current service cost	532,000	628,000
Net interest on defined benefit liability/(asset)	13,000	90,000
	=====	=====
Total costs	545,000	718,000
	=====	=====
Amounts Taken to Other Comprehensive Income	2017	2016
	£	£
Actual return on scheme assets	(2,468,000)	(260,000)
Less: calculated interest element	383,000	329,000
	=====	=====
Return on scheme assets excluding interest income	(2,085,000)	69,000
Actuarial changes related to obligations	2,180,000	(2,653,000)
	=====	=====
Total loss/(gain)	95,000	(2,584,000)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

13. Pension Costs (cont'd)

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

	2017 £	2016 £
Present value of defined benefit obligations	13,846,000	10,764,000
Fair value of plan assets	(13,298,000)	(10,441,000)
	<u>548,000</u>	<u>323,000</u>
	=====	=====

Movements in the present value of defined benefit obligations

	2017 £
Liabilities at 1 April 2016	10,764,000
Current service cost	532,000
Benefits paid	(150,000)
Contributions from scheme members	124,000
Actuarial gains and losses	2,180,000
Interest cost	396,000
	<u>13,846,000</u>
	=====
At 31 March 2017	

The defined benefit obligations arise from plans funded as follows:

	2017 £
Wholly unfunded obligations	196,000
Wholly or partly funded obligations	13,650,000
	<u>13,846,000</u>
	=====

Movements in the fair value of plan assets

	2017 £
Fair value of assets at 1 April 2016	10,441,000
Interest income	383,000
Return on plan assets (excluding amounts included in net interest)	2,085,000
Benefits paid	(150,000)
Contributions by the employer	415,000
Contributions by scheme members	124,000
	<u>13,298,000</u>
	=====
At 31 March 2017	

	2017 £	2016 £
Fair value of plan assets at the reporting period end		
Equity instruments	9,707,540	7,517,000
Debt instruments	1,595,760	1,671,000
Property	1,329,800	1,253,000
Cash	664,900	-
	<u>13,298,000</u>	<u>10,441,000</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

14. Share Capital

The company does not have share capital but is limited by guarantee. The liability of members is limited to £1 each. At 31 March 2017 the company had 8 members.

15. Analysis of Net Assets Between Funds – Group and Company

	General Funds £	Restricted Funds £	Total Funds £
Tangible Assets	824,747	539,956	1,364,703
Current Assets	1,182,083	16,258	1,198,341
Liabilities	(1,563,490)	-	(1,563,490)
Pension Reserve	(548,000)	-	(548,000)
	<u>(104,660)</u>	<u>556,214</u>	<u>451,554</u>
	=====	=====	=====

16. Movements in Funds – Group and Company

	Total Reserves £
Balance at 1 April 2016	89,190
Surplus for the year	457,364
Actuarial loss on pension scheme	(95,000)
	<u>451,554</u>
	=====

Analysis of Reserves

	Restated At 1 April 2016 £	Incoming Resources £	Transfers Between Funds £	Outgoing Resources £	At 31 March 2017 £
Restricted Funds					
Live Active Fund	8,201	66,869	-	(70,444)	4,626
Community Rehabilitation Fund	22,746	18,964	-	(30,078)	11,632
Playscheme Fund	-	35,038	13,683	(48,721)	-
Ravenscraig Activity Centre	-	599,951	-	(59,995)	539,956
	<u>30,947</u>	<u>720,822</u>	<u>13,683</u>	<u>(209,238)</u>	<u>556,214</u>
Unrestricted Funds					
General Funds	381,243	6,508,206	(13,683)	(6,432,426)	443,340
Pension Provision	(323,000)	-	-	(225,000)	(548,000)
	<u>58,243</u>	<u>6,508,206</u>	<u>(13,683)</u>	<u>(6,657,426)</u>	<u>(104,660)</u>
Total Funds	<u>89,190</u>	<u>7,229,028</u>	<u>-</u>	<u>(6,866,664)</u>	<u>451,554</u>
	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

16. Movements in Funds (cont'd)**Purposes of Restricted Funds****Live Active**

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

Fairer Scotland Fund

This project gave funding for the purchase of Top Deck memberships which were then distributed to the local Community Hubs allowing residents from Inverclyde SIMD areas to have free access to Inverclyde Leisure facilities.

ACES Grant

This is a family centred referral scheme aimed at school aged children identified as being at a weight which could be detrimental to their health and wellbeing. This project offers families the opportunity to participate in a programme underpinned by behaviour change principles, including physical activity and diet modification and a practical food component. This programme was funded by NHS Greater Glasgow and Clyde Health Board.

Vitality

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

Community Rehabilitation Fund

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

Playscheme Grant

This service is in Partnership with Inverclyde Council to supply a Summer Playscheme facility over a four week period during the school summer holiday. The service is provided at selected Inverclyde Leisure Facilities and Inverclyde Schools.

Ravenscraig Activity Centre

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

17. Financial Commitments

At 31 March 2017 the company was committed to making the following payments under non-cancellable operating leases:

	2017 £	2016 £
Operating leases which expire:		
Over 5 years	420,000	432,000
	=====	=====

This relates to a lease which expires in 2052.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2017

18. Trustees' Emoluments

During the year two of the trustees that served during the year received emoluments (including ER NIC and Pension Contributions) from the charitable company. Andrew Hetherington received £50,154 during his time as a trustee and Jim Lyon received £50,179 during his time as a trustee.

19. Control

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

20. Related Party Transactions

Inverclyde Council made a contribution of £1,489,524 (2016 - £1,590,640) to the Company by payment of a management fee.

The Company occupied facilities and paid leasing charges and rental to Inverclyde Council of £59,000 (2016 - £59,000). In addition, the Council provided financial and administrative support to the Company and its subsidiary at a cost of £183,485 (2016 - £158,342) to the Company.

21. Taxation

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

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

	2017 £	2016 £
Net income/(expenditure) for the reporting period (as per the Statement of financial activities)	457,364	(374,481)
Adjustments for:		
Depreciation charges	240,395	104,334
Decrease in stock	2,896	2,358
Decrease in debtors	126,215	150,015
Increase/(Decrease) in creditors within one year	108,887	(355,472)
Finance cost of defined benefit pension	130,000	319,000
	<hr/>	<hr/>
	1,065,757	(154,246)
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2017

23. Reconciliations on Adoption of FRS 102

Reconciliation of Funds

	Notes	1 April 2015 £	31 March 2016 £
Total Funds as reported under previous UK GAAP		(2,074,829)	134,690
Adjustments arising from transition to FRS 102:			
Holiday Pay Accrual	1	(45,500)	(45,500)
		<hr/>	<hr/>
Funds reported under FRS 102		(2,120,329) =====	89,190 =====

Reconciliation of Profit or Loss

		2016 £
Profit or loss as reported under previous UK GAAP and under FRS 102		(187,481)
Holiday Pay Accrual	1	-
		<hr/>

Notes to Reconciliations on Adoption of FRS 102

Holiday Pay

The transition adjustment relates to the recognition of a holiday pay liability

COMPANY DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2017

	2017		Restated 2016	
	£	£	£	£
Turnover				
Fees and charges		4,924,358		4,485,387
Management fee		1,489,524		1,590,640
		<u>6,413,882</u>		<u>6,076,027</u>
Cost of Sales				
Pool costs	19,188		19,302	
Wages and salaries	3,331,802		3,269,976	
Employer's N.I. contributions	203,883		145,327	
Staff pension scheme costs	390,612		350,377	
Fairer Scotland Salaries	174		275	
Live Active Salaries	68,187		62,232	
Community Rehabilitation Salaries	401		818	
ACES Salaries	25,769		17,783	
Vitality Salaries	3,908		2,677	
Shape Up Salaries	-		8,194	
Operating Leases	131,037		69,928	
		<u>(4,174,961)</u>		<u>(3,946,889)</u>
Gross Surplus		<u>2,238,921</u>		<u>2,129,138</u>
Administrative Expenses		<u>(2,365,633)</u>		<u>(2,286,097)</u>
		<u>(126,712)</u>		<u>(156,959)</u>
Other Operating Income				
Live Active Grant & Fees	66,869		63,985	
ACES Grant	-		9,663	
Vitality Grant	-		5,003	
Community Rehabilitation Fund & Fees	18,964		15,481	
Inverclyde Council Grant	599,951		-	
Playscheme Grants & Fees	35,038		-	
		<u>720,822</u>		<u>94,132</u>
Operating Surplus / (Deficit)		<u>594,110</u> =====		<u>(62,827)</u> =====

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COMPANY DETAILED TRADING AND INCOME AND EXPENDITURE ACCOUNT (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	Restated 2016 £
Operating Surplus / (Deficit) Brought Forward	594,110	(62,827)
Other Interest Receivable and Similar Income		
Bank interest received	11,364	8,924
Interest Payable and Other Income		
Loan Interest paid	(18,110)	(1,578)
Other finance (costs) / income	(130,000)	(132,000)
	<hr/>	<hr/>
Surplus / (Deficit) Before Taxation	457,364 =====	(187,481) =====

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SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £	Restated 2016 £
Administrative Expenses		
Staff training	34,381	36,916
Rent	59,000	59,000
Water rates	118,718	134,352
Administration fees received	(82,960)	(77,718)
Insurance	42,376	52,896
Light and heat	730,303	737,837
Cleaning and refuse costs	61,084	66,760
Repairs and maintenance	283,018	300,150
Printing, postage and stationery	49,126	42,009
Advertising	125,604	105,540
Telephone	37,694	36,023
Travelling and subsistence	9,494	6,003
Legal and professional fees	10,214	9,505
Accountancy fees	-	4,000
Consultancy fees	21,950	42,850
Audit fees	10,730	10,100
Inverclyde Council Payroll Service	15,759	15,759
Inverclyde Council Personnel Service	59,090	59,090
Inverclyde Council IT Service	-	28,618
BACS Bureau	39,810	23,693
IT (including FOH Management Service)	66,076	58,385
Bank charges	63,599	57,530
Irrecoverable VAT	269,553	240,667
Sundry expenses	43,673	65,509
Subscriptions	9,705	6,706
Live active costs	1,860	7,485
Health & Development Costs	-	-
Fairer Scotland costs	223	-
ACES Costs	-	716
Shape Up Salaries	-	145
Special events	45,158	51,237
Depreciation	240,395	104,334
	<hr/>	<hr/>
	2,365,633	2,286,097
	=====	=====

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