WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2018

Registered in Scotland: SC543017
Charity Number: SC027470

WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2018

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WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2018

The Board Report incorporates the Trustee Report for the purposes of charity law and the Directors' Report and Strategic Report for the purposes of company law.

Reference and administrative details
West Lothian Leisure

Company number: SC543017 from 17 August 2016
SP2533R(S) to 16 August 2016

Charity number: SC027470

Secretary

Beverley Greer

Chief Executive

Robin Strang

Solicitors

Peter McFarlane & Co
Law House
Fairbairn Place
Livingston
EH54 6TN

Registered Office

Bathgate Sports Centre
Balbardie Park
Torphichen Road
Bathgate
West Lothian
EH48 4LA

Bankers

The Bank of Scotland plc
Almondvale South
Livingston
EH54 6SN

Royal Bank of Scotland plc
Livingston Branch
4 Almondvale South
Livingston
EH54 6NB

Barclays
Quay 2
Fountainbridge
Edinburgh
EH3 9QG

Auditor
Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Key Management Personnel

Billy Key, Director of Operations
Eric Stafford, Director of HR
Mark Chambers, Director of Marketing & Business Development
Andrew Heron, Head of Finance (previously Heather Duncan)

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2018

Board

Trustees who held office to the date of signing are as follows:

Dr Cindy Brook	Chair
David Eardley	Treasurer (resigned 14 December 2017)
Harry Cartmill	Member
Beverley Greer	Secretary
Karen Anderson	Member
John McGinty	Member (appointed 27 April 2017, resigned 3 May 2017)
Tony Boyle	Member (appointed 27 April 2017, resigned 3 May 2017)
Tom Kerr	Member (appointed 29 June 2017)
Chris Horne	Member (appointed 29 June 2017)
Angela Doran	Member (appointed 29 June 2017)
Andrew Miller	Member (appointed 29 June 2017)
Robert Montgomery	Member (appointed 9 August 2017)

The Board of Trustees (Non-Executive Directors) presents its report and audited financial statements for the year to 31 March 2018.

Objectives and activities

West Lothian Leisure, which converted from a Community Benefit Society to a Company Limited by Guarantee on 17 August 2016, has charitable status granted by HM Revenue and Customs in Scotland.

West Lothian Leisure was incorporated on 1 February 1998 and provides sports and leisure facilities to the community of West Lothian. It operates as a not for profit distributing organisation. Surplus, other than reserves, if generated is available to reinvest in the facilities to maintain and improve the service. The main sport and leisure facilities leased from the West Lothian Council and managed by West Lothian Leisure are as follows:

Xcite Broxburn Sports Centre, Xcite Craigswood Sports Centre, Xcite East Calder Sports Centre, Xcite Fauldhouse Gym, Xcite Linlithgow Leisure Centre, Xcite Armadale Swimming Pool, Xcite Bathgate Swimming Pool, Xcite Broxburn Swimming Pool, Xcite Livingston Leisure Centre, Xcite Whitburn Leisure Centre. On 1st April 2017 the management of a number of other facilities transferred to West Lothian Leisure, namely Low Port Outdoor Activity Centre, Howden Park, as well as sports facilities at two community high schools and six high schools.

The Company is governed by the Articles of Association, Standing Orders, Operating Guidelines and Code of Conduct for West Lothian Leisure Limited and these documents were most recently updated in March 2017.

The Company's 15 strategic aims are:

1. To provide opportunities and easy access for inactive members of our communities to join in, get started, stay active and to set and reach their own personal goals;
2. To develop greater and speedier communication channels and access to our services and people through investment in on-line and social technology;
3. To continually improve, innovate and provide attractive programmes of activities for our customers
4. To regularly engage with our customers and other members of our communities so that we can ensure that we deliver what they need;

5. To promote our values, that we are a local charity and our unique selling points to our communities;
6. To provide attractive and affordable activities so that our children can be regularly active and encouraged to set and reach their own personal goals;
7. To have plans in place to ensure that our facilities are well maintained and developed to meet community needs;
8. To be recognised by our employees as an excellent organisation to work for;
9. To deliver and support sports development, active schools and community sports hub programmes;
10. To work with partner organisations to deliver (physical and mental) health improving activities and services;
11. To have in place attractive and affordable activities and services for older people;
12. To further build and maintain a successful business that meets and exceeds financial expectations;
13. To maximise opportunities that arise or are created to develop and grow the business;
14. To further reduce the impact our business has on the environment through good practices, education and measurement systems; and
15. To have in place processes that ensure that the principles of best value and continuous improvement are applied to all areas of the organisation.

STRATEGIC REPORT

Strategies for achieving the stated aims

West Lothian Leisure's Business Plan sets out the vision and values of the organisation together with strategies to achieve the stated aims. This document is developed in partnership with West Lothian Council and other stakeholders and approved by the Board. At each Board meeting performance against the stated success criteria is reported and where performance is below target actions to get back on track are discussed and agreed.

The Business Plan is supported by Departmental Plans and Facility Plans which have more specific action plans that relate to the stated aims.

Significant activities undertaken during the year included:

- In April 2017 additional facilities and services were transferred from the council to West Lothian Leisure. These included Howden Park Arts Centre, Low Port Outdoor Education Centre, the golf facilities at Polkemmet Country Park and the sports and arts facilities at eight secondary schools.;
- We invested significantly in health and fitness facilities at Xcite Bathgate Leisure Centre to improve the quality and range of services for customers;
- Key business process were reviewed to streamline and simplify them which contributed to our aim of adopting the principles of best value and continuous improvement; and
- We continued to develop our website and social media platforms to enable customers to access their online bookings and visit information as well as accessing their wellness programme.

Achievements and Performance

We furthered our charitable objects (to improve the physical and mental health and wellbeing of our communities) by increasing attendances at most of our activities, activities designed to improve health and wellbeing primarily through physical activity.

The number of customer visits to West Lothian Leisure venues and activities for the year was nearly 2.7 million, the highest number of annual visits that we have recorded. This was boosted by the transfer of the additional facilities to us in April 2017.

Of particular note was the 6% increase in attendances by over 60 year olds and the 86% increase in attendance by people in receipt of benefits – two of our key target groups.

Despite the continued high level of private sector competition locally health and fitness membership numbers held up well, increasing by nearly 1% on the previous year. This was particularly pleasing as it followed two years of dropping membership numbers.

Customer e-communication continues to grow with 8% more web visits than last year, and an 11% growth in Facebook followers.

Employee turnover was 18%, and although it improved throughout the year it is above our target and is being closely monitored. Staff sickness absence remained low at 4.08%.
Our Net Promoter Score (NPS), a measure of customer satisfaction, reached an all time high of 64. This is well ahead of the UK average of 48 for Cultural and Leisure Trusts.

Financial Review

The Company has had another challenging year in terms of its trading due to strong local competition but has continued to invest in facilities and services to offer great value to the community. The financial statements for the year ending 31 March 2018 show a deficit of £1,925,939 (2017: deficit of £26,307). This is before an actuarial gain of £1,205,000 (2017: loss £3,589,000) resulting in an overall deficit of £720,939 (2017: deficit of £3,615,307). The overall net fund balance at 31 March 2018 is now a net liability balance of £4,622,890 compared to a liability balance of £3,901,951 for 31 March 2017.

There were a number of challenges along the way such as:

- Strong private sector competition
- Continued pay pressures
- Integrating the new facilities

Despite the challenges, much was achieved and particular areas worthy of note are:

- Investment in facility improvements and new equipment
- The ongoing success of our health and wellbeing programmes and family, children's and over 60's memberships
- Modernising the structure of the organisation to meet future challenges

The FRS 102 pension valuation of the pension scheme has resulted in a decrease in the pension deficit to £4,653,000 as at 31 March 2018. The decrease of this liability is due to an actuarial gain of £1,205,000 arising from a change in the financial assumptions made by the actuaries, this being recognised in the Statement of Financial Activities. This gain was partially offset by the additional costs and liabilities associated with the staff that transferred across from the 1st April 2017. The balance on the pension fund will change annually according to economic conditions and the Board will keep the position under review. A defined contribution pension scheme was introduced in May 2014 into which all eligible new employees will be auto-enrolled. Over time this will improve the pension fund deficit noted above.

West Lothian Leisure has in the past enjoyed high membership figures which have allowed the business to better absorb increasing costs especially pay awards and increasing utility costs. West Lothian Leisure faces future financial challenges due to continued pressure on local authority finances and unprecedented competition from the private sector.

Income

Membership income fell by £346k compared to the previous year. This was due to increased competition from low budget gyms. The opening of the newly refurbished Bathgate gym as well as successful marketing campaigns has seen membership income increase post year end.

Leisure Services income increased significantly due to the inclusion of the income from the facilities that transferred on 1st April 2017.

The Management Fee reduced slightly compared to the previous year due to £857k worth of additional borrowing from West Lothian Council having been taken out in 2016/17, this being offset by increased funding for the facilities that transferred on the 1st April 2017.

The Financial Income of £404k includes additional funding for the transferred facilities, the largest amount of £176k being for IT equipment. There were new renewals of gym equipment in the year so no gain on the sale of fixed assets was generated.

Expenditure

Staff costs increased as a result of the transfer of staff from the new facilities but also includes an increase of £655k on last year relating to the FRS102 adjustment for the Lothian Pension Fund. The adjustment for the net finance cost (net interest charge on assets and liabilities) of the fund also resulted in additional expenditure of £104k compared to the previous year.

As you would anticipate property related costs and supplies and services increased significantly due to the incorporation of the new facilities.

Investment for Growth

There were no gym refurbishments during the year given that four were undertaken the previous year.

Strategic Risks

Each year a strategic risk register and associated risk assessments are presented to the Audit and Finance Sub Committee and to the Board. 18 strategic risks were identified in 2016/17 and the principal (highest rated net) risks were:

- New competition entering the local market and significantly affecting income and therefore ability to break even or trade in surplus
- Significant decrease in Council management fee leading to an in-ability to break even or trade in surplus

The risk assessments associated with these risks identify existing controls and further actions for risk reduction. The Council's Internal Audit Team were invited to carry out an independent review of the highest rated net risks controls and recommend any improvements to the senior management team.

Going forward further local private sector competition is likely to affect the financial performance of the charity.

Investment policy
West Lothian Leisure has the ability to use Council prudential borrowing for capital projects. This can be supplemented by lottery funding or other grant income for qualifying projects. A business case is presented to the Board for approval for any investment proposals and this includes an assessment of additional income generated (and/or costs saved), payback period (if a loan is required) and a risk assessment.

Principal funding sources
The majority of income comes from customer receipts - primarily membership income, pay and play income. Other principal income sources are West Lothian Council's management fee and partner funding from NHS Lothian for specific health and wellbeing programmes.

Reserves policy

General funds are unrestricted funds which are available for use at the discretion of the members of the Committee of Management in furtherance of the general objectives of the charitable company which have not been designated for any other purpose.

Designated funds are unrestricted funds that have been set aside for a specific purpose, which will be utilised during the next and future years against specific expenditure for asset improvement.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for particular purposes. The costs of raising and administering such funds are charged against the specific fund.

The Board has examined the Company's requirements for reserves in light of the main risks to the organisation. In February 2015 it established a new policy whereby the unrestricted funds not committed (including pension liabilities) or invested in tangible fixed assets held by the charitable company should be at a minimum of 10% of income, excluding the Council management fee.

Incoming resources for the year ended 31 March 2018 were £12,379,417 (2017: £11,061,828) therefore requiring at least £1,237,942 in unrestricted funds, under the current reserves policy. Overall funds at 31 March 2018 were in deficit of £4,622,890 (2017: deficit of £3,901,951) this is not in line with the reserve policy at the year end. The loss for the year has resulted in the unrestricted reserves reducing from £978k to £30k.

West Lothian Leisure has secured additional funding from West Lothian Council for the current financial year but has a four year plan in place to restructure to achieve the savings required and increase revenue to make the business financially sustainable going forward. In order to allow investment in the business surpluses are going to have to be generated or West Lothian Leisure needs to be able to access capital funding from West Lothian Council. The additional funding from West Lothian Council of £1.2m for the current financial year have allowed for a break even budget to be set for this year.

The current reserve policy is no longer achievable or indeed necessary given the letter of support received from West Lothian Council. This letter states that should West Lothian Leisure incur a deficit in excess of cash reserves in any given financial year the council would provide sufficient funding to cover the amount of the deficit for that financial year. This is dependent upon West Lothian leisure taking immediate corrective action to rebalance the budget. The reserves policy is currently under review in light of the revised funding and letter of support from West Lothian Council.

Risk Management
The Board has assessed and recorded the major risks to which the Company is exposed, in particular those relating to the operations and finances of the Company, and is satisfied that systems are in place to mitigate these risks.

Plans for future periods
We continue to work closely with West Lothian Council so that service delivery becomes more joined up and delivers excellent value for money. We will also continue to work closely with NHS Lothian and Sportscotland. Our annual business planning conference with partners allows us to ensure our vision is truly a shared one and that we are focussing on the right actions to ensure we contribute to the community planning partnership's outcomes.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2018

We will continue to focus our work in the following areas:

1. **Increased Income:**
   - Fully integrate the transferred sites into the business
   - Increasing participation in key sports, leisure and health and fitness activities.
   - Working in partnership with West Lothian Integration Joint Board (Health).
   - Growing the number of and improving our retention figures for memberships.
   - Increasing quality of key activities and services.
   - Improving the way we market and promote the Xcite Brand and services.
   - Growing our corporate membership scheme.
   - Increasing participation by target groups.
   - Use of flexible pricing to maximise participation and occupancy rates.
   - Develop our cafe and vending sales.
   - Improving customer care standards.
   - Further engagement with customers to help shape future service delivery.

2. **Managing Costs:**
   - Ongoing review of staffing structures to ensure that they match our business and service objectives.
   - Managing the performance of employees.
   - Maximising the performance of all support services.
   - Maximising the performance of the physical resources.
   - Ensuring we get excellent value from our suppliers.
   - Investing in energy efficiency in partnership with the West Lothian Council.
   - Contributing towards the Council's budget reduction plans.

3. **Management Fee:**
   Over the four years to 2017/18 the management fee has been reduced by 8% at the same time that many costs have increased. We understand the Council's need to reduce expenditure and we will do our bit to help. It is important, however, that we continue to engage with the Council so that a joint position on the type and level of service that the community needs is agreed together with the best delivery model to achieve this.

4. **Estate Strategy –** This remains a challenge with the older stock of buildings. With the Company now responsible for the management of all maintenance works for the properties and with limited funds available from West Lothian Council, this will require careful management to maintain standards.

5. **Investment strategy –** The development of a longer term facility and agreed joint capital investment strategy between the Company and West Lothian Council is being planned.

6. **Strategic Planning –** We have developed a Four Year Plan (2019/20 to 2022/23) that brings WLL back to a financially sustainable position and secures the future of the company. The plan takes into consideration reduced membership income from the peak in 2015, increased costs of operating the business and the reducing management fee from the council. This plan includes the restructuring of management and head office and the potential closure of some buildings.

7. **Partnership working –** We have built on and extended our partnership working with key partners principally West Lothian Council, NHS Lothian and Sportscotland and continue to be an active member of the West Lothian Community Planning Partnership and Integration Joint Board. West Lothian Leisure is also a founding partner of the Livingston Youth Foundation, a charity which seeks to improve the health and well-being of young people in West Lothian through football.

8. **Reporting –** We have maintained the quality of reporting of financial and performance information both to partners and the regulatory bodies. Our Annual Report seeks to highlight our achievements in meeting the targets in the single outcome agreement between West Lothian Council and the Scottish Government. The performance reporting to the Board has also been widened to include success measures described in the Business Plan.

9. **Organisational Culture –** Achieving EFQM committed to excellence Two Star standard continues to reinforce our view that our culture of service excellence and our Company values are correct for our service delivery.

10. **Environmental Policy –** We continue to ensure that the Company plays its part in achieving UK and EU targets for the environment.

Structure, governance and management

West Lothian Leisure is (from August 2016) a Company Limited by Guarantee with West Lothian Council as sole member. The Company also has charitable status granted by HM Revenue and Customs in Scotland.

West Lothian Leisure was incorporated on 1 February 1998 (as an Industrial and Provident Society) and provides sports and leisure facilities to the community of West Lothian. It operates as a not for profit distributing organisation.

Corporate Governance
The Board (of Trustees or Non-Executive Directors) is committed to demonstrate good Corporate Governance and compliance with the Nolan recommendations in this respect. To this end it has established an Audit and Finance Sub Committee that works to a pre-determined Audit Plan based around these principles. The Audit and Finance Sub Committee monitors and considers the Company's compliance and records through the Audit and Finance Sub Committee Minutes its findings that are then reported to the full Board of Trustees.

Induction and Training
Trustees are recruited to the Board after interview and approval at a Board meeting. They are selected for appointment if the Board believe their skills, knowledge and experience will benefit the Company. All Trustees receive an induction before joining the Board and additional training as necessary. If there are any areas where additional training is required this would be discussed at a Board meeting, or a one to one meeting with the Chair, and a solution identified.

Decision Making
The Standing Orders, Operating Guidelines, Code of Conduct and Articles of Association documents set out the decision making powers of the Board, Sub Committees, Chief Executive and Senior Managers. This document is reviewed annually by the Board of Trustees.

The Board has a duty to keep a strategic overview of the organisation including the approval of the corporate strategy and monitoring performance against agreed targets. The Board focusses on strategic issues and through its policy setting lays out a framework within which the Chief Executive and Senior Management Team operate. Pay and remuneration policy is set by the Board as is the Chief Executives pay. The Chief Executive determines the grading of staff (within the policy and arrangements set by the Board), and determines staff duties and responsibilities.

Third Party Indemnity Provision

As part of the overall insurance arrangements for the Company we have in place Trustees and Officers Liability insurance that provides qualifying third party indemnity provision for the benefit of the Trustees of the Company. This was in force during the financial year.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2018

Trustees Attendance at 2017/18 Audit and Finance Sub Committee Meetings

Attendance Record at A & F Sub Committees					
Trustees	May	Aug	Nov	Jan	Mar
Dr Cindy Brook	P	P	P	P	P
David Eardley	P	A	P	R	R
Tom Kerr	A	A	P	P	A
Robert Montgomery	A	A	P	P	P
Angela Doran	A	P	A	P	A
Karen Anderson	A	A	A	P	A
Beverley Greer	P	A	A	P	P

Key	Code
Apologies	A
Resigned or n/a	R
Present	P
Cancelled	C
Not yet Admitted	NYA

Trustees Attendance at 2017/18 Board Meetings

Trustees	Apr	Jun	Sept + AGM	Oct	Dec	Feb
Dr Cindy Brook	P	P	P	P	P	P
David Eardley	P	P	P	P	R	R
John McGinty	P	R	R	R	R	R
Beverley Greer	P	P	P	P	P	P
Tom Kerr	NYA	P	A	P	P	P
Chris Horne	NYA	P	P	P	P	P
Angela Doran	NYA	A	A	A	A	P
Andrew Miller	NYA	P	A	A	P	A
Robert Montgomery	NYA	NYA	P	P	P	P
Tony Boyle	P	R	R	R	R	R
Karen Anderson	P	P	P	A	P	P
Harry Cartmill	A	A	P	A	P	P

At each AGM six Trustees are appointed to sit on the Audit and Finance Sub Committee, although any Trustee is able to attend any Audit Sub Committee meeting.

Statement of Responsibilities of the Board

The trustees (who are also directors of West Lothian for the purpose of company law) are responsible for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity 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 of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 of the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent charitable company will continue.

The trustees are responsible for keeping proper accounting records which 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 articles of association, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company, for ensuring that the assets are properly applied in accordance with charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to the Auditor

To the knowledge and belief of each trustee, at the time the report is approved:

- so far as each trustee is aware, there is no relevant information of which the charitable company's auditor is unaware; and
- they have taken all steps that they ought to have taken as trustees to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of the information.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants as auditor will be put to the members at the Annual General Meeting.

In approving the Board Report, the Board of Trustees are also approving their Strategic Report in their capacity as company directors.

By order of the Board

Beverley Greer
Secretary
13 September 2018

WEST LOTHIAN LEISURE

Independent Auditor's Report

For the year ended 31 March 2018

Opinion

We have audited the financial statements of West Lothian Leisure (the charitable company) for the year ended 31 March 2018 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows 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 Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Board Report, which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report included within the Board 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board Report (incorporating the Directors Report and Strategic 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) require 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.

Responsibilities of the trustees

As explained more fully in the trustees' responsibilities statement set out on page 10, the trustees (who are the directors for the purposes of company law and trustees for the purposes of charity 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.

Responsibilities of the trustees (continued)

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under 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 an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Nick Bennett, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 13 September 2018

WEST LOTHIAN LEISURE

Statement of Financial Activities (Incorporating the Income and Expenditure Account)

For the year ended 31 March 2018

	Notes	Total Unrestricted 2018 £	*Total Unrestricted 2017 £*
Income and endowments from:			
Donations and legacies		**62,644**	*4,585*
Charitable activities			
- Membership fees		**4,704,908**	*5,050,686*
- Leisure services		**4,749,236**	*3,081,737*
- Management service fee		**2,456,503**	*2,567,795*
Investments		**2,317**	*3,530*
Other			
- Financial income, refunds & fees		**403,809**	*156,253*
- Sale of assets income		**-**	*197,242*
Total		**12,379,417**	*11,061,828*
Expenditure on:			
Charitable activities			
- Sports and leisure facilities	5	**14,159,356**	*11,046,135*
Other			
- Net finance cost on defined benefit pension scheme		**146,000**	*42,000*
Total		**14,305,356**	*11,088,135*
Net expenditure		**(1,925,939)**	*(26,307)*
Other recognised gains/(losses):			
Actuarial gain/(loss) on defined benefit pension scheme	9	**1,205,000**	*(3,589,000)*
Net movement in funds		**(720,939)**	*(3,615,307)*
Reconciliation of funds:			
Total funds brought forward		**(3,901,951)**	*(286,644)*
Total funds carried forward		**(4,622,890)**	*(3,901,951)*

The notes on pages 17 to 30 form part of these financial statements

WEST LOTHIAN LEISURE

Balance Sheet

As at 31 March 2018

	Notes	2018		2017	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	10		**1,282,424**		*1,980,161*
Total fixed assets			**1,282,424**		*1,980,161*
Current assets					
Stock		**26,702**		*62,143*	
Debtors	11	**818,560**		*1,016,351*	
Cash at bank and in hand		**861,216**		*245,521*	
Total current assets		**1,706,478**		*1,324,015*	
Liabilities:					
Creditors: amounts falling due within one year	12	**(2,400,605)**		*(1,458,713)*	
Net current liabilities			**(694,127)**		*(134,698)*
Total assets less current liabilities			**588,297**		*1,845,463*
Creditors: amounts falling due after more than one year	13		**(558,187)**		*(867,414)*
Net assets excluding pensions liability			**30,110**		*978,049*
Defined benefit pension liability	9		**(4,653,000)**		*(4,880,000)*
Total net liabilities			**(4,622,890)**		*(3,901,951)*
The unrestricted funds of the charity:					
General funds			**30,110**		*978,049*
Pension reserve			**(4,653,000)**		*(4,880,000)*
Total charity funds			**(4,622,890)**		*(3,901,951)*

The financial statements were approved and authorised for issue by the Board on 13 September 2018.

Dr Cindy Brook, Chair .....

Beverley Greer, Secretary .....

Registered in Scotland – SC543017
Charity Number – SC027470

The notes on pages 17 to 30 form part of these financial statements

WEST LOTHIAN LEISURE

Statement of Cash Flows

For year ended 31 March 2018

	Notes	2018		*2017*	
		£	£	£	£
Cash flows from operating activities:					
Net cash provided by operating activities	16		1,135,666		*1,147,966*
Cash flows from investing activities:					
Interest received		2,317		*3,530*	
Proceeds of sale of fixed assets		(369)		*64,189*	
Purchase of property, plant and equipment:		(102,231)		*(676,789)*	
Net cash provided by/ (used in) investing activities			(100,283)		*(609,070)*
Cash flows from financing activities:					
Repayments of borrowing		(419,688)		*(814,696)*	
Net cash used in financing activities			(419,688)		*(814,696)*
Change in cash and cash equivalents in the reporting period	17		615,695		*(275,800)*
Cash and cash equivalents at the beginning of the reporting period			245,521		*521,321*
Cash and cash equivalents at the end of the reporting period			861,216		*245,521*

The notes on pages 17 to 30 form part of these financial statements

1. General information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable company's transactions are denominated. They comprise the financial statements of West Lothian Leisure for the year ended 31 March 2018.

The principal activity of West Lothian Leisure is the operation of sports and leisure facilities leased from West Lothian Council.

West Lothian Leisure is a charitable company limited by guarantee incorporated in the United Kingdom and registered in Scotland. It is recognised as a charity for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC027470. In the event of the winding up of the charitable company a member is liable to contribute a sum not exceeding £1. Details of the registered office and company registration number can be found on page 1 of these financial statements.

As described in note 20, West Lothian Leisure is deemed to be a subsidiary undertaking of its ultimate parent, West Lothian Council.

2. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', Update Bulletin 1 to the SORP published in February 2016, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

West Lothian Leisure meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charitable company's financial statements unless otherwise stated.

Charity reconstruction and merger accounting

On 17 August 2016 West Lothian Leisure incorporated under the Companies Act 2006, to become a charitable company limited by guarantee. The activities and trustees of the charitable company remained unchanged as a result of the charity reconstruction, and so the results for the year 2016/17 have been accounted for by way of merger accounting in accordance with Section 27 of the charities SORP (FRS 102).

2. Accounting Policies (continued)

Going Concern

The financial statements have been prepared on the basis of accounting policies that are consistent with the treatment of the charitable company as a going concern. In the Board's opinion, the charitable company will be able to continue to trade for the foreseeable future.

West Lothian Leisure has a rolling Service Agreement with West Lothian Council and the current funding agreement within this will fall due for renewal on 31 March 2019. West Lothian Council is the sole member of the charitable company. In August 2018 West Lothian Leisure received a letter of comfort from West Lothian Council, stating that should West Lothian Leisure be unable to bring their deficit within available cash reserves after taking mitigating action West Lothian Council as sole member would provide sufficient funding to cover the amount of deficit for the financial year.

The charitable company has net liabilities at 31 March 2018 of £4,622,890 *(2017: £3,901,951)*. Excluding the deficit on the defined benefit retirement scheme of £4,653,000, the charitable company reported net assets of £30,110 *(2017: £978,049)*. The charitable company has net current liabilities of £694,127 *(2017: £134,698)* and reported net expenditure for the year of £1,925,939 *(2017: £26,307)*. The charitable company has secured additional funding for 2018/19 and taken steps to reduce costs,

Income recognition

Income is recognised in the period in which the charitable company is entitled to receipt, receipt is probable and the amount can be measured with reasonable certainty. Income is deferred only when the charitable company has to fulfil conditions before becoming entitled to it.

- Revenue grants are recognised in the period in which the charitable company is entitled to receipt, receipt is probable and the amount can be measured with reasonable certainty.
- Membership income is recognised in line with the membership agreement.
- Leisure services income is recognised when services are provided.
- Management fee income is recognised in the period to which it relates.
- Other income is recognised in the period to which it relates.
- Investment income is recognised in the period in which it is receivable.

Allocation of Expenditure

Expenditure is recognised when a legal or constructive obligation arises. Where possible, expenditure has been charged directly to charitable expenditure or governance cost. Where this is not possible the expenditure has been allocated on the basis of time spent by staff on each activity.

- Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities and services for its beneficiaries.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include the audit fees and costs linked to the strategic management of the charitable company.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any impairment.

Tangible fixed assets costing more than £2,500 are capitalised and included at cost. Depreciation is charged to write off the cost less the estimated residual value of fixed assets by equal instalments over their estimated useful lives as follows:

Computer equipment	4 years
Furniture and equipment	3 - 6 years

2. Accounting Policies (continued)

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 at bank and in hand
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The charitable company did not hold any cash equivalents in the current year.

Stock
Stocks represent goods for resale, and are valued at the lower of cost and net realisable value in the ordinary course of activities. Net realisable value is based on estimated selling price less any provision for slow moving or obsolete stock.

Creditors
Creditors are recognised where the charitable company has a present obligation resulting from a past event that will 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 are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments
Financial instruments are recognised in the Balance Sheet when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for a similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

2. Accounting Policies (continued)

Pensions
The charitable company operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

In accordance with FRS 102 Retirement Benefits, the Statement of Financial Activities includes: the cost of benefits accruing during the year in respect of current and past service (charged against net outgoing resources); the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time (shown as pensions finance charge); actuarial gain or loss recognised in the pension scheme (shown within net movement of funds). In accordance with FRS 102, the Balance Sheet includes the deficit in the scheme taking assets at their year-end market values (current bid value) and liabilities at their actuarially calculated values discounted at year-end AA corporate bond interest rates. Further details regarding the scheme are disclosed in note 9.

The charitable company also operates a defined contribution pension scheme. Contributions are recognised in the Income and Expenditure Account and Statement of Financial Activities in the period in which they become payable in accordance with the rules of the scheme.

VAT
The charitable company is partially exempt from VAT. Irrecoverable VAT is charged to the Income and Expenditure and Statement of Financial Activities as an expense.

Unrestricted Funds
Surplus revenue funds held within unrestricted funds are carried forward to meet the cost of future activities of both a capital and revenue nature.

Commitments for specific activities and needs in the future are dealt with by making allocations to designated funds.

Leases
Operating lease rentals are charged to the Income and Expenditure and Statement of Financial Activities on a straight line basis over the term of the lease.

Leases which transfer substantially all of the risks and rewards of ownership to the charity are classed as finance leases. Assets held under finance leases are recognised as assets at the lower of the fair value of the asset at the date of acquisition and the present minimum lease payments. The related obligation to the lessor is included in the balance sheet as a finance lease obligation.

Finance costs, which represent the difference between the total leasing commitment and the fair value of the assets acquired, are charged to the Statement of Financial Activities over the lease term at a constant rate.

Taxation
The charitable company has charitable status and is therefore exempt from taxation under Sections 475-477 and Chapter 3 of the Corporation Taxes Act 2010.

3. Critical judgements and estimates

In preparing the financial statements trustees makes estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

There are no estimates or assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of accounting estimation have been applied to the pension scheme assumptions, the depreciation rates which are deemed appropriate for the class of assets and the provision for bad debts based on the trustees' expectations of likely receipts after the year end.

4. Public benefit entity combinations

From 1 April 2017 the charitable company took control of additional operations from West Lothian Council, acquiring no assets or liabilities for £nil consideration. These services added total income of £2,427,544 and net income/expenditure of £nil during the year ended 31 March 2018. The defined benefit pension scheme liability increased by £224,000. As these services were not operated by the charitable company during the previous year no amounts relating to these services are included within the comparative figures shown for 2017.

5. Charitable activities expenditure – Sports and leisure facilities

	Total 2018 £	*Total 2017 £*
Employee costs (note 7)	**8,345,314**	*6,263,079*
Property costs	**1,879,402**	*1,679,743*
Transport costs	**146,124**	*81,563*
Supplies and services	**2,538,691**	*1,706,658*
Irrecoverable VAT	**254,260**	*47,277*
Depreciation	**841,101**	*999,786*
Bank charges	**35,885**	*36,471*
Discounts	**80,144**	*147,081*
Loss on disposal	**9,612**	*59,777*
Governance costs (note 6)	**28,823**	*24,720*
	14,159,356	*11,046,155*

The above costs relate to the one activity of the charitable company, to deliver sports and leisure facilities to the community within West Lothian.

6. Governance costs

	Total 2018 £	*Total 2017 £*
Audit and other accountancy fees	**25,000**	*23,230*
Trustee indemnity insurance	**3,823**	*1,490*
	28,823	*24,720*

7. Staff costs and numbers

	2018	2017
	£	£
Wages and salaries	**6,494,666**	*5,286,991*
Social security costs	**448,590**	*353,446*
Other pension costs	**570,058**	*445,642*
FRS 102 defined benefit pension scheme adjustment	**832,000**	*177,000*
	8,345,314	*6,263,079*

The aggregate number of employees whose emoluments exceeded £60,000 was as follows:

	2018	2017
	Number	Number
£60,000 - £69,999	**-**	*2*
£70,000 - £79,999	**3**	*1*
£80,000 - £89,999	**1**	*1*
	4	*4*

Contributions to the defined benefit scheme in the year for these employees were £40,400 *(2017: £38,114).*

	2018	2017
	Number	Number
The average monthly number of employees during the year was	**477**	*414*

One employee *(2017: three),* who was also a member of the Board during the year, received remuneration including pension and employer national insurance contributions as follows:

	2018	2017
	£	£
R Taylor	**-**	38,062
M Crooks	**-**	27,351
K Anderson	**31,331**	28,996
	31,331	94,409

None of the amounts above included any remuneration for being a director; all amounts were received for employment under their employment contracts.

No expenses were paid to the directors *(2017: none).*

The key management personnel of the charitable company are deemed to be the Chief Executive, Director of Operations, Director of HR, Director of Marketing & Business Development and Head of Finance who replaced the Director of Finance & Administration in the year. The total emoluments received by key management personnel in the year was £413,614 *(2017: £403,623).*

8. Operating deficit

	2018 £	2017 £
The operating deficit is stated after charging		
Auditor's remuneration (including expenses) - audit	**22,750**	*23,230*
- VAT advice	**1,500**	*5,900*
- taxation services	**750**	-
Depreciation of tangible fixed assets	**841,101**	*999,786*
Loss on disposal of tangible fixed assets	**9,612**	*59,777*
Hire of equipment, plant and machinery	**75,219**	*47,535*

9. Pension costs

The total pension cost charged to net expenditure for the year amounted to £1,548,058 *(2017: £664,642)*. Included within this figure is a FRS 102 adjustment of £832,000 *(2017: £177,000)* and finance costs of £146,000 *(2017: £42,000)*.

A contingent asset of £224,000 relating to the defined benefit pension scheme liability arose during the year in connection with an indemnity provided by West Lothian Council against any future pension funding payments arising as a result of the transfer of services described at Note 4. This contingent asset has not been recognised in these financial statements.

Defined contribution pension scheme

In 2014 the charitable company introduced a defined contribution pension scheme. New employees are automatically enrolled into this scheme although they may choose to opt out if they wish. Total employers contributions to this scheme during the year amounted to £62,405 *(2017: £56,987)*.

Defined benefit superannuation scheme

The charitable company is an admitted body of the Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employees' and employer's contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out. Total employers contributions to this scheme during the year amounted to £507,563 *(2017: £388,655)*. Employees' contributions are determined based on their salary, increasing the higher the salary and employer's basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains solvent and in a position to meet its future liabilities. The actuarial method used is known as Projected Unit Method. The last actuarial valuation was at 31 March 2017. Employer contribution for the year to 31 March 2019 will be approximately £502,000.

In accordance with FRS 102 – Employee Benefits – a valuation of the fund was carried out at 31 March 2018, by Hymans Robertson, independent actuaries, based on the last full triennial valuations and allowing for the changes in financial assumptions as prescribed under FRS 102.

The main assumptions used in the calculations are:

	31 March 2018 % per annum	*31 March 2017 % per annum*	*31 March 2016 % per annum*
Salary increases	**4.0%**	*4.4%*	*4.2%*
Pension increases	**2.3%**	*2.4%*	*2.2%*
Discount rate	**2.7%**	*2.7%*	*3.6%*

9. Pension costs (continued)

Mortality
Life expectancy is based on the Fund's Vita Curves, with improvements in line with the CMI 2016 Model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum:

	Males	Females
Current pensioners	**21.7 years**	**24.3 years**
Future pensioners	**24.7 years**	**27.5 years**

The major categories of assets of the scheme was:

	2018	*2017*
Equities	**75%**	*67%*
Bonds	**11%**	*23%*
Property	**7%**	*7%*
Cash	**7%**	*3%*

The table below compares the present value of the scheme liabilities, based on the actuary's assumptions with the estimated employer assets.

	2018 £'000	*2017 £'000*
Fair value of employer assets	**23,901**	*18,858*
Present value of funded liabilities	**(28,554)**	*(23,738)*
Net liability in balance sheet	**(4,653)**	*(4,880)*

Analysis of the amount charged to resources expended:

	Year to 31 March 2018 £'000	*Year to 31 March 2017 £'000*
Current service cost of the defined benefit scheme	**(1,120)**	*(573)*

Analysis of amount credited to other finance income:

	Year to 31 March 2018 £'000	*Year to 31 March 2017 £'000*
Expected return on employer assets	**643**	*548*
Interest on pension scheme liabilities	**(789)**	*(590)*
Net return/(loss)	**(146)**	*(42)*

Analysis of amounts included in other recognised gains and losses:

	Year to 31 March 2018 £'000	*Year to 31 March 2017 £'000*
Actual return less expected return on pension scheme assets	**(855)**	*2,891*
Changes in demographic assumptions	**(134)**	-
Other experience	**722**	-
Changes in financial assumptions underlying the present value of the scheme liabilities	**1,472**	*(6,480)*
Actuarial gain/(loss) recognised in net movement of funds	**1,205**	*(3,589)*

9. Pension costs (continued)

Changes in fair value of the scheme assets are as follows:

	Year to 31 March 2018 £'000	*Year to 31 March 2017 £'000*
Opening fair value of employer assets	**18,858**	*15,040*
Interest income on plan assets	**643**	*548*
Contributions by members	**204**	*160*
Contributions by the employer	**512**	*396*
Effect of business combinations and disposals	**4,723**	*-*
Actuarial gain/(loss)	**(855)**	*2,891*
Benefits paid	**(184)**	*(177)*
Closing fair value of employer assets	**23,901**	*18,858*

Changes in the defined benefit obligation are as follows:

	Year to 31 March 2018 £'000	*Year to 31 March 2017 £'000*
Opening defined benefit obligation	**23,738**	*16,112*
Current service cost	**1,110**	*573*
Past service cost	**10**	*-*
Interest cost	**789**	*590*
Effect of business combinations and disposals	**4,947**	*-*
Contributions by members	**204**	*160*
Actuarial losses/(gains)	**(2,060)**	*6,480*
Estimated benefits paid	**(184)**	*(177)*
Closing defined benefit obligation	**28,554**	*23,738*

10. Tangible fixed assets

	Furniture & equipment £	Computer equipment £	Total £
Cost			
As at 1 April 2017	**3,706,228**	**1,640**	**3,707,868**
Additions	**95,962**	**56,645**	**152,607**
Disposals	**(788,615)**	**(1,000)**	**(789,615)**
As at 31 March 2018	**3,013,575**	**57,285**	**3,070,860**
Depreciation			
As at 1 April 2017	**1,726,389**	**1,316**	**1,727,705**
Charge for the year	**832,715**	**8,386**	**841,101**
Eliminated on disposal	**(779,370)**	**(1,000)**	**(780,370)**
As at 31 March 2018	**1,779,734**	**8,702**	**1,788,436**
Net book value			
As at 31 March 2018	**1,233,841**	**48,583**	**1,282,424**
As at 31 March 2017	*1,979,837*	*324*	*1,980,161*

The net book value of the assets held under finance lease agreements as at 31 March 2018 was £918,475 *(2017: £1,654,005)*. The depreciation charged on these assets in the year to 31 March 2018 was £600,210 *(2017: £1,020,785)*.

11. Debtors

	2018 £	2017 £
Trade debtors	500	220,758
Other debtors and prepayments	818,060	795,593
	818,560	1,016,351

12. Creditors: Amounts falling due within one year

	2018 £	2017 £
Loan	55,933	73,120
Finance lease creditor	519,336	562,234
Trade creditors	-	535,806
Tax and social security	106,910	78,309
Other creditors	1,417,701	70,728
Accruals and deferred income	300,725	138,516
	2,400,605	1,458,713

Other creditors includes £1,416,705 due to West Lothian Council.

Finance lease creditors are secured over the assets to which they relate.

13. Creditors: Amounts falling due after one year

	2018 £	2017 £
Loan	12,366	43,550
Finance lease	545,821	823,864
	558,187	867,414
Analysed as follows:		
Repayable between 1 – 2 years	300,012	479,199
Repayable between 2 – 5 years	255,094	382,990
Repayable in more than 5 years	3,081	5,225
	558,187	867,414

Finance lease creditors are secured over the assets to which they relate.

14. Financial assets and liabilities

	2018 £	*2017 £*
Financial assets at amortised cost	**1,415,196**	*820,784*
Financial liabilities at amortised cost	**(2,851,882)**	*(2,247,818)*
	(1,436,686)	*(1,427,034)*

Financial assets at amortised cost comprise of cash at bank and in hand, trade debtors and other debtors due within one year.

Financial liabilities comprise of trade creditors, finance lease creditors, bank loan, other creditors and accruals, all due within one year, as well as bank loan and finance lease creditors due in more than one year.

15. Share capital

The charitable company is limited by guarantees of £1 per member and has no share capital. At 31 March 2018 there was one member.

16. Reconciliation of net expenditure to net cash flow from operating activities

	2018 £	*2017 £*
Net expenditure for the reporting period	**(1,925,939)**	*(26,307)*
Depreciation	**841,101**	*999,786*
Interest received	**(2,317)**	*(3,530)*
FRS 102 pension adjustments	**978,000**	*219,000*
(Increase)/decrease in debtors	**197,791**	*555,879*
Increase/(decrease) in creditors	**1,001,977**	*(676,719)*
(Increase)/decrease in stock	**35,441**	*20,080*
Loss/(gain) on disposal of fixed assets	**9,612**	*59,777*
Net cash provided by operating activities	**1,135,666**	*1,147,966*

17. Analysis of changes in net debt

	Brought forward £	Cash flow £	Non-Cash flow £	Carried forward £
Cash	245,521	615,695	-	861,216
Debt due within one year	(116,670)	48,371	-	(68,299)
Finance leases	(1,386,098)	371,317	(50,376)	(1,065,157)
	(1,257,247)	1,035,383	(50,376)	(272,240)

18. Operating lease commitments

At 31 March 2018 the charitable company had commitments under non-cancellable operating leases for equipment as set out below:-

	2018 £	*2017 £*
Payments falling due:		
Within one year	53,993	*80,264*
Within two to five years	25,165	*49,343*
Over five years	10,875	-
	90,033	*129,607*

19. Members' interests

Due to the nature of the charitable company's operations and composition of its Board, being comprised of individual public sector and commercial organisations, it is inevitable that transactions will take place with companies and organisations in which a member of West Lothian Leisure Limited has an interest.

The charitable company works in partnership with the West Lothian Council with which transactions have been undertaken during the year. The following is a list of members of the Board who held potentially connected positions during the year.

Table showing potential for Director's Connected Interests:

WLL Director	Company	Occupation	Date Joined
Dr Cindy Brook	Retired	Retired Clinical Director / GP	03/11/2005
Beverley Greer	Freelance	Sports Coach	27/06/2013
Harry Cartmill	West Lothian Council	Elected Member	28/06/2012
David Eardley	Scott-Moncrieff	Public Sector Audit Director	28/10/2010
Karen Anderson	West Lothian Leisure	Assistant Facility Manager	11/09/2014
John McGinty	West Lothian Council	Elected Member	27/04/2017
Tony Boyle	West Lothian Council	Elected Member	27/04/2017
Tom Kerr	West Lothian Council	Elected Member	29/06/2017
Chris Horne	West Lothian Council	Elected Member	29/06/2017
Angela Doran	West Lothian Council	Elected Member	29/06/2017
Andrew Miller	West Lothian Council	Elected Member	29/06/2017
Robert Montgomery	West Lothian Council	Information Advice Officer	09/08/2017

20. Related party transactions

The charitable company is controlled by West Lothian Council. West Lothian Council is the sole member of the charitable company. West Lothian Council may appoint or remove any director from office, provided that the number of directors in office appointed by West Lothian Council at any time does not form a majority or exceed a maximum of 5. West Lothian Council may, by special resolution, direct the directors to take, or refrain from taking, specified action, and is entitled to make any decision of the company as if agreed by the company in a general meeting.

West Lothian Council also controls the charitable company by virtue of a services agreement, which provides a substantial portion of the charitable company's funding and use of the premises operated by the charitable company.

During the year, £1,812,166 *(2017: £2,508,965)* was received from West Lothian Council as a management fee, with a further £644,337 (*2017: £nil*) in connection with new facilities taken on during the year. In addition to this, £128,000 (*2017: £128,000*) was received for free under 16s swimming, £120,830 *(2016: £120,830)* for free under 5s and over 60s swimming and £87,463 *(2017: £87,463)* for curricular swimming. A further £218,807 (*2017: £10,000*) of funding was received from West Lothian Council in connection with IT and other projects.

No sales were made to West Lothian Council for capital projects completed in the year *(2017: £1,093,000).*

At the year-end there is a balance due to West Lothian Council of £1,416,705 *(2017: £Nil).*

21. Non audit services

In common with many other businesses of its size and nature, the charitable company uses its auditor to prepare its annual financial statements and for occasional Corporation Tax and Value Added Tax compliance advice.

22. Comparative statement of financial activities

	Notes	Pre incorporation 1 April 2016 to 16 August 2016 £	Post incorporation 17 August 2016 to 31 March 2017 £	Combined Unrestricted 2017 £
Income and endowments from:				
Donations and legacies		4,210	375	4,585
Charitable activities				
- Membership fees		2,342,091	2,708,595	5,050,686
- Leisure services		1,454,456	1,627,281	3,081,737
- Management service fee		816,568	1,751,227	2,567,795
Investments		1,930	1,600	3,530
Other				
- Financial income, refunds & fees		90,037	66,216	156,253
- Sale of assets income		7,812	189,430	197,242
Total		4,717,104	6,344,724	11,061,828
Expenditure on:				
Charitable activities				
- Sports and leisure facilities		4,937,125	6,109,010	11,046,135
Other				
- Net finance cost on defined benefit pension scheme		-	42,000	42,000
Total		4,937,125	6,151,010	11,088,135
Net expenditure		(220,021)	193,714	(26,307)
Other recognised (losses)/gains:				
Actuarial (loss)/gain on defined benefit scheme				(3,589,000)
Net movement in funds				(3,615,307)
Reconciliation of funds:				
Total funds brought forward				(286,644)
Total funds carried forward				(3,901,951)