

WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2021

Registered in Scotland: SC543017

Charity Number: SC027470

WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2021

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WEST LOTHIAN LEISURE

Administrative Information

For the year ended 31 March 2021

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

Charity number: SC027470

Secretary

Beverley Greer

Chief Executive

Tim Dent

Key Management Personnel

Mark Chambers, Head of Corporate Services
Andrew Heron, Head of Finance
Karen Wernham, Head of Operations

Registered Office

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

Solicitors

Lindsays LLP
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8HE

DWF LLP
No.2 Lochrin Square
96 Fountainbridge
Edinburgh
EH3 9QA

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

Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

WEST LOTHIAN LEISURE
Administrative Information
For the year ended 31 March 2021

Board

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

| | |
|---------------------------|--|
| Dr Cindy Brook | Chair |
| Beverley Greer | Secretary |
| Karen Anderson | Member |
| Cllr. Tom Kerr | Member |
| Cllr. Chris Horne | Member |
| Cllr. Angela Doran-Timson | Member |
| Cllr. Andrew Miller | Member |
| Tom Carr- Pollock | Member (resigned 26 March 2021) |
| Paul Williams | Treasurer (resigned 16 September 2021) |
| Sergio Tansini | Member |
| Cllr. Tom Conn | Member |

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2021

2020/21 was a year like no other. The Covid-19 pandemic has impacted all aspects of life and challenged businesses in unimaginable ways.

The priority for West Lothian Leisure (WLL) throughout the year was survival. With venues forced to close and being unable to trade, it is estimated that the organisation lost over £8m in revenue. As one of the most efficient sport and leisure trusts in Scotland – relying less on public funds and more on our earned income - we are particularly vulnerable if we are unable to trade.

The fact that we have been able to avoid an operational deficit (ignoring pension adjustments) this financial year is remarkable and owes much to the resilience and creativity of employees, managers, the Leadership Team and Directors. We are also indebted to West Lothian Council (WLC) who have been able to contribute emergency funding and value in kind to help us ride out the storm.

The impact of the pandemic followed the major restructuring of the charity in 2019/20 to reduce the cost base. In hindsight, this was prescient, as taking steps to place the charity on a more sustainable financial footing has helped WLL withstand the financial challenges created by the pandemic.

This unprecedented set of circumstances and the ongoing reduction in the core funding in future years, means that we will need to continually review all aspects of the business to become even more efficient and effective. Looking forward, the 2-Year business plan will inform all internal service plans to ensure there is an integrated approach so everyone is working towards the same goals. Whilst securing the future of the charity and getting back to a balanced financial position will be a key priority, our charitable purpose and vision, of a future 'where everyone in West Lothian can live a healthier, happier, longer life' will be more important than ever and will continue to be at the heart of all we do.

Delivery of the business plan and making a difference, will require strong partnership working. As a charitable trust we already work closely with West Lothian Council, NHS Lothian, Creative Scotland, sportscotland and others and we are integrated into local planning frameworks. We look forward to continuing to contribute to the work of these agencies.

Whilst the last year has been difficult, our recovery plan, together with the contribution of our committed workforce, should help us navigate through the next two years, to better times ahead. Although the fall-out from the pandemic will no doubt present further challenges, I am confident that we are well positioned to recover once restrictions are eased.

Finally, I would like to thank the staff for their continuing hard work and commitment, and the Board of Directors who give up their time on a voluntary basis. Their advice and direction during this exceptionally challenging year has been invaluable.

Dr Cindy Brook, Chair, September 2021

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2021

The Board of Trustees (Non-Executive Directors) presents its report and audited financial statements for the year to 31 March 2021.

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, cultural, outdoor education 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 facilities leased from 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 Linlithgow Leisure Centre, Xcite Armadale Swimming Pool, Xcite Bathgate Swimming Pool, Xcite Broxburn Swimming Pool, Xcite Livingston Leisure Centre, Xcite Whitburn Leisure Centre, Polkemmet Country Park Golf Course and Range, Howden Park Arts Centre, as well as sports and cultural 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 reviewed in March 2020.

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.

1. Improving lives and communities. We want to get more people more active to improve health and reduce health inequalities.
2. Improving the customer experience. We want to provide high quality and engaging activities and ensure customers feel valued and listened to.
3. Growing the business. We want to become a financially secure and sustainable business so we can invest more and do more, to improve lives.
4. Improving the business. We want to become a more efficient, more agile, and more effective organisation and a company our employees are proud to work for.

Significant activities undertaken this year include:

- We responded quickly, effectively and professionally to the Covid-19 pandemic, putting in place numerous measures to protect employee and customer health and welfare.
- We completed widespread restructuring of the company to address year on year reductions in public funding and other cost pressures.
- We conducted extensive customer surveys to understand better, customer satisfaction with our communication during the pandemic and their expectations about returning to activities in venues.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2021

- We secured the medium-term sustainability of the charity by successfully applying for external grant funding and continuing to reduce our cost base.
- We strengthened our relationship with West Lothian Council - securing emergency funding to support the charity through the pandemic and identified joint priorities for collaborative working.
- We continued to promote our vision of a West Lothian where everyone can live a healthier, happier, longer life.
- We have developed and published a 2-Year business plan with a strong focus on business recovery with the aim of returning to a balanced position by 2023/24.
- We rolled out a new sales process which aims to convert more prospects to sales. We also trained staff and invested in retention software, to help ensure members stay with us longer.
- We developed new on-line, live streamed, group fitness classes and on-demand services.
- We re-invigorated our company values so that all employees support and promote Service, Integrity, Respect and Accountability.
- We upgraded and transformed our remote working capability so that staff can work more effectively and efficiently out of the office. A trend we expect to continue.

Achievements and Performance

Venues and services were closed for most of the year (43 weeks out of 52) due to the pandemic. The weeks we were able to open still meant operating under strict Covid restrictions and guidance, which limited capacity. Being unable to open and trade means that our achievements in 2020/21 have been measured differently to a 'business as usual' year.

Firstly, surviving the pandemic and ensuring we remained a financially viable organisation was the most important achievement this year. This means that the charity will be able to continue delivering vital health and wellbeing services to those who need them most and ensure that the wider public continue to have access to high quality, affordable, sport, leisure, and cultural activities.

Employee turnover was much lower than usual (9%) due in large part to up to 95% of staff being furloughed and there being very few employment opportunities elsewhere. Staff sickness absence remained relatively low at 4% - this is also likely to be due to most staff being on furlough.

In this exceptional year our Net Promoter Score (NPS), (a measure of customer satisfaction), to December 2020, was 59 – this was lower than the previous years score of 63. Despite this, WLL was awarded Silver in the UK Member Experience Awards and for the second-year running was the best performing sport and leisure trust in Scotland. This achievement rewards operators who provide a consistently high standard of member experience.

Despite this lower score, WLL remains well ahead of the UK average of 47 for sport, leisure, and culture trusts. Further service improvements have already been identified for 2021/22 to improve this critical area of the business.

Financial Review

The financial statements for the year ending 31 March 2021 show a deficit of £459,342 (2020: deficit of £211,788). This is before an actuarial loss of £4,190,000 (2020: gain of £2,128,000) resulting in an overall loss of £4,649,342 (2020: surplus of £1,916,212). The overall net fund balance at 31 March 2021 is now a net liability balance of £9,761,019 compared to a liability balance of £5,111,677 at 31 March 2020.

Work to restructure the company to ensure its long-term financial sustainability against a backdrop of decreased public funding, has enabled the company to reduce salary costs to a more sustainable level and achieve a more efficient staffing structure.

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Board Report

For the year ended 31 March 2021

The outbreak of the Covid-19 pandemic had a catastrophic impact on income with a loss of trading income in excess of £8m. Only two months membership fees were collected with our facilities only open for 9 weeks of the year (except for golf).

Despite the extensive financial challenges faced, we were able to mitigate these by:

- Securing financial assistance from WLC and the passporting of funds from the Scottish Government, Lost Income Scheme
- Off-setting salary costs for 90% plus of employees through the UK Government Job Retention Scheme furlough scheme
- Cost savings from buildings being closed and voluntary staff pay cut
- Successful application to the Creative Scotland Performing Arts Venue Relief Fund
- Investment in technology to ensure effective and efficient home-working capability to ensure business continuity
- Development of new on-line services and income streams.

West Lothian Leisure had previously experienced significant growth in membership prior to the closure; however, it now faces a significant period of business recovery to build back membership from a much lower base and increase other income to previous pre-Covid-19 levels.

The FRS 102 pension valuation of the pension scheme has resulted in an increase in the pension deficit to £10,121,000 as at 31 March 2021. The increase of this liability is due to an actuarial loss of £4,190,000 arising from a change in the financial assumptions made by the actuaries, this being recognised in the Statement of Financial Activities. 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 as employees leave this will improve the pension fund deficit noted above.

Income

Due to the enforced closure membership income fell by £4,913k compared to the previous year. Income from Leisure Services finished £3,283k down on last year, the only positive being the almost doubling of golf income.

The West Lothian Council Management Fee for the year increased by £136k as it included an additional £500k offset by a reduction of £250k in the core funding. The 2019/20 fee includes £783k of funding for the restructure but a £669k reduction to adjust for capital borrowing.

Financial Income includes £1,015k from the government lost income scheme.

Expenditure

Salary costs decreased by £1,814k in the year if you exclude redundancy costs and the FRS102 pension adjustment. This is due to 90% plus of the workforce being furloughed for approximately nine months of the year and taking a 20% cut in pay. Salary costs include £149k (2020: £780k) for early retirement costs, no company-wide pay award was made for 2020/21. Staff expenditure continues to be tightly controlled with new appointments being considered through discussions at weekly SMT meetings. Only business critical posts were replaced.

Supplies and services costs are significantly down on prior year due to savings achieved due to closure.

Property costs decreased primarily due to a near 50% saving on energy costs during the period of closure.

The irrecoverable VAT decreased because of the West Lothian Council Management Fee constituting a greater percentage of total income, resulting in a significantly higher percentage of taxable sales, thus increasing our input VAT recovery rate. Input VAT was also significantly reduced.

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Board Report

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As part of the Three-Year Financial Plan gym equipment is now replaced after five years as opposed to the previous three for cardio and six years for strength equipment. This change in policy as well as delaying the replacement of some gym equipment has resulted in a significant reduction in the depreciation charge in the year.

Investment for Growth

Due to the financial uncertainty as a result of the pandemic, investment plans were put on hold. Investment for growth focused on implementing a digital transformation strategy, part of which was investing in software, systems, and hardware to enable effective home working and the development of on-line services. In addition, the organisation invested in the equipment required to provide live streaming of fitness classes.

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. The Board has approved moving to a new, cloud based, risk management system in 2021/22 which will enable the Leadership Team to better review and report on risks in real time.

The majority of the most severe risks on the risk register during the year were financial risks related to the pandemic. At the end of 2020/21, 23 strategic risks were identified. High scoring risks included:

- Covid-19 pandemic or a flu epidemic could temporarily and significantly affect the ability of WLL to provide services and adversely impact its revenue - threatening financial sustainability
- Economic downturn, recession, or loss of confidence in the economy could reduce disposable income and reduce customer spend on leisure
- Insufficient cash flow would mean that WLL would be unable to meet financial commitments (i.e. to pay suppliers, salaries and HMRC) and be at risk of insolvency.
- Significant decrease in H&F business and membership income
- Ageing IT Technology / Security Breach/ Loss of IT Manager / IT failure and / or server failure could create significant operational challenges for the business.
- Major Plant Failure could result in a loss of income and lead to a facility closure and an operating deficit.

The risk assessments associated with these risks identify existing controls and further actions for risk reduction.

Investment Policy

West Lothian Leisure can 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. Other private finance borrowing options are available; however, it should be noted that due to previous borrowing, current repayments to the Council are significant and any future borrowing requests should carefully consider the ability of WLL to take on more debt.

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.

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For the year ended 31 March 2021

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 2019 it established a new policy whereby the company should aim to retain a minimum of at least £300,000 of reserves.

Incoming resources for the year ended 31 March 2021 were £8,793,411 (2020: £13,463,252). Overall funds at 31 March 2021 were in deficit of £9,761,019 (2020: deficit of £5,111,677). The underlying result for the year (ignoring pension adjustments) has resulted in the unrestricted reserves increasing from £321,323 to £359,981, which is in line with the new reserves policy.

In addition to carrying reserves WLL has a letter of support from West Lothian Council. West Lothian Leisure, as sole member of the company, have indicated that they have a process in place which the company believes would lead to the provision of funding to cover a trading deficit in excess of available cash reserves, should one occur.

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 have prioritised collaborative working with West Lothian Council so that: we can better align our service delivery with Council strategic objectives; our services are better co-ordinated and integrated; we can deliver excellent value for money. We will also continue to work closely with NHS Lothian, sportscotland and Creative Scotland. Our business plan review allows us to ensure our vision is shared and that we are focusing on the right actions to ensure we contribute to our partners outcomes.

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

1. Increased Income:

- Maximise income from Covid-19 relief, funding programmes, managed by government and funding agencies.
- Increasing participation in key sports, leisure and health and fitness activities.
- Maximise external grant funding from all possible sources.
- Improving our sales and retention process to grow the number of members.
- Launching new membership products to improve sales and yield per member.
- Identifying and accessing new sources of funding including donations and funding for programmes from national agencies and charitable organisations.
- Improving the quality of key activities and services including implementation of a staff performance appraisal and feedback framework.
- Improving the way we market and promote the Xcite Brand and services.
- Renewed focus on promoting and supporting our values in the workplace.
- Increasing participation by target groups.

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Board Report

For the year ended 31 March 2021

- Develop our cafe and vending service and increase sales.
- Improving customer excellence.
- Further engagement with customers to help shape future service delivery.

2. **Managing Costs:**

- Ongoing review of staff structures to ensure that they match our business and service objectives.
- Ongoing review of staff policies 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 our buildings and physical assets.
- 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:**

Key to the organisation's financial stability, viability and business recovery during the next two years has been the securing of an emergency financial reserve from West Lothian Council for 2021 to 2023. This reserve enables the company to draw down up to £1.5m p.a., payable in advance per quarter, where required, despite access to these funds, the core management fee from the Council is planned to reduce by £500k over the next two years - £250k each year. Therefore, WLL continues to review all aspects of the business to identify efficiencies and opportunities for business growth, whilst at the same time continuing to deliver valued services in the communities it serves for those who need these services most.

The Council is not immune to the financial pressures of the pandemic, and we understand the Council's need to reduce expenditure and will do our bit to help. It is more important than ever, that we continue to engage constructively 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 and funding 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. WLL has already taken the decision to vacate The Low Port Centre in 2021/22 and hand this lease back to WLC. WLL is keen to work with WLC to agree a facilities strategy which considers future investment and what the optimum, long-term asset portfolio might look like.

West Lothian Council have provided £370k of capital funding in 2021/22 to pay for two major items - replacement of boilers at Armadale and the air handling system at Linlithgow.

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:**

Key to the organisation's financial stability, viability and business recovery during the next two years has been securing an emergency financial reserve from West Lothian Council for 2021-23. Our strategic and financial planning plan takes into consideration increased costs of operating the business and the reducing core management fee from the council.

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For the year ended 31 March 2021

We have refreshed and updated the Business Plan. The new plan covers the period 2021 to 2023 and is effectively a 2-Year business recovery plan. Sitting below the high-level company goals are a series of aims and actions. Over 40 projects have been identified, some of which have already been initiated.

7. Partnership Working:

We have built on and extended our partnership working with key partners principally West Lothian Council, NHS Lothian, sportscotland and Creative Scotland and continue to be an active member of the West Lothian Community Planning Partnership and Health and Social Care Partnership Board. This year also saw a more pro-active approach to working with local sports clubs.

WLL would like to extend its thanks to WLC for the help and support measures provided to WLL during the Covid-19 pandemic.

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 West Lothian Council's strategic objectives. The performance reporting to the Board has also been widened to include success measures described in the Business Plan.

9. Organisational Culture:

We have recently taken out corporate membership of CIMSPA – the chartered body for the management of sport and physical activity in an effort to 'professionalise' the workforce and access new training, learning and development opportunities. Customer excellence and promotion of our core values remains centre stage and key drivers for the business.

We are confident that the ongoing culture of service excellence as evidenced by our member experience, silver award for 2020 and renewed focus on our Company values and performance appraisal 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. We have an energy conservation strategy, are ESOS (Energy Savings Opportunity Scheme) compliant and monitor and report energy usage to each Board meeting. We also aim to publish an environmental and sustainability charter which includes targets and action plan to reduce our carbon footprint.

Structure, Governance and Management

Structure

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 the Office of the Scottish Charity Regulator and is recognised by HM Revenue and Customs.

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.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2021

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 Executive's pay. The Chief Executive determines the grading of staff (within the policy and arrangements set by the Board) and determines staff duties and responsibilities.

Employee Engagement

WLL takes its responsibility to engage with and inform employees about matters relating to company performance and other matters of interest seriously. This year, this has been more important than ever. At various stages, our employees had to cope with being on furlough, working from home, reduced pay and many other personal and societal challenges caused by the pandemic. Our employee engagement in 2020/21 had to adapt to the 'new normal' and included:

- Entire workforce webinars - over 200 staff participated in individual sessions covering company updates and question and answer session with the Chief Executive and Leadership Team
- Pre-recorded YouTube video updates from the Chief Executive and Head of Operations on the current state of play, new initiatives, and plans
- Regular email bulletins
- Adopting Microsoft Teams as our new project work and communications app
- Commissioning staff surveys to monitor staff satisfaction with employee communication and the measures put in place to support mental health and wellbeing and return to work
- Benchmarking staff satisfaction against other sport and leisure trusts
- Employee feedback sought on new policies, procedures, and staff benefits
- Employee representative on the WLL Board of Directors
- Renewed focus on promoting WLL's core values.

In relation to agreeing employee pay and benefits, Directors have been kept apprised of industry benchmarks and average pay in other comparable sectors e.g. retail and hospitality. Despite the financial challenges in 2020/21, WLL was pleased to once again pay lowest paid employees the Real Living Wage increase. No pay award was made to the wider workforce for the second year running.

Directors also oversee the charity's duty of care to its workforce by reviewing and approving the company health and safety policy and regularly review the strategic risk register.

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 throughout the financial year.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2021

Trustees Attendance at 2020/21 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 |
| Beverley Greer | P | P | P | P | A |
| Cllr Tom Kerr | A | P | P | P | P |
| Sergio Tansini (co-opted) | P | A | P | P | P |
| Karen Anderson | A | A | P | A | P |
| Paul Williams | P | P | P | A | P |

| Key | Code |
|-----------------|------|
| Apologies | A |
| Resigned or n/a | R |
| Present | P |
| Cancelled | C |

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

Trustees Attendance at 2020/21 Board Meetings

| Attendance Record | Attendance at Board meetings | | | | | | |
|--------------------------|------------------------------|-----|------------|-----|-----|-----|------|
| | Apr | Jun | Sept + AGM | Oct | Dec | Jan | Mar* |
| Dr Cindy Brook | P | P | P | P | P | P | P |
| Beverley Greer | P | P | P | A | P | P | P |
| Karen Anderson | P | P | P | A | P | P | P |
| Paul Williams | P | P | P | P | P | P | P |
| Sergio Tansini | P | P | P | P | P | P | P |
| Tom Carr-Pollock | P | P | P | A | P | P | P |
| Cllr Angela Doran-Timson | P | P | P | P | P | P | P |
| Cllr Tom Kerr | P | P | P | P | P | P | P |
| Cllr Chris Horne | P | P | A | P | P | P | P |
| Cllr Andrew Miller | A | P | P | A | P | P | P |
| Cllr Tom Conn | P | P | P | P | A | P | P |

| Key | Code |
|-----------------|------|
| Apologies | A |
| Resigned or n/a | R |
| Present | P |
| Cancelled | C |

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2021

Statement of Responsibilities of the Board

The trustees (who are also directors of West Lothian Leisure 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 adequate 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 Azets Audit Services 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

16 September 2021

WEST LOTHIAN LEISURE

Independent Auditor's Report

For the year ended 31 March 2021

Opinion

We have audited the financial statements of West Lothian Leisure (the charitable company) for the year ended 31 March 2021 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 2021 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

WEST LOTHIAN LEISURE

Independent Auditor's Report

For the year ended 31 March 2021

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 13, 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.

WEST LOTHIAN LEISURE

Independent Auditor's Report

For the year ended 31 March 2021

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

WEST LOTHIAN LEISURE

Independent Auditor's Report

For the year ended 31 March 2021

The extent to which the audit was considered capable of detecting irregularities including fraud (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the charitable company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the board and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available 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 Azets Audit Services, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 16 September 2021

WEST LOTHIAN LEISURE

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

For the year ended 31 March 2021

| | | Total Unrestricted 2021 £ | Total Unrestricted 2020 £ |
|---|----|--|--|
| Income and endowments from: | | | |
| Grants and donations | | 28,342 | - |
| Charitable activities | | | |
| - Membership fees | | 686,016 | 5,598,795 |
| - Leisure services | | 1,017,645 | 4,300,554 |
| - Management service fee | | 3,526,891 | 3,390,501 |
| Investments | | 3,683 | 6,137 |
| Other | | | |
| - Financial income, refunds & fees | | 1,064,264 | 78,540 |
| - CJRS Grant (Furlough income) | | 2,466,570 | 88,725 |
| Total | | 8,793,411 | 13,463,252 |
| Expenditure on: | | | |
| Charitable activities | | | |
| - Sports and leisure facilities | 4 | 9,123,753 | 13,492,040 |
| Other | | | |
| - Net finance cost on defined benefit pension scheme | | 129,000 | 183,000 |
| Total | | 9,252,753 | 13,675,040 |
| Net expenditure | | (459,342) | (211,788) |
| Other recognised (losses/gains: | | | |
| Actuarial (loss)/gain on defined benefit pension scheme | 8 | (4,190,000) | 2,128,000 |
| Net movement in funds | | (4,649,342) | 1,916,212 |
| Reconciliation of funds: | 14 | | |
| Total funds brought forward | | (5,111,677) | (7,027,889) |
| Total funds carried forward | | (9,761,019) | (5,111,677) |

The notes on pages 21 to 34 form part of these financial statements

WEST LOTHIAN LEISURE

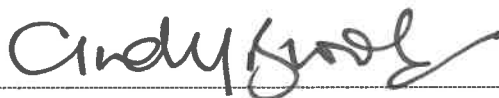
Balance Sheet

As at 31 March 2021

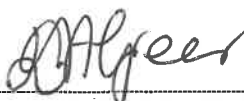
| | Notes | 2021 | | 2020 | |
|---|-------|--------------------|---------------------|--------------------|--------------------|
| | | £ | £ | £ | £ |
| Fixed Assets | | | | | |
| Tangible fixed assets | 9 | | <u>968,155</u> | | <u>1,223,354</u> |
| <i>Total fixed assets</i> | | | 968,155 | | 1,223,354 |
| Current assets | | | | | |
| Stock | | 10,608 | | 21,322 | |
| Debtors | 10 | 467,498 | | 515,843 | |
| Cash at bank and in hand | | <u>1,183,239</u> | | <u>1,666,533</u> | |
| <i>Total current assets</i> | | 1,661,345 | | 2,203,698 | |
| Liabilities: | | | | | |
| Creditors: amounts falling due within one year | 11 | <u>(2,194,619)</u> | | <u>(2,900,660)</u> | |
| <i>Net current liabilities</i> | | | <u>(533,274)</u> | | <u>(696,962)</u> |
| <i>Total assets less current liabilities</i> | | | 434,881 | | 526,392 |
| Creditors: amounts falling due after more than one year | 12 | | <u>(74,900)</u> | | <u>(205,069)</u> |
| <i>Net assets excluding pensions liability</i> | | | 359,981 | | 321,323 |
| Defined benefit pension liability | 8 | | <u>(10,121,000)</u> | | <u>(5,433,000)</u> |
| <i>Total net liabilities</i> | | | <u>(9,761,019)</u> | | <u>(5,111,677)</u> |
| The unrestricted funds of the charity: | | | | | |
| General funds | | | 359,981 | | 321,323 |
| Pension reserve | | | <u>(10,121,000)</u> | | <u>(5,433,000)</u> |
| <i>Total charity funds</i> | 14 | | <u>(9,761,019)</u> | | <u>(5,111,677)</u> |

The financial statements were approved and authorised for issue by the Board on 16 September 2021.

Dr Cindy Brook, Chair



Beverley Greer, Secretary



Registered in Scotland – SC543017
Charity Number – SC027470

The notes on pages 21 to 34 form part of these financial statements

WEST LOTHIAN LEISURE
Statement of Cash Flows
For year ended 31 March 2021

| | Notes | 2021 | | 2020 | |
|---|-------|-----------|-----------|-----------|-----------|
| | | £ | £ | £ | £ |
| Cash flows from operating activities: | | | | | |
| Net cash provided by operating activities | 15 | | (180,804) | | 1,071,114 |
| Cash flows from investing activities: | | | | | |
| Interest received | | 3,683 | | 6,137 | |
| Proceeds of sale of fixed assets | | - | | 34,686 | |
| Purchase of property, plant and equipment: | | (59,962) | | (164,733) | |
| Net cash used in investing activities | | | (56,279) | | (123,910) |
| Cash flows from financing activities: | | | | | |
| Repayments of borrowing | | (246,211) | | (414,453) | |
| Net cash used in financing activities | | | | | |
| | | | (246,211) | | (414,453) |
| Change in cash and cash equivalents in the reporting period | 16 | | (483,294) | | 532,751 |
| Cash and cash equivalents at the beginning of the reporting period | | | 1,666,533 | | 1,133,782 |
| Cash and cash equivalents at the end of the reporting period | | | 1,183,239 | | 1,666,533 |

The notes on pages 21 to 34 form part of these financial statements

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2021

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 2021.

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 19, 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)', 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.

WEST LoTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2021

2. Accounting Policies (continued)

Going Concern

The financial statements have been prepared based on 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 2022. West Lothian Leisure, as sole member of the company, have indicated that they have a process in place which the company believes would lead to the provision of funding to cover a trading deficit in excess of available cash reserves, should one occur.

The charitable company has net liabilities at 31 March 2021 of £9,761,019 (2020: £5,111,677). Excluding the deficit on the defined benefit retirement scheme of £10,121,000, the charitable company reported net assets of £359,981 (2020 net assets: £321,323). The charitable company has net current liabilities of £533,274 (2020: £696,962) and reported net expenditure for the year of £459,342 (2020: £211,788). The charitable company has secured additional funding for 2021/22 and taken steps to reduce costs. This has included the re-provisioning of outdoor education resulting in the closure of the Low Port Centre and reduction in staffing levels which should generate cost savings of in excess of £200k per annum.

Covid-19 Pandemic

As mentioned elsewhere in this report, the Covid-19 pandemic has had a significant and unprecedented, negative impact on WLL's financial position. During the course of 2020/21 WLL's lost income is estimated at more than £8m. Despite this loss of income, WLL was able to furlough up to 95% of employees and claim back a proportion of salary costs as part of the UK Government's Coronavirus Job Retention Scheme.

The support measures agreed with West Lothian Council in 2020/21 included an advance of the management fee and rescheduling of debt owed by WLL to WLC – this improved the balance sheet by £803k, which helped offset the loss of income and contributed to meeting overheads. In addition, WLC agreed an emergency payment of £500k and 'passported' £908k to WLC from the Scottish Government Lost Income scheme. Finally WLL achieved savings from buildings being closed, delaying the replacement of gym equipment and a voluntary pay cut among the core team.

Looking forward, WLC has agreed to provide a letter of comfort which means they will agree to meet WLL everyday cash liabilities until the end of this financial year should WLL be unable to do so. WLC's Council Executive, has also agreed a financial reserve be made available to WLC, capped at £1.5m p.a. for the next two years which can be drawn quarterly in advance, should there be a need to so. Payments will be subject to gateway reviews. This reserve provides greater certainty that WLL will be able to remain a going concern and recover to pre-Covid business activity levels. It is anticipated that WLL will return to a balanced position without the need for further financial assistance from WLC by 2023/24.

In addition, WLC have provided £370k of capital funding for 2021/22 and a further grant of £133k has been secured from the Performing Arts Venue Relief Fund. WLL has submitted an insurance claim for business interruption of £250k. Although this claim has initially been rejected by the insurers QBE, we are actively challenging this decision through our brokers Marsh.

To improve financial viability, WLC continues to review all aspects of its business to identify opportunities to reduce its cost base and grow income. To this end in May 2021, WLC closed its operations at The Low Port Centre resulting in 4 staff being made redundant and 3 others either being redeployed or moving on. WLC is currently redesigning its outdoor learning and activity offer. Through a close working relationship with WLC officers WLL continues to consider the best use of existing facilities as well as the possible operation of new high school facilities on behalf of WLC.

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2021

2. Accounting Policies (continued)

Going concern (continued)

The prognosis for the wider economy for the next 12 months is positive and consumer confidence is expected to return. Post pandemic, the rate of business recovery in the health and fitness and cultural sectors is uncertain; however, our modelling suggests that we could return to pre-covid pandemic, levels of business activity within 18 - 24 months of re-opening.

The most recent cash flow forecast based on potential demand and cautious re-building of our membership numbers shows a positive cash flow for each of the 12 months in 2021/22. The lowest point is reached in February 2022 with a positive cash flow of £550k forecast. Initial cash flow projections for 2022/23 incorporating the additional £1.5m funding show that cash balances remain positive throughout with a low point of £890k.

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 on a straight-line basis in line with the delivery of membership services and 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.

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2021

2. Accounting Policies (continued)

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 |

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.

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2021

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 8.

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.

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2021

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 and the depreciation rates which are deemed appropriate for the class of assets.

4. Charitable Activities Expenditure – Sports and Leisure Facilities

| | 2021 £ | 2020 £ |
|---------------------------|------------------|-------------------|
| Employee costs (note 6) | 5,801,415 | 8,233,248 |
| Property costs | 1,846,461 | 2,319,360 |
| Transport costs | 73,736 | 117,678 |
| Supplies and services | 867,419 | 2,037,344 |
| Irrecoverable VAT | 173,872 | 299,787 |
| Depreciation | 315,161 | 378,950 |
| Bank charges | 17,059 | 51,449 |
| Discounts | 3,620 | 10,414 |
| Loss on disposal | - | 20,726 |
| Governance costs (note 5) | 25,010 | 23,084 |
| | <u>9,123,753</u> | <u>13,492,040</u> |

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

5. Governance Costs

| | 2021 £ | 2020 £ |
|----------------------------------|---------------|---------------|
| Audit and other accountancy fees | 22,210 | 21,600 |
| Trustee indemnity insurance | 2,800 | 1,484 |
| | <u>25,010</u> | <u>23,084</u> |

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2021

6. Staff Costs and Numbers

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Wages and salaries | 4,627,949 | 6,571,550 |
| Social security costs | 296,995 | 426,437 |
| Other pension costs | 507,471 | 878,261 |
| FRS 102 defined benefit pension scheme adjustment | 369,000 | 357,000 |
| | 5,801,415 | 8,233,248 |

The above amounts include £149,331 of redundancy and pension strain costs for the year (2020: £779,945). These are included in the figures below. No funding was received in connection with these costs (2020: £783,000).

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

| | 2021 | 2020 |
|-------------------|---------------|---------------|
| | Number | Number |
| £60,000 - £69,999 | 2 | 1 |
| £70,000 - £79,999 | 1 | - |
| £80,000 - £89,999 | 1 | 1 |
| | 4 | 2 |

The 2020 number was affected by changes in personnel during that year.

| | 2021 | 2020 |
|---|---------------|---------------|
| | Number | Number |
| The average monthly number of employees during the year was | 341 | 420 |

One employee (2019: one), who was a member of the Board as staff representative during the year, received remuneration including back pay, pension and employer national insurance contributions as follows:

| | 2021 | 2020 |
|------------|---------------|-------------|
| | £ | £ |
| K Anderson | 46,315 | 48,185 |

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

No expenses were reimbursed to directors (2020: £nil).

In addition to the trustees, the key management personnel of the charitable company are deemed to be the Chief Executive, Head of Operations, Head of Corporate Services and Head of Finance. The total employee benefits received by key management personnel in the year was £349,911 (2020: £348,394).

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Notes to the Financial Statements
For year ended 31 March 2021

7. Operating Deficit

| | 2021 £ | 2020 £ |
|---|-----------|-----------|
| The operating deficit is stated after charging | | |
| Auditor's remuneration - audit | 22,210 | 21,600 |
| Depreciation of tangible fixed assets | 315,161 | 378,950 |
| Loss on disposal of tangible fixed assets | - | 20,726 |
| Hire of equipment, plant and machinery | 15,210 | 5,589 |
| | 15,210 | 5,589 |

8. Pension Costs

The total pension cost charged to net expenditure for the year amounted to £1,005,471 (2020: £1,418,261). Included within this figure is a FRS 102 adjustment of £369,000 (2020: £357,000) and finance costs of £129,000 (2020: £183,000).

A contingent asset of £224,000 relating to the defined benefit pension scheme liability arose 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 to the charitable company on 1 April 2017. 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 £104,546 (2020: £116,023).

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 £279,180 (2020: £406,238). 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 2020. Employer contribution for the year to 31 March 2022 will be approximately £288,000.

In accordance with FRS 102 – Employee Benefits – a valuation of the fund was carried out at 31 March 2021, 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 2021 % per annum | 31 March 2020 % per annum | 31 March 2019 % per annum |
|-------------------|------------------------------|------------------------------|------------------------------|
| Salary increases | 3.3% | 3.4% | 4.1% |
| Pension increases | 2.8% | 1.8% | 2.4% |
| Discount rate | 2.05% | 2.3% | 2.5% |

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Notes to the Financial Statements

For year ended 31 March 2021

8. Pension Costs (continued)

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2020 Model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment at 0.5% and a long term rate of improvement of 1.5% p.a Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|------------|------------|
| Current pensioners | 20.5 years | 23.3 years |
| Future pensioners | 21.9 years | 25.2 years |

The major categories of assets of the scheme were:

| | 2021 | 2020 |
|----------|------|------|
| Equities | 73% | 75% |
| Bonds | 12% | 11% |
| Property | 7% | 8% |
| Cash | 8% | 6% |

The table below compares the estimated present value of the scheme liabilities with the employer assets:

| | 2021 £'000 | 2020 £'000 |
|---------------------------------------|-----------------|----------------|
| Fair value of employer assets | 29,647 | 26,300 |
| Present value of funded liabilities | (39,434) | (31,475) |
| Present value of unfunded liabilities | (334) | (258) |
| Net liability in balance sheet | <u>(10,121)</u> | <u>(5,433)</u> |

Analysis of the amount charged to resources expended:

| | Year to 31 March 2021 £'000 | Year to 31 March 2020 £'000 |
|--|-----------------------------------|-----------------------------------|
| Past service cost of the defined benefit scheme | (32) | 104 |
| Current service cost of the defined benefit scheme | (668) | (1,152) |
| | <u>(700)</u> | <u>(1,048)</u> |

Analysis of amount charged to other finance costs:

| | Year to 31 March 2021 £'000 | Year to 31 March 2020 £'000 |
|--|-----------------------------------|-----------------------------------|
| Expected return on employer assets | 604 | 678 |
| Interest on pension scheme liabilities | (733) | (861) |
| Net interest cost | <u>(129)</u> | <u>(183)</u> |

Analysis of amounts included in other recognised gains and losses:

| | Year to 31 March 2021 £'000 | Year to 31 March 2020 £'000 |
|--|-----------------------------------|-----------------------------------|
| Actual return less expected return on pension scheme assets | 3,699 | (1,813) |
| Other experience | 101 | (13) |
| Net change in financial and demographic assumptions underlying the present value of the scheme liabilities | (7,990) | 3,954 |
| Actuarial gain/(loss) recognised in net movement of funds | <u>(4,190)</u> | <u>2,128</u> |

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Notes to the Financial Statements
For year ended 31 March 2021

8. Pension Costs (continued)

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

| | Year to 31 March 2021 £'000 | Year to 31 March 2020 £'000 |
|---|-----------------------------------|-----------------------------------|
| Opening fair value of employer assets | 26,300 | 26,778 |
| Interest income on plan assets | 604 | 678 |
| Contributions by members | 117 | 168 |
| Contributions by the employer | 322 | 683 |
| Contributions in respect of unfunded benefits | 9 | 8 |
| Actuarial gain/(loss) | 2,771 | (1,813) |
| Unfunded benefits paid | (9) | (8) |
| Benefits paid | (467) | (194) |
| Closing fair value of employer assets | <u>29,647</u> | <u>26,300</u> |

Changes in the defined benefit obligation are as follows:

| | Year to 31 March 2021 £'000 | Year to 31 March 2020 £'000 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Opening defined benefit obligation | 31,733 | 33,799 |
| Current service cost | 668 | 1,152 |
| Past service cost | 32 | (104) |
| Interest cost | 733 | 861 |
| Contributions by members | 117 | 168 |
| Actuarial losses/(gains) | 6,961 | (3,941) |
| Estimated benefits paid | (467) | (194) |
| Estimated unfunded benefits paid | (9) | (8) |
| Closing defined benefit obligation | <u>39,768</u> | <u>31,733</u> |

9. Tangible Fixed Assets

| | Furniture & equipment £ | Computer equipment £ | Total £ |
|-----------------------|-------------------------------|----------------------------|------------------|
| Cost | | | |
| As at 1 April 2020 | 3,443,361 | 87,657 | 3,531,018 |
| Additions | 38,484 | 21,478 | 59,962 |
| As at 31 March 2021 | <u>3,481,845</u> | <u>109,135</u> | <u>3,590,980</u> |
| Depreciation | | | |
| As at 1 April 2020 | 2,266,414 | 41,250 | 2,307,664 |
| Charge for the year | 291,015 | 24,146 | 315,161 |
| As at 31 March 2021 | <u>2,557,429</u> | <u>65,396</u> | <u>2,622,825</u> |
| Net book value | | | |
| As at 31 March 2021 | <u>924,416</u> | <u>43,739</u> | <u>968,155</u> |
| As at 31 March 2020 | <u>1,176,947</u> | <u>46,407</u> | <u>1,223,354</u> |

The net book value of the assets held under finance lease agreements as at 31 March 2021 was £796,681 (2020: £1,022,014). The depreciation charged on these assets in the year to 31 March 2021 was £225,333 (2020: £245,018).

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Notes to the Financial Statements
For year ended 31 March 2021

10. Debtors

| | 2021 £ | 2020 £ |
|-------------------------------|----------------|----------------|
| Trade debtors | 8,875 | 80,723 |
| Other debtors and prepayments | 458,623 | 435,120 |
| | <u>467,498</u> | <u>515,843</u> |

Trade debtors includes £2,000 due from West Lothian Council (2020: £6,824).

11. Creditors: Amounts falling due within one year

| | 2021 £ | 2020 £ |
|------------------------------|------------------|------------------|
| Finance lease creditor | 130,168 | 246,210 |
| Tax and social security | 88,098 | 147,767 |
| Trade and other creditors | 1,466,093 | 2,117,052 |
| Accruals and deferred income | 510,260 | 389,631 |
| | <u>2,194,619</u> | <u>2,900,660</u> |

Trade and other creditors includes £1,179,959 due to West Lothian Council (2020: £1,721,067).

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

12. Creditors: Amounts falling due after one year

| | 2021 £ | 2020 £ |
|--------------------------------|---------------|----------------|
| Finance lease | 74,900 | 205,069 |
| | <u>74,900</u> | <u>205,069</u> |
| <i>Analysed as follows:</i> | | |
| Repayable between 1 – 2 years | 47,419 | 130,168 |
| Repayable between 2 – 5 years | 27,481 | 49,848 |
| Repayable in more than 5 years | - | 25,053 |
| | <u>74,900</u> | <u>205,069</u> |

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

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Notes to the Financial Statements
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13. Share Capital

The charitable company is limited by guarantees of £1 per member and has no share capital. At 31 March 2021 there was one member.

14. Reserves

| 2021 | Balance at 1 April 2020 | Income | Expenditure | Other gains/ (losses) | Balance at 31 March 2021 |
|---------------------------------|--|-------------------|---------------------|--------------------------------------|---|
| | £ | £ | £ | £ | £ |
| General funds | 321,323 | 8,793,411 | (8,754,753) | - | 359,981 |
| Pension reserve | (5,433,000) | - | (498,000) | (4,190,000) | (10,121,000) |
| Total unrestricted funds | (5,111,677) | 8,793,411 | (9,252,753) | (4,190,000) | (9,761,019) |
| 2020 | Balance at 1 April 2019 | Income | Expenditure | Other gains/ (losses) | Balance at 31 March 2020 |
| | £ | £ | £ | £ | £ |
| General funds | (6,889) | 13,463,252 | (13,135,040) | - | 321,323 |
| Pension reserve | (7,021,000) | - | (540,000) | 2,128,000 | (5,433,000) |
| Total unrestricted funds | (7,027,889) | 13,463,252 | (13,675,040) | 2,128,000 | (5,111,677) |

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

| | 2021 | 2020 |
|--|------------------|------------------|
| | £ | £ |
| Net expenditure for the reporting period | (459,342) | (211,788) |
| Depreciation | 315,161 | 378,950 |
| Interest received | (3,683) | (6,137) |
| FRS 102 pension adjustments | 498,000 | 540,000 |
| Decrease/(increase) in debtors | 48,345 | 589,886 |
| (Decrease)/increase in creditors | (589,999) | (246,134) |
| Decrease/(increase) in stock | 10,714 | 5,611 |
| Loss on disposal of fixed assets | - | 20,726 |
| Net cash provided by operating activities | (180,804) | 1,071,114 |

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16. Analysis of Changes in Net Debt

| | Brought forward £ | Cash flow £ | Non-Cash flow £ | Carried forward £ |
|--------------------|-------------------------|-------------------|-----------------------|-------------------------|
| Cash | 1,666,533 | (483,294) | - | 1,183,239 |
| Finance lease debt | (451,279) | 246,211 | - | (205,068) |
| | 1,215,254 | (237,083) | - | 978,171 |

17. Operating Lease Commitments

At 31 March 2021 the charitable company had commitments under non-cancellable operating leases for equipment as set out below:-

| | 2021 £ | 2020 £ |
|--------------------------|-----------|-----------|
| Payments falling due: | | |
| Within one year | 1,308 | 11,934 |
| Within two to five years | - | 1,308 |
| | 1,308 | 13,242 |

18. 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 |
| Karen Anderson | West Lothian Leisure | Assistant Facility Manager | 11/09/2014 |
| Tom Kerr | West Lothian Council | Elected Member | 29/06/2017 |
| Chris Horne | West Lothian Council | Elected Member | 29/06/2017 |
| Angela Doran-Timson | West Lothian Council | Elected Member | 29/06/2017 |
| Andrew Miller | West Lothian Council | Elected Member | 29/06/2017 |
| Paul Williams | Epipole Ltd | Company Director | 17/12/2019 |
| Tom Carr-Pollock (resigned 26/03/2021) | West Lothian Council | Union Branch Secretary | 13/12/2018 |
| Sergio Tansini | Tansini Ltd | Company Director | 04/10/2019 |
| Tom Conn | West Lothian Council | Elected Member | 12/03/2020 |

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Notes to the Financial Statements
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19. Related Party Transactions

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 commissions the work of 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, £1,313,595 (2020: £1,893,575) was received from West Lothian Council as a management fee, with a further £713,926 (2020: £713,926) in connection with new facilities taken on during the prior year and additional funding of £1,517,000 (2020: £783,000). In addition to this, £128,000 (2020: £128,000) was received for free under 16s swimming, £120,830 (2020: £120,830) for free under 5s and over 60s swimming and £87,463 (2020: £87,463) for curricular swimming.

At the year-end there is a balance due to West Lothian Council of £1,179,959 (2020: £1,721,067) and £2,000 (2020: £6,824) due from West Lothian Council.

20. 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.

21. Contingent assets

The charitable company is currently in negotiations with its insurer for a potential business interruption claim for an amount in the region of £250,000. No amount is recognised within these financial statements on the basis that the insurer has not admitted liability or offered settlement.