

HALO LEISURE SERVICES LIMITED
REPORT OF THE TRUSTEES, STRATEGIC REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
CHARITY NO : 1091543
COMPANY NO : 04335715

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for the Year Ended 31 December 2020

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HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

The Trustees, who are also Directors of the Charitable Company for the purposes of the Companies Act 2006, present their report with the consolidated financial statements of the Charitable Company and the Group for the year ended 31 December 2020. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) (FRS102) 'Accounting and Reporting by Charities' (effective 1 January 2019).

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS

The name of the parent Charitable Company is Halo Leisure Services Limited.

Principal and registered office: Halo Support Centre
Lion Yard
Broad Street
LEOMINSTER
Herefordshire
HR6 8BT

Telephone: 01568 618980

Website: www.haloleisure.org.uk

Company Registration Number: 04335715 (England and Wales)

Charity Registration Number: 1091543

Trustees during the year under review and up to the present date:	Date of appointment as Director/Trustee	Date of resignation as Director/Trustee
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R J S Curtis [Chairman]		
Brigadier R T H Kirby CBE PNB		21 October 2020
S Brewster		
D M Halpern		
N A Sellar [Treasurer]		
A Curless		29 July 2020
A Cavaghan		
K E Bush		
W R Hobden		21 October 2020
V A Hill		
J L Coulthurst		
L J Hornik		

Chairman: R J S Curtis

Chief Executive: S M Rolfe

Company Secretary: J G Huxley

Auditors: McCabe Ford Williams
Chartered Accountants
Statutory Auditors
Bank Chambers, 1 Central Avenue
Sittingbourne, Kent ME10 4AE

Bankers: National Westminster Bank plc
12 Broad Street
Hereford
HR4 9AH

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS **- continued**

Solicitors:

T.A. Matthews
32-35 Broad Street
Hereford
HR4 9AR

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Trustees

The Trustees are also the Directors in accordance with the Companies Act 2006. The Board is made up of not less than 5 and no more than 15 Trustees. Trustees are now required to retire after a term of three years but may be reappointed for a further three years to a maximum of four consecutive terms of three years. They may be appointed annually for further terms of one year under exceptional circumstances and with unanimous resolution by the Trustees. The Trustees are also members of the Charitable Company which is limited by guarantee.

Structure of the Charity

The Board of Trustees meets regularly during the year. An Executive Board has been established with delegated authority to make decisions on behalf of the full Board. In addition two sub committees have been established to advise, scrutinise and report to the main Board. These are the Workforce Sub-committee and the Finance, Audit and Compliance Sub-committee. The Boards of the company's two subsidiaries also report to the main Board as and when required.

A Chief Executive is appointed by the Trustees to manage the day to day operations of the Charitable Company, supported by a Senior Management Team.

Induction and training

All Trustees receive induction training with regard to the organisation including its powers and objects and the Charitable Company itself. Regular update and refresher training is also provided regarding their role as Charity Trustees and Charitable Company Trustees.

Organisational structure and decision making process

The Full Board retains overall accountability for the management of the Charitable Company. It delegates some responsibility for day-to-day decision making to the Chief Executive and the Senior Management Team. Committees meet on a regular basis across the year.

Remuneration of Key Management Personnel

Remuneration of Key Management Personnel is reviewed annually alongside the other employees of the company by both the Workforce Sub-committee and the Finance, Audit and Compliance Sub-committee, with a recommendation presented to the main Board.

Related parties

The Charitable Company has a close relationship with Herefordshire Council and with Bridgend County Borough Council.

The Charitable Company owns 100% of the ordinary issued share capital of Halo Leisure Enterprises Limited. Halo Leisure Enterprises Limited provides a software system for asset management. The Charitable Company is also the sole shareholder of Severn Centre Trust Ltd, which is a registered Charity with similar aims and objects to the Charitable Company.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

STRUCTURE, GOVERNANCE AND MANAGEMENT - continued

Co-operation with other organisations

As a community-based organisation operating in Herefordshire, Bridgend, Shropshire and Wiltshire, Halo Leisure Services Limited structures large elements of its strategic planning and operational service delivery having due regard to partner aims and objectives. Work plans specifically identify how Halo Leisure Services Limited will contribute to delivering on broader social agendas, working with the health, education and voluntary sectors in addition to local authorities and local businesses.

Risk Assessment

The Charitable Company has developed a comprehensive risk register to identify both the risks it faces and risk mitigation measures. This document is reviewed on a regular basis by the Trustees.

OBJECTIVES AND ACTIVITIES

Objectives and aims

- To provide or assist in the provision of facilities for recreation or other leisure time occupation in the interests of social welfare with the intention of improving the conditions of life of those using the facilities;
- To organize events for recreation or leisure time occupation in the interests of social welfare with the objects of improving the conditions of life of those engaging in them;
- To relieve the needs of people who are elderly, sick or who have physical or mental disabilities through the provision of recreational and leisure time activities;
- To promote and preserve good health amongst the population through exercise and sport;
- To promote physical education and development amongst pupils and students of schools, colleges or establishments for the provision of further or higher education; and

To carry out any other charitable activity subject to the prior written consent of the Charity Commission for England and Wales.

Vision and mission

VISION: Creating Healthier Communities

MISSION: To make a sustainable and positive difference to the people in our communities by encouraging physical activity and healthier lifestyle.

Strategic themes

Quarter 1 of the year was all about the 2019-2021 Corporate Business Plan which continued to provide the direction of travel and strategic framework during 2020 and 2021. As a Social Enterprise, we take our role within the communities we serve seriously and see social responsibility at the heart of all we do. Our four corporate themes are:

1. To provide a Customer Experience which exceeds expectations and attracts and retains customers in an increasingly competitive marketplace.
2. To deliver innovative Products for our customers and partners to encourage healthier lifestyles, drive revenue and combat competition.
3. Employ and reward People who add value through their skills, knowledge and performance while delivering a lean workforce fit for future challenges.
4. To operate a financially sustainable organisation which uses commercial principles to drive performance and achieve our Vision.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

OBJECTIVES AND ACTIVITIES - continued

Strategic themes – continued

Halo's two key themes for 2020 were:

1. Achieving a greater public benefit by working with key partners, stakeholders and funding organisations to increase participation in physical activity.
2. Developing and expanding the business.

2020 got off to a positive start with the company reporting the highest membership sales in its history. The delivery of a new bespoke online membership sign up platform was key to this success. Deviation from this strategic and sales focus was forced upon our business towards the end of March 2020 when the Covid-19 pandemic emerged. Although Q2-Q4 of 2020 can be summed up by the '3 C's' - Covid, Closures and Comebacks - as an organisation with a passion for getting more people more active more often, Halo celebrated some notable successes during unprecedented and challenging times, highlighted below.

Further challenges

As well as the centre closures imposed by Covid restrictions, Hereford Leisure Pool was closed for the entire year due to severe flooding and The Bromyard Centre could not reopen in 2020 due to vandalism. This obviously impacted participation numbers and income.

Public benefit

The Board of Trustees confirm that they have complied with the duty in Section 17(5) of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

We have referred to the guidance in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Board of Trustees consider how planned activities will contribute to the aims and objectives they have set.

Based on the vision and themes the following key achievements were delivered:

Under normal circumstances and trading conditions, this section paints a picture of the organisation in numbers in terms of member base, new joiners, children's coaching courses, participation, GP referrals, local residents benefitting from the accessible pricing policy. Given that during 2020 Halo centres were closed for more than half the year, 192 days as opposed to 173 open, these numbers are not meaningful. In 2020 it was still all about the numbers but for a less favourable reason:

- 5 months closed.
- 4 months restricted opening.
- 3 months 'normal' trading.
- Revenue stood at 43% of the annual Budget.
- Local Government support amounted to £1m+.
- £2.3m was secured from the Government's job protection furlough scheme.
- £350,000 was secured in grants to support operations.
- 20% savings made on normal overhead spend.

Notwithstanding these challenges, the resilience and flexibility displayed by our teams, allowed us to deliver some wonderful outcomes (both because of and despite Covid), which are celebrated below.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Creating healthier communities – keeping the brand alive through Covid closures and comebacks

For 10 months of 2020, the vast majority of communications focused on keeping customers and partners abreast of what was happening with repeated lockdowns, restricted activities and reopenings. In fact over 4000 messages were issued during this time specifically relating to Covid. Customer confidence building was key to reassuring centre users that Halo was clean, safe and prepared for their return - advice, guidance, regular updates, new directional signage, video walkthroughs supported this.

When customers couldn't come to Halo centres, Halo still facilitated their exercise habit by launching Halo@HOME. This online offer initially offered hundreds of online on demand workouts, then moved to adding live streamed classes delivered by Halo instructors, all of which could be done from the safety of the front room and back garden. Halo also supported home exercise for its members through discounts on home gym kit, artificial intelligent online coaching/motivation.

The Halo Leisure app was rolled out to all centres to support the new safety measure of pre booking activities.

Creating healthier communities – through employee health and wellbeing

The main focus for the People team during 2020 was to ensure we supported our teams fully through the height of the pandemic by:

- Accessing full wages support through the Government's furlough scheme.
- Continuing to provide wellbeing support and benefits health cash plan schemes with our trusted partner Westfield Health.
- Introduced Togetherall, an online digital support package which employees can access 24/7 which provides them with digital peer to peer and professional counselling support and a range of learning and CPD opportunities.
- Ensured everyone was prepared and ready for their return to work in a COVID safe environment through training and development and return to work programmes.

Creating healthier communities – securing external funding to support disadvantaged and hard to reach groups

Approximately £12,000 of funding was secured to engage with 16 children aged 5-13 on the Autism Friendly Swimming programme.

Almost £30,000 worth of funding ensured the continuation of the Mobile Falls Prevention programme. Using the evidenced based Falls Prevention programme, delivery was taken into community settings such as sheltered housing complexes, and reduced the likelihood of debilitating falls by an impressive 40%

£8,000 was secured from the National Lottery's Covid-19 top up fund to deliver the crucial community work of the Feel Good for Life programme which continued to deliver online social and physical activity to those with dementia, feeling low or lonely and who were at risk of isolation.

Working with Digital Communities Wales, over £67,000 of external funding supported the launch of the Digital Inclusion project which ensured vulnerable groups were not left behind and could continue to get physically active in the safety and comfort of their own home. The project supported vulnerable people, including those with complex health conditions and their carers, to stay physically active and stay connected by providing online opportunities to exercise and socialise. Devices, internet access and training was provided free of charge to some of Halo's most vulnerable customers, who may be unable to travel to their local leisure centre.

A successful application to the Climate Change Top-Up fund through the National Lottery resulted in £11,418 to support energy consumption reduction by putting in place energy efficiency measures, namely replacing the Plate Heat Exchanger at Ogmere Vale Life Centre. The work is expected to improve the efficiency of the boilers from 76.2% to 90% and reduce the annual gas consumption by an estimated £1,200 per annum, as well as reducing the carbon emissions by approximately 12 tonnes a year.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

STRATEGIC REPORT - continued

ACHIEVEMENTS AND PERFORMANCE - continued

Creating healthier communities - where price is a barrier to participation

Our belief that price should never be a barrier to participation saw us deliver approximately 47,986 discounted sessions throughout the year as a result of our accessible pricing schemes, worth over a million pound of savings to communities we serve. 36,877 of our customers are enjoying discounted pricing as part of our concessions for Juniors, seniors, people with disabilities and those individuals and families on low wages and in receipt of benefits.

Creating healthier communities - through driving quality standards

Halo continues to use QUEST (Quality Award for Sport and Leisure) accreditation scheme as part of ongoing quality improvement. Following a Quest for Active Communities Direction Review and Improvement workshops, the 'Excellent' rating for the Halo/Bridgend County Borough Council Healthy Living Partnership was maintained for 2020.

Creating healthier communities - through Awards and Accolades

We are proud of our Active Communities team in Bridgend, after claiming the prestigious national Community Leisure UK Award for Impact through Physical Activity for the 'Feel Good for Life' programme. The award was recognition for the continued growth of the programme, incorporating more activities and venues, and supporting more people living with dementia and their carers as well as those feeling lonely or low. We were also finalists in the Workforce Development Award and Outstanding Volunteer Award.

2021 The Road to Recovery

Covid-19, increasing competition, changing customer requirements, potential economic downturn, funding restrictions, the fast moving pace of technology and its impact on how people consume leisure are all challenges Halo and indeed the sector face.

Although the sector has an unclear future, the early part of 2021 will be spent preparing for the challenges we face so we can consolidate and be prepared for 2022.

Our team is looking forward to 2021 which will be the first time in 18 months when all Halo centres will be open and operational.

FUNDRAISING

The Trustees are responsible for ensuring that the charity operates within a responsible, sustainable financial framework and that it has adequate resources to carry out its role in educating residents in the local community. While the Trustees may delegate many of the operations of fundraising to other parts of the organisation, they retain the responsibility for inspiring other fundraisers, demonstrating the perceived importance of fundraising to the organisation, and demonstrating their leadership in this area.

In carrying out fundraising, the charity adheres to the following standards:

- The Trustees will have regard to the Charity Commission's publication 'Charity Fundraising' (CC20).
- Fundraising activities carried out by the charity will comply with all relevant laws.
- Any communications to the public made in the course of carrying out a fundraising activity shall be truthful and non-deceptive.
- All monies raised via fundraising activities will be for the stated purpose of the appeal and will comply with the charity's stated mission and purpose.
- The charity will comply with GDPR Legislation in relation to all personal data collected.
- Nobody directly or indirectly employed by or volunteering for the charity shall accept commissions, bonuses or payments for fundraising activities.
- No general solicitations shall be undertaken by telephone or door-to-door.
- Fundraising activities should not be undertaken if they may be detrimental to the good name or community standing of the charity.
- All Trustees, casual, permanent and contract staff and volunteers are responsible for adhering to these procedures.
- Fundraising activities should not be undertaken if they will expose the charity to significant financial risk.
- Complaints will be dealt with in accordance with the Charity Commissions guide CC20.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

STRATEGIC REPORT - continued

FINANCIAL REVIEW

These accounts represent the sixteenth year of trading for Halo Leisure Services Limited.

2020 has been dominated by COVID19 and the associated restrictions and closures imposed by the Government as they control the spread of the Virus. This has had a considerable impact on the performance of the Charitable Company as noted on page 4.

The Board are pleased to note that the relationships with Bridgend County Borough Council is strong and collaborative and that the relationship with Herefordshire Council, which has changed following the removal of management fees payable by the council and the signing of 75 year leases over most of the facilities in the County, remains supportive.

Bridgend County Borough Council, Shropshire County Council, Swindon Borough Council and Highworth Town Council have all put in place open book COVID support packages which has meant centres have been financially supported to break even through the crisis.

The Charitable Company's principal financial management policies centre around the need to retain sufficient reserves within the business to withstand potential downturns in market conditions and other events as identified and recorded within the risk assessment.

The group has returned a deficit of £2,151,472 (2019: £915,210 deficit) before defined benefit pension remeasurement adjustments for the year ended 31 December 2020.

The Charitable Company continues to target expenditure towards maintaining and improving the facilities it manages so that it continues to meet its obligations, aims and objectives. Albeit on a reduced basis in 2020.

The Charitable Company has faced reduced management fees from local authorities in recent years. In addition to the direct impact of reduced incomes this has also increased the costs in the business by reducing the amount of VAT that can be reclaimed on expenditures.

The challenge has been addressed by a combination of additional cost savings, business expansion and service development, including modernization of systems and processes driven through investment leading to improved sustainability and reduction in cost of employment. For example secure access and cashless systems.

Key factors behind the reported performance of the Charitable Company have been:

1. Operational revenue greatly reduced due to COVID restrictions
2. Increased Management fee support from Local Authority partners
3. Non-operational revenue boosted by Coronavirus Job Retention Scheme, discretionary grants and a £750,000 CBILS loan.
4. Staffing restructuring undertaken through the year has led to a reduction of 30 full time equivalents and savings in excess of £500,000. This was achieved through redundancies, the majority voluntary with a few compulsory.
5. The value assigned to the liability for defined benefit pension plans which, based on calculations produced by a qualified actuary, has increased by £6,570,000 during the year.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

STRATEGIC REPORT – continued

FINANCIAL REVIEW

Certain financial key performance indicators have been applied to assist in the financial management of the business. These include:

	<u>31.12.20</u>	<u>31.12.19</u>
Net Income / (Expenditure) as a % of Total Income	(20.35)%	(6.30)%
Staff Costs as a % of Total Resources Expended	62.92%	55.27%

Since the start of the pandemic the main KPI of the business has been in relation to the monitoring of cash flow.

Reserves policy

Halo Leisure Services Limited is in a relatively favourable cash flow position as it receives much of its income in advance of its expenditure. The Trustees, however, recognise the need for a level of financial reserves that will shield the Charitable Company from the possibility of adverse unforeseen circumstances. These include a number of specific risks that have been identified in the Charitable Company's Risk Register. The company's reserves policy is to achieve "a level of reserves sufficient to cover an average of three months expenditure plus a level of reserves sufficient to cover any actuarially determined crystallised pension deficit contribution that may be required."

The reserves policy suggests a desired level of unrestricted reserves of at least £3.9m. This compares with current unrestricted reserves, which are in deficit of £1.0m. Reserves have fallen due to the COVID pandemic and consequent closure of the leisure centres. The trustees will aim to build reserves however this will take a number of years given the continuing uncertainty. The Charitable Company also continues to seek opportunities where it can deliver both social benefit and financial improvement, and to maintain and improve cost control and efficiency across the business. The company is also following advice from the pension fund managers and the pension scheme actuaries to ensure that the pension scheme is funded at a rate sufficient to close any deficits over the next 20 to 25 years.

Reserves in deficit

Before accounting for any liability arising from the Charitable Company's defined benefit pension scheme accumulated reserves for the group amounted to £1,422,771 (2019: £2,670,244), including restricted funds of £2,434,941 (2019: £2,332,534) and unrestricted funds of £1,012,170 deficit (2019: £337,710 surplus).

However after accounting for the Charitable Company's defined benefit pension scheme liability at the year end of £15,282,000 (2019: £8,712,000) the group has an unrestricted reserve deficit of £16,294,170 (2019: £8,374,290).

The pension liability does not affect the Charitable Company's resources for general application as the Charitable Company pays pension contributions in line with the rates prescribed by professionally qualified actuaries which are calculated to eliminate the pension deficit in the long term. The Trustees are satisfied that the Charitable Company can meet its obligations as and when they fall due. Restricted reserves are not available for offset against the deficit on unrestricted reserves.

The going concern accounting policy within note 1 sets out the actions being taken to mitigate risks to the business as a result of the deficit unrestricted funds position.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees maintain a register of the key business risks faced by the Charitable Company and seeks to ensure that appropriate policies are in place to manage, monitor or mitigate those risks.

Much of the Charitable Company's income is received as daily cash income where there is no commitment for further sales from the customer, whereas Halo has longer term commitments to staff and suppliers. Although membership income has a longer commitment attached there are no guarantees of renewal. The variance between the timing of Halo's commitments and its customers' commitments is judged to be the core risk that Halo faces.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

STRATEGIC REPORT

FINANCIAL REVIEW – continued

FUTURE PLANS

COVID-19, increasing competition, changing customer requirements, potential economic downturn, funding restrictions, the fast moving pace of technology and its impact on how people consume leisure are all challenges Halo and indeed the sector face.

Although the sector has an unclear future the remainder of 2021 will be spent preparing for the challenges we face so we can consolidate and be prepared for 2022.

IMPACT OF COVID-19

The outbreak of COVID-19, which has taken place during the year, has resulted in a pandemic causing extensive disruption across the globe. The UK Government enforced a number of lockdowns of different durations across England and Wales, resulting in the temporary closure of all leisure establishments including gyms and leisure centres. The charitable company's activities, as with many businesses, have been negatively impacted. The impact of the new social distancing measures which limit a facility's capacity and the continued existence of COVID-19 in our society, which may have an impact on the behaviour of the charitable company's customers, is as of yet unknown. The charitable company has made use of the available Government schemes, such as the Coronavirus Job Retention Scheme, and the charitable company has obtained a loan of £750k under the government's Coronavirus Business Interruption Loan Scheme (CBILS).

There is a potential COVID related Business Interruption Insurance claim for the 11 sites insured with Hiscox of £1.3M.

Due to the current situation with regards to COVID-19 and the Charitable Company's minimal level of unrestricted reserves compared with the size of its operations, the Trustees have assessed that these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Charitable Company's ability to continue as a going concern.

DISABLED PERSONS

The parent Charitable Company and its subsidiary undertakings' policy is to give full and fair consideration to applications for employment by disabled persons, having regard for their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career within the organisation. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2020**

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Report of the Trustees Incorporating a Strategic Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS102 (the financial reporting standard applicable in the UK and R.O.I.).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charitable Company and the group and application of resources including the income and expenditure of the group for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and the principles in the Charities SORP 2019 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a trustee in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

APPROVAL OF REPORTS

In approving the Report of the Trustees, the Trustees of the Charitable Company also approve the Strategic Report in their capacity as Directors.

ON BEHALF OF THE BOARD:


.....
R J S Curtis – Chairman


.....
J G Huxley – Secretary


.....
N A Sellar – Trustee

Date: 28th July 2021

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HALO LEISURE SERVICES LIMITED

Opinion

We have audited the consolidated financial statements of Halo Leisure Services Limited Group for the year ended 31 December 2020 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes, 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 (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the group and charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements which indicates that the effects of the COVID-19 pandemic have had a detrimental impact on the trading results of the group. As stated in note 1 these events or conditions, along with other matters as set forth in note 1 indicate that a material uncertainty exists which may cast significant doubt on the charitable company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HALO LEISURE SERVICES LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate 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 trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and 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.

Our 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 a Report of the Independent Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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:

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 company through discussions with directors and our 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 Group and Charitable Company, including, but not limited to, the Companies Act 2006, UK tax legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; 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 Group's and 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;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HALO LEISURE SERVICES LIMITED

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;
- reviewed management contracts where contract variations had arisen;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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 and the relevant regulator.

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 Committee of Management 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 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 Report of the Independent Auditors.

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. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.


Ashley Phillips FCCA (Senior Statutory Auditor)
for and on behalf of McCabe Ford Williams
Statutory Auditors and
Chartered Accountants
Bank Chambers
1 Central Avenue
SITTINGBOURNE
Kent
ME10 4AE

Date: 3 September 2021

HALO LEISURE SERVICES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES **(Incorporating a consolidated Income and Expenditure Account and** **Statement of Other Comprehensive Income)** **for the Year Ended 31 December 2020**

	NOTE	Unrestricted Funds £	Restricted Funds £	FRS 102 s.28 Unrestricted Funds £	Total Funds Year to 31.12.2020 £	Total Funds Year to 31.12.2019 £
INCOME						
Donations and legacies	3	-	2,488,821	-	2,488,821	223,332
<i>Income from charitable activities:</i>						
Operation of Leisure sites	4	7,817,943	59,717	-	7,877,660	14,059,287
<i>Income from other trading activities:</i>						
Commercial trading operations	5	204,279	-	-	204,279	235,317
Investment income	6	610	-	-	610	4,110
TOTAL INCOME		8,022,832	2,548,538	-	10,571,370	14,522,046
EXPENDITURE						
<i>Costs of raising funds:</i>						
Commercial trading operations	5	113,784	-	-	113,784	144,866
<i>Expenditure on charitable activities:</i>						
Leisure activities	11	9,258,927	2,446,131	904,000	12,609,058	15,292,390
TOTAL EXPENDITURE		9,372,711	2,446,131	904,000	12,722,842	15,437,256
NET (EXPENDITURE) / INCOME BEFORE TAXATION AND TRANSFERS		(1,349,879)	102,407	(904,000)	(2,151,472)	(915,210)
TAXATION						
<i>Taxation on trading profit</i>		-	-	-	-	-
GROSS TRANSFERS BETWEEN FUNDS		-	-	-	-	-
NET INCOME BEFORE ACTUARIAL (LOSSES)/GAINS UNDER FRS102		(1,349,879)	102,407	(904,000)	(2,151,472)	(915,210)
OTHER RECOGNISED GAINS AND LOSSES						
<i>Remeasurements on defined benefit pension schemes</i>	26	-	-	(5,666,000)	(5,666,000)	(1,977,000)
NET INCOME / (EXPENDITURE)		(1,349,879)	102,407	(6,570,000)	(7,817,472)	(2,892,210)
FUNDS BROUGHT FORWARD		337,710	2,332,534	(8,712,000)	(6,041,756)	(3,149,546)
FUNDS CARRIED FORWARD		(1,012,169)	2,434,941	(15,282,000)	(13,859,228)	(6,041,756)

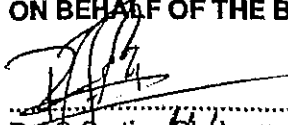
All of the above results are derived from continuing activities. The group has no other recognised gains and losses other than those stated above.

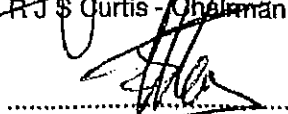
The notes form part of these financial statements

CONSOLIDATED BALANCE SHEET
31 December 2020

	Notes	31.12.20 £	£	31.12.19 £	£
FIXED ASSETS					
Intangible assets	13		30,031		31,509
Tangible assets	14		<u>14,367,970</u>		<u>15,032,500</u>
			14,398,001		15,064,009
CURRENT ASSETS					
Stocks	16	34,583		34,583	
Debtors	17	733,681		563,095	
Cash at bank and in hand		<u>1,933,968</u>		<u>1,355,344</u>	
		2,702,232		1,953,022	
CREDITORS					
Amounts falling due within one year	18	<u>2,918,183</u>		<u>2,511,673</u>	
NET CURRENT LIABILITIES			<u>(215,951)</u>		<u>(559,651)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			14,182,050		14,505,358
CREDITORS					
Amounts falling due after more than one year	19		(12,603,812)		(11,680,647)
DEFERRED INCOME	23		(155,466)		(154,467)
NET ASSETS BEFORE PENSION LIABILITY			<u>1,422,772</u>		<u>2,670,244</u>
PENSION LIABILITY	26		15,282,000		8,712,000
FUNDS					
Unrestricted income funds	24	(16,294,169)		(8,985,077)	
Unrestricted designated funds	24			610,787	
Restricted funds	24	<u>2,434,941</u>		<u>2,332,534</u>	
TOTAL FUNDS	24		<u>(13,859,228)</u>		<u>(6,041,756)</u>
			<u>1,422,772</u>		<u>2,670,244</u>

ON BEHALF OF THE BOARD:


 R J S Curtis - Chairman


 J G Huxley - Company Secretary


 N A Sellar - Trustee

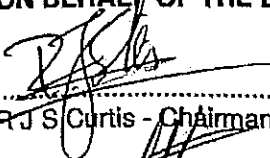
Date: 28th July 2021

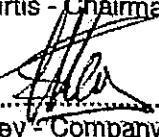
The notes form part of these financial statements

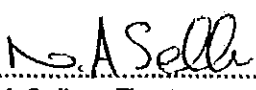
COMPANY BALANCE SHEET
31 December 2020

	Notes	31.12.20 £	£	31.12.19 £	£
FIXED ASSETS					
Intangible assets	13		17,172		8,563
Tangible assets	14		12,254,850		12,854,217
Investments	15		<u>1</u>		<u>1</u>
			12,272,023		12,862,781
CURRENT ASSETS					
Stocks	16	34,583		34,583	
Debtors	17	847,977		773,371	
Cash at bank and in hand		<u>1,754,776</u>		<u>1,112,151</u>	
		2,637,336		1,920,105	
CREDITORS					
Amounts falling due within one year	18	<u>2,837,915</u>		<u>2,446,468</u>	
NET CURRENT LIABILITIES			<u>(200,579)</u>		<u>(526,363)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			12,071,444		12,336,418
CREDITORS					
Amounts falling due after more than one year	19		(12,603,812)		(11,680,647)
DEFERRED INCOME	23		(155,466)		(154,467)
NET ASSETS BEFORE PENSION LIABILITY			<u>(687,834)</u>		<u>501,304</u>
PENSION LIABILITY	26		15,282,000		8,712,000
FUNDS					
Unrestricted income funds	24	(16,298,410)		(8,988,807)	
Unrestricted designated funds	24	-		610,787	
Restricted funds	24	<u>328,576</u>		<u>167,324</u>	
TOTAL FUNDS	24		<u>(15,969,834)</u>		<u>(8,210,696)</u>
			<u>(687,834)</u>		<u>501,304</u>

ON BEHALF OF THE BOARD:


 R J S Curtis - Chairman


 J G Huxley - Company Secretary


 N A Sellar - Trustee

Date: 28th July 2021

The notes form part of these financial statements

HALO LEISURE SERVICES LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
for the Year Ended 31 December 2020

	Notes	Year to 31.12.20 £	Year to 31.12.19 £
Cash flows from operating activities			
Cash generated from operations	1	297,548	1,609,700
Interest paid		-	-
Interest received		(610)	(4,110)
Net cash from operating activities		<u>296,938</u>	<u>1,605,590</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(17,730)	(26,833)
Purchase of tangible fixed assets		(88,225)	(179,211)
Cash donated to group on business combination		-	-
Proceeds from fixed asset disposal		-	-
Interest received		610	4,110
Net cash from investing activities		<u>(105,345)</u>	<u>(201,934)</u>
Cash flows from financing activities			
New finance lease agreements in year		19,430	-
New bank loan		750,000	-
Hire purchase repayments in year		(221,695)	(298,755)
Interest element of hire purchase and lease payments		(160,704)	(580,747)
Net cash from financing activities		<u>387,031</u>	<u>(879,502)</u>
Change in cash and cash equivalents in the reporting period		<u>578,624</u>	<u>524,154</u>
Cash and cash equivalents at the beginning of the reporting period		<u>1,355,344</u>	<u>831,190</u>
Cash and cash equivalents at the end of the reporting period	2	<u>1,933,968</u>	<u>1,355,344</u>

The notes form part of these financial statements

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 December 2020****1. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Year to 31.12.20 £	Year to 31.12.19 £
Net movement in funds	(7,817,472)	(2,892,210)
Actuarial (gains)/losses on defined benefit pension schemes	5,666,000	1,977,000
Interest element of hire purchase/finance lease payments	543,103	580,747
Depreciation/amortisation charges	771,964	834,959
(Profit)/loss on disposal	-	-
Decrease in stocks	-	6,066
Decrease/(Increase) in debtors	(170,586)	89,496
Increase/(Decrease) in creditors	399,540	211,097
Release of deferred capital grants	(22,789)	(25,386)
Newly deferred capital grants	23,788	22,930
Difference between pension charge, including finance costs, and cash contributions	904,000	805,000
Net cash inflow from operating activities	297,548	1,609,700

2. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Year to 31.12.20 £	Year to 31.12.19 £
Cash in hand and at bank	1,933,968	1,355,344
Total cash and cash equivalents	1,933,968	1,355,344

3. ANALYSIS OF CHANGES IN NET DEBT

	31.12.2019	Cash Flows	Non-Cash Changes		31.12.2020
			New Finance Leases / Bank Loans	Other non-cash changes	
Cash in hand & bank	1,355,344	578,624	-	-	1,933,968
Debt due within one year	(378,693)	35,086	(25,000)	(17,055)	(385,662)
Debt due greater than one year	(11,680,647)	347,313	(744,430)	(526,048)	(12,603,812)
	<u>(10,703,996)</u>	<u>961,023</u>	<u>(769,430)</u>	<u>(543,103)</u>	<u>(11,055,506)</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the provisions of FRS 102 (effective 1 January 2019)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. There were no material departures from that standard.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Going concern

The outbreak of COVID-19 in 2020 has resulted in a pandemic causing extensive disruption across the globe. The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations of the group and charitable company and measures taken by various governments to contain the virus have negatively affected the group and charitable company's results in the current financial year. The currently known impacts of COVID-19 on the group and charitable company are:

- A significant reduction in income from March 2020 to date.
- The closure of all leisure facilities in the United Kingdom by the various governments periodically throughout the year from March 2020.
- A reduction in income compared to previous years when open due to the measures that are required to ensure our facilities are COVID secure. The required measures limit the services offered and capacity of leisure sites.
- These developments have resulted in a significant operating loss for the group.

The full extent of the impact of COVID-19 on the group and charitable company are still unknown, including:

- The impact of changes in customers' behaviour and confidence levels as a result of the continued existence of the pandemic in our society is currently unknown, and if customers do not return to sites as anticipated this will have a significant impact on revenue generation.
- The government continues to implement measures to limit the spread of the virus although we are now on a reopening roadmap that should lift all restrictions in the 2nd half of 2021.
- The impact of new variants of the virus on government policy and the vaccination program are uncertain.

In response to these matters, the group and charitable company have taken the following mitigating actions:

- We have taken and continue to take advantage of the Coronavirus Job Retention Scheme (CJRS).
- We have received £750k financial support from our bankers via the Coronavirus Business Interruption Loan Scheme (CBILS). The loan is secured against the assets of Halo Leisure Services Limited and the Severn Centre Leisure Trust which have pledged their assets with the agreement of their Boards.
- We were in receipt of grants for some of our sites from the Coronavirus Retail, Hospitality and Leisure Grant Fund.
- We have taken advantage of the deferral of the March 2020 VAT liability which is now due to be paid in instalments from March 2021.
- We have negotiated an instalment arrangement with HM Revenue & Customs for the payment of PAYE liabilities.
- We are negotiating payment holidays on rent, loan and utility liabilities and have secured advanced funding from key partners.
- Facilities are cashless.

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES - continued

Going concern - continued

- We have successfully negotiated with our local authority partners financial support packages across a large part of the business for the closure period.
- We continue to work with our local authority partners to secure further financial support for the re-opening period and beyond
- We have established across all of our contracts a minimum viable offering of services from re-opening.
- We have not re-opened facilities that under current circumstances would not be viable.
- We have put new hygiene measures in place at our gyms, pools and fitness classes in line with coronavirus regulations.
- All visits to our facilities must be booked.

Looking towards post COVID recovery:

- Revenue forecasted to recover to pre-pandemic levels by April 2022. This means the current (June 2021) P&L forecast for the year ending 31st December 2021 is a deficit of £1.2M.
- Staff reorganisations during 2020 and lower operating costs during closure periods have led to a reduced costbase in 2021.
- Both Hereford Leisure Pool and The Bromyard Centre reopened after extensive insurance funded (flooding & vandalism) refurbishments.
- There is a potential COVID related Business Interruption insurance claim for the 11 sites insured with Hiscox of £1.3M.
- Local Authority support packages extended to at least September 2021, including Repairs and Renewals investment.

Group and charitable company cash flow forecasts have been produced and are based on the original forecasts for the foreseeable future prepared prior to the arrival of COVID-19, adjusted for the impact of the lockdown period and measures that have been put in place in readiness for re-opening. The key assumptions regarding revenue are based on the current expectations when various facilities can re-open and when the various activities can resume and the level of usage that can be achieved over the period covered by the forecast, determined as a proportion of historic usage achieved. Usage forecasts have been based on the independent UK Active report on the leisure sector 'COVID-19 Impact Report' and data particular to our facilities. Management have carried out an extensive review of the underlying cost base of the business and have factored in changes and restructuring that are likely to be implemented as a result in the impact of COVID-19 on the business which have been reflected in the forecasts. The forecasts include the level of financing that has already been agreed and do not include any other grants/financing for which an application has been made but for which the outcome is uncertain. Any capital expenditure of a non-urgent nature has been delayed until a point where the economic conditions may be more certain. These forecasts indicate that the group and charitable company will remain within the group's financing facilities for the foreseeable future and will be able to meet their financial obligations as they fall due. However, in the current climate, it is extremely difficult to arrive at reliable expectations on which to base assumptions. If the key assumptions are not achieved as a result of the uncertainties noted above, this may cast doubt on the group and charitable company's ability to continue to operate.

Although it is not certain that these efforts will be successful, the Board of Trustees has determined that the actions that it has taken mitigate the uncertainties and has therefore prepared the financial reporting on a going concern basis.

However, there are material uncertainties related to the events and conditions set out above that, together with the group's limited unrestricted reserve position in comparison to the size of its operations, may cast significant doubt upon the group and charitable company's ability to continue as a going concern and therefore whether the group and charitable company will realise their assets and settle their liabilities in the ordinary course of business at the amounts recorded in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES - continued

Functional currency and presentation currency

The group's functional currency is British Pound Sterling (GBP), which is also the presentation currency for the group. The financial statements are therefore presented in British Pound Sterling.

Funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

Income recognition

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

- i. the Charitable Company has entitlement to the funds;
- ii. any performance conditions attached to the items of income have been met or are fully within the control of the Charitable Company;
- iii. there is sufficient certainty that receipt of the income is considered probable; and
- iv. the amount can be measured reliably.

Income represents net sales of goods and services, excluding Value Added Tax and discounts to customers and management fees. Income received in respect of future events has been deferred and will be released when the event is complete or over the period to which the income relates. Membership income is deferred over the period of membership.

Management fee

The management fee is unrestricted funding which is available for use at the discretion of the Trustees in furtherance of the general objectives of the Charitable Company. Income received for capital expenditure is treated as deferred income and is credited to the Statement of Financial Activities by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Support costs

Support costs are those that assist the work of the Charitable Company but do not directly represent charitable activities and include office costs, governance costs, and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the Charitable Company and include project management carried out at Headquarters. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources.

Irrecoverable VAT

Given the nature of the Charitable Company's activities it attracts exempt supplies, which results in the Charitable Company falling under the partial exemption scheme. Input VAT is fully recovered on taxable supplies, together with a proportion of non attributable input VAT. Irrecoverable VAT is written off to the Statement of Financial Activities.

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2020**

1. ACCOUNTING POLICIES - continued

Tangible fixed assets

Individual fixed assets costing £2,000 or more are capitalised at cost and are depreciated over their estimated useful economic lives.

In respect of leases held over the leisure facilities, capitalised when deemed to be finance leases due to their duration, cost is determined on the basis of the net present value of minimum lease payments calculated in accordance with the Charitable Company's incremental borrowing rate.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold Property	- 2% on cost
Leasehold Property	- over remaining term of lease
Improvements to Property	- over remaining term of lease
Plant and Machinery	- straight line over 10 years, 15% on cost
Fixtures and Fittings	- straight line over 5 years, 15% on cost
Fitness Equipment	- straight line over 5 years and straight line over 3 years
Computer Equipment	- straight line over 3 years

Intangible fixed assets

Amortisation is provided at the following annual rate in order to write off the asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Computer Software	- straight line over 3 or 5 years
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Stocks

Stocks have been valued at the lower of cost and estimated selling price less costs to sell, after making due allowance for obsolete and slow moving items.

Group financial statements

The financial statements consolidate the results of the Charitable Company and its wholly owned subsidiaries Halo Leisure Enterprises Limited and Severn Centre Trust Ltd on a line by line basis. A separate Statement of Financial Activities and Income and Expenditure Account is not presented for the Charitable Company itself in accordance with the exemptions afforded by paragraph 397 of the SORP.

Charitable Company status

The Charitable Company is a company limited by guarantee. At 31 December 2020 there were thirteen members, each of whom, on winding up, has undertaken to contribute an amount not exceeding £1.

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

Creditors and provisions

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

Financial Instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES – continued

Service Concession Arrangements

The Charitable Company has a Service Contract with a Local Authority for the maintenance and operation of leisure centres owned by the Local Authority to which it has a lease and management service contract. The Authority has rights under the contract to specify the activities offered by the centres and have influence over the prices charged for them and also may have certain exclusive rights for the use of the centres at certain times. The contract specifies minimum standards for the services to be provided, with deductions from the service management fee payable being made if facilities are unavailable or performance is below the minimum standards.

Property, plant and equipment

The buildings and plant at the centres are leased to the Charitable Company as part of the overall contractual relationship with the Authority but the Authority maintains ultimate control of these assets. Accordingly the access which the Charitable Company has in the use of these assets is to enable it to operate the leisure centres, so that the Charitable Company can provide the public service it is contracted to provide, not to effectively own these public service assets. These assets are therefore not recognised on the Charitable Company's Balance Sheet.

Receipts

The Charitable Company receives an agreed payment from the Authority each year which is adjusted each year by inflation and can be reduced if the Charitable Company fails to meet availability and performance standards in any year but which is otherwise fixed.

In cases where the receipt from the Authority includes funding for specific works to be carried out in accordance with specifications laid down in the contract but which has not been spent at the year end a provision is included in the financial statements to reflect this.

Taxation

The Charitable Company is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Leasing and hire purchase

Property, plant and equipment acquired under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Charitable Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Financial Activities so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Government grants

Government grants are recognised when the performance related conditions imposed upon the receipt of the grant have been met. Where these have not been satisfied, these grants are recognised as liabilities. If grants are not conditional on future performance related conditions, then income is recognised when the grant proceeds are receivable. During the year the company received the following grants:

Coronavirus Job Retention Scheme (CJRS) to cover a portion of employees' wages who were furloughed due to the coronavirus pandemic. The amount received totalled £2.3m and has been included in income (note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2020

1. ACCOUNTING POLICIES – continued

Pension costs and other post-retirement benefits

The Charitable Company accounts for the pension scheme in accordance with the Financial Reporting Standard 102.

The Charitable Company operates three defined benefits pension schemes and pension charges are based on full actuarial valuations dated 31 March 2019, rolled forward to the balance sheet date, for the Worcestershire County Council Pension Fund, Shropshire County Pension Fund and the Rhondda Cynon Taf County Borough Council Pension Fund.

The Charitable Company provides pension benefits for eligible staff through these administered pension schemes. The administered schemes are multi-employer schemes which provide benefits based upon final pensionable pay.

For defined benefit schemes the amounts charged to resources expended on charitable activities are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately if the benefits are vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Financial Activities.

The defined benefit scheme is funded, and the assets of the scheme are held separately from those of the charity in a trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on long dated high quality corporate bonds of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. See note 26 for further information in connection with the Charitable Company's defined benefit schemes.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from the estimates.

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuations performed have been used by the actuaries in valuing the pensions liability at 31 December 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The recoverability of certain assets and valuation of investments within the Local Government Pension Fund may have been impacted by COVID-19, however it is not possible to determine at the current time to what extent that is.

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**2. FINANCIAL ACTIVITIES OF THE CHARITABLE COMPANY**

The financial activities shown in the Consolidated Statement of Financial Activities include those of the Charitable Company's wholly owned subsidiaries, Halo Leisure Enterprises Limited and Severn Centre Trust Ltd.

A summary of the financial activities undertaken by the Charitable Company is set out below:

	Year to 31.12.20 £	Year to 31.12.19 £
Incoming resources excluding gift aid from subsidiary	10,252,523	14,078,682
Expenditure on charitable activities	(12,345,661)	(15,007,604)
Net (expenditure)/income	(2,093,138)	(928,922)
Actuarial (losses)/gains on defined benefit pension schemes	(5,666,000)	(1,977,000)
	(7,759,138)	(2,905,922)
Distribution from subsidiary	80,495	80,451
	<u>(7,678,643)</u>	<u>(2,825,471)</u>

3. DONATIONS AND LEGACIES

	Unrestricted funds 31 December 2020 £	Restricted funds 31 December 2020 £	Total funds Year to 31 December 2020 £	Total funds Year to 31 December 2019 £
National Exercise Referral Scheme (see note 24)	-	173,547	173,547	189,327
Coronavirus Job Retention Scheme	-	2,315,274	2,315,274	-
Halo Foundation	-	-	-	31,705
Donations	-	-	-	2,300
Total	<u>-</u>	<u>2,488,821</u>	<u>2,488,821</u>	<u>223,332</u>

4. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 31 December 2020 £	Restricted funds 31 December 2020 £	Total funds Year to 31 December 2020 £	Total funds Year to 31 December 2019 £
Operation of leisure centres	5,307,926	-	5,307,926	12,547,645
Management fee	1,427,059	-	1,427,059	1,486,256
Government grants	22,789	59,717	82,506	25,386
Government Grants – COVID 19 relief	<u>1,060,169</u>	<u>-</u>	<u>1,060,169</u>	<u>-</u>
Total	<u>7,817,943</u>	<u>59,717</u>	<u>7,877,660</u>	<u>14,059,287</u>

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2020**

5. INCOME FROM OTHER TRADING ACTIVITIES

A summary of the trading results of the wholly owned subsidiary Halo Leisure Enterprises Limited is shown below:

	Year to 31.12.20 £	Year to 31.12.19 £
Turnover	204,279	235,317
Cost of sales and administration costs (including intra-group)	<u>(123,784)</u>	<u>(154,866)</u>
Net profit	<u>80,495</u>	<u>80,451</u>

The subsidiary company has gift aided its profits to the parent Charitable Company.

Included within Costs of sales and administration costs is £10k (2019: £10k) of management fees payable to the parent charitable company, Halo Leisure Services Limited.

6. INVESTMENT INCOME

	Unrestricted funds 31 December 2019 £	Restricted funds 31 December 2019 £	Total funds Year to 31 December 2020 £	Total funds Year to 31 December 2019 £
Interest received	<u>610</u>	<u>-</u>	<u>610</u>	<u>4,110</u>
Total	<u>610</u>	<u>-</u>	<u>610</u>	<u>4,110</u>

7. NET EXPENDITURE/INCOME OF THE PARENT CHARITABLE COMPANY

As permitted by section 408 of the Companies Act 2006, the income and expenditure account of the parent Charitable Company is not presented as part of these financial statements. The parent Charitable Company's net expenditure after the gift aid of profits from the subsidiary and actuarial gains/losses under defined benefit schemes for the financial year was £6,855,139 (31 December 2019: £2,825,471).

8. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

	Year to 31.12.20 £	Year to 31.12.19 £
Wages and salaries	6,212,833	6,959,463
Social security costs	435,269	418,053
Other pension costs	1,209,238	1,154,903
Redundancy and severance payments	<u>147,986</u>	<u>1,614</u>
	<u>8,005,326</u>	<u>8,534,033</u>

The staff costs include those associated with the Charitable Company, Halo Leisure Services Limited and those associated with the subsidiaries, Halo Leisure Enterprises Limited and Severn Centre Trust Ltd. As this includes commercial trading operations the amount above does not agree to that in note 11 which relates purely to charitable activities.

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**8. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL -- continued**

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

	Year to 31.12.20	Year to 31.12.19
Leisure Centres	537	622
Support	47	53
Management and administration	<u>4</u>	<u>7</u>
	<u>588</u>	<u>682</u>

The average monthly full-time equivalent number of employees during the period was as follows:

	Year to 31.12.20	Year to 31.12.19
Leisure Centres	214	208
Support	40	44
Management and administration	<u>4</u>	<u>7</u>
	<u>258</u>	<u>259</u>

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	Year to 31.12.20	Year to 31.12.19
£60,001 - £70,000	1	0
£80,001 - £90,000	<u>1</u>	<u>1</u>

During the period expenses of £707 (2019: £297) were reimbursed to Trustees of the Charitable Company for travel expenses to board meetings.

The total amount of employee benefits received by key management personnel is £329,263 (2019: £319,879). The trust considers its key management personnel comprise of the Chief Executive, Finance Director, HR Director and Operations Director.

9. NET INCOME FOR THE YEAR

The net income is stated after charging:

	Year to 31.12.20 £	Year to 31.12.19 £
Equipment repairs, maintenance and lease	72,458	187,773
Depreciation - owned assets	319,865	328,981
Depreciation - assets on hire purchase contracts or finance leases	432,891	496,325
Computer software amortisation	19,208	9,654
Auditors remuneration	22,673	17,000
Audit of trading subsidiary	4,738	4,600
Non audit work - statutory accounts preparation	<u>4,120</u>	<u>4,000</u>
Trustees' emoluments	<u>-</u>	<u>-</u>

The Trustees neither received nor waived any emoluments during the year.

10. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31.12.20 £	Year to 31.12.19 £
Finance lease and hire purchase interest	543,103	580,747
	<u>543,103</u>	<u>580,747</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**11. RESOURCES EXPENDED ON CHARITABLE ACTIVITIES**

	Direct costs	Staff costs	Support costs	Total for Year to 31.12.20	Total for Year to 31.12.19
	£	£	£	£	£
Leisure centres	<u>1,614,154</u>	<u>7,971,793</u>	<u>3,023,111</u>	<u>12,609,058</u>	<u>15,292,390</u>

Major components of Support Costs

	Year to 31.12.20	Year to 31.12.19
	£	£
Premises Costs	508,689	1,173,722
Advertising & Promotions	35,708	76,657
Office Administration	204,838	214,639
Finance and Compliance	624,634	738,217
Other Finance Costs re FRS 102	672,000	190,000
Irrecoverable VAT	329,585	663,181
Equipment Repairs, Maintenance and Lease	72,458	187,773
Other Costs	548,406	654,940
Governance Costs	<u>26,793</u>	<u>21,000</u>
	<u>3,023,111</u>	<u>3,921,743</u>

All staff and support costs relate to the sole activity of the Charitable Company and its wholly owned charitable subsidiary, being the provision of leisure facilities. Governance costs are made up of auditor's remuneration of £26,793 (2019: £21,000), which excludes audit of the trading subsidiary.

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**12. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

	Unrestricted fund £	Restricted funds £	Total funds £
INCOME FROM			
Donations and legacies	34,005	189,327	223,332
<i>Income from charitable activities</i>			
Operation of leisure and recreation sites	14,059,287	-	14,059,287
<i>Income from other trading activities</i>			
Commercial trading operations	235,317	-	235,317
Investment income	4,110	-	4,110
Total Income	14,332,719	189,327	14,522,046
EXPENDITURE ON			
<i>Cost of raising funds</i>			
Commercial trading operations	144,866	-	144,866
<i>Expenditure on charitable activities</i>			
Operation of leisure and recreation sites	<u>15,211,541</u>	<u>80,849</u>	<u>15,292,390</u>
Total expenditure	15,356,407	80,849	15,437,256
NET INCOME	(1,023,688)	108,478	(915,210)
Transfers between funds	-	-	-
Other recognised gains/(losses)			
Actuarial gains/losses on defined benefit schemes	<u>(1,977,000)</u>	<u>-</u>	<u>(1,977,000)</u>
Net movement in funds	(3,000,688)	108,478	(2,892,210)
RECONCILIATION OF FUNDS			
Total funds brought forward	<u>(5,373,602)</u>	<u>2,224,056</u>	<u>(3,149,546)</u>
TOTAL FUNDS CARRIED FORWARD	<u>(8,374,290)</u>	<u>2,332,534</u>	<u>(6,041,756)</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**13. INTANGIBLE FIXED ASSETS****Group**

	Computer software £
COST	
At 1 January 2020	96,493
Additions	<u>17,730</u>
At 31 December 2020	<u>114,223</u>
AMORTISATION	
At 1 January 2020	64,984
Amortisation for year	<u>19,208</u>
At 31 December 2020	<u>84,192</u>
NET BOOK VALUE	
At 31 December 2020	<u>30,031</u>
At 31 December 2019	<u>31,509</u>

Company

	Computer software £
COST	
At 1 January 2020	9,633
Additions	<u>17,730</u>
At 31 December 2020	<u>27,363</u>
AMORTISATION	
At 1 January 2020	1,070
Amortisation for year	<u>9,121</u>
At 31 December 2020	<u>10,191</u>
NET BOOK VALUE	
At 31 December 2020	<u>17,172</u>
At 31 December 2019	<u>8,563</u>

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2020**

14. TANGIBLE FIXED ASSETS

Group	Freehold property £	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Totals £
COST								
At 1 January 2020	2,297,613	10,395,136	3,372,831	761,847	838,222	1,451,663	36,424	19,153,736
Additions	-	-	31,876	31,993	-	24,356	-	88,225
Disposals	-	-	-	-	-	-	-	-
At 31 December 2020	2,297,613	10,395,136	3,404,707	793,840	838,222	1,476,019	36,424	19,241,961
DEPRECIATION								
At 1 January 2020	132,403	251,907	1,734,304	646,842	384,346	936,354	35,080	4,121,236
Charge for year	58,845	139,314	237,728	42,430	78,958	194,137	1,344	752,756
Eliminated on disposal	-	-	-	-	-	-	-	-
At 31 December 2020	191,247	391,221	1,972,032	689,272	463,304	1,130,491	36,424	4,873,991
NET BOOK VALUE								
At 31 December 2020	2,106,366	10,003,915	1,432,675	104,568	374,918	345,528	-	14,367,970
At 31 December 2019	2,165,210	10,143,229	1,638,526	115,005	453,876	515,309	1,344	15,032,500

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HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2020

14. TANGIBLE FIXED ASSETS - continued

Group - continued

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Totals £
COST							
At 1 January 2020	10,395,136	836,680	34,222	546,896	1,019,999	14,896	12,847,829
Additions	-	-	-	-	19,430	-	19,430
Transfer to ownership	-	(223,766)	-	(17,012)	(623,705)	(14,896)	(879,379)
Reclassification	-	-	9,924	-	207,983	-	217,907
At 31 December 2020	10,395,136	612,915	44,146	529,884	623,707	-	12,205,788
DEPRECIATION							
At 1 January 2020	251,907	516,261	6,668	120,763	805,658	14,896	1,716,153
Charge for year	139,314	57,443	14,122	58,385	163,627	-	432,891
Transfer to ownership	-	(223,766)	-	(17,012)	(623,705)	(14,896)	(879,379)
Reclassification	-	-	1,654	-	-	-	1,654
At 31 December 2020	391,221	349,938	22,444	162,136	345,580	-	1,271,319
NET BOOK VALUE							
At 31 December 2020	10,003,915	262,977	21,702	367,748	278,127	-	10,934,469
At 31 December 2019	10,143,229	320,419	27,554	426,133	214,341	-	11,131,676

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HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2020**

14. TANGIBLE FIXED ASSETS - continued

Company

	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Totals £
COST							
At 1 January 2020	10,395,137	3,372,831	717,904	834,317	1,451,663	36,424	16,808,276
Additions	-	31,876	31,993	-	24,356	-	88,225
Disposals	-	-	-	-	-	-	-
At 31 December 2020	10,395,137	3,404,707	749,897	834,317	1,476,019	36,424	16,896,501
DEPRECIATION							
At 1 January 2020	251,907	1,734,304	614,389	382,025	936,354	35,080	3,954,059
Charge for year	139,314	237,729	37,104	77,963	194,138	1,344	687,592
Eliminated on disposal	-	-	-	-	-	-	-
At 31 December 2020	391,221	1,972,033	651,493	459,988	1,130,492	36,424	4,641,651
NET BOOK VALUE							
At 31 December 2020	10,003,916	1,432,674	98,404	374,329	345,527	-	12,254,850
At 31 December 2019	10,143,230	1,638,527	103,515	452,292	515,309	1,344	12,854,217

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HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2020

14. TANGIBLE FIXED ASSETS - continued

Company - continued

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Totals £
COST							
At 1 January 2020	10,395,137	836,680	34,222	546,896	1,019,999	14,896	12,847,830
Additions	-	-	-	-	19,430	-	19,430
Transfer to ownership	-	(223,766)	-	(17,012)	(623,705)	(14,896)	(879,379)
Reclassification	-	-	9,924	-	207,983	-	217,907
At 31 December 2020	10,395,137	612,914	44,146	529,884	623,707	-	12,205,788
DEPRECIATION							
At 1 January 2020	251,907	516,261	6,668	120,763	805,658	14,896	1,716,153
Charge for year	139,314	57,444	14,122	58,385	163,627	-	432,892
Transfer to ownership	-	(223,766)	-	(17,012)	(623,705)	(14,896)	(879,379)
Reclassification	-	-	1,654	-	-	-	1,654
At 31 December 2020	391,221	349,939	22,444	162,136	345,580	-	1,271,320
NET BOOK VALUE							
At 31 December 2020	10,003,916	262,975	21,702	367,748	278,127	-	10,934,468
At 31 December 2019	10,143,230	320,420	27,554	426,113	214,341	-	11,131,677

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HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2020

15. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2019 and 31 December 2020	<u>1</u>
NET BOOK VALUE	
At 31 December 2020	<u>1</u>
At 31 December 2019	<u>1</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary

Halo Leisure Enterprises Limited

Nature of business: Consultancy and asset management

	% holding	31.12.20 £	31.12.19 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		<u>1</u>	<u>1</u>

Subsidiary

Severn Centre Trust Ltd

Nature of business: Provision of leisure facilities

	% holding	31.12.20 £	31.12.19 £
Class of shares:			
Ordinary	100.00		
Aggregate funds		<u>2,110,604</u>	<u>2,168,941</u>

16. STOCKS

	Group		Company	
	31.12.20 £	31.12.19 £	31.12.20 £	31.12.19 £
Stocks	<u>34,583</u>	<u>34,583</u>	<u>34,583</u>	<u>34,583</u>

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.20 £	31.12.19 £	31.12.20 £	31.12.19 £
Trade debtors	105,172	457,763	52,590	419,250
Amounts owed by group undertakings	-	-	181,057	248,789
Other debtors	1,444	5,788	1,444	5,788
Prepayments and accrued income	<u>627,065</u>	<u>99,544</u>	<u>612,886</u>	<u>99,544</u>
	<u>733,681</u>	<u>563,095</u>	<u>847,977</u>	<u>773,371</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Finance leases & hire purchase (note 20)	360,662	378,693	360,662	378,693
Trade creditors	477,120	385,069	463,458	371,008
Other creditors	159,357	106,150	158,808	105,602
Other Taxes and PAYE	506,662	187,088	468,712	165,557
Accruals	888,702	615,818	870,120	595,185
Deferred income	500,680	838,855	491,155	830,423
Bank loans	25,000	-	25,000	-
	<u>2,918,183</u>	<u>2,511,673</u>	<u>2,837,915</u>	<u>2,446,468</u>

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Deferred income (excluding capital grants)				
Deferred income at 1 January 2020	838,855	643,858	830,423	633,580
Resources deferred in the year	500,680	838,855	491,155	830,423
Amounts released from previous periods	(838,855)	(643,858)	(830,423)	(633,580)
Deferred income at 31 December 2020	<u>500,680</u>	<u>838,855</u>	<u>491,155</u>	<u>830,423</u>

Deferred income at 31 December 2020 represents annual leisure membership income and swimming courses income, where the consideration has been received in the year ended 31 December 2020 but the services were provided in the year ending 31 December 2021.

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Finance leases & hire purchase (note 20)	11,878,812	11,680,647	11,878,812	11,680,647
Bank loans	725,000	-	725,000	-
	<u>12,603,812</u>	<u>11,680,647</u>	<u>12,603,812</u>	<u>11,680,647</u>

20. FINANCE LEASES AND HIRE PURCHASE

An analysis of the maturity of finance lease and hire purchase agreements is given below:

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Due in less than 1 year	360,662	378,693	360,662	378,693
Due between 1-2 years	382,919	360,326	382,919	360,326
Due between 2-5 years	1,043,022	1,114,760	1,043,022	1,114,760
Due in more than 5 years	10,452,871	10,205,561	10,452,871	10,205,561
	<u>12,239,474</u>	<u>12,059,340</u>	<u>12,239,474</u>	<u>12,059,340</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**21. SECURED DEBTS**

At the year end there were £750,000 in secured debts included within creditors (2019: Nil). The debenture dated 9 September 2020 is over all assets of the company. Charges dated 4 April 2012 and 28 July 2015 are held in favour of National Westminster Bank plc over bank deposit balances of £91,100 and £27,000 and all amounts credited to the charitable company's bank account in the future.

22. OBLIGATIONS UNDER OPERATING LEASE AGREEMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group and company

	Land and buildings		Other operating leases	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Payments falling due:				
Within one year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

23. DEFERRED INCOME

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Deferred capital grants	<u>155,466</u>	<u>154,467</u>	<u>155,466</u>	<u>154,467</u>

During the year £22,789 (2019: £25,386) of deferred capital grants were released into the Statement of Financial Activities as income.

24. RECONCILIATION OF MOVEMENTS IN FUNDS**Group**

	Unrestricted Funds	Restricted Funds	Totals
	£	£	£
At 1 January 2020	(8,374,290)	2,332,534	(6,041,756)
Incoming resources	8,022,832	2,548,538	10,571,370
Outgoing resources	(10,276,711)	(2,446,131)	(12,722,842)
Actuarial gains on defined benefit schemes	(5,666,000)	-	(5,666,000)
At 31 December 2020	<u>(16,294,169)</u>	<u>2,434,941</u>	<u>(13,859,228)</u>

Company

	Unrestricted Funds	Restricted Funds	Totals
	£	£	£
At 1 January 2020	(8,378,020)	167,324	(8,210,696)
Incoming resources	7,757,250	2,548,538	10,305,788
Outgoing resources	(10,011,640)	(2,387,286)	(12,398,926)
Actuarial gains on defined benefit schemes	(5,666,000)	-	(5,666,000)
At 31 December 2020	<u>(16,298,410)</u>	<u>328,576</u>	<u>(15,969,834)</u>

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2020

24. RECONCILIATION OF MOVEMENTS IN FUNDS - continued

Restricted Funds – Group

	At 1 January 2020 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2020 £
NERS scheme	167,324	173,547	(12,295)	-	328,576
Severn Centre Building Fund	2,165,210	-	(58,845)	-	2,106,365
Job retention scheme	-	2,315,274	(2,315,274)	-	-
Employment allowance	-	4,000	(4,000)	-	-
SMP reclaimed	-	55,717	(55,717)	-	-
Total	2,332,534	2,548,538	(2,446,131)	-	2,434,941

Restricted Funds – Company

	At 1 January 2020 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2020 £
NERS scheme	167,324	173,547	(12,295)	-	328,576
Job retention scheme	-	2,315,274	(2,315,274)	-	-
Employment allowance	-	4,000	(4,000)	-	-
SMP reclaimed	-	55,717	(55,717)	-	-
Total	167,324	2,548,538	(2,387,286)	-	328,576

NERS scheme

The Charitable Company received grant funding from the Welsh Government in relation to the National Exercise Referral Scheme.

Severn Centre Building Fund

The buildings were funded by grants and are restricted for use by the Severn Centre as leisure facilities. The balance is reducing as the buildings depreciate and agrees to the balance of the relevant tangible fixed asset.

Unrestricted Funds – Group

	At 1 January 2020 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2020 £
<i>Designated funds:</i>					
Bridgend County BC	595,744	-	(103,271)	(492,473)	-
Bridgend County BC - utilities	15,043	-	-	(15,043)	-
Total designated	610,787	-	(103,271)	(507,516)	-
Unrestricted pension	(8,712,000)	-	904,000	(5,666,000)	(15,282,000)
Unrestricted general	(273,077)	8,022,832	(9,269,440)	507,516	(1,012,169)
Total unrestricted	(8,374,290)	8,022,832	(10,276,711)	(5,666,000)	(16,294,169)

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2020

24. RECONCILIATION OF MOVEMENTS IN FUNDS - continued

Unrestricted Funds – Company

	At 1 January 2020 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2020 £
<i>Designated funds:</i>					
Bridgend County BC	595,744	-	(103,271)	(492,473)	-
Bridgend County BC - utilities	15,043	-	-	(15,043)	-
Total designated	610,787	-	(103,271)	(507,516)	-
Unrestricted pension	(8,712,000)	-	(904,000)	(5,666,000)	(15,282,000)
Unrestricted general	(276,807)	7,757,250	(9,004,369)	507,516	(1,016,410)
Total unrestricted	(8,378,020)	7,757,250	(10,011,640)	(5,666,000)	(16,298,410)

Bridgend County BC

The Charitable Company received funding from Bridgend County Borough Council for capital improvements. The depreciation on assets relating to this funding was charged as expenditure against this designated fund.

Bridgend County BC

The Charitable Company has cap and collar agreement with Bridgend County Borough Council relating utility costs. In the year from April 2016 to March 2017 gas tariffs decreased, generating a net refund to Bridgend County Borough Council, which was held at their request in a reserve to be applied to future capital improvements.

Transfers between funds

Transfers have taken place during the year between general unrestricted funds and designated funds to undesignated funds totalling £507,516 to reduce the funding shortfalls within the general unrestricted funds.

Unrestricted general

The unrestricted general funds of the Charitable Company were in deficit at 31 December 2020. The Charitable Company's budgets have been set for future years with a view to reversing this position.

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2020

25. COMPARATIVE YEAR MOVEMENTS IN FUNDS

Group

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 January 2019	(5,373,602)	2,224,056	(3,149,546)
Incoming resources	14,332,719	189,327	14,522,046
Outgoing resources	(15,356,407)	(80,849)	(15,437,256)
Actuarial gains on defined benefit schemes	(1,977,000)	-	(1,977,000)
At 31 December 2019	<u>(8,374,290)</u>	<u>2,332,534</u>	<u>(6,041,756)</u>

Company

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 January 2019	(5,385,225)	-	(5,385,225)
Incoming resources	13,969,806	189,327	14,159,133
Outgoing resources	(14,985,601)	(22,003)	(15,007,604)
Actuarial gains on defined benefit schemes	(1,977,000)	-	(1,977,000)
At 31 December 2019	<u>(8,378,020)</u>	<u>167,324</u>	<u>(8,210,696)</u>

Restricted Funds – Group

	At 1 January 2019 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2019 £
NERS scheme	-	189,327	(22,003)	-	167,324
Severn Centre Building Fund	2,224,056	-	(58,846)	-	2,165,210
Total	<u>2,224,056</u>	<u>189,327</u>	<u>(80,849)</u>	<u>-</u>	<u>2,332,534</u>

Restricted Funds – Company

	At 1 January 2019 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2019 £
NERS scheme	-	189,327	(22,003)	-	167,324
Total	<u>-</u>	<u>189,327</u>	<u>(22,003)</u>	<u>-</u>	<u>167,324</u>

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2020

25. COMPARATIVE YEAR MOVEMENTS IN FUNDS - continued

Unrestricted Funds – Group

	At 1 January 2019 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2019 £
<i>Designated funds:</i>					
Halo Foundation	-	31,705	(38,551)	6,846	-
Bridgnorth Endowed School	(85,207)	57,052	-	28,155	-
Bridgend County BC	699,015	-	(103,271)	-	595,744
Bridgend County BC - utilities	15,043	-	-	-	15,043
Total designated	628,851	88,757	(141,822)	35,001	610,787
Unrestricted pension	(5,930,000)	-	(805,000)	(1,977,000)	(8,712,000)
Unrestricted general	72,453	14,243,962	(14,409,585)	(35,001)	(273,078)
Total unrestricted	(5,373,602)	14,332,719	(15,356,407)	(1,977,000)	(8,374,290)

Unrestricted Funds – Company

	At 1 January 2019 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2019 £
<i>Designated funds:</i>					
Halo Foundation	-	31,705	(38,551)	6,846	-
Bridgnorth Endowed School	(85,207)	57,052	-	28,155	-
Bridgend County BC	699,015	-	(103,271)	-	595,744
Bridgend County BC - utilities	15,043	-	-	-	15,043
Total designated	628,851	88,757	(141,822)	35,001	610,787
Unrestricted pension	(5,930,000)	-	(805,000)	(1,977,000)	(8,712,000)
Unrestricted general	(84,076)	13,881,049	(14,038,779)	(35,001)	(276,807)
Total unrestricted	(5,385,225)	13,969,806	(14,985,601)	(1,977,000)	(8,378,020)

26. EMPLOYEE BENEFIT OBLIGATIONS

The Charitable Company has employees who are admitted into one of three Local Government Pension Schemes administered either by Worcestershire County Council, Rhondda Cynon Taf County Borough Council or Shropshire County Council. The deficits for past service up to the point of transfers have been guaranteed by Herefordshire Council, Rhondda Cynon Taf County Borough Council and Shropshire County Council respectively.

The pension costs and provision for the year ended 31 December 2020 are based on the advice of a professionally qualified actuary. The most recent formal valuation is dated 31 March 2019 for all 3 pension funds.

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**26. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Present value of funded obligations	(41,627,000)	(32,768,000)
Fair value of plan assets	<u>26,345,000</u>	<u>24,056,000</u>
	(15,282,000)	(8,712,000)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	<u>(15,282,000)</u>	<u>(8,172,000)</u>

The amounts recognised in the Statement of Financial Activities are as follows:

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Current service cost	877,000	700,000
Past service cost	189,000	292,000
Net interest from net defined benefit asset/liability	177,000	184,000
Administration expenses	6,000	6,000
Effect of curtailments	-	-
	<u>1,249,000</u>	<u>1,182,000</u>
Actual return on plan assets	<u>2,135,000</u>	<u>3,024,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Opening defined benefit obligation	32,768,000	26,414,000
Current service cost	877,000	700,000
Past service cost	189,000	292,000
Contributions by scheme participants	139,000	156,000
Interest cost	672,000	791,000
Remeasurement (gains) / losses	7,306,000	4,744,000
Curtailments	-	-
Benefits paid	<u>(324,000)</u>	<u>(329,000)</u>
	<u>41,627,000</u>	<u>32,768,000</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2020**26. EMPLOYEE BENEFIT OBLIGATIONS - continued**

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

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Opening fair value of scheme assets	24,056,000	20,484,000
Interest on plan assets	495,000	607,000
Contributions by employer	345,000	377,000
Contributions by scheme participants	139,000	156,000
Remeasurement gains / (losses)	1,640,000	2,767,000
Administration expenses	(6,000)	(6,000)
Benefits paid	(324,000)	(329,000)
	<u>26,345,000</u>	<u>24,056,000</u>

The amounts recognised in other comprehensive income are as follows:

	31.12.20	31.12.19
	£	£
Remeasurement gains/(losses)	<u>(5,666,000)</u>	<u>(1,977,000)</u>
Cumulative amount of actuarial remeasurement losses	<u>(9,936,000)</u>	<u>(4,270,000)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	31.12.20	31.12.19
Equities	64.27%	63.40%
Government bonds	5.53%	12.80%
Cash/liquidity	0.60%	0.73%
Other bonds	13.34%	6.43%
Property	5.63%	6.00%
Other	<u>10.63%</u>	<u>10.64%</u>
	<u>100.00%</u>	<u>100.00%</u>

Principal actuarial assumptions at the balance sheet date:

	31.12.20	31.12.19
Discount rate	1.40 – 1.50%	2.00 – 2.10%
Rate of Inflation	2.30%	2.10 %
Future salary increases	3.55 – 3.80%	3.35 - 3.60%
Future pension increases	2.30 – 2.40%	2.10 - 2.20%

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2020

26. EMPLOYEE BENEFIT OBLIGATIONS - continued

The following table sets out the sensitivity analysis produced by the actuary reporting in respect of the Worcestershire County Council Pension Fund:

	Central	+ 0.1% discount rate	+0.1% inflation	1 year increase in life expectancy
	£	£	£	£
Liabilities	22,671,000	22,132,000	23,223,000	23,352,000
Assets	(11,098,000)	(11,098,000)	(11,098,000)	(11,098,000)
Deficit/(surplus)	11,573,000	11,034,000	12,125,000	11,461,000
Projected service cost for next year	498,000	485,000	512,000	498,000
Projected interest cost for next year	171,000	174,000	180,000	181,000

The following table sets out the sensitivity analysis produced by the actuary reporting in respect of the Rhondda Cynon Taf County Borough Council Pension Fund:

	+0.1% p.a.	Base figure	-0.1% p.a.
<i>Adjustment to discount rate</i>			
Present value of total obligation (£)	16,747,000	17,212,000	17,694,000
% change in present value of total obligation	-2.7%	-	2.8%
Projected service cost (£)	552,000	571,000	591,000
Approximate % change in projected service cost	-3.4%	-	3.5%
<i>Adjustment to salary increase rate</i>			
Present value of total obligation (£)	17,264,000	17,212,000	17,160,000
% change in present value of total obligation	0.3%	-	-0.3%
Projected service cost (£)	571,000	571,000	571,000
Approximate % change in projected service cost	0.0%	-	0.0%
<i>Adjustment to pension increase rate</i>			
Present value of total obligation (£)	17,642,000	17,212,000	16,799,000
% change in present value of total obligation	2.5%	-	-2.4%
Projected service cost (£)	591,000	571,000	552,000
Approximate % change in projected service cost	3.5%	-	-3.4%
	-1 year	Base figure	+1 year
<i>Adjustment to mortality age rating assumption</i>			
Present value of total obligation (£)	17,849,000	17,212,000	16,575,000
% change in present value of total obligation	3.7%	-	-3.7%
Projected service cost (£)	594,000	571,000	548,000
Approximate % change in projected service cost	4.1%	-	-4.0%

The following table sets out the sensitivity analysis produced by the actuary reporting in respect of the Shropshire County Pension Fund:

	Central	+ 0.1% discount rate	+0.1% inflation	1 year increase in life expectancy
	£	£	£	£
Liabilities	1,744,000	1,712,000	1,778,000	1,796,000
Assets	(1,074,000)	(1,074,000)	(1,074,000)	(1,074,000)
Deficit/(surplus)	670,000	638,000	678,000	722,000
Projected service cost for next year	59,000	58,000	61,000	61,000
Projected interest cost for next year	9,000	9,000	10,000	10,000

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2020**

26. EMPLOYEE BENEFIT OBLIGATIONS - continued

Amounts for the current and previous four periods are as follows:

	31.12.20	31.12.19	31.12.18	31.12.17	31.12.16
Defined benefit pension plans	£	£	£	£	£
Defined benefit obligation	(41,627,000)	(32,768,000)	(26,414,000)	(27,218,000)	(25,781,000)
Fair value of scheme assets	26,345,000	24,056,000	20,484,000	20,954,000	17,988,000
Deficit	(15,282,000)	(8,712,000)	(5,930,000)	(6,264,000)	(7,793,000)
Experience gains/(losses) on scheme liabilities	(5,666,000)	(1,929,000)	-	-	3,300,000
Experience gains/(losses) on scheme assets	-	-	-	-	-

In addition to the accounting disclosures under FRS102, it is important to appreciate how the LGPS pension schemes work and how ongoing contributions requirements are calculated to ensure the schemes remain or become fully funded in the long term.

FRS102 is an accounting standard in relation to the calculation and disclosure of company pension scheme liabilities. It requires that employers make full provision for all pension scheme liabilities on their balance sheet – both in respect of any outstanding employer contributions and any attributable share of the pension scheme actuarial deficit in respect of defined benefit schemes.

The FRS102 pensions liability calculation used for accounting purposes are based largely on the actuarial ongoing basis calculations (such as inflation, life expectancy etc) but crucially differ in one key respect – that of the discount factor used to arrive at net present value of any surplus or deficit. Whereas the “ongoing basis” uses estimated actuarial investment returns based on past and expected future performance, the FRS102 calculation uses a return based specifically on AA rated Government gilts. In recent years, the FRS102 calculation has resulted in a significantly lower discount factor than the ongoing basis – and therefore much higher net present pension scheme deficits.

The FRS102 liability is therefore based on the latest tri-annual ongoing basis calculations but is re-calculated each year for the purposes of the annual accounts by the scheme actuaries based on prevailing discount factors. The FRS102 discount factor used decreased by 0.6% for the Worcestershire County Council Pension Fund, 0.6% for the Rhondda Cynon Taf County Borough Council Pension Fund and 0.7% for the Shropshire County Council Pension Fund from those at December 2019.

27. RELATED PARTY DISCLOSURES

The parent Charitable Company, Halo Leisure Services Limited, has taken advantage of the exemption afforded under FRS 102 from disclosing transactions and balances with its wholly owned subsidiaries, Halo Leisure Enterprises Limited and Severn Centre Trust Ltd, within these consolidated financial statements.

28. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is the Board of Trustees and management team who are responsible for the strategic and operational decisions of the Charitable Company.

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2020

29. CONTINGENT LIABILITIES

Performance Guarantees

The Charitable Company has contingent liabilities in respect of Performance Guarantees amounting to £118,100 (2019: £118,100). Two bonds have been lodged for £91,100 and £27,000 to cover this liability in the event that it crystallises.