

**HALO LEISURE SERVICES LIMITED**  
**REPORT OF THE TRUSTEES, STRATEGIC REPORT AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**CHARITY NO : 1091543**  
**COMPANY NO : 04335715**

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**for the Year Ended 31 December 2021**

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## **HALO LEISURE SERVICES LIMITED**

### **REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT** **for the Year Ended 31 December 2021**

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 2021. 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](http://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**

R J S Curtis [Chairman]  
S Brewster  
D M Halpern  
N A Sellar [Treasurer]  
A Cavaghan  
K E Bush  
V A Hill  
J L Coulthurst  
L J Hornik  
C E Edginton  
M J Rendall

30 September 2021

25 February 2022  
25 February 2022

**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 2021**

#### **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 2021**

#### **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

##### **Strategic themes**

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.

##### **2021 Performance.**

Covid - 19 continued to cast a shadow over performance during 2021. All centres were shut until early April during lockdown 3. Restrictions were still in place for the next few months, varying across Wales and England. This contributed to reductions in participation across all activities with an understandable impact on revenues. Operational income remained at approximately 50% of normal levels. The CJRS scheme operated during the lockdown and Halo continued to receive payments from the Welsh Hardship fund via Bridgend Borough Council. This in combination with an COVID business Interruption insurance settlement meant overall revenue was at 80% of normal levels.

## **HALO LEISURE SERVICES LIMITED**

### **REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT** **for the Year Ended 31 December 2021**

#### **STRATEGIC REPORT**

##### **2022 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.

Halo exited 2021 with membership levels at 80% of pre Covid – 19. The expectation is that these will recover by the second half of 2022. Swimming courses are expected to exceed pre-Pandemic levels through additional demand and improved utilization of the pools/teaching resource.

##### **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.

##### **FINANCIAL REVIEW**

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

2021 has continued to be 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 3.

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.

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.

## HALO LEISURE SERVICES LIMITED

### REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT for the Year Ended 31 December 2021

#### STRATEGIC REPORT - continued

#### FINANCIAL REVIEW - continued

The group has returned a deficit of £205,275 (2020: £2,151,472) before defined benefit pension remeasurement adjustments for the year ended 31 December 2021.

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 2021.

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. The value assigned to the liability for defined benefit pension plans which, based on calculations produced by a qualified actuary, has decreased by £2,576,000 during the year.

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

	<u>31.12.21</u>	<u>31.12.20</u>
Net Income / (Expenditure) as a % of Total Income	(1.59)%	(20.35)%
Staff Costs as a % of Total Resources Expended	54.22%	62.92%

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."

## **HALO LEISURE SERVICES LIMITED**

### **REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT** **for the Year Ended 31 December 2021**

#### **STRATEGIC REPORT** – continued

#### **FINANCIAL REVIEW** - continued

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 £0.98m. 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 £2,099,497 (2020: £1,422,772), including restricted funds of £3,079,229 (2020: £2,434,941) and unrestricted funds of £979,732 deficit (2020: £1,012,169 deficit).

However after accounting for the Charitable Company's defined benefit pension scheme liability at the year end of £12,706,000 (2020: £15,282,000) the group has an unrestricted reserve deficit of £13,685,732 (2020: £16,294,169).

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 2021**

#### **STRATEGIC REPORT**

##### **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 2022 will be spent preparing for the challenges we face so we can consolidate and be prepared for 2023.

##### **IMPACT OF COVID-19**

The outbreak of COVID-19, which began in 2020 and has continued during the year, 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 between March 2020 and April 2021.

The charitable company's activities, as with many businesses, have been negatively impacted. The impact of 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).

We were successful in our COVID related Business Interruption insurance claim for the 11 sites insured with Hiscox, which resulted in a settlement 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 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 2021**

#### **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:**

  
B S Curtis – Chairman

  
J G Huxley – Secretary

  
N A Sellar – Trustee

Date: 10th August 2022

**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 2021 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 2021 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](http://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: 10 August 2022

# 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 2021**

	NOTE	Unrestricted Funds £	Restricted Funds £	FRS 102 s.28 Unrestricted Funds £	Total Funds Year to 31.12.2021 £	Total Funds Year to 31.12.2020 £
<b>INCOME</b>						
Donations and legacies	3	-	2,348,327	-	2,348,327	2,488,821
<i>Income from charitable activities:</i>						
Operation of Leisure sites	4	9,243,420	-	-	9,243,420	7,877,660
<i>Income from other trading activities:</i>						
Commercial trading operations	5	180,773	-	-	180,773	204,279
Investment income	6	-	-	-	-	610
Other income	7	1,176,039	-	-	1,176,039	-
<b>TOTAL INCOME</b>		<b>10,600,232</b>	<b>2,348,327</b>	<b>-</b>	<b>12,948,559</b>	<b>10,571,370</b>
<b>EXPENDITURE</b>						
<i>Costs of raising funds:</i>						
Commercial trading operations	5	49,447	-	-	49,447	113,784
<i>Expenditure on charitable activities:</i>						
Leisure activities	12	10,518,348	1,704,039	882,000	13,104,387	12,609,058
<b>TOTAL EXPENDITURE</b>		<b>10,567,795</b>	<b>1,704,039</b>	<b>882,000</b>	<b>13,153,834</b>	<b>12,722,842</b>
<b>NET (EXPENDITURE) / INCOME BEFORE TAXATION AND TRANSFERS</b>		<b>32,437</b>	<b>644,288</b>	<b>(882,000)</b>	<b>(205,275)</b>	<b>(2,151,472)</b>
<b>TAXATION</b>						
<i>Taxation on trading profit</i>		-	-	-	-	-
<b>GROSS TRANSFERS BETWEEN FUNDS</b>		-	-	-	-	-
<b>NET INCOME BEFORE ACTUARIAL (LOSSES)/GAINS UNDER FRS102</b>		<b>32,437</b>	<b>644,288</b>	<b>(882,000)</b>	<b>(205,275)</b>	<b>(2,151,472)</b>
<b>OTHER RECOGNISED GAINS AND LOSSES</b>						
<i>Remeasurements on defined benefit pension schemes</i>	27	-	-	3,458,000	3,458,000	(5,666,000)
<b>NET INCOME / (EXPENDITURE)</b>		<b>32,437</b>	<b>644,288</b>	<b>2,576,000</b>	<b>3,252,725</b>	<b>(7,817,472)</b>
<b>FUNDS BROUGHT FORWARD</b>		<b>(1,012,169)</b>	<b>2,434,941</b>	<b>(15,282,000)</b>	<b>(13,859,228)</b>	<b>(6,041,756)</b>
<b>FUNDS CARRIED FORWARD</b>		<b>(979,732)</b>	<b>3,079,229</b>	<b>(12,706,000)</b>	<b>(10,606,503)</b>	<b>(13,859,228)</b>

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 2021**

	Notes	31.12.21 £	31.12.20 £
<b>FIXED ASSETS</b>			
Intangible assets	14	12,821	30,031
Tangible assets	15	<u>13,702,661</u>	<u>14,367,970</u>
		13,715,482	14,398,001
<b>CURRENT ASSETS</b>			
Stocks	17	34,368	34,583
Debtors	18	503,479	733,681
Cash at bank and in hand		<u>3,441,926</u>	<u>1,933,968</u>
		3,979,773	2,702,232
<b>CREDITORS</b>			
Amounts falling due within one year	19	<u>2,921,923</u>	<u>2,918,183</u>
<b>NET CURRENT LIABILITIES</b>		<u>1,057,850</u>	<u>(215,951)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,773,332	14,182,050
<b>CREDITORS</b>			
Amounts falling due after more than one year	20	(12,544,260)	(12,603,812)
<b>DEFERRED INCOME</b>	24	(129,575)	(155,466)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		<u>2,099,497</u>	<u>1,422,772</u>
<b>PENSION LIABILITY</b>	27	12,706,000	15,282,000
<b>FUNDS</b>			
Unrestricted income funds	25	(13,685,732)	(16,294,169)
Unrestricted designated funds	25		
Restricted funds	25	<u>3,079,229</u>	<u>2,434,941</u>
<b>TOTAL FUNDS</b>	25	(10,606,503)	(13,859,228)
		<u>2,099,497</u>	<u>1,422,772</u>

ON BEHALF OF THE BOARD:

  
 R J S Curtis - Chairman

  
 J G Huxley - Company Secretary

Date: 10th August 2022

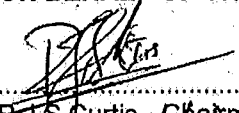
  
 N A Sellar - Trustee

The notes form part of these financial statements

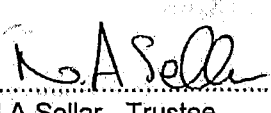
**COMPANY BALANCE SHEET**  
**31 December 2021**

	Notes	31.12.21 £	31.12.20 £
<b>FIXED ASSETS</b>			
Intangible assets	14	8,051	17,172
Tangible assets	15	11,642,901	12,254,850
Investments	16	<u>1</u>	<u>1</u>
		11,650,953	12,272,023
<b>CURRENT ASSETS</b>			
Stocks	17	34,368	34,583
Debtors	18	617,998	847,977
Cash at bank and in hand		<u>3,183,103</u>	<u>1,754,776</u>
		3,835,469	2,637,336
<b>CREDITORS</b>			
Amounts falling due within one year	19	<u>2,826,079</u>	<u>2,837,915</u>
<b>NET CURRENT LIABILITIES</b>		<u>1,009,390</u>	<u>(200,579)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,660,343	12,071,444
<b>CREDITORS</b>			
Amounts falling due after more than one year	20	(12,544,260)	(12,603,812)
<b>DEFERRED INCOME</b>	24	(129,575)	(155,466)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		<u>(13,492)</u>	<u>(687,834)</u>
<b>PENSION LIABILITY</b>	27	12,706,000	15,282,000
<b>FUNDS</b>			
Unrestricted income funds	25	(13,751,202)	(16,298,410)
Unrestricted designated funds	25	-	-
Restricted funds	25	<u>1,031,710</u>	<u>328,576</u>
<b>TOTAL FUNDS</b>	25	<u>(12,719,492)</u>	<u>(15,969,834)</u>
		<u>(13,492)</u>	<u>(687,834)</u>

ON BEHALF OF THE BOARD:

  
 R J S Curtis - Chairman

  
 J G Huxley - Company Secretary

  
 N A Sellar - Trustee

Date: 10th August 2022

The notes form part of these financial statements



**HALO LEISURE SERVICES LIMITED****CONSOLIDATED CASH FLOW STATEMENT  
for the Year Ended 31 December 2021**

	Notes	Year to 31.12.21 £	Year to 31.12.20 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,950,559	297,548
Interest paid		-	-
Interest received		-	(610)
<b>Net cash from operating activities</b>		<b>1,950,559</b>	<b>296,938</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		-	(17,730)
Purchase of tangible fixed assets		(31,547)	(88,225)
Cash donated to group on business combination		-	-
Proceeds from fixed asset disposal		-	-
Interest received		-	610
<b>Net cash from investing activities</b>		<b>(31,547)</b>	<b>(105,345)</b>
<b>Cash flows from financing activities</b>			
New finance lease agreements in year		-	19,430
New bank loan		-	750,000
Repayment of bank loans		(25,000)	-
Hire purchase repayments in year		(223,911)	(221,695)
Interest element of hire purchase and lease payments		(162,143)	(160,704)
<b>Net cash from financing activities</b>		<b>(411,054)</b>	<b>387,031</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>1,507,958</b>	<b>578,624</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>1,933,968</b>	<b>1,355,344</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	2	<b>3,441,926</b>	<b>1,933,968</b>

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 2021**

### **1. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Year to 31.12.21 £	Year to 31.12.20 £
Net movement in funds	3,252,725	(7,817,472)
Actuarial (gains)/losses on defined benefit pension schemes	(3,458,000)	5,666,000
Interest element of hire purchase/finance lease payments	500,727	543,103
Depreciation/amortisation charges	713,792	771,964
(Profit)/loss on disposal	274	-
Decrease in stocks	215	-
Decrease/(Increase) in debtors	230,202	(170,586)
Increase/(Decrease) in creditors	(145,485)	399,540
Movement in deferred capital grants	(25,891)	(2,456)
Difference between pension charge, including finance costs, and cash contributions	<u>882,000</u>	<u>904,000</u>
<b>Net cash inflow from operating activities</b>	<b><u>1,950,559</u></b>	<b><u>297,548</u></b>

### **2. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	Year to 31.12.21 £	Year to 31.12.20 £
Cash in hand and at bank	<u>3,441,926</u>	<u>1,933,968</u>
<b>Total cash and cash equivalents</b>	<b><u>3,441,926</u></b>	<b><u>1,933,968</u></b>

### **3. ANALYSIS OF CHANGES IN NET DEBT**

	31.12.2020	Cash Flows	Non-Cash Changes		31.12.2021
			New Finance Leases / Bank Loans	Other non-cash changes	
Cash in hand & bank	1,933,968	1,507,958	-	-	3,441,926
Debt due within one year	(385,662)	25,000	-	(174,225)	(534,887)
Debt due greater than one year	(12,603,812)	386,054	-	(326,502)	(12,544,260)
	<u>(11,055,506)</u>	<u>1,919,012</u>	<u>-</u>	<u>(500,727)</u>	<u>(9,637,221)</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the Year Ended 31 December 2021**

**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, which began in 2020, resulted in a pandemic causing extensive disruption across the globe. 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 continued to 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 period from March 2020 until April 2021.
- A reduction in income compared to previous years when open as the Trust slowly rebuilds its membership, which declined during the periods of closure.
- These developments have resulted in a significant operating loss for the group, albeit reduced from 2020.
- The depletion of the charity's unrestricted funds

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 charity's membership levels at the end of 2021 remained at 80% of their pre-covid levels.
- The impact of new variants of the virus on government policy and the vaccination program are uncertain.

The outbreak of war in Ukraine has resulted in significant volatility in the wholesale price of gas, which has given rise to a cost of living crisis in the UK and meant utility costs may rise significantly for the Trust in the future.

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

- The Trust took advantage of the Coronavirus Job Retention Scheme (CJRS) until the scheme closed in September 2021.
- In the prior year we 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.
- Facilities are cashless.
- We have put new hygiene measures in place at our gyms, pools and fitness classes in line with coronavirus regulations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021**

**1. ACCOUNTING POLICIES - continued**

**Going concern - continued**

- We successfully negotiated with our local authority partners financial support packages across a large part of the business for the closure period, and to support the Trust during the re-opening period and beyond.
- We were successful in our COVID related Business Interruption Insurance claim for 11 insured sites, resulting in a final settlement of £1.3m.
- We are currently working on contingency planning, which includes potential pricing changes and pool closures to restrict costs, in the event that the Trust becomes exposed to sizeable energy price increases.

**Looking towards post COVID recovery:**

- Revenue has recovered to 85% of pre-pandemic levels with the recovery continuing through 2022 & 2023. Swimming courses are expected to exceed pre-pandemic levels through additional demand and improved utilisation of the pools/teaching resource.
- The Trust are considering the sale of its investment in Halo Leisure Enterprises, which would help to reduce the deficit in unrestricted funds caused by the pandemic.

Group and charitable company cash flow forecasts have been produced. The key assumptions regarding revenue are based on the current expectations when the level of usage of the various activities 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 given the uncertainty regarding the performance of the UK economic, the volatile price of wholesale gas and the potential emergence of new COVID-19 strains, 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 2021**

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021**

**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 2021 there were ten 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 2021**

**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 following grants were received:

Coronavirus Job Retention Scheme (CJRS) to cover a portion of employees' wages who were furloughed due to the coronavirus pandemic.

National Leisure Recovery Fund (NLRFF) payments to support the reopening of leisure centres to the public as government restrictions were lifted during the year.

Government Business Grants relating to the retail, hospitality and leisure industries awarded during the lockdown periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021**

**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 27 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 27, 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 2021. 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 2021****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 31.12.21 £	Year to 31.12.20 £
Incoming resources excluding gift aid from subsidiary	12,546,421	10,252,523
Expenditure on charitable activities	(12,881,165)	(12,345,661)
Net (expenditure)/income	(334,744)	(2,093,138)
Actuarial (losses)/gains on defined benefit pension schemes	3,458,000	(5,666,000)
	3,123,256	(7,759,138)
Distribution from subsidiary	127,084	80,495
	<u>3,250,340</u>	<u>(7,678,643)</u>

**3. DONATIONS AND LEGACIES**

	Unrestricted funds 31 December 2021 £	Restricted funds 31 December 2021 £	Total funds Year to 31 December 2021 £	Total funds Year to 31 December 2020 £
National Exercise Referral Scheme (see note 25)	-	160,810	160,810	173,547
Coronavirus Job Retention Scheme	-	1,072,361	1,072,361	2,315,274
National Leisure Recovery Fund	-	560,741	560,741	-
Asset Improvement Grant - Pencoed	-	129,850	129,850	-
Other project grants	-	424,565	424,565	-
Total	-	<u>2,348,327</u>	<u>2,348,327</u>	<u>2,488,821</u>

**4. INCOME FROM CHARITABLE ACTIVITIES**

	Unrestricted funds 31 December 2021 £	Restricted funds 31 December 2021 £	Total funds Year to 31 December 2021 £	Total funds Year to 31 December 2020 £
Operation of leisure centres	6,747,436	-	6,747,436	5,307,926
Management fee	1,278,952	-	1,278,952	1,427,059
Government grants	52,987	-	52,987	82,506
Local Authority Contracts - COVID 19 relief	1,164,045	-	1,164,045	1,060,169
Total	<u>9,243,420</u>	-	<u>9,243,420</u>	<u>7,877,660</u>

## HALO LEISURE SERVICES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

#### 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 31.12.21 £	Year to 31.12.20 £
Turnover	186,533	204,279
Cost of sales and administration costs (including intra-group)	<u>(59,447)</u>	<u>(123,784)</u>
Net profit	<u>127,084</u>	<u>80,495</u>

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

Included within Turnover are £5,760 (2020: £12,600) of sales to other group companies.

Included within Costs of sales and administration costs is £10k (2020: £10k) of management fees payable to the parent charitable company, Halo Leisure Services Limited.

#### 6. INVESTMENT INCOME

	Unrestricted funds 31 December 2021 £	Restricted funds 31 December 2021 £	Total funds Year to 31 December 2021 £	Total funds Year to 31 December 2020 £
Interest received	-	-	-	610
Total	-	-	-	<u>610</u>

#### 7. OTHER INCOME

	Unrestricted funds 31 December 2021 £	Restricted funds 31 December 2021 £	Total funds Year to 31 December 2021 £	Total funds Year to 31 December 2020 £
Insurance claim	<u>1,176,039</u>	-	<u>1,176,039</u>	-
Total	<u>1,176,039</u>	-	<u>1,176,039</u>	-

In 2021, the Group received £1,176,039 (2020: £Nil) of income related to a Covid Business Interruption Claim on its insurance policy.

#### 8. 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 surplus after the gift aid of profits from the subsidiary and actuarial gains/losses under defined benefit schemes for the financial year was £3,250,340 (31 December 2020: net expenditure of £6,855,139).

**HALO LEISURE SERVICES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
for the Year Ended 31 December 2021****9. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL**

	Year to 31.12.21 £	Year to 31.12.20 £
Wages and salaries	5,490,069	6,212,833
Social security costs	380,198	435,269
Other pension costs	1,129,150	1,209,238
Redundancy and severance payments	21,270	147,986
	<u>7,020,687</u>	<u>8,005,326</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 12 which relates purely to charitable activities.

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

	Year to 31.12.21	Year to 31.12.20
Leisure Centres	406	537
Support	46	47
Management and administration	<u>4</u>	<u>4</u>
	<u>456</u>	<u>588</u>

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

	Year to 31.12.21	Year to 31.12.20
Leisure Centres	189	214
Support	40	40
Management and administration	<u>4</u>	<u>4</u>
	<u>233</u>	<u>258</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 31.12.21	Year to 31.12.20
£60,001 - £70,000	-	1
£70,001 - £80,000	1	-
£80,001 - £90,000	<u>1</u>	<u>1</u>

During the year, no Trustees received any remuneration (2020: £Nil) and no Trustees received any benefits in kind (2020: £Nil).

The Trustees neither received nor waived any emoluments during the year (2020: Nil).

During the year, expenses of £Nil (2020: £707) 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 £351,447 (2020: £329,263). The trust considers its key management personnel comprise of the Chief Executive, Finance Director, HR Director and Operations Director.

**HALO LEISURE SERVICES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021****10. NET INCOME FOR THE YEAR**

The net income is stated after charging:

	Year to 31.12.21 £	Year to 31.12.20 £
Equipment repairs, maintenance and lease	88,979	72,458
Depreciation - owned assets	314,247	319,865
Depreciation - assets on hire purchase contracts or finance leases	382,335	432,891
Computer software amortisation	17,210	19,208
Auditors remuneration	23,000	22,673
Audit of trading subsidiary	6,072	4,738
Non audit work – statutory accounts preparation	<u>5,775</u>	<u>4,120</u>

**11. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year to 31.12.21 £	Year to 31.12.20 £
Finance lease and hire purchase interest	<u>500,727</u>	<u>543,103</u>
	<u>500,727</u>	<u>543,103</u>

**12. RESOURCES EXPENDED ON CHARITABLE ACTIVITIES**

	Direct costs £	Staff costs £	Support costs £	Total for Year to 31.12.21 £	Total for Year to 31.12.20 £
Leisure centres	<u>2,439,158</u>	<u>7,014,702</u>	<u>3,650,527</u>	<u>13,104,387</u>	<u>12,609,058</u>

**Major components of Support Costs**

	Year to 31.12.21 £	Year to 31.12.20 £
Premises Costs	1,303,052	508,689
Advertising & Promotions	24,428	35,708
Office Administration	213,115	204,838
Finance and Compliance	587,703	624,634
Other Finance Costs re FRS 102	224,000	672,000
Irrecoverable VAT	527,357	329,585
Equipment Repairs, Maintenance and Lease	88,979	72,458
Other Costs	658,893	548,406
Governance Costs	<u>23,000</u>	<u>26,793</u>
	<u>3,650,527</u>	<u>3,023,111</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 £23,000 (2020: £26,793), which excludes audit of the trading subsidiary.

**HALO LEISURE SERVICES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021****13. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

	Unrestricted fund £	Restricted funds £	Total funds £
<b>INCOME FROM</b>			
Donations and legacies	-	2,488,821	2,488,821
<i>Income from charitable activities</i>			
Operation of leisure and recreation sites	7,817,943	59,717	7,877,660
<i>Income from other trading activities</i>			
Commercial trading operations	204,279	-	204,279
Investment income	610	-	610
<b>Total income</b>	<b>8,022,832</b>	<b>2,548,538</b>	<b>10,571,370</b>
<b>EXPENDITURE ON</b>			
<i>Cost of raising funds</i>			
Commercial trading operations	113,784	-	113,784
<i>Expenditure on charitable activities</i>			
Operation of leisure and recreation sites	10,162,927	2,446,131	12,609,058
<b>Total expenditure</b>	<b>10,276,711</b>	<b>2,446,131</b>	<b>12,722,842</b>
<b>NET INCOME</b>	<b>(2,253,879)</b>	<b>102,407</b>	<b>(2,151,472)</b>
<b>Transfers between funds</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains/(losses)</b>			
Actuarial gains/losses on defined benefit schemes	(5,666,000)	-	(5,666,000)
<b>Net movement in funds</b>	<b>(7,919,879)</b>	<b>102,407</b>	<b>(7,817,472)</b>
<b>RECONCILIATION OF FUNDS</b>			
Total funds brought forward	(8,374,290)	2,332,534	(6,041,756)
<b>TOTAL FUNDS CARRIED FORWARD</b>	<b>(16,294,169)</b>	<b>2,434,941</b>	<b>(13,859,228)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021****14. INTANGIBLE FIXED ASSETS****Group**

	Computer software £
<b>COST</b>	
At 1 January 2021	114,223
Additions	-
At 31 December 2021	<u>114,223</u>
<b>AMORTISATION</b>	
At 1 January 2021	84,192
Amortisation for year	<u>17,210</u>
At 31 December 2021	<u>101,402</u>
<b>NET BOOK VALUE</b>	
At 31 December 2021	<u>12,821</u>
At 31 December 2020	<u>30,031</u>

**Company**

	Computer software £
<b>COST</b>	
At 1 January 2021	27,363
Additions	-
At 31 December 2021	<u>27,363</u>
<b>AMORTISATION</b>	
At 1 January 2021	10,191
Amortisation for year	<u>9,121</u>
At 31 December 2021	<u>19,312</u>
<b>NET BOOK VALUE</b>	
At 31 December 2021	<u>8,051</u>
At 31 December 2020	<u>17,172</u>

**HALO LEISURE SERVICES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021**

**15. TANGIBLE FIXED ASSETS**

Group	Freehold property £	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Totals £
<b>COST</b>								
At 1 January 2021	2,297,613	10,395,136	3,404,707	793,840	838,222	1,476,019	36,424	19,241,961
Additions	-	-	-	26,930	-	4,617	-	31,547
Disposals	-	-	-	(6,922)	-	-	-	(6,922)
At 31 December 2021	2,297,613	10,395,136	3,404,707	813,848	838,222	1,480,636	36,424	19,266,586
<b>DEPRECIATION</b>								
At 1 January 2021	191,247	391,221	1,972,032	689,272	463,304	1,130,491	36,424	4,873,991
Charge for year	58,846	139,314	232,682	44,450	73,794	147,496	-	696,582
Eliminated on disposal	-	-	-	(6,648)	-	-	-	(6,648)
At 31 December 2021	250,093	530,535	2,204,714	727,074	537,098	1,277,987	36,424	5,563,925
<b>NET BOOK VALUE</b>								
At 31 December 2021	2,047,520	9,864,601	1,199,993	86,774	301,124	202,649	-	13,702,661
At 31 December 2020	2,106,366	10,003,915	1,432,675	104,568	374,918	345,528	-	14,367,970

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# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 15. 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 £
<b>COST</b>							
At 1 January 2021	10,395,137	612,914	44,146	529,884	623,707	-	12,205,788
Additions	-	-	-	-	-	-	-
Transfer to ownership	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
At 31 December 2021	10,395,137	612,914	44,146	529,884	623,707	-	12,205,788
<b>DEPRECIATION</b>							
At 1 January 2021	391,221	349,939	22,444	162,136	345,580	-	1,271,320
Charge for year	139,314	51,077	14,122	56,967	124,741	-	386,221
Transfer to ownership	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
At 31 December 2021	530,535	401,016	36,566	219,103	470,321	-	1,657,541
<b>NET BOOK VALUE</b>							
At 31 December 2021	9,864,602	211,898	7,580	310,781	153,386	-	10,548,247
At 31 December 2020	10,003,916	262,975	21,702	367,748	278,127	-	10,934,468

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# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 15. TANGIBLE FIXED ASSETS - continued

#### Company

#### **COST**

At 1 January 2021

Additions

Disposals

At 31 December 2021

#### **DEPRECIATION**

At 1 January 2021

Charge for year

Eliminated on disposal

At 31 December 2021

#### **NET BOOK VALUE**

At 31 December 2021

At 31 December 2020

	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Totals £
At 1 January 2021	10,395,137	3,404,707	749,897	834,317	1,476,019	36,424	16,896,501
Additions	-	-	16,532	-	4,617	-	21,149
Disposals	-	-	-	-	-	-	-
At 31 December 2021	10,395,137	3,404,707	766,429	834,317	1,480,636	36,424	16,917,650
At 1 January 2021	391,221	1,972,033	651,493	459,988	1,130,492	36,424	4,641,651
Charge for year	139,314	232,678	40,405	73,207	147,494	-	633,098
Eliminated on disposal	-	-	-	-	-	-	-
At 31 December 2021	530,535	2,204,711	691,898	533,195	1,277,986	36,424	5,274,749
At 31 December 2021	9,864,602	1,199,996	74,531	301,122	202,650	-	11,642,901
At 31 December 2020	10,003,916	1,432,674	98,404	374,329	345,527	-	12,254,850

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# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 15. 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 £
<b>COST</b>							
At 1 January 2021	10,395,137	612,914	44,146	529,884	623,707	-	12,205,788
Additions	-	-	-	-	-	-	-
Transfer to ownership	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
At 31 December 2021	10,395,137	612,914	44,146	529,884	623,707	-	12,205,788
<b>DEPRECIATION</b>							
At 1 January 2021	391,221	349,939	22,444	162,136	345,580	-	1,271,320
Charge for year	139,314	51,077	14,122	56,967	124,741	-	386,221
Transfer to ownership	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
At 31 December 2021	530,535	401,016	36,566	219,103	470,321	-	1,657,541
<b>NET BOOK VALUE</b>							
At 31 December 2021	9,864,602	211,898	7,580	310,781	153,386	-	10,548,247
At 31 December 2020	10,003,916	262,975	21,702	367,748	278,127	-	10,934,468

continued...

# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 16. FIXED ASSET INVESTMENTS

#### Company

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2020 and 31 December 2021	<u>1</u>
<b>NET BOOK VALUE</b>	
At 31 December 2021	<u>1</u>
At 31 December 2020	<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	31.12.21 £	31.12.20 £
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	31.12.21 £	31.12.20 £
Class of shares:			
Ordinary	100.00		
Aggregate funds		<u>2,112,989</u>	<u>2,110,604</u>

### 17. STOCKS

	Group		Company	
	31.12.21 £	31.12.20 £	31.12.21 £	31.12.20 £
Stocks	<u>34,368</u>	<u>34,583</u>	<u>34,368</u>	<u>34,583</u>

### 18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.21 £	31.12.20 £	31.12.21 £	31.12.20 £
Trade debtors	169,816	105,172	176,600	52,590
Amounts owed by group undertakings	-	-	131,392	181,057
Other debtors	22,633	1,444	22,633	1,444
Prepayments and accrued income	<u>311,030</u>	<u>627,065</u>	<u>287,373</u>	<u>612,886</u>
	<u>503,479</u>	<u>733,681</u>	<u>617,998</u>	<u>847,977</u>

# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.21	31.12.20	31.12.21	31.12.20
	£	£	£	£
Finance leases & hire purchase (note 21)	384,887	360,662	384,887	360,662
Trade creditors	972,970	477,120	941,147	463,458
Other creditors	80,857	159,357	80,308	158,808
Other Taxes and PAYE	280,374	506,662	253,504	468,712
Accruals	800,518	888,702	773,149	870,120
Deferred income	252,317	500,680	243,084	491,155
Bank loans	150,000	25,000	150,000	25,000
	<u>2,921,923</u>	<u>2,918,183</u>	<u>2,826,079</u>	<u>2,837,915</u>

	Group		Company	
	31.12.21	31.12.20	31.12.21	31.12.20
	£	£	£	£
Deferred income (excluding capital grants)				
Deferred income at 1 January 2021	500,680	838,855	491,155	830,423
Resources deferred in the year	252,317	500,680	243,084	491,155
Amounts released from previous periods	<u>(500,680)</u>	<u>(838,855)</u>	<u>(491,155)</u>	<u>(830,423)</u>
Deferred income at 31 December 2021	<u>252,317</u>	<u>500,680</u>	<u>243,084</u>	<u>491,155</u>

Deferred income at 31 December 2021 represents annual leisure membership income and swimming courses income, where the consideration has been received in the year ended 31 December 2021 but the services were provided in the year ending 31 December 2022.

### 20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31.12.21	31.12.20	31.12.21	31.12.20
	£	£	£	£
Finance leases & hire purchase (note 21)	11,969,260	11,878,812	11,969,260	11,878,812
Bank loans	<u>575,000</u>	<u>725,000</u>	<u>575,000</u>	<u>725,000</u>
	<u>12,544,260</u>	<u>12,603,812</u>	<u>12,544,260</u>	<u>12,603,812</u>

### 21. FINANCE LEASES AND HIRE PURCHASE

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

	Group		Company	
	31.12.21	31.12.20	31.12.21	31.12.20
	£	£	£	£
Due in less than 1 year	384,887	360,662	384,887	360,662
Due between 1-2 years	331,150	382,919	331,150	382,919
Due between 2-5 years	973,648	1,043,022	973,648	1,043,022
Due in more than 5 years	10,664,462	10,452,871	10,664,462	10,452,871
	<u>12,354,147</u>	<u>12,239,474</u>	<u>12,354,147</u>	<u>12,239,474</u>

**HALO LEISURE SERVICES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021****22. SECURED DEBTS**

At the year end there were £725,000 in secured debts included within creditors (2020: £750,000). The debenture dated 9 September 2020 is over all assets of the company. The loan is further secured over all the assets of subsidiary, Severn Centre Trust Ltd, by way of fixed and floating charges.

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.

**23. OBLIGATIONS UNDER OPERATING LEASE AGREEMENTS**

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

Group	Land and buildings		Other operating leases	
	31.12.21 £	31.12.20 £	31.12.21 £	31.12.20 £
Payments falling due:				
Within one year	-	-	9,339	-
Within one to two years	-	-	7,872	-
Within two to five years	-	-	22,961	-
	-	-	40,172	-

Company	Land and buildings		Other operating leases	
	31.12.21 £	31.12.20 £	31.12.21 £	31.12.20 £
Payments falling due:				
Within one year	-	-	7,872	-
Within one to two years	-	-	7,872	-
Within two to five years	-	-	22,961	-
	-	-	38,705	-

**24. DEFERRED INCOME**

	Group		Company	
	31.12.21 £	31.12.20 £	31.12.21 £	31.12.20 £
Deferred capital grants	129,575	155,466	129,575	155,466

During the year £25,891 (2020: £22,789) of deferred capital grants were released into the Statement of Financial Activities as income.

# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 25. RECONCILIATION OF MOVEMENTS IN FUNDS

#### Group

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 January 2021	(16,294,169)	2,434,941	(13,859,228)
Incoming resources	10,600,232	2,348,327	12,948,559
Outgoing resources	(11,449,795)	(1,704,039)	(13,153,834)
Actuarial gains on defined benefit schemes	3,458,000	-	3,458,000
At 31 December 2021	<u>(13,685,732)</u>	<u>3,079,229</u>	<u>(10,606,503)</u>

#### Company

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 January 2021	(16,298,410)	328,576	(15,969,834)
Incoming resources	10,324,887	2,337,327	12,662,214
Outgoing resources	(11,235,679)	(1,634,193)	(12,869,872)
Actuarial gains on defined benefit schemes	3,458,000	-	3,458,000
At 31 December 2021	<u>(13,751,202)</u>	<u>1,031,710</u>	<u>(12,719,492)</u>

#### Restricted Funds – Group

	At 1 January 2021 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2021 £
NERS scheme	328,576	160,810	(12,091)	-	477,295
Severn Centre Building Fund	2,106,365	-	(58,846)	-	2,047,519
Coronavirus Job retention scheme (CJRS)	-	1,072,361	(1,072,361)	-	-
National Leisure Recovery Fund (NLR)	-	560,741	(560,741)	-	-
Asset improvement grant - Pencoeed	-	129,850	-	-	129,850
Other restricted project grants	-	424,565	-	-	424,565
Total	<u>2,434,941</u>	<u>2,348,327</u>	<u>(1,704,039)</u>	<u>-</u>	<u>3,079,229</u>

#### Restricted Funds – Company

	At 1 January 2021 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2021 £
NERS scheme	328,576	160,810	(12,091)	-	477,295
Coronavirus Job retention scheme (CJRS)	-	1,072,361	(1,072,361)	-	-
National Leisure Recovery Fund (NLR)	-	549,741	(549,741)	-	-
Asset improvement grant - Pencoeed	-	129,850	-	-	129,850
Other restricted project grants	-	424,565	-	-	424,565
Total	<u>328,576</u>	<u>2,337,327</u>	<u>(1,634,193)</u>	<u>-</u>	<u>1,031,710</u>

#### NERS scheme

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

# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 25. RECONCILIATION OF MOVEMENTS IN FUNDS - continued

#### 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.

#### Coronavirus Job Retention Scheme

Government grant income used to cover a portion of the employees' wages who were furloughed due to the coronavirus pandemic.

#### National Leisure Recovery Fund

UK Government fund to support leisure centre operators reopen following the enforced closures in response to the coronavirus pandemic. The fund is restricted for use towards the costs of running the respective charity's leisure centres where claims were made, including utilities, staff (who have not been furloughed), essential asset maintenance and security costs.

#### Asset Improvement Grant – Pencoed

A grant received which is restricted for the use towards improving the assets at the Pencoed Leisure Centre.

#### Other restricted project grants

The charity is in receipt of a number of smaller grants, which are restricted for use towards the costs of the projects to which the grants relate to.

#### Unrestricted Funds – Group

	At 1 January 2021 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2021 £
<i>Designated funds:</i>					
Bridgend County BC	-	-	-	-	-
Bridgend County BC - utilities	-	-	-	-	-
Total designated	-	-	-	-	-
Unrestricted pension	(15,282,000)	-	(882,000)	3,458,000	(12,706,000)
Unrestricted general	(1,012,169)	10,600,232	(10,567,795)	-	(979,732)
Total unrestricted	(16,294,169)	10,600,232	(11,449,795)	3,458,000	(13,685,732)

#### Unrestricted Funds – Company

	At 1 January 2021 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2021 £
<i>Designated funds:</i>					
Bridgend County BC	-	-	-	-	-
Bridgend County BC - utilities	-	-	-	-	-
Total designated	-	-	-	-	-
Unrestricted pension	(15,282,000)	-	(882,000)	3,458,000	(12,706,000)
Unrestricted general	(1,016,410)	10,324,887	(10,353,679)	-	(1,045,202)
Total unrestricted	(16,298,410)	10,324,887	(11,235,679)	3,458,000	(13,751,202)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021**

**25. RECONCILIATION OF MOVEMENTS IN FUNDS - continued**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 took place during the year ended 31 December 2020 between general unrestricted funds and designated funds to undesignated funds totalling £507,516 to reduce the funding shortfalls within the general unrestricted funds. There were no transfers in the current year.

Unrestricted general

The unrestricted general funds of the Charitable Company were in deficit at 31 December 2021. The Charitable Company's budgets have been set for future years with a view to reversing this position.

**26. COMPARATIVE YEAR 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 2021

### 26. COMPARATIVE YEAR 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)	-	-
<b>Total</b>	<b>2,332,534</b>	<b>2,548,538</b>	<b>(2,446,131)</b>	<b>-</b>	<b>2,434,941</b>

#### 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)	-	-
<b>Total</b>	<b>167,324</b>	<b>2,548,538</b>	<b>(2,387,286)</b>	<b>-</b>	<b>328,576</b>

#### 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)	-
<b>Total designated</b>	<b>610,787</b>	<b>-</b>	<b>(103,271)</b>	<b>(507,516)</b>	<b>-</b>
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)
<b>Total unrestricted</b>	<b>(8,374,290)</b>	<b>8,022,832</b>	<b>(10,276,711)</b>	<b>(5,666,000)</b>	<b>(16,294,169)</b>

#### 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)	-
<b>Total designated</b>	<b>610,787</b>	<b>-</b>	<b>(103,271)</b>	<b>(507,516)</b>	<b>-</b>
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)
<b>Total unrestricted</b>	<b>(8,378,020)</b>	<b>7,757,250</b>	<b>(10,011,640)</b>	<b>(5,666,000)</b>	<b>(16,298,410)</b>

**HALO LEISURE SERVICES LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021****27. 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 2021 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.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.12.21	31.12.20
	£	£
Present value of funded obligations	(42,588,000)	(41,627,000)
Fair value of plan assets	29,882,000	26,345,000
	(12,706,000)	(15,282,000)
Present value of unfunded obligations	-	-
Deficit	(12,706,000)	(15,282,000)

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

	Defined benefit pension plans	
	31.12.21	31.12.20
	£	£
Current service cost	972,000	877,000
Past service cost	2,000	189,000
Net Interest from net defined benefit asset/liability	224,000	177,000
Administration expenses	5,000	6,000
Effect of curtailments	-	-
	1,203,000	1,249,000
Actual return on plan assets	3,064,000	2,135,000

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

	Defined benefit pension plans	
	31.12.21	31.12.20
	£	£
Opening defined benefit obligation	41,627,000	32,768,000
Current service cost	972,000	877,000
Change in financial assumptions	1,189,000	-
Past service cost	2,000	189,000
Contributions by scheme participants	121,000	139,000
Interest cost	605,000	672,000
Remeasurement (gains) / losses	(1,583,000)	7,306,000
Curtailments	-	-
Benefits paid	(345,000)	(324,000)
	42,588,000	41,627,000

# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 27. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	31.12.21	31.12.20
	£	£
Opening fair value of scheme assets	26,345,000	24,056,000
Interest on plan assets	381,000	495,000
Contributions by employer	321,000	345,000
Contributions by scheme participants	121,000	139,000
Remeasurement gains / (losses)	3,064,000	1,640,000
Administration expenses	(5,000)	(6,000)
Benefits paid	(345,000)	(324,000)
	<u>29,882,000</u>	<u>26,345,000</u>

The amounts recognised in other comprehensive income are as follows:

	31.12.21	31.12.20
	£	£
Remeasurement gains/(losses)	<u>3,458,000</u>	<u>(5,666,000)</u>
Cumulative amount of actuarial remeasurement losses	<u>(6,478,000)</u>	<u>(9,936,000)</u>

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

	Defined benefit pension plans	
	31.12.21	31.12.20
Equities	67.33%	64.27%
Government bonds	3.87%	5.53%
Cash/liquidity	0.87%	0.60%
Other bonds	11.23%	13.34%
Property	4.97%	5.63%
Other	<u>11.73%</u>	<u>10.63%</u>
	<u>100.00%</u>	<u>100.00%</u>

Principal actuarial assumptions at the balance sheet date:

	31.12.21	31.12.20
Discount rate	1.80 – 1.90%	1.40 – 1.50%
Rate of Inflation	2.73%	2.30 %
Future salary increases	3.85 – 4.30%	3.55 – 3.80%
Future pension increases	2.60 – 2.90%	2.30 – 2.40%

# HALO LEISURE SERVICES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2021

### 27. 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	24,201,000	23,626,000	24,790,000	24,951,000
Assets	(12,789,000)	(12,789,000)	(12,789,000)	(12,789,000)
Deficit/(surplus)	11,412,000	10,837,000	12,001,000	12,162,000
Projected service cost for next year	476,000	463,000	490,000	493,000
Projected interest cost for next year	203,000	203,000	213,000	216,000

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 (£)	16,163,000	16,612,000	17,077,000
% change in present value of total obligation	-2.7%	-	2.8%
Projected service cost (£)	429,000	444,000	460,000
Approximate % change in projected service cost	-3.4%	-	3.5%
<i>Adjustment to salary increase rate</i>			
Present value of total obligation (£)	16,662,000	16,612,000	16,562,000
% change in present value of total obligation	0.3%	-	-0.3%
Projected service cost (£)	444,000	444,000	444,000
Approximate % change in projected service cost	0.0%	-	0.0%
<i>Adjustment to pension increase rate</i>			
Present value of total obligation (£)	17,027,000	16,612,000	16,213,000
% change in present value of total obligation	2.5%	-	-2.4%
Projected service cost (£)	460,000	444,000	429,000
Approximate % change in projected service cost	3.5%	-	-3.4%
<i>Adjustment to mortality age rating assumption</i>			
	-1 year	Base figure	+1 year
Present value of total obligation (£)	17,210,000	16,612,000	16,014,000
% change in present value of total obligation	3.6%	-	-3.6%
Projected service cost (£)	462,000	444,000	427,000
Approximate % change in projected service cost	4.0%	-	-3.9%

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	1,775,000	1,742,000	1,809,000	1,829,000
Assets	(1,171,000)	(1,171,000)	(1,171,000)	(1,171,000)
Deficit/(surplus)	604,000	571,000	638,000	658,000
Projected service cost for next year	48,000	47,000	49,000	49,000
Projected interest cost for next year	11,000	11,000	11,000	12,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2021**

**27. EMPLOYEE BENEFIT OBLIGATIONS - continued**

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

	31.12.21	31.12.20	31.12.19	31.12.18	31.12.17
	£	£	£	£	£
<b>Defined benefit pension plans</b>					
Defined benefit obligation	(42,588,000)	(41,627,000)	(32,768,000)	(26,414,000)	(27,218,000)
Fair value of scheme assets	29,882,000	26,345,000	24,056,000	20,484,000	20,954,000
Deficit	(12,706,000)	(15,282,000)	(8,712,000)	(5,930,000)	(6,264,000)
Experience gains/(losses) on scheme liabilities	3,458,000	(5,666,000)	(1,929,000)	-	-
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 0.3% for the Worcestershire County Council Pension Fund, 0.1% for the Rhondda Cynon Taf County Borough Council Pension Fund and 0.3% for the Shropshire County Council Pension Fund from those at December 2019.

**28. 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.

**29. 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.

**30. CONTINGENT LIABILITIES**Performance Guarantees

The Charitable Company has contingent liabilities in respect of Performance Guarantees amounting to £195,000 (2020: £118,100). Bonds have been lodged totalling for £204,100 (2020: £160,100) to cover this liability in the event that it crystallises.