

HALO LEISURE SERVICES LIMITED
REPORT OF THE TRUSTEES, STRATEGIC REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CHARITY NO : 1091543
COMPANY NO : 04335715

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for the Year Ended 31 December 2022

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HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2022**

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 2022. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) (FRS102) 'Accounting and Reporting by Charities' (effective 1 January 2019).

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

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

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

Telephone: 01568 618980

Website: www.haloleisure.org.uk

Company Registration Number: 04335715 (England and Wales)

Charity Registration Number: 1091543

Trustees during the year under review and up to the present date:	Date of appointment as Director/Trustee	Date of resignation as Director/Trustee
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R J S Curtis [Chairman]
S Brewster
N A Sellar [Treasurer]
A Cavaghan
K E Bush
V A Hill
J L Coulthurst
L J Hornik
C E Edginton
M J Rendall
R Whelan
G Hotchen
J Lee

25 February 2022
25 February 2022
1 January 2023
1 January 2023
1 January 2023

30 September 2022
10 August 2022
31 December 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 2022**

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 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. 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 subsidiaries also report to the main Board on a regular basis.

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 responsibility for day-to-day decision making to the Chief Executive and the Senior Management Team. Sub-Committees meet on a regular basis across the year taking responsibility for some strategic decision making. There is a scheme of delegation in place which is reviewed on a cyclical basis.

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 works closely with the Local Authorities and bodies who have sub-contracted facility management to the Charity.

At the start of 2022 the Charitable Company owned 100% of the ordinary issued share capital of Halo Leisure Enterprises Limited whose business is that of a provider of software systems for asset management. During the year this subsidiary was sold, and continues to provide the software for the charitable company to utilize. 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 2022**

STRUCTURE, GOVERNANCE AND MANAGEMENT - continued

Co-operation with other organisations

As a community-based organisation operating in Herefordshire, Bridgend, Shropshire, Gloucestershire 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; and
- To promote physical education and development amongst pupils and students of schools, colleges or establishments for the provision of further or higher education.

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.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2022**

STRATEGIC REPORT

In common with other providers Halo's market is characterized by increasing competition, changing customer requirements, potential economic downturn, Local Authority funding restrictions, the fast moving pace of technology and its impact on how people consume leisure. In addition Halo now faces significant cost pressures from staff costs, primarily increases driven by the National Living Wage, general inflation and most significantly energy costs. In the past Halo has used fixed price purchasing arrangements to secure its energy costs. These arrangements terminated in 2022 leaving the company exposed to market volatility. A new flexible purchasing agreement has been put in place with purchases made at day ahead and month ahead rates. There is price protection in place until March 2024 under the Energy Bill Relief Scheme and some contracts with local authorities also provide protection from energy cost increases. However, the current pricing represents a sizable increase over the previous contract price and Halo remains vulnerable to price increases under the short term purchasing arrangement.

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 objectives. 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 organization.

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.

ACHIEVEMENTS AND PERFORMANCE

2022 Performance

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

2022 saw fewer COVID restrictions with no site closures, however, some constraints on the number of people in rooms, classes and changing for swimming persisted until April. This impacted participation rates. membership and participation levels remain at approximately 80- 90% of the pre-pandemic levels. The financial effect of this shortfall along with inflationary increases across utilities and other costs have been partially mitigated by a price increase across the English sites on 1st November 2022. Halo commenced operation of two new sites in Gloucester on 1st March 2022 in partnership with Greenshaw Learning Trust. This brings the number of operational leisure centres to 22.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2022**

STRATEGIC REPORT - continued

FINANCIAL REVIEW

The group has returned a deficit of £296,917 (2021: £675,725 surplus) before defined benefit pension remeasurement adjustments for the year ended 31 December 2022.

The Charitable Company continues to target a return to a trading surplus.

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 recovering following the end of COVID restrictions
2. Non-operational revenue boosted by a payment from the Welsh Hardship Scheme of £144,081
3. The improvement in the funding of the defined benefit pension plans following revised valuations by the schemes' actuaries.
4. The sale of Halo Enterprises Ltd

Reserves policy

The Charitable Company's principal financial management policy centers around the need to retain sufficient cash reserves to operate within the Charity Commissions guidelines.

Halo Leisure Services Limited has a relatively favourable cash flow as it receives much of its income in advance of its expenditure, but the impact of the pandemic and in 2022 inflation and energy costs had a detrimental effect on cash generation from core business trading; leading to capital investment being sourced through financing options. The Trustees recognise the need for a level of financial reserves that will shield the Charitable Company from the possibility of adverse unforeseen circumstances. These include a number of specific risks that have been identified in the Charitable Company's Risk Register. The company's reserves policy is to achieve "a level of reserves sufficient to cover an average of three months expenditure plus a level of reserves sufficient to cover any actuarially determined crystallised pension deficit contribution that may be required."

The reserves policy suggests a desired level of unrestricted reserves of at least £3.9m, excluding any pension asset or liability. This compares with current unrestricted reserves, excluding the current pension asset, which are in deficit of £602k. Reserves have fallen over recent years due to long lasting effects of the COVID pandemic. 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 which is sufficient, over the next 20 to 25 years.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT **for the Year Ended 31 December 2022**

STRATEGIC REPORT – continued

FINANCIAL REVIEW - continued

Reserves in deficit

Before accounting for any asset/liability arising from the Charitable Company's defined benefit pension scheme accumulated reserves for the group amounted to £1,802,580 (2021: £2,099,497), including restricted funds of £2,404,513 (2021: £3,079,229) and unrestricted funds of £601,933 deficit (2021: £979,732 deficit).

However after accounting for the Charitable Company's defined benefit pension scheme asset at the year end of £4,747,000 (2021: £12,706,000, liability) the group has an unrestricted reserve surplus of £4,145,067 (2021: £13,685,732, deficit).

The pension asset/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 prevent any potential 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 till income where there is no commitment for further sales from the customer along with short term membership commitments with no guarantees of renewal. Whereas Halo has longer term commitments to staff and suppliers. The variance between the timing of Halo's commitments and its customers' commitments is judged to be a core risk that Halo faces along with the current nature of the utilities market which precludes the ability to secure fixed term purchasing arrangements and leaves the company at risk from price spikes. Albeit with a degree of protection from the Government price protection scheme which is in place until 31st March 2024.

FUTURE PLANS

Halo, along with the rest of the leisure sector will continue to face challenges relating to rising costs, particularly employment and energy costs and revenue streams under pressure during a cost of living crisis. To counter this, Halo will continue to promote an environment of high performance from a happy and well-motivated workforce alongside driving down energy consumption through a combination of good practice and targeted investment. The company will continue to work with its partners to provide the best possible service and promote the overall objectives of preserving and improving good health and wellbeing amongst the population.

DISABLED PERSONS AND DIVERSITY

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 has a strong commitment to diversity inclusion and engagement and works with partners to target groups and break down barriers to activity and participation, taking positive steps to increase representation and participation from under-represented groups, believing in a culture of safety, value and inclusion.

Halo has partnered with the National Centre for Diversity and is committed to achieving the Investors in Diversity standard by the Autumn of 2023.

HALO LEISURE SERVICES LIMITED

REPORT OF THE TRUSTEES INCORPORATING STRATEGIC REPORT
for the Year Ended 31 December 2022

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 J S Curtis – Chairman


.....
J G Huxley – Secretary


.....
N A Sellar – Trustee

Date: 9/8/23

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 2022 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 2022 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.

Conclusions relating to going concern

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

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

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

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

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

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

Our responsibilities for the audit of the financial statements

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

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and our experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and Charitable Company, including, but not limited to, the Companies Act 2006, UK tax legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's and Charitable Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

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

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

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- reviewed management contracts where contract variations had arisen;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the relevant regulator.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Committee of Management and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 8 September 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 2022

	NOTE	Unrestricted Funds £	Restricted Funds £	FRS 102 s.28 Unrestricted Funds £	Total Funds Year to 31.12.2022 £	Total Funds Year to 31.12.2021 £
INCOME						
Donations and legacies	3	-	313,164	-	313,164	2,348,327
<i>Income from charitable activities:</i>						
Operation of Leisure sites	4	13,707,590	415,838	-	14,123,428	9,243,420
<i>Income from other trading activities:</i>						
Commercial trading operations	5	134,527	-	-	134,527	180,773
Investment income	6	368,448	-	-	368,448	-
Other income	7	109,293	-	-	109,293	1,176,039
TOTAL INCOME		14,319,858	729,002	-	15,048,860	12,948,559
EXPENDITURE						
<i>Costs of raising funds:</i>						
Commercial trading operations	5	41,982	-	-	41,982	49,447
<i>Expenditure on charitable activities:</i>						
Leisure activities	12	13,900,077	1,403,718	881,000	16,184,795	13,104,387
TOTAL EXPENDITURE		13,942,059	1,403,718	881,000	16,226,777	13,153,834
NET (EXPENDITURE) / INCOME BEFORE TAXATION AND TRANSFERS		377,799	(674,716)	(881,000)	(1,177,917)	(205,275)
GROSS TRANSFERS BETWEEN FUNDS		-	-	-	-	-
NET (EXPENDITURE) / INCOME BEFORE ACTUARIAL (LOSSES)/GAINS UNDER FRS102		377,799	(674,716)	(881,000)	(1,177,917)	(205,275)
OTHER RECOGNISED GAINS AND LOSSES						
<i>Remeasurements on defined benefit pension schemes</i>	27	-	-	18,334,000	18,334,000	3,458,000
NET INCOME / (EXPENDITURE)		377,799	(674,716)	17,453,000	17,156,083	3,252,725
FUNDS BROUGHT FORWARD		(979,732)	3,079,229	(12,706,000)	(10,606,503)	(13,859,228)
FUNDS CARRIED FORWARD		(601,933)	2,404,513	4,747,000	6,549,580	(10,606,503)

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

HALO LEISURE SERVICES LIMITEDCompany Registered number: 04335715
Registered Charity number: 1091543**CONSOLIDATED BALANCE SHEET**
31 December 2022

	Notes	31.12.22 £	31.12.21 £
FIXED ASSETS			
Intangible assets	14	-	12,821
Tangible assets	15	<u>13,878,233</u>	<u>13,702,661</u>
		13,878,233	13,715,482
CURRENT ASSETS			
Stocks	17	40,058	34,368
Debtors	18	562,663	503,479
Cash at bank and in hand		<u>2,912,962</u>	<u>3,441,926</u>
		3,515,683	3,979,773
CREDITORS			
Amounts falling due within one year	19	<u>4,595,655</u>	<u>2,921,923</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,079,972)</u>	<u>1,057,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,798,261	14,773,332
CREDITORS			
Amounts falling due after more than one year	20	<u>(10,891,772)</u>	<u>(12,544,260)</u>
DEFERRED INCOME	24	<u>(103,909)</u>	<u>(129,575)</u>
NET ASSETS BEFORE PENSION (ASSET)/LIABILITY		<u>1,802,580</u>	<u>2,099,497</u>
PENSION (ASSET)/LIABILITY	27	<u>(4,747,000)</u>	<u>12,706,000</u>
FUNDS			
Unrestricted income funds	25	4,145,067	(13,685,732)
Unrestricted designated funds	25	-	-
Restricted funds	25	<u>2,404,513</u>	<u>3,079,229</u>
TOTAL FUNDS	25	<u>6,549,580</u>	<u>(10,606,503)</u>
		<u>1,802,580</u>	<u>2,099,497</u>

ON BEHALF OF THE BOARD:

 R J S Curtis - Chairman


 J G Huxley - Company Secretary

Date: 9/8/23


 N A Sellar - Trustee

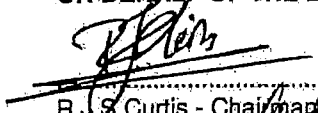
HALO LEISURE SERVICES LIMITED

Company Registered number: 04335715
 Registered Charity number: 1091543

COMPANY BALANCE SHEET
31 December 2022

	Notes	31.12.22 £	31.12.21 £
FIXED ASSETS			
Intangible assets	14	-	8,051
Tangible assets	15	11,882,790	11,642,901
Investments	16	-	1
		11,882,790	11,650,953
CURRENT ASSETS			
Stocks	17	40,058	34,368
Debtors	18	508,846	617,998
Cash at bank and in hand		2,827,845	3,183,103
		3,376,749	3,835,469
CREDITORS			
Amounts falling due within one year	19	4,497,564	2,826,079
NET CURRENT (LIABILITIES)/ASSETS		(1,120,815)	1,009,390
TOTAL ASSETS LESS CURRENT LIABILITIES		10,761,975	12,660,343
CREDITORS			
Amounts falling due after more than one year	20	(10,891,772)	(12,544,260)
DEFERRED INCOME	24	(103,909)	(129,575)
NET LIABILITIES BEFORE PENSION (ASSET)/LIABILITY		(233,706)	(13,492)
PENSION (ASSET)/LIABILITY	27	(4,747,000)	12,706,000
FUNDS			
Unrestricted income funds	25	4,097,456	(13,751,202)
Unrestricted designated funds	25	-	-
Restricted funds	25	415,838	1,031,710
TOTAL FUNDS	25	4,513,294	(12,719,492)
		(233,706)	(13,492)

ON BEHALF OF THE BOARD:


 R J S Curtis - Chairman


 J G Huxley - Company Secretary

Date: 9/8/23


 N A Sellar - Trustee

HALO LEISURE SERVICES LIMITED**CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 December 2022**

	Notes	Year to 31.12.22 £	Year to 31.12.21 £
Cash flows from operating activities			
Cash generated from operations	1	628,616	1,950,559
Proceeds from sale of investment		(350,000)	-
Interest received		(18,448)	-
Net cash from operating activities		<u>260,168</u>	<u>1,950,559</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		-	-
Purchase of tangible fixed assets		(870,520)	(31,547)
Proceeds from sale of investment		350,000	-
Proceeds from fixed asset disposal		2,263	-
Interest received		<u>18,448</u>	<u>-</u>
Net cash from investing activities		<u>(499,809)</u>	<u>(31,547)</u>
Cash flows from financing activities			
New finance lease agreements in year		(205,269)	-
New bank loan		-	-
Repayment of bank loans		(150,000)	(25,000)
Hire purchase repayments in year		534,753	(223,911)
Interest element of hire purchase and lease payments		<u>(468,806)</u>	<u>(162,143)</u>
Net cash from financing activities		<u>(289,322)</u>	<u>(411,054)</u>
Change in cash and cash equivalents in the reporting period		<u>(528,964)</u>	<u>1,507,958</u>
Cash and cash equivalents at the beginning of the reporting period		<u>3,441,926</u>	<u>1,933,968</u>
Cash and cash equivalents at the end of the reporting period	2	<u>2,912,962</u>	<u>3,441,926</u>

The notes form part of these financial statements

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 December 2022****1. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Year to 31.12.22 £	Year to 31.12.21 £
Net movement in funds	17,156,083	3,252,725
Actuarial (gains)/losses on defined benefit pension schemes	(18,334,000)	(3,458,000)
Interest element of hire purchase/finance lease payments	468,806	500,727
Depreciation/amortisation charges	702,999	713,792
(Increase)/decrease in stocks	(5,690)	215
(Profit)/loss on disposal	(2,263)	274
(Increase)/decrease in debtors	(59,184)	230,202
Decrease in creditors	(153,469)	(145,485)
Movement in deferred capital grants	(25,666)	(25,891)
Difference between pension charge, including finance costs, and cash contributions	<u>881,000</u>	<u>882,000</u>
Net cash inflow from operating activities	<u>628,616</u>	<u>1,950,559</u>

2. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Year to 31.12.22 £	Year to 31.12.21 £
Cash in hand and at bank	<u>2,912,962</u>	<u>3,441,926</u>
Total cash and cash equivalents	<u>2,912,962</u>	<u>3,441,926</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	31.12.2021	Cash Flows	Non-Cash Changes		31.12.2022
			New Finance Leases / Bank Loans	Other non-cash changes	
Cash in hand & bank	3,441,926	(528,963)	-	-	2,912,963
Debt due within one year	(384,887)	(1,812,596)	(150,000)	(14,605)	(2,362,088)
Debt due greater than one year	(11,969,260)	1,751,420	(219,731)	(454,201)	(10,891,772)
	<u>(8,912,221)</u>	<u>(590,139)</u>	<u>(369,731)</u>	<u>(468,806)</u>	<u>(10,340,897)</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended 31 December 2022

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

COVID-19 caused considerable disruption to Halo Leisure operations for most of 2020, all of 2021 and the first quarter of 2022. Recovery to more normal operating activity levels following enforced closures and changes to customer attitudes continued through 2022.

The group was supported through the pandemic by the furlough scheme (CJRS), various grants, extra management fee payments, a business interruption insurance claim and securing a Coronavirus Business Interruption Loan Scheme (CBILS) loan.

Revenue has continued to recover through 2022 and this has been enhanced by price increases during October to cover inflationary increases and the wage cost increases driven by changes to the National Living Wage.

Cost of utilities, primarily gas and electricity, are now a concern. Service contract price protection is in place for more than 50% of the portfolio (based on turnover). For the balance, a fixed price purchasing contract ended in November 2022 and the Group reverted to a flexible arrangement based on the best pricing combination of day and month ahead. This means Halo is exposed to short term price shocks but is protected by the Government Energy Bill Relief Scheme (EBRS) and Energy Bills Discount Scheme (EBDS) to March 2024.

Group and charitable company cash flow forecasts have been produced based on revenue and cost forecasts for the foreseeable future. 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.

Due to the nature of its activities the group is in a favourable cash position, which assists with its ability to continue to service its debts.

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.

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

1. ACCOUNTING POLICIES - continued

Functional currency and presentation currency

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

Funds

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

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

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

Income recognition

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

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

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

Management fee

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

Expenditure recognition

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

Support costs

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

Irrecoverable VAT

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

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

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 (up to the date of sale of the company) 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 2022 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.

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

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:

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

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

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 2022. 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 2022**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 31.12.22 £	Year to 31.12.21 £
Incoming resources excluding gift aid from subsidiary	14,683,487	12,546,421
Expenditure on charitable activities	(15,871,413)	(12,881,165)
Net (expenditure)/income	(1,187,926)	(334,744)
Actuarial (losses)/gains on defined benefit pension schemes	18,334,000	3,458,000
	17,146,074	3,123,256
Distribution from subsidiary	86,712	127,084
	<u>17,232,786</u>	<u>3,250,340</u>

3. DONATIONS AND LEGACIES

	Unrestricted funds 31 December 2022 £	Restricted funds 31 December 2022 £	Total funds Year to 31 December 2022 £	Total funds Year to 31 December 2021 £
National Exercise Referral Scheme (see note 25)	-	182,441	182,441	160,810
Coronavirus Job Retention Scheme	-	-	-	1,072,361
National Leisure Recovery Fund	-	-	-	560,741
Asset Improvement Grant - Pencoed	-	-	-	129,850
Other project grants	-	130,723	130,723	424,565
Total	-	<u>313,164</u>	<u>313,164</u>	<u>2,348,327</u>

4. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 31 December 2021 £	Restricted funds 31 December 2022 £	Total funds Year to 31 December 2022 £	Total funds Year to 31 December 2021 £
Operation of leisure centres	11,852,015	415,838	12,267,853	6,747,436
Management fee	1,576,674	-	1,576,674	1,278,952
Government grants	278,901	-	278,901	52,987
Local Authority Contracts - COVID 19 relief	-	-	-	1,164,045
Total	<u>13,707,590</u>	<u>415,838</u>	<u>14,123,428</u>	<u>9,243,420</u>

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

5. INCOME FROM OTHER TRADING ACTIVITIES

A summary of the trading results of the subsidiary, Halo Leisure Enterprises Limited, that was wholly owned until its sale in July 2022 is shown below:

	Year to 31.12.22 £	Year to 31.12.21 £
Turnover	134,527	186,533
Cost of sales and administration costs (including intra-group)	<u>(41,982)</u>	<u>(59,447)</u>
Net profit	<u>92,546</u>	<u>127,086</u>

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

Included within Turnover are £nil (2021: £12,600) of sales to other group companies and £350,000 in sales proceeds of the trading subsidiary.

Included within Costs of sales and administration costs is £5,833 (2021: £10k) of management fees payable to the parent charitable company, Halo Leisure Services Limited.

6. INVESTMENT INCOME

	Unrestricted funds 31 December 2022 £	Restricted funds 31 December 2022 £	Total funds Year to 31 December 2022 £	Total funds Year to 31 December 2021 £
Interest received	18,448	-	18,448	-
Proceeds from sale of investment	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Total	<u>368,448</u>	<u>-</u>	<u>368,448</u>	<u>-</u>

7. OTHER INCOME

	Unrestricted funds 31 December 2022 £	Restricted funds 31 December 2022 £	Total funds Year to 31 December 2022 £	Total funds Year to 31 December 2021 £
Insurance claim	<u>109,293</u>	<u>-</u>	<u>109,293</u>	<u>1,176,039</u>
Total	<u>109,293</u>	<u>-</u>	<u>109,293</u>	<u>1,176,039</u>

In 2022, the Group received £109,293 (2021: £1,176,039) 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, proceed of its sale and actuarial gains/losses under defined benefit schemes for the financial year was £17,232,786 (2021: £3,252,725 net deficit).

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**9. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL**

	Year to 31.12.22 £	Year to 31.12.21 £
Wages and salaries	7,214,199	5,490,069
Social security costs	502,948	380,198
Other pension costs	1,216,734	1,129,150
Redundancy and severance payments	-	21,270
	<u>8,933,881</u>	<u>7,020,687</u>

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

	Year to 31.12.22	Year to 31.12.21
Leisure Centres	522	406
Support	55	46
Management and administration	<u>4</u>	<u>4</u>
	<u>581</u>	<u>456</u>

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

	Year to 31.12.22	Year to 31.12.21
Leisure Centres	205	189
Support	45	40
Management and administration	<u>4</u>	<u>4</u>
	<u>254</u>	<u>233</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 31.12.22	Year to 31.12.21
£60,001 - £70,000	2	-
£70,001 - £80,000	1	1
£80,001 - £90,000	-	1
£90,001 - £100,000	<u>1</u>	<u>-</u>

During the year, no Trustees received any remuneration (2021: £Nil) and no Trustees received any benefits in kind (2021: £Nil).

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

During the year, expenses of £219 (2021: £nil) 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 £384,940 (2021: £351,447). 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 2022**10. NET INCOME FOR THE YEAR**

The net income is stated after charging:

	Year to 31.12.22	Year to 31.12.21
	£	£
Equipment repairs, maintenance and lease	221,169	88,979
Depreciation - owned assets	338,438	314,247
Depreciation - assets on hire purchase contracts or finance leases	356,512	382,335
Computer software amortisation	8,051	17,210
Auditors remuneration	25,000	23,000
Audit of trading subsidiary	-	6,072
Non audit work – statutory accounts preparation	<u>6,223</u>	<u>5,775</u>

11. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31.12.22	Year to 31.12.21
	£	£
Finance lease and hire purchase interest	<u>468,806</u>	<u>500,727</u>
	<u>468,806</u>	<u>500,727</u>

12. RESOURCES EXPENDED ON CHARITABLE ACTIVITIES

	Direct costs	Staff costs	Support costs	Total for Year to 31.12.22	Total for Year to 31.12.21
	£	£	£	£	£
Leisure centres	<u>2,557,626</u>	<u>8,933,881</u>	<u>4,693,288</u>	<u>16,184,795</u>	<u>13,104,387</u>

Major components of Support Costs

	Year to 31.12.22	Year to 31.12.21
	£	£
Premises Costs	1,404,829	1,303,052
Advertising & Promotions	60,760	24,428
Office Administration	256,262	213,115
Finance and Compliance	873,261	587,703
Other Finance Costs re FRS 102	224,000	224,000
Irrecoverable VAT	777,958	527,357
Equipment Repairs, Maintenance and Lease	221,169	88,979
Other Costs	843,826	658,893
Governance Costs	<u>31,223</u>	<u>23,000</u>
	<u>4,693,288</u>	<u>3,650,527</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 £25,000 (2021: £23,000).

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2022****13. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

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

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**14. INTANGIBLE FIXED ASSETS****Group**Computer
software
£**COST**

At 1 January 2022

114,223

Additions

-

Disposals

(86,860)

At 31 December 2022

27,363**AMORTISATION**

At 1 January 2022

104,845

Amortisation for year

8,051

Amortisation eliminated on disposal

(85,533)

At 31 December 2022

27,363**NET BOOK VALUE**

At 31 December 2022

-

At 31 December 2021

8,051**Company**Computer
software
£**COST**

At 1 January 2022

27,363

Additions

-

At 31 December 2022

27,363**AMORTISATION**

At 1 January 2022

19,312

Amortisation for year

8,051

At 31 December 2022

27,363**NET BOOK VALUE**

At 31 December 2022

-

At 31 December 2021

8,051

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

15. TANGIBLE FIXED ASSETS

Group	Freehold property £	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Assets Under Construction	Totals £
COST									
At 1 January 2022	2,297,613	10,395,137	3,404,711	813,846	838,221	1,480,634	36,424	-	19,266,586
Additions	-	-	-	74,746	26,737	273,786	71,040	424,211	870,520
Disposals	-	-	-	-	-	(68,711)	-	-	(68,711)
At 31 December 2022	2,297,613	10,395,137	3,404,711	888,592	864,958	1,685,709	107,464	424,211	20,068,395
DEPRECIATION									
At 1 January 2022	250,093	530,535	2,204,714	727,074	537,098	1,277,987	36,424	-	5,563,925
Charge for year	58,844	139,314	232,675	45,843	74,724	141,575	1,973	-	694,948
Eliminated on disposal	-	-	-	-	-	(68,711)	-	-	(68,711)
At 31 December 2022	308,937	669,849	2,437,389	772,917	611,822	1,350,851	38,397	-	6,190,162
NET BOOK VALUE									
At 31 December 2022	1,988,676	9,725,288	967,322	115,675	253,136	334,858	69,067	424,211	13,878,233
At 31 December 2021	2,047,520	9,864,602	1,199,997	86,772	301,123	202,647	-	-	13,702,661

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HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2022

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 £
COST							
At 1 January 2022	10,395,137	612,914	44,146	529,884	623,707	-	12,205,788
Additions	-	-	-	26,737	192,819	-	219,556
Transfer to ownership	-	-	(36,595)	(1,500)	(97,375)	-	(135,470)
Reclassification	-	-	-	-	-	-	-
At 31 December 2022	10,395,137	612,914	7,551	555,121	719,151	-	12,289,874

DEPRECIATION

At 1 January 2022	530,535	401,016	36,566	219,103	470,321	-	1,657,541
Charge for year	139,314	51,076	1,923	60,387	103,812	-	386,512
Transfer to ownership	-	-	(31,099)	(1,500)	(84,846)	-	(117,445)
Reclassification	-	-	-	-	-	-	-
At 31 December 2022	669,849	452,092	7,390	277,990	489,287	-	1,896,608

NET BOOK VALUE

At 31 December 2022	9,725,288	160,822	161	277,131	229,864	-	10,393,266
At 31 December 2021	9,864,602	211,898	7,580	310,781	153,386	-	10,548,247

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HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

15. TANGIBLE FIXED ASSETS - continued

Company

	Leasehold property £	Improvement to property £	Plant and machinery £	Fixtures and fittings £	Fitness equipment £	Computer equipment £	Assets Under Construction	Totals £
COST								
At 1 January 2022	10,395,137	3,404,707	766,429	834,317	1,480,636	36,424	-	16,917,650
Additions	-	-	74,746	26,737	273,786	71,040	424,211	870,520
Disposals	-	-	-	-	(68,711)	-	-	(68,711)
At 31 December 2022	10,395,137	3,404,707	841,175	861,054	1,685,711	107,464	424,211	17,719,459
DEPRECIATION								
At 1 January 2022	530,535	2,204,711	691,898	533,195	1,277,986	36,424	-	5,274,749
Charge for year	139,314	232,675	40,370	74,724	141,575	1,973	-	630,631
Eliminated on disposal	-	-	-	-	(68,711)	-	-	(68,711)
At 31 December 2022	669,849	2,437,386	732,268	607,919	1,350,850	38,397	-	5,836,669
NET BOOK VALUE								
At 31 December 2022	9,725,288	967,321	108,907	253,135	334,861	69,067	424,211	11,882,790
At 31 December 2021	9,864,602	1,199,996	74,531	301,122	202,650	-	-	11,642,901

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HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2022

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 £
COST							
At 1 January 2022	10,395,137	612,914	44,146	529,884	623,707	-	12,205,788
Additions	-	-	-	26,737	192,819	-	219,556
Disposals	-	-	-	-	(68,711)	-	(68,711)
Transfer to ownership	-	-	(36,595)	(1,500)	(97,375)	-	(135,470)
At 31 December 2022	10,395,137	612,914	7,551	555,121	650,440	-	12,221,163
DEPRECIATION							
At 1 January 2022	530,535	401,016	36,566	219,103	470,321	-	1,657,541
Charge for year	139,314	51,076	1,923	60,387	103,812	-	356,512
Eliminated on disposal	-	-	-	-	(68,711)	-	(68,711)
Transfer to ownership	-	-	(31,099)	-	(84,846)	-	(115,945)
At 31 December 2022	669,849	452,092	7,390	279,490	420,576	-	1,829,397
NET BOOK VALUE							
At 31 December 2022	9,725,287	160,824	161	275,632	229,864	-	10,391,766
At 31 December 2021	9,864,602	211,898	7,580	310,781	153,386	-	10,548,247

continued...

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**16. FIXED ASSET INVESTMENTS****Company**

	Shares in group undertakings £
COST	
At 1 January 2022	1
Disposals	<u>(1)</u>
At 31 December 2022	<u>-</u>
NET BOOK VALUE	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>1</u>

The company's investments included the share capital of the trading subsidiary, Halo Leisure Enterprises Limited, which was sold in the year.

Halo Leisure Services Limited is the 100% controlling company of Severn Centre Trust Limited, a company limited by guarantee.

Subsidiary**Halo Leisure Enterprises Limited**

Nature of business: Consultancy and asset management

	% holding	31.12.22	31.12.21
Class of shares:			
Ordinary	100.00	£	£
Aggregate capital and reserves		<u>-</u>	<u>1</u>

Subsidiary**Severn Centre Trust Ltd**

Nature of business: Provision of leisure facilities

	% holding	31.12.22	31.12.21
Class of shares:			
Ordinary	100.00	£	£
Aggregate funds		<u>2,037,613</u>	<u>2,112,989</u>

17. STOCKS

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	£	£	£	£
Stocks	<u>40,058</u>	<u>34,368</u>	<u>40,058</u>	<u>34,368</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	£	£	£	£
Trade debtors	424,516	169,816	370,358	176,600
Amounts owed by group undertakings	-	-	3,506	131,392
Other debtors	32,042	22,633	32,042	22,633
Prepayments and accrued income	<u>106,105</u>	<u>311,030</u>	<u>102,940</u>	<u>287,373</u>
	<u>562,663</u>	<u>503,479</u>	<u>508,846</u>	<u>617,998</u>

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	£	£	£	£
Finance leases & hire purchase (note 21)	2,212,088	384,887	2,212,088	384,887
Trade creditors	694,773	972,970	681,421	941,147
Other creditors	89,950	80,857	89,401	80,308
Other Taxes and PAYE	294,914	280,374	265,611	253,504
Accruals	982,352	800,518	936,201	773,149
Deferred income	171,578	252,317	162,842	243,084
Bank loans	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
	<u>4,595,655</u>	<u>2,921,923</u>	<u>4,497,564</u>	<u>2,826,079</u>

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	£	£	£	£
Deferred income (excluding capital grants)				
Deferred income at 1 January	252,317	500,680	243,084	491,155
Resources deferred in the year	171,578	252,317	162,842	243,084
Amounts released from previous periods	<u>(252,317)</u>	<u>(500,680)</u>	<u>(243,084)</u>	<u>(491,155)</u>
Deferred income at 31 December	<u>171,578</u>	<u>252,317</u>	<u>162,842</u>	<u>243,084</u>

Deferred income at 31 December 2022 represents annual leisure membership income and swimming courses income, where the consideration has been received in the year ended 31 December 2022 but the services were provided in the year ending 31 December 2023.

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

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	£	£	£	£
Finance leases & hire purchase (note 21)	10,466,772	11,969,260	10,466,772	11,969,260
Bank loans	<u>425,000</u>	<u>575,000</u>	<u>425,000</u>	<u>575,000</u>
	<u>10,891,772</u>	<u>12,544,260</u>	<u>10,891,772</u>	<u>12,544,260</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**21. FINANCE LEASES AND HIRE PURCHASE**

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

	Group		Company	
	31.12.22 £	31.12.21 £	31.12.22 £	31.12.21 £
Due in less than 1 year	2,212,088	384,887	2,212,088	384,887
Due between 1-2 years	381,348	331,150	381,348	331,150
Due between 2-5 years	1,049,026	973,648	1,049,026	973,648
Due in more than 5 years	9,036,398	10,664,462	9,036,398	10,664,462
	<u>12,678,860</u>	<u>12,354,147</u>	<u>12,678,860</u>	<u>12,354,147</u>

Amounts due within one year include amounts which may be deferred for payment by agreement with the lender. Discussions surrounding this are taking place as at the date of approval of the financial statements.

22. SECURED DEBTS

At the year end there were £575,000 in secured debts included within creditors (2021: £725,000). 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	
	31.12.22 £	31.12.21 £	31.12.22 £	31.12.21 £
Payments falling due:				
Within one year	-	-	12,498	9,339
Within one to two years	-	-	7,872	7,872
Within two to five years	-	-	<u>15,088</u>	<u>22,961</u>
	<u>-</u>	<u>-</u>	<u>35,458</u>	<u>40,172</u>
Company	Land and buildings		Other operating leases	
	31.12.22 £	31.12.21 £	31.12.22 £	31.12.21 £
Payments falling due:				
Within one year	-	-	12,498	7,872
Within one to two years	-	-	7,872	7,872
Within two to five years	-	-	<u>15,088</u>	<u>22,961</u>
	<u>-</u>	<u>-</u>	<u>35,458</u>	<u>38,705</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**24. DEFERRED INCOME**

	Group		Company	
	31.12.22	31.12.21	31.12.22	31.12.21
	£	£	£	£
Deferred capital grants	<u>103,909</u>	<u>129,575</u>	<u>103,909</u>	<u>129,575</u>

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

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

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 January 2022	(13,685,732)	3,079,229	(10,606,503)
Incoming resources	14,319,858	729,002	15,048,860
Outgoing resources	(14,823,059)	(1,403,718)	(16,226,777)
Actuarial gains on defined benefit schemes	18,334,000	-	18,334,000
At 31 December 2022	<u>4,145,067</u>	<u>2,404,513</u>	<u>6,549,580</u>

Company

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 January 2022	(13,751,202)	1,031,710	(12,719,492)
Incoming resources	14,041,197	729,002	14,770,199
Outgoing resources	(14,526,539)	(1,344,874)	(15,871,413)
Actuarial gains on defined benefit schemes	18,334,000	-	18,334,000
At 31 December 2022	<u>4,097,456</u>	<u>415,838</u>	<u>4,513,294</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2022****25. RECONCILIATION OF MOVEMENTS IN FUNDS - continued****Restricted Funds – Group**

	At 1 January 2022 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2022 £
NERS scheme	477,295	182,441	(659,736)	-	-
Severn Centre Building Fund	2,047,519	-	(58,844)	-	1,988,675
Asset improvement grant - Pencoed	129,850	-	(129,850)	-	-
Other restricted project income	424,565	546,561	(555,288)	-	415,838
Total	3,079,229	729,002	(1,403,718)	-	2,404,513

Restricted Funds – Company

	At 1 January 2022 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 December 2022 £
NERS scheme	477,295	182,441	(659,736)	-	-
Asset improvement grant - Pencoed	129,850	-	(129,850)	-	-
Other restricted project income	424,565	546,561	(555,288)	-	415,838
Total	1,031,710	729,002	(1,344,874)	-	415,838

NERS scheme

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

Severn Centre Building Fund

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

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 income

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

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**25. RECONCILIATION OF MOVEMENTS IN FUNDS - continued****Unrestricted Funds – Group**

	At 1 January 2022 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2022 £
Unrestricted pension	(12,706,000)	-	(881,000)	18,334,000	4,747,000
Unrestricted general	(979,732)	14,319,858	(13,942,059)	-	(601,933)
Total unrestricted	(13,685,732)	14,319,858	(14,823,059)	18,344,000	4,145,067

Unrestricted Funds – Company

	At 1 January 2022 £	Incoming Resources £	Outgoing Resources £	Gains, losses, & transfers £	At 31 December 2022 £
Unrestricted pension	(12,706,000)	-	(881,000)	18,334,000	4,747,000
Unrestricted general	(1,045,202)	14,041,197	(13,645,539)	-	(649,544)
Total unrestricted	(13,751,202)	14,041,197	(14,526,539)	18,344,000	4,097,456

26. COMPARATIVE YEAR 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>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2022****26. COMPARATIVE YEAR MOVEMENTS IN FUNDS – continued****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 (NLRF)	-	560,741	(560,741)	-	-
Asset improvement grant - Pencoed	-	129,850	-	-	129,850
Other restricted project grants	-	424,565	-	-	424,565
Total	2,434,941	2,348,327	(1,704,039)	-	3,079,229

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 (NLRF)	-	549,741	(549,741)	-	-
Asset improvement grant - Pencoed	-	129,850	-	-	129,850
Other restricted project grants	-	424,565	-	-	424,565
Total	328,576	2,337,327	(1,634,193)	-	1,031,710

NERS scheme

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

Severn Centre Building Fund

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

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.

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**26. COMPARATIVE YEAR MOVEMENTS IN FUNDS – continued****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)

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**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 2022 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	
	31.12.22	31.12.21
	£	£
Present value of funded obligations	(22,684,000)	(42,588,000)
Fair value of plan assets	<u>27,431,000</u>	<u>29,882,000</u>
	4,747,000	(12,706,000)
Present value of unfunded obligations	-	-
Surplus/(Deficit)	<u>4,747,000</u>	<u>(12,706,000)</u>

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

	Defined benefit pension plans	
	31.12.22	31.12.21
	£	£
Current service cost	972,000	972,000
Past service cost	-	2,000
Net Interest from net defined benefit asset/liability	224,000	224,000
Administration expenses	5,000	5,000
Effect of curtailments	-	-
	<u>1,201,000</u>	<u>1,203,000</u>
Actual return on plan assets	<u>(3,820,000)</u>	<u>3,064,000</u>

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

	Defined benefit pension plans	
	31.12.22	31.12.21
	£	£
Opening defined benefit obligation	42,588,000	41,627,000
Current service cost	972,000	972,000
Change in financial assumptions	(14,851,000)	1,189,000
Past service cost	-	2,000
Contributions by scheme participants	127,000	121,000
Interest cost	779,000	605,000
Remeasurement (gains) / losses	(6,632,000)	(1,583,000)
Curtailments	-	-
Benefits paid	<u>(299,000)</u>	<u>(345,000)</u>
	<u>22,684,000</u>	<u>42,588,000</u>

HALO LEISURE SERVICES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
for the Year Ended 31 December 2022**27. EMPLOYEE BENEFIT OBLIGATIONS - continued**

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

	Defined benefit pension plans	
	31.12.22	31.12.21
	£	£
Opening fair value of scheme assets	29,882,000	26,345,000
Interest on plan assets	555,000	381,000
Contributions by employer	320,000	321,000
Contributions by scheme participants	127,000	121,000
Remeasurement gains / (losses)	(3,149,000)	3,064,000
Administration expenses	(5,000)	(5,000)
Benefits paid	(299,000)	(345,000)
	<u>27,431,000</u>	<u>29,882,000</u>

The amounts recognised in other comprehensive income are as follows:

	31.12.22	31.12.21
	£	£
Remeasurement gains/(losses)	<u>18,344,000</u>	<u>3,458,000</u>
Cumulative amount of actuarial remeasurement losses	<u>(11,856,000)</u>	<u>(6,478,000)</u>

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

	Defined benefit pension plans	
	31.12.22	31.12.21
Equities	63.20%	67.33%
Government bonds	3.53%	3.87%
Corporate bonds	3.97%	0.00%
Other bonds	7.23%	11.73%
Cash/liquidity	0.93%	0.87%
Property	7.03%	4.97%
Other	<u>14.1%</u>	<u>11.73%</u>
	<u>100.00%</u>	<u>100.00%</u>

Principal actuarial assumptions at the balance sheet date:

	31.12.22	31.12.21
Discount rate	4.50 – 4.90%	1.80 – 1.90%
Rate of Inflation	2.50 – 2.60%	2.73 %
Future salary increases	3.75 – 4.10%	3.85 – 4.30%
Future pension increases	2.50 – 2.70%	2.60 – 2.90%

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued for the Year Ended 31 December 2022

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	+ 0.5% discount rate	+0.25% inflation	1 year increase in life expectancy
	£	£	£	£
Liabilities	12,498,000	11,186,000	13,211,000	12,720,000
Assets	(13,543,000)	(13,543,000)	(13,543,000)	(13,543,000)
Deficit/(surplus)	(1,045,000)	(332,000)	(924,000)	(823,000)
Projected service cost for next year	179,000	194,000	179,000	183,000
Projected net interest cost for next year	(58,000)	(24,000)	(53,000)	(48,000)

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 (£)	8,838,000	9,083,000	9,337,000
% change in present value of total obligation	-2.7%	-	2.8%
Projected service cost (£)	178,000	185,000	192,000
Approximate % change in projected service cost	-3.9%	-	4.0%
<i>Adjustment to salary increase rate</i>			
Present value of total obligation (£)	9,110,000	9,083,000	9,056,000
% change in present value of total obligation	0.3%	-	-0.3%
Projected service cost (£)	185,000	185,000	185,000
Approximate % change in projected service cost	0.0%	-	0.0%
<i>Adjustment to pension increase rate</i>			
Present value of total obligation (£)	9,310,000	9,083,000	8,865,000
% change in present value of total obligation	2.5%	-	-2.4%
Projected service cost (£)	192,000	185,000	178,000
Approximate % change in projected service cost	4.0%	-	-3.9%
	-1 year	Base figure	+1 year
<i>Adjustment to mortality age rating assumption</i>			
Present value of total obligation (£)	9,319,000	9,083,000	8,847,000
% change in present value of total obligation	2.6%	-	-2.6%
Projected service cost (£)	191,000	185,000	179,000
Approximate % change in projected service cost	3.2%	-	-3.2%

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	1,103,000	1,008,000	1,154,000	1,108,000
Assets	(1,138,000)	(1,138,000)	(1,138,000)	(1,138,000)
Deficit/(surplus)	(35,000)	(130,000)	16,000	(30,000)
Projected service cost for next year	19,000	17,000	21,000	19,000
Projected interest cost for next year	(2,000)	(7,000)	1,000	(2,000)

HALO LEISURE SERVICES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **for the Year Ended 31 December 2022**

27. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	31.12.22	31.12.21	31.12.20	31.12.19	31.12.18
	£	£	£	£	£
Defined benefit pension plans					
Defined benefit obligation	(22,684,000)	(42,588,000)	(41,627,000)	(32,768,000)	(26,414,000)
Fair value of scheme assets	27,431,000	29,882,000	26,345,000	24,056,000	20,484,000
Surplus/(deficit)	4,747,000	(12,706,000)	(15,282,000)	(8,712,000)	(5,930,000)
Experience gains/(losses) on scheme liabilities	18,334,000	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 asset/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 asset/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 factors used increased significantly on all three pension funds from those at December 2021.

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, to the date of disposal, 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 £201,000 (2021: £195,000). Three bonds have been lodged for £85,000, £91,100, £27,000 and £76,900 to cover this liability in the event that it crystallises.