

REGISTERED COMPANY NUMBER: 07219190 (England and Wales)
REGISTERED CHARITY NUMBER: 1138947

REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
SEVERN CENTRE TRUST LTD

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FOR THE YEAR ENDED 31 DECEMBER 2021

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REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2021

The trustees, who are also directors of the charitable company for the purposes of the Companies Act 2006, present their report with the financial statements of the charitable company for the year ended 31 December 2021. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) (FRS102) 'Accounting and Reporting by Charities' (effective 1 January 2019).

OBJECTIVES AND ACTIVITIES

Objectives and aims

The principal objects of the charity are to further or benefit the residents of the Parish of Highley, the surrounding neighbourhoods and such other areas as the trustees may determine from time to time without distinction of sex, sexual orientation, race or of political, religious or other opinions by associating together the said residents and the local authorities, voluntary and other organisations in a common effort to advance education and to provide facilities in the interest of social welfare for recreation and/or leisure time occupation with the objective of improving the conditions of life for those using the facilities.

Vision and mission

VISION: Creating Healthier Communities

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

Strategic themes

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

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

Halo's two key themes for 2021 were:

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

Public benefit

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

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

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2021

ACHIEVEMENT AND PERFORMANCE

Charitable activities

FUNDRAISING

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

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

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

FINANCIAL REVIEW

Reserves policy

The trustees recognise the need for a reasonable amount of financial reserves in order to protect the trust from the possibility of any adverse or unforeseen circumstances that could arise. The current policy is the unrestricted funds not committed or invested in tangible assets held by the trust should be between six and thirteen weeks of the trust's annual expenditure on payroll costs, property operating expenses and administration expenses. In the event that there was to occur a significant drop in funding, it has been identified that the trust will need to have access to unrestricted reserves with a current value of at least £60,000 which represents thirteen weeks of the trust's annual expenses. The unrestricted reserves currently stand at £65,469. The trustees will review the policy to ensure it remains appropriate to the needs of the charitable company.

FUTURE DEVELOPMENTS

2021 The Road to Recovery

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

Although the sector has an unclear future, the early part of 2022 will be spent preparing for the challenges we face so we can consolidate and be prepared for 2023.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

A partnership between Shropshire Council, Highley Parish Council and Halo Leisure - Leading Leisure Trust and Social Enterprise.

The Severn Centre Trust became a charitable company limited by guarantee (Company no. 07219190, Charity no. 1138947) on 10 April 2010, remaining dormant until 31 March 2011 when it took over by resolution, the assets, liabilities and undertakings of the Severn Centre Trust (Charity no. 522528). With effect from 1 October 2017 ownership of the company was transferred to Halo Leisure Services Limited and new articles of association were adopted.

Recruitment and appointment of new trustees

The management of the charity is the responsibility of the trustees who are appointed under the terms of the memorandum and articles of the Limited company. Halo Leisure Services Limited as the charitable company's sole member appoints the trustees, at least one of whom shall not also be a trustee of Halo Leisure Services Limited.

Induction and training of new trustees

All new trustees receive induction training with regard to the organisation including its powers and objects and the charitable company itself.

Severn Centre Advisory Board

The charitable company has established an Advisory Board comprising trustees and representatives of the local community to keep the community informed of key developments and to ensure the charitable company is aware of the concerns and interest of local people.

Risk assessment

The charitable company has developed a comprehensive risk register to identify both the risks it faces and risk mitigation measures. The document is reviewed on a regular basis by the trustees.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

07219190 (England and Wales)

Registered Charity number

1138947

Registered office

Lion Yard
Broad Street
LEOMINSTER
HR6 8BT

Trustees

N A Sellar
V A Hill
M A W Salt
K E Bush

Company Secretary

J G Huxley

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2021

REFERENCE AND ADMINISTRATIVE DETAILS

Auditors

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

IMPACT OF COVID-19

The outbreak of COVID-19, which began in 2020 and has continued during the year, resulted in a pandemic causing extensive disruption across the globe. The UK Government enforced a number of lockdowns of different durations across England and Wales, resulting in the temporary closure of all leisure establishments including gyms and leisure centres between March 2020 and April 2021.

The charitable company's activities, as with many businesses, have been negatively impacted. The impact of the continued existence of COVID-19 in our society, which may have an impact on the behaviour of the charitable company's customers, is as of yet unknown. The charitable company has made use of the available Government schemes, such as the Coronavirus Job Retention Scheme, and Halo Leisure Services Limited, the company's parent company has applied for a loan under the government's Coronavirus Business Interruption Loan Scheme (CBILS). The trustees have agreed to pledge the assets of the Severn Centre Trust Ltd as security for this loan.

Due to the uncertainty regarding the performance of the UK economic, the volatility in the price of wholesale gas, the potential emergence of new COVID-19 strains, and the parent charitable company's minimal level of unrestricted reserves compared with the size of its activities, the Trustees of Halo Leisure Services have assessed that these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the charitable company's ability to continue as a going concern.

Given that the charity has pledged its assets as security for the CBILS loan taken out by the parent company, the trustees have assessed that these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the charitable company's ability to continue as a going concern.

SEVERN CENTRE TRUST LTD

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2021

TRUSTEES' RESPONSIBILITY STATEMENT

The trustees (who are also the directors of Severn Centre Trust Ltd for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which 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.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The auditors, McCabe Ford Williams, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved by order of the board of trustees on 10th August 2022 and signed on its behalf by:


.....
N A Sellar - Trustee

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SEVERN CENTRE TRUST LTD**

Opinion

We have audited the financial statements of Severn Centre Trust Ltd (the 'charitable company') for the year ended 31 December 2021 which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Material uncertainty relating to going concern

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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
SEVERN CENTRE TRUST LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SEVERN CENTRE TRUST LTD

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.

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 charitable company through discussions with management 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 charitable company including, but not limited to, the UK charity 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 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 as well as 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.

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 statements 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 regulators.

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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SEVERN CENTRE TRUST LTD

Use of our report

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



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

Date:10.....August.....2022

SEVERN CENTRE TRUST LTD**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2021**

		Unrestricted fund	Restricted funds	31.12.21 Total funds	31.12.20 Total funds as restated
	Notes	£	£	£	£
INCOME AND ENDOWMENTS FROM					
Donations and legacies	2	16,097	11,000	27,097	11,334
Charitable activities	3				
Operation of centre facilities		195,772	-	195,772	160,465
Other income	4	28,497	-	28,497	-
Total		240,366	11,000	251,366	171,799
EXPENDITURE ON					
Charitable activities	5				
Operation of centre facilities		179,136	69,845	248,981	230,136
NET INCOME/(EXPENDITURE)		61,230	(58,845)	2,385	(58,337)
RECONCILIATION OF FUNDS					
Total funds brought forward		4,239	2,106,365	2,110,604	2,168,941
TOTAL FUNDS CARRIED FORWARD		65,469	2,047,520	2,112,989	2,110,604

The notes form part of these financial statements

SEVERN CENTRE TRUST LTD (REGISTERED NUMBER: 07219190)

BALANCE SHEET
31 DECEMBER 2021

	Notes	31.12.21 £	31.12.20 as restated £
FIXED ASSETS			
Tangible assets	13	2,059,760	2,113,118
CURRENT ASSETS			
Debtors	14	27,993	22,382
Cash at bank and in hand		104,372	38,880
		<u>132,365</u>	<u>61,262</u>
CREDITORS			
Amounts falling due within one year	15	(79,136)	(63,776)
NET CURRENT ASSETS		<u>53,229</u>	<u>(2,514)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,112,989</u>	<u>2,110,604</u>
NET ASSETS		<u>2,112,989</u>	<u>2,110,604</u>
FUNDS	19		
Unrestricted funds		65,469	4,239
Restricted funds		<u>2,047,520</u>	<u>2,106,365</u>
TOTAL FUNDS		<u>2,112,989</u>	<u>2,110,604</u>

These financial statements have been prepared in accordance with the provisions applicable to charitable companies subject to the small companies regime.

The financial statements were approved by the Board of Trustees and authorised for issue on 10th August 2022 and were signed on its behalf by:


N A Sellar - Trustee

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (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. The financial statements have been prepared under the historical cost convention.

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

Going concern

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

- A significant reduction in income from March 2020 to date.
- The closure of all leisure facilities in the United Kingdom by the various governments periodically throughout the period from March 2020 until April 2021.
- A reduction in income compared to previous years when open as the Trust slowly rebuilds its membership, which declined during the periods of closure.
- These developments have resulted in a significant operating loss for the group, albeit reduced from 2020.
- The depletion of the charity's unrestricted funds

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

- Have taken advantage of the Coronavirus Job Retention Scheme (CJRS) until the scheme closed in September 2021.
- In the prior year Halo Leisure Services received £750k financial support from our bankers via the Coronavirus Business Interruption Loan Scheme (CBILS). The loan is secured against the assets of Halo Leisure Services Limited and the Severn Centre Leisure Trust which have pledged their assets with the agreement of their Boards.
- We were in receipt of grants for some of our sites from the Coronavirus Retail, Hospitality and Leisure Grant Fund.
- Facilities are cashless.
- We have put new hygiene measures in place at our gyms, pools and fitness classes in line with coronavirus regulations.
- We successfully negotiated with our local authority partners financial support packages across a large part of the business for the closure period, and to support the Trust during the re-opening period and beyond.
- The group were successful in our COVID related Business Interruption Insurance claim for 11 insured sites, resulting in a final settlement of £1.3m.
- We are currently working on contingency planning, which includes potential pricing changes and pool closures to restrict costs, in the event that the Trust becomes exposed to sizeable energy price increases.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES - continued

Basis of preparing the financial statements

Looking towards post COVID recovery:

- Revenue forecasted to recover to pre-pandemic levels by second half of 2022, and Swimming courses are expected to exceed pre-pandemic levels through additional demand and improved utilisation of the pools/teaching resource.
- The board of Halo Leisure Services are considering the sale of its investment in Halo Leisure Enterprises, which would help to reduce the deficit in unrestricted funds caused by the pandemic.

From 19 July 2021, all restrictions upon the charity's operation of its leisure centre was eased, which allowed trading performance to improve and contributed towards a surplus for the year of £2,385, compared to a deficit of £58,337 in 2020.

Charitable company cash flow forecasts, and those of the wider group to establish group-wide cash requirements, have been produced for the foreseeable future. The key assumptions regarding revenue are based on the current expectations when the level of usage of the various activities that can be achieved over the period covered by the forecast, determined as a proportion of historic usage achieved. Usage forecasts have been based on the independent UK Active report on the leisure sector 'COVID-19 Impact Report' and data particular to our facilities. Management have carried out an extensive review of the underlying cost base of the business and have factored in changes and restructuring that are likely to be implemented as a result in the impact of COVID-19 on the business which have been reflected in the forecasts.

The forecasts include the level of financing that has already been agreed and do not include any other grants/financing for which an application has been made but for which the outcome is uncertain. Any capital expenditure of a non-urgent nature has been delayed until a point where the economic conditions may be more certain.

These forecasts indicate that the group and charitable company will remain within the group's financing facilities for the foreseeable future and will be able to meet their financial obligations as they fall due. However, in the current climate given the uncertainty regarding the performance of the UK economic, the volatile price of wholesale gas and the potential emergence of new COVID-19 strains, it is extremely difficult to arrive at reliable expectations on which to base assumptions. If the key assumptions are not achieved as a result of the uncertainties noted above, this may cast doubt on the group and charitable company's ability to continue to operate.

Unlike Severn Centre, whose unrestricted funds have returned to pre-pandemic levels, the unrestricted funds for its parent charitable company, Halo Leisure Services, remain far below pre-pandemic levels and are minimal relative to the size of its operations. Given the uncertainties that exist, in combination with the weak reserves position of the parent, and that Severn Centre pledged its assets as security for a loan to Halo Leisure Services, the Trustees' have assessed that this may cast significant doubt upon the charitable company's ability to continue as a going concern and therefore whether the charitable company will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Company status

The company is a company limited by guarantee and a registered charity. The members of the charitable company are the Trustees named within the Report of the Trustees. In the event of the charitable company being wound up, the liability in respect of the guarantee is limited to £5 per member of the charitable company.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES - continued

Financial reporting standard 102 - reduced disclosure exemptions

The charitable company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 7 Statement of Cash Flows.

Incoming resources

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.

The management fee is an unrestricted fund 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 installments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Government grants

Government grants are recognised when it is reasonably certain that the conditions attached the grant are met. Income from grants is recognised when there is evidence of entitlement to the gift, receipt is probable and its amount can be measured reliably, some grants will contain terms or conditions that must be met before the Charitable Company has entitlement to the resources and such grants are only recognised when entitlement is confirmed. Where conditions 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 Charitable Company received the following grants:

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

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

Resources expended

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Plant and machinery	- 15% on cost
Fixtures and fittings	- 15% on cost

Assets costing more than £1,000 are capitalised.

Related party exemption

The charitable company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Taxation

The charity is exempt from corporation tax on its charitable activities.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

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

Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES - continued

Significant judgements and estimates

In the application of the charitable company'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 relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period to 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 key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are the depreciation charges that are calculated with reference to the useful economic life of fixed assets.

2. DONATIONS AND LEGACIES

	31.12.21	31.12.20 as restated
	£	£
Grants	27,097	11,334

Grants received, included in the above, are as follows:

	31.12.21	31.12.20 as restated
	£	£
Covid rates support grants	-	11,334
Local restrictions support grant	4,097	-
Closed business lockdown payment	4,000	-
Restart grant	8,000	-
National Leisure Recovery Fund	11,000	-
	27,097	11,334

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

3. INCOME FROM CHARITABLE ACTIVITIES

		31.12.21	31.12.20 as restated
	Activity	£	£
Centre activities & related income	Operation of centre facilities	106,580	64,085
Management fees	Operation of centre facilities	89,192	96,380
		<u>195,772</u>	<u>160,465</u>

4. OTHER INCOME

	31.12.21	31.12.20 as restated
	£	£
Other income	<u>28,497</u>	<u>-</u>

In 2021, the charity received £15,140 (2020: £Nil) of income related to a Covid Business Interruption Claim on its insurance policy.

In 2021, the charity also received £13,357 (2020: £Nil) of income related to a claim on its insurance policy following a leak from a water tank at its leisure centre which resulted in two weeks of lost trading.

5. CHARITABLE ACTIVITIES COSTS

	Direct Costs (see note 6) £	Support costs (see note 7) £	Totals £
Operation of centre facilities	<u>128,446</u>	<u>120,535</u>	<u>248,981</u>

6. DIRECT COSTS OF CHARITABLE ACTIVITIES

	31.12.21	31.12.20 as restated
	£	£
Staff costs	68,999	63,446
Other staff costs	368	415
Bad debts	(4,676)	4,569
Depreciation	63,481	65,166
Loss on sale of assets	274	-
	<u>128,446</u>	<u>133,596</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

7. SUPPORT COSTS

	Management £	Governance costs £	Totals £
Operation of centre facilities	114,535	6,000	120,535

Support costs, included in the above, are as follows:

Management

	31.12.21	31.12.20 as restated
	Operation of centre facilities £	Total activities £
Property costs	72,352	40,482
Insurance	7,616	8,031
Administrative costs	12,665	13,818
Management fee	20,000	20,000
Postage and stationery	177	35
Advertising	-	260
Sundries	1,690	2,707
Legal and professional fees	35	845
Irrecoverable VAT	-	2,534
	<u>114,535</u>	<u>88,712</u>

Governance costs

	31.12.21	31.12.20 as restated
	Operation of centre facilities £	Total activities £
Auditors' remuneration	6,000	7,828

8. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging/(crediting):

	31.12.21	31.12.20 as restated
	£	£
Auditors' remuneration	6,000	7,828
Depreciation - owned assets	63,482	65,166
Deficit on disposal of fixed assets	274	-

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

9. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 December 2021 nor for the year ended 31 December 2020.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 December 2021 nor for the year ended 31 December 2020.

10. STAFF COSTS

	31.12.21	31.12.20 as restated
	£	£
Wages and salaries	61,269	57,413
Social security costs	4,246	3,008
Other pension costs	3,484	3,025
	<u>68,999</u>	<u>63,446</u>

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

	31.12.21	31.12.20 as restated
Operation of centre facilities	<u>11</u>	<u>10</u>

No employees received emoluments in excess of £60,000.

11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted fund	Restricted funds	Total funds as restated
	£	£	£
INCOME AND ENDOWMENTS FROM			
Donations and legacies	-	11,334	11,334
Charitable activities			
Operation of centre facilities	171,799	(11,334)	160,465
Total	<u>171,799</u>	<u>-</u>	<u>171,799</u>
EXPENDITURE ON			
Charitable activities			
Operation of centre facilities	171,291	58,845	230,136
NET INCOME/(EXPENDITURE)	<u>508</u>	<u>(58,845)</u>	<u>(58,337)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES - continued

	Unrestricted fund	Restricted funds	Total funds as restated
	£	£	£
RECONCILIATION OF FUNDS			
Total funds brought forward	3,731	2,165,210	2,168,941
TOTAL FUNDS CARRIED FORWARD	<u>4,239</u>	<u>2,106,365</u>	<u>2,110,604</u>

12. PRIOR YEAR ADJUSTMENT

The accounts prepared for the year ended 31 December 2020 were identified to have misclassified Covid rates support grants as Income from Charitable Activities. According to the definitions outlined within the Charities SORP, this income should have been classified within Donations and Legacies income.

The comparatives have subsequently been adjusted, and the impact of this adjustment has been to decrease Income from Charitable Activities and increase Donations and Legacies income by £11,334.

The brought forward funds of the charity have remained unchanged.

13. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1 January 2021	2,942,261	225,697	401,868	3,569,826
Additions	-	10,398	-	10,398
Disposals	-	(6,922)	-	(6,922)
At 31 December 2021	<u>2,942,261</u>	<u>229,173</u>	<u>401,868</u>	<u>3,573,302</u>
DEPRECIATION				
At 1 January 2021	835,896	219,532	401,280	1,456,708
Charge for year	58,845	4,049	588	63,482
Eliminated on disposal	-	(6,648)	-	(6,648)
At 31 December 2021	<u>894,741</u>	<u>216,933</u>	<u>401,868</u>	<u>1,513,542</u>
NET BOOK VALUE				
At 31 December 2021	<u>2,047,520</u>	<u>12,240</u>	<u>-</u>	<u>2,059,760</u>
At 31 December 2020	<u>2,106,365</u>	<u>6,165</u>	<u>588</u>	<u>2,113,118</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.21	31.12.20 as restated
	£	£
Trade debtors	4,337	8,203
Prepayments and accrued income	23,656	14,179
	<u>27,993</u>	<u>22,382</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.21	31.12.20 as restated
	£	£
Trade creditors	9,831	9,291
Amounts owed to group undertakings	17,130	14,008
Social security and other taxes	21,024	18,023
Other creditors	549	549
Deferred income	9,232	9,525
Accrued expenses	21,370	12,380
	<u>79,136</u>	<u>63,776</u>

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.12.21	31.12.20 as restated
	£	£
Within one year	<u>1,466</u>	<u>-</u>

17. SECURED DEBTS

The charity's parent company, Halo Leisure Services Limited, took out a £750k Coronavirus Business Interruption Loan Scheme (CBILS) in 2020 to support its operations. The loan is secured against all of the charity's assets by way of fixed and floating charges.

As at 31 December 2021, the remaining liability outstanding to the bank was £725k.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

			31.12.21	31.12.20 as restated
	Unrestricted fund £	Restricted funds £	Total funds £	Total funds £
Fixed assets	12,240	2,047,520	2,059,760	2,113,118
Current assets	132,365	-	132,365	61,262
Current liabilities	(79,136)	-	(79,136)	(63,776)
	<u>65,469</u>	<u>2,047,520</u>	<u>2,112,989</u>	<u>2,110,604</u>

19. MOVEMENT IN FUNDS

	At 1.1.21 £	Net movement in funds £	At 31.12.21 £
Unrestricted funds			
General fund	4,239	61,230	65,469
Restricted funds			
Severn Centre Building Fund	2,106,365	(58,845)	2,047,520
TOTAL FUNDS	<u>2,110,604</u>	<u>2,385</u>	<u>2,112,989</u>

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	240,366	(179,136)	61,230
Restricted funds			
Severn Centre Building Fund	-	(58,845)	(58,845)
National Leisure Recovery Fund	11,000	(11,000)	-
	<u>11,000</u>	<u>(69,845)</u>	<u>(58,845)</u>
TOTAL FUNDS	<u>251,366</u>	<u>(248,981)</u>	<u>2,385</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

19. MOVEMENT IN FUNDS - continued

Comparatives for movement in funds

	At 1.1.20 £	Net movement in funds £	At 31.12.20 £
Unrestricted funds			
General fund	3,731	508	4,239
Restricted funds			
Severn Centre Building Fund	2,165,210	(58,845)	2,106,365
TOTAL FUNDS	<u>2,168,941</u>	<u>(58,337)</u>	<u>2,110,604</u>

Comparative net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	171,799	(171,291)	508
Restricted funds			
Severn Centre Building Fund	-	(58,845)	(58,845)
TOTAL FUNDS	<u>171,799</u>	<u>(230,136)</u>	<u>(58,337)</u>

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.

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 charity's leisure centre, including utilities, staff *who have not been furloughed), essential asset maintenance and security costs.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

20. ULTIMATE PARENT COMPANY

The ultimate parent company is Halo Leisure Services Limited, a Charity incorporated in England & Wales.

21. RELATED PARTY DISCLOSURES

There were no related party transactions for the year ended 31 December 2021.