

Company Number: 04419556  
Charity Number: 1099629

**SOUTH LAKELAND LEISURE LIMITED**  
**TRUSTEES' REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2014**

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# **SOUTH LAKELAND LEISURE LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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# **SOUTH LAKELAND LEISURE LIMITED**

## **MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS**

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<b>Registered charity name</b>	South Lakeland Leisure
<b>Charity number</b>	1099629
<b>Company registration number</b>	04419556
<b>Registered office</b>	South Lakeland Leisure Kendal House Murley Moss Business Village Oxenholme Road Kendal Cumbria LA9 7RL
<b>Trustees</b>	A J Baverstock N Cotton (SLDC Nominee) P J Dixon (SLDC Nominee) D Henderson R Lee R Read (Chairman) C Regan C Smith (Employee Nominee)
<b>Secretary</b>	G Ronson
<b>Auditor</b>	Moore and Smalley LLP Chartered Accountants & Statutory Auditor Kendal House Murley Moss Business Village Kendal Cumbria LA9 7RL
<b>Bankers</b>	Barclays Bank Plc Barclays House Oxenholme Road Kendal Cumbria LA9 7RL

# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

### **YEAR ENDED 31 MARCH 2014**

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The trustees, who are also directors for the purposes of company law, present their report and the financial statements of the company for the year ended 31 March 2014.

#### **Reference and administrative details**

Reference and administrative details are shown in the schedule of members of the board and professional advisers on page 1 of the financial statements.

#### **Directors and trustees**

The directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

The trustees serving during the year and since the year end were as follows:

A J Baverstock			
N Cotton	SLDC Nominee		
P J Dixon	SLDC Nominee		
D Eccles		(Resigned 28 May 2013)	
J W Gorman		(Appointed 11 June 2013)	(Resigned 11 June 2014)
D Henderson	Vice Chairman		
R Lee			
R Read	Chairman		
C Regan			
G Ronson		(Resigned 28 May 2013)	
C Smith	Employee Nominee	(Appointed 13 June 2013)	

#### **Company Officers**

D Ronald	Chief Executive	(Resigned 31 March 2014)
G Ronson	Company Secretary	(Appointed 28 May 2013)

#### **Structure, governance and management**

##### **Governing document**

South Lakeland Leisure is a company limited by guarantee governed by its Memorandum and Articles of Association dated 18 April 2002. It is a registered charity with the Charity Commission. In the event of the charitable company being wound up, members are required to contribute an amount not exceeding £1.

# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2014**

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### **Appointment of trustees**

As stated in the Articles of Association, South Lakeland District Council (SLDC) nominates two trustees and one trustee is nominated by the employees.

The SLDC nominated trustees serve as trustees for such a period as determined by South Lakeland District Council. During the year 2013-14 SLDC withdrew the two nominees due to potential conflict of interest during the competitive tender process for the leisure provision contract, however the trustees have not formally resigned.

The employee nominated trustee, who is elected by the employees of the charitable company, serves for a period of two years and is eligible for re-election. The employee nominated trustee's employment ceased on 31 March 2014, however the trustee has not resigned.

At each annual general meeting, one third (or the nearest whole number) of the trustees must retire, those longest in office retiring first and the choice between any of equal service being made by drawing lots. Trustees retiring in this manner are eligible for reappointment unless the vacancy is filled or unless there is an express resolution not to fill the vacancy or unless a resolution for the reappointment of the elected trustee is put to the meeting and lost. The trustees due to ordinarily retire this year are R Lee, D Henderson and A J Baverstock.

### **Trustee Induction and Training**

New trustees undergo an induction to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the business plan and recent financial performance of the charitable company. Future inductions will include content on Conflict of Interests as this is particularly important to the Charities Commission. During the induction, they meet key employees and other trustees. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role. The Lakes Leisure trustees are keen to ensure fairness in all matters in how it conducts its business.

### **Organisation**

A board of trustees of up to 11 members, which meets on a bi-monthly basis, administers the charitable company. There are sub-committees which cover finance/risk, personnel and energy/environment. A Chief Executive is appointed by the trustees to manage the day-to-day operations of the charitable company. For the year commencing 1 April 2014, Lakes Leisure no longer runs the SLDC leisure provision contract, and all employees have transferred to a new provider under the TUPE regulations. The trustees are currently assessing what type of charitable entity the company will evolve into, once the full financial obligations have been met.

### **Related Parties**

The charitable company and South Lakeland District Council are related parties. South Lakeland District Council nominates two trustees and provided core funding in the year ended 31 March 2014 to enable the charitable company to carry out its objectives.

### **Risk Management**

The trustees have a risk management strategy which includes the implementation of robust health and safety policies and procedures, bi-annual Audit/Risk Committee meetings and the establishment of internal and external monitoring and risk reduction measures. The trustees have created a business continuity plan. Assurance is provided by an internal audit service that audits all key areas of the business and which conducted a Governance audit during 2014 that provided trustees with substantial assurance on how the company was operated during its contract.

# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2014**

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### **Objectives and activities**

The objects of the charitable company are:

-To provide or assist in the provision of facilities and services for recreation or other leisure time occupation primarily for the community and visitors to the South Lakeland district in the interests of social welfare, such facilities being provided to the public at large, so that special facilities may be provided for persons who by reason of their youth, age, infirmity or disability, poverty or social and economic circumstances may have need of special facilities. While the persons for whom the facilities and services are primarily intended are the community and visitors to the South Lakeland district, the provision of facilities and services provided by the trust shall not be restricted to such and may be provided to other members of the public wherever situated, whether within or outside the United Kingdom, who desire to and can conveniently make use of them.

-To promote community participation in healthy recreation by the provision of appropriate facilities for the playing of sport.

-To advance the education of the public in South Lakeland by the provision of training and courses to enable them to obtain coaching qualifications.

The main objectives for the year continued to focus on encouraging participation in sport, cultural and other recreational activities. The strategies employed to assist the charitable company to meet these objectives included the following:

- Providing a range of services and facilities to meet the recreational needs of the community.
- A pricing policy to make the services and facilities accessible to all sectors of the community.
- The establishment of robust health and safety procedures to provide as safe an environment as possible for activities to take place.
- Investment in the modernisation and expansion of the range of services and facilities.
- Achieving community objectives, targeting key user groups and forging partnerships with external organisations to increase usage of the facilities and to secure additional funding.

In the year the trustees have had due regard to guidance published by the Charity Commission on public benefit.

### **Trading Name**

From September 2006, the charitable company has traded under the brand of Lakes Leisure in order to enhance the corporate image of the three facilities at Kendal, Ulverston and Windermere operated by South Lakeland Leisure under the contract to 31 March 2014.

### **Achievements and performance**

#### **Chairman's Statement**

The 2013-14 year was a challenging one in which Lakes Leisure and the staff had to pull together with the aim of keeping our company operating on a sound financial footing, whilst undergoing a prolonged period of tremendous change. The financial position was adversely affected by reduction in fee income paid by the Council to the running of Leisure in the area. The Management Team had to manage the resources of the company whilst continuing to provide excellent services in a safe environment for customers and staff.

# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2014**

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### **Chairman's Statement (*continued*)**

It is a credit to the whole team at Lakes Leisure that this was successful, and that usage of the centres increased during the year. The Get Active scheme introduced increased our footfall and brought additional income through, and this was a success story of the year for the company. The eventual deficit of £231,854 is a creditable performance in challenging trading conditions. In addition, the pension scheme for Lakes Leisure was fully funded at the end of the contract, allowing all retained reserves to be utilised by the company.

During the summer months, the Management team and Trustees were engaged in the tender submission for the continuance of the SLDC contract, which Lakes Leisure have operated successfully since its inception. Despite substantial efforts from the team, and submitting an extremely competitive bid with support from large parts of the community, this tender was ultimately unsuccessful. With effect from April 2014 the Council invited another charity to take over the running of the three leisure centres. Naturally, this was a difficult period for the staff, who have now transferred to the new operator. Nevertheless the exceptional levels of service that had been provided to South Lakeland residents and the increased engagement of customers in Lakes Leisure activities is testament to the dedication of the team and we hope that those qualities will be present as part of Lakes Leisure legacy in the ongoing operations.

Trustees must now consider the type of entity that it wishes to become, and how to appropriately manage the reserves it has retained. Prudent and careful management of finances during the life of the contract, and the settlement of all financial and actuarial obligations, has left the company with a significant sum of money that is to be distributed to Leisure and Arts in the region. This will form the legacy of Lakes Leisure, and trustees are committed to managing the financial assets of the company in the same manner as before, whilst utilising the reserves in the most productive manner possible.

The company will continue to use the Lakes Leisure brand, and provide assistance to the sector in compliance with its charitable objectives. We look forward to being able to offer considerable support to the residents of and visitors to South Lakeland during the coming years.

### **Range of Services**

The charitable company's range of activities comprised swimming, gym facilities, tennis and racquet sports, team sports, theatre events (including classical concerts and light entertainment), courses and classes (including swimming lessons, yoga, pilates, keep fit classes and vocational courses) and outdoor water-sports.

South Lakeland Leisure participates in the leisure industry benchmark Quest quality assurance programme, for which Kendal and Ulverston received successful assessments in February 2013. South Lakeland Leisure has also achieved the established National Pool Safety Award (NPSA).

Windermere specialises in water sports activities and is recognised by the British Canoe Union, the Royal Yachting Association and the National Navigation Awards Scheme and is licensed by the Adventure Activities Licensing Authority.

### **Pricing Policy**

South Lakeland Leisure aimed to maintain its fees and charges at affordable levels whilst at the same time optimising its earned income so that further investment could be made. The Get Active scheme was launched in February 2013 which enhances best value objectives. The scheme offers concessionary pricing up to 50% off for pensioners, under 16s and people such as full time students, jobseekers, council tax benefit recipients, incapacity benefit and the disabled who meet other eligibility criteria. In addition to this, a corporate membership was launched for people working in participating local businesses. This scheme has been successful in increasing usage throughout the year, and by helping to stabilise income by the establishment of monthly direct debits from customers.

# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2014**

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### **Health and Safety**

Ensuring the safe operation of all the sites for customers, visitors and staff has always been a major priority for the trustees.

A robust internal health and safety management scheme is in place, working in conjunction with specialist consultants to minimise South Lakeland Leisure's exposure to risk through a planned approach. All three sites continued to be accredited by Quality Leisure Management (QLM), the lead health and safety consultant to the leisure industry's governing body and The Chartered Institute for the Management of Sport and Physical Activity (CIMSPA) during the year ended 31 March 2014.

Additionally, a full system of internal audit procedures has been implemented, which monitors staff compliance with South Lakeland Leisure's Health and Safety Policy. The system is managed by the health and safety review group.

The health and safety review group met bi-monthly to identify new risks and devise procedures to mitigate those risks. This group refers any serious incidents and breaches to the Senior Management Team, which in turn reports to the Audit/Risk Committee of the Board of trustees. All new activities were risk assessed and regular re-assessments take place.

### **Investment and Maintenance**

The trustees consider that the facilities and equipment need to be refurbished and maintained to a high standard in order to attract and retain customers. In the period that South Lakeland Leisure has been trading, over £2 million has been invested in capital projects and building refurbishments on behalf of the local community. South Lakeland Leisure would like to thank those organisations which have contributed funding over the previous periods to make this investment possible. These organisations include: South Lakeland District Council, Sport England, The Inclusive Fitness Initiative, The Peter Harrison Foundation, Ulverston Town Lands Trust as well as members of the public.

#### *Investment*

During the year to March 2014, trustees were mindful that the contract tendering process was the paramount initiative. It was essential that funds be retained in the light of the increased maintenance burden that would be expected under the terms of the next phase of the SLDC contract. Trustees felt that the competitive tendering process should be completed prior to any new investment in facilities. Lakes Leisure had a duty to fulfil its obligations to the employees pension fund as a priority before considering new investments. The relatively small investment in the refurbishment of the Bar/Café at Kendal Leisure Centre area into a multi-use area has been successful, and this space has been able to attract many differing types of customers to the Centre, which was a constant aspiration for trustees and Senior Management team.

#### *Maintenance*

The trustees recognise that operating public buildings adapted for sport and recreational use requires constant repair and refurbishment as well as capital investment particularly as a consequence of increasingly stringent health and safety regulations. During the year, Lakes Leisure only carried out essential repairs or those repairs that would have compromised the safety of staff or customers.

The trustees hope that the local community will enjoy the benefit of the investment and refurbishment of the facilities that Lakes Leisure completed during their stewardship for many years to come.



# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2014**

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### **Community Objectives**

South Lakeland Leisure will continue to engage with key user categories such as young people, the elderly, disabled persons, low income families and those affected by rural isolation in active sports and meet the objectives of health and well-being. The trustees were especially keen to develop community outreach making use of volunteers in an era of reduced funding and available resources.

The Community Outreach Team was established in April 2009 to deliver services directly to the community and achieve tangible benefits for all target groups. Some of the team's work with elderly and disabled users is considered to be pioneering in the leisure trust sector and has achieved national recognition. Whilst Lakes Leisure no longer operates a Community Outreach Team, the trustees' commitment to community objectives remains, and opportunities to facilitate investment in this area will be sought.

### **Environment and Energy Management**

The trustees recognise that the facilities consume huge amounts of energy and wish to reduce the carbon footprint and contribute to the local authority's agenda for a greener environment. In 2008, South Lakeland Leisure began working towards the Cumbria Business Environment Network (CBEN) Awards with the aim of achieving environmental excellence through the implementation of a series of energy-saving measures. An Energy Committee, which has drafted an energy management policy, was set up and has overseen much of the work.

Energy and water consumption has been reduced previously by making use of environmentally friendly modifications such as light sensors, percussion buttons, water reducers, water efficient showers, reconfiguration of air handling units, redistribution of waste heat and recycling of plastic, cans, paper, glass, cardboard, fluorescent light tubes, printer cartridges and unclaimed clothing. Previous innovations include the redesign and build of the main reception doors at Kendal to retain heat and the installation of a voltage optimiser. Major savings have been achieved by making optimum use of a combined heat and power (CHP) unit to self-generate electricity and use it to reduce the amount of gas required to heat the building. The ultra-violet disinfection systems in use at both Kendal and Ulverston have reduced the amount of chemicals and water top-up required to maintain pool cleanliness. The measure of success is that since 2004, electricity consumption has reduced by 10%, gas by 17% and water by 32%. Since 2010, Kendal has held the CBEN gold award (bronze and silver in 2008/9 respectively). The trustees are delighted that Kendal won the overall Environmental Excellence Award for 2010. Ulverston has retained the gold CBEN award since 2011.

### **Financial Review**

#### **Financial Performance**

The result for the year is disclosed in the Statement of Financial Activities.

The financial year has been a challenging one with the major funding provider cutting the fees for the operation of the centre substantially. The trustees and the Senior Management team had prepared for this shortfall in funding and had restructured operations to accommodate the anticipated shortfall. Further actions were taken as part of the tender process to prepare and align the cost structure of the business with the reductions of income. This and an improved performance on the operational income areas helped the business return a creditable financial position. Income in Swim and Fit Zone exceeded budget expectations, and overall earned income exceeded budget by £76k. Partnership funding reduced by £444k during the year as SLDC curtailed its support for Sports & Leisure though this was included in budgeted income. Expenditure for the year was just £34k over budget, despite rising water and energy costs (£15k), and the costs of compiling the tender, (legal fees, consultancy) inflated legal expenses by £44k, notwithstanding the considerable internal costs associated with such an exercise.

# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2014**

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### **Financial Performance (*continued*)**

Other notable elements were the costs of redundancy which were partially budgeted, though the overspend of £72k was partially offset by the savings achieved on overall labour costs of £53k. This is a highly credible performance and is testament to the planning and resolve the management took to contain costs during a challenging period of cost pressures and competitive tendering.

The FRS17 pension obligations were a risk area for the company, and Lakes Leisure had agreed during the competitive tendering process that it would underwrite the shortfall in the pension financial position. However, trustees are pleased to report that the pension fund has been fully funded, and at the end of the contract no supplementary funds will be required. This therefore guarantees that retained funds can be utilised in the community in line with charitable objectives.

The trustees consider the current trading position of the charitable company to be satisfactory, although the competitive tendering process undertaken in 2013 has had a significant impact on the outturn position as this was a costly process in terms of cashable and time resource. Allied to the reduced funding, this has been the most challenging year of the company's existence, and the first time that a deficit has been posted by Lakes Leisure. The trustees recognise that the careful financial management the company has employed during the life of the contract has allowed significant reserves to be retained despite the reducing funding.

### **Principal Sources of Funding**

Aside from income generated from admission fees, courses, theatre operations and trading activities, the principal source of funding for the charitable company has previously been by means of grant income from South Lakeland District Council. From 1 April 2014 that arrangement has ceased and South Lakeland Leisure is seeking to source funding through sponsorship and grant providers, as well as identifying partnerships and collaborations that will support the company's charitable objectives and enable the company's resources to be best utilised in the community it serves.

### **Investment Policy**

Under the Memorandum and Articles of Association, the charitable company has the power to make any investment of which the trustees approve. Trustees are mindful of day-to-day working capital requirements and the need for a prudent approach. Surplus funds are invested in bank deposits as necessary to yield an optimum return, although the trustees are aware that interest rates are at an historic low, whilst inflation has exceeded interest in recent times.

### **Reserves Policy**

The trustees note that reserves remain within the set guidelines. The trustees are able to report that cash reserves have now reached the desired level and consider that an adequate level of liquid resources has been maintained throughout the year. The trustees are now considering the utilisation of the reserves and are drawing together a Grant giving policy which will outline criteria for use of reserves and dispersal intentions. This will be reflective of the needs analysis of the Sports & Recreation survey commissioned by SLDC in the summer of 2014 and is expected in December 2014.

### **Plans for future periods**

The trustees were disappointed that the competitive tender for the operation of the Leisure Centres was not awarded to Lakes Leisure despite the company posting an extremely competitive and credible bid. Much of the development work would have advanced the services offered by the Centres for the local community. Lakes Leisure handed over the operation of the Centres to North Country Leisure on 1 April 2014.

Trustees retain their charitable objectives and now wish to use the retained reserves for the benefit of the residents and visitors of South Lakeland, and strategies are being developed to determine how this could best be delivered.

# **SOUTH LAKELAND LEISURE LIMITED**

## **TRUSTEES ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2014**

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### **Plans for future periods (*continued*)**

The company has determined that it will not enter into any financial commitments to any party until the financial obligations have been cleared and usable reserves remain. This emphasises the careful financial approach that the company has followed previously.

### **Trustees' responsibilities statement**

The trustees (who are also the directors of South Lakeland Leisure Limited for the purposes of company law) are responsible for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the income and expenditure of the company for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation.

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

### **Auditor**

Moore and Smalley LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

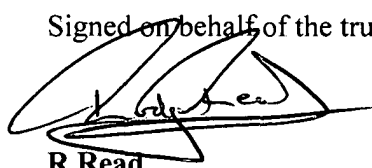
In so far as the trustees are aware:

- there is no relevant audit information of which the company's auditor is 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 company's auditor is aware of that information.

### **Small company provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Signed on behalf of the trustees



**R Read**

**Chairman**

**16/12/14.....**

# **SOUTH LAKELAND LEISURE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH LAKELAND LEISURE LIMITED**

**YEAR ENDED 31 MARCH 2014**

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We have audited the financial statements of South Lakeland Leisure Limited for the year ended 31 March 2014 on pages 12 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees Annual Report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2014 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 applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – going concern and contingent liabilities**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 1 and 26 to the financial statements concerning going concern and possible contingent liabilities due to the termination of the leisure provision contract. No provision for any liability that may result from these issues has been made in the financial statements.

# **SOUTH LAKELAND LEISURE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH LAKELAND LEISURE LIMITED (continued)**

**YEAR ENDED 31 MARCH 2014**

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### **Opinion on other matter prescribed by the companies act 2006**

In our opinion the information given in the Trustees Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees Annual Report.



**Ian Clark (Senior Statutory Auditor)**  
**For and on behalf of**  
**Moore and Smalley LLP**  
**Chartered Accountants & Statutory Auditor**

Kendal House  
Murley Moss Business Village  
Kendal  
Cumbria  
LA9 7RL

16/12/14.....

# SOUTH LAKELAND LEISURE LIMITED

## STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT)

YEAR ENDED 31 MARCH 2014

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2014 £	Total Funds 2013 £
<b>Incoming resources</b>					
Incoming resources from generating funds:					
Voluntary income	2	–	46,020	46,020	3,900
Activities for generating funds	3	74,671	–	74,671	80,043
Investment income	4	3,418	–	3,418	10,118
Incoming resources from charitable activities	5	2,102,037	–	2,102,037	2,414,820
<b>Total incoming resources</b>		<b>2,180,126</b>	<b>46,020</b>	<b>2,226,146</b>	<b>2,508,881</b>
<b>Resources expended</b>					
Costs of generating funds:					
Fundraising trading: cost of goods sold and other costs	6	(49,078)	–	(49,078)	(72,942)
Charitable activities:					
- Exceptional item: redundancy costs	7	(133,004)	–	(133,004)	–
- Other charitable activities	7	(1,973,152)	(10,026)	(1,983,178)	(2,069,219)
Governance costs	10	(89,988)	–	(89,988)	(77,881)
Other resources expended:					
- Exceptional item: loss on disposal of assets	8	(256,516)	–	(256,516)	–
<b>Total resources expended</b>		<b>(2,501,738)</b>	<b>(10,026)</b>	<b>(2,511,764)</b>	<b>(2,220,042)</b>
<b>Net (outgoing)/incoming resources before transfers</b>		<b>(321,612)</b>	<b>35,994</b>	<b>(285,618)</b>	<b>288,839</b>
Transfers between funds		35,994	(35,994)	–	–
<b>Net (expenditure)/income for the year</b>	13	<b>(285,618)</b>	<b>–</b>	<b>(285,618)</b>	<b>288,839</b>
Actuarial gains/(losses) in respect of defined benefit pension schemes	21	–	–	–	(206,000)
Gain on cessation of membership of pension fund	21	53,764	–	53,764	–
<b>Net movement in funds</b>		<b>(231,854)</b>	<b>–</b>	<b>(231,854)</b>	<b>82,839</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		1,366,121	–	1,366,121	1,283,282
<b>Total funds carried forward</b>		<b>1,134,267</b>	<b>–</b>	<b>1,134,267</b>	<b>1,366,121</b>

All operations ceased on 31 March 2014 and as detailed in the going concern accounting policy, the Trustees are currently considering the future of the company.

The Statement of Financial Activities includes all gains and losses in the year and therefore a statement of total recognised gains and losses has not been prepared.

# SOUTH LAKELAND LEISURE LIMITED

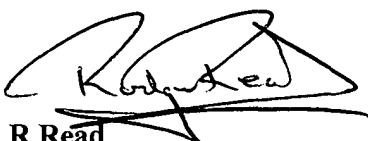
## BALANCE SHEET

31 MARCH 2014

	Note	2014 £	2013 £
<b>Current assets</b>			
Tangible assets	16	14,973	336,595
Stocks	17	8,551	8,948
Debtors	18	36,410	117,756
Cash at bank		<u>1,283,981</u>	<u>1,396,632</u>
		1,343,915	1,859,931
<b>Creditors: amounts falling due within one year</b>	19	<u>(209,648)</u>	<u>(376,810)</u>
<b>Net current assets</b>		1,134,267	1,483,121
<b>Net assets excluding pension liability</b>		1,134,267	1,483,121
<b>Defined benefit pension scheme liability</b>	21	–	(117,000)
<b>Net assets including pension liability</b>		<u>1,134,267</u>	<u>1,366,121</u>
<b>Funds</b>			
Restricted income funds	23	–	–
<b>Unrestricted income funds:</b>			
Unrestricted income funds excluding pension liability	25	1,134,267	1,483,121
Pension reserve	21	–	(117,000)
<b>Total unrestricted income funds</b>		1,134,267	1,366,121
<b>Total funds</b>		<u>1,134,267</u>	<u>1,366,121</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

These financial statements were approved by the members of the committee and authorised for issue on the 16/12/14 and are signed on their behalf by:

  
**R Read**  
**Chairman**

Company Registration Number: 04419556

# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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### **1 Accounting policies**

#### **Going concern**

As detailed in the Trustees' Report the company's contract with South Lakeland District Council (SLDC) for the operation of leisure facilities ceased on 31 March 2014 and this therefore effectively terminated the company's operating activities. The Trustees are currently considering the future of the company and, whilst precise plans cannot yet be finalised, their current intention is that it should become a grant awarding body providing funds for the benefit of South Lakeland in accordance with its charitable objectives.

However the company and SLDC are currently in dispute over the interpretation of the termination clauses of the original partnership agreement for the operation of the leisure facilities. Under this agreement monies were payable quarterly in advance by SLDC to the company for the operation of the facilities in that quarter. The termination clauses include provision that any unspent money at the date of termination would be refunded to SLDC. The company interprets these clauses as meaning that if the contract had been terminated part way through a quarter a proportion of the monies advanced for that quarter would be required to be refunded and that as the termination occurred at a quarter end no monies are due to SLDC. However SLDC are contending that all monies that SLDC had advanced and were unspent over the course of the partnership agreement should be repaid to SLDC and if their view should prove to be correct this would effectively mean that approximately 40% of the company's accumulated funds would be payable to SLDC. The Trustees strongly dispute this view, particularly as it would be contrary to charity law for the company to transfer any of its reserves to SLDC (which is not a charity), and therefore are of the opinion that these financial statements should be drawn up on a going concern basis as the company will continue in operational existence as a grant awarding body, as detailed in the paragraph above. Negotiations between the company and SLDC on this matter are on-going and a compromise that is currently being pursued is that the company might agree to make grant contributions of a similar value which support the initiatives proposed in the Leisure Survey commissioned by SLDC. Should such agreement be reached any such grants made would be treated as part of the operations of the company in future periods when the grants are made as they would be made at the discretion of the Trustees and their decisions reached in those periods.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), and the requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 (SORP 2005).

#### **Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the charitable company is legally entitled to the income, it is certain and the amount can be quantified with reasonable accuracy.

Income from community leisure activities is included in incoming resources on a receivable basis in the period in which the service is provided. Income received in advance of the provision of the service is deferred until the period in which the service is provided. Income from commercial activities is included in the period in which the charitable company is entitled to receipt.



# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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### **1 Accounting policies (*continued*)**

#### **Donations/grants and the community partnership agreement**

Income from donations, grants and the community partnership agreement is included in incoming resources on a receivable basis except as follows:

- When the donor/funding body specifies that the funds must be used in future accounting periods, the income is deferred to those periods.
- When there are specific conditions to be fulfilled before the charitable company becomes entitled to use such income, the income is deferred until the pre-conditions for use have been complied with.

#### **Capital grants**

Income received from grant providers to facilitate the acquisition of capital assets are initially treated as restricted funds in accordance with the SORP. When capital grants have been spent on the specified purpose, they are transferred to a designated fund and reduced by the relevant proportion of depreciation on the associated asset over its useful economic life.

#### **Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under the headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated on a basis consistent with the consumption of the resource.

#### **Fixed assets**

All fixed assets are initially recorded at cost.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

General equipment	- 10% - 33% straight line
Leasehold improvements	- 10% straight line
Office equipment	- 20% straight line
Computer equipment	- 20% - 33% straight line

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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### **1 Accounting policies (*continued*)**

#### **Finance lease agreements**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. 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.

#### **Treatment of irrecoverable VAT**

The charitable company supplies both standard rated and exempt goods and services. Consequently, the charitable company suffers irrecoverable VAT. This irrecoverable VAT has been allocated to the relevant cost headings in the Statement of Financial Activities.

#### **Pension costs**

The charity operated a defined benefit pension scheme for employees. The assets of the scheme were held separately from those of the charity in an independently administered fund. The charity ceased membership of the scheme on 31 March 2014, following the loss of the leisure provision contract. The effects of this cessation and the accounting treatment adopted for pension costs in the current year are detailed in note 21 to these financial statements.

For the comparative year, current service costs, past service costs and gains and losses on settlements and curtailments are charged to appropriate resources expended categories in the statement of financial activities. Past service costs are recognised over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the statement of financial activities during the period in which the settlement or curtailment occurs.

For the comparative year, the interest cost and the expected return on assets are shown as a net amount as other finance costs or income. Net pension finance costs are allocated to appropriate resources expended categories in the statement of financial activities. Net pension finance income is recognised as an incoming resource in the statement of financial activities. Actuarial gains and losses are recognised immediately as other recognised gains and losses in the statement of financial activities.

For the comparative year, pension scheme assets are valued at fair value at the balance sheet date. Fair value is based on market price information and in the case of quoted securities is the published bid price. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted to their present value using a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The pension scheme surplus (to the extent that it can be recovered) is recognised in full on the balance sheet, net of related deferred tax.

# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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### **1 Accounting policies (*continued*)**

#### **Funds**

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objects of the charitable company 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 charitable company for particular purposes. The aim and use of each restricted fund is set out in the notes to the financial statements.

Designated funds comprise funds which have been set aside at the discretion of the trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

Investment income and gains are allocated to the appropriate fund.

### **2 Voluntary income**

	<b>Restricted Total Funds 2014 £</b>	<b>Restricted Total Funds 2013 £</b>
<b>Donations</b>		
English Federation Disability Sports for a disability sports day	<b>1,060</b>	2,500
Keswick to Barrow Award Committee for Children's Able and Disabled Sport's Day	<b>800</b>	800
Rounders England	<b>1,000</b>	—
Cumbria County Council for Children's Able and Disabled Sport's events	<b>645</b>	—
Cumbria County Council for Community Games Event	<b>75</b>	—
Cumbria County Council for Apprenticeship of R Addison	<b>1,000</b>	—
Cumbria County Council for upgrade of disability provisions	<b>41,440</b>	—
Rotary Club, Ulverston Town Council, Ulverston Town Land Trust and public donations for "Children's Able and Disabled Sports Event"	—	500
Royal Yachting Association for a training course	—	100
	<b>46,020</b>	<b>3,900</b>

### **3 Incoming resources from activities for generating funds**

	<b>Unrestricted Total Funds 2014 £</b>	<b>Unrestricted Total Funds 2013 £</b>
Bar and catering income	<b>74,671</b>	<b>80,043</b>

# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

### **4 Investment income**

	<b>Unrestricted Total Funds 2014 £</b>	<b>Unrestricted Total Funds 2013 £</b>
Bank interest receivable	<u>3,418</u>	<u>10,118</u>

### **5 Incoming resources from charitable activities**

	<b>Unrestricted Total Funds 2014 £</b>	<b>Unrestricted Total Funds 2013 £</b>
Admission fees and courses	1,414,785	1,309,400
Theatre income	25,962	–
Community Partnership with SLDC	661,290	1,105,420
	<u>2,102,037</u>	<u>2,414,820</u>

### **6 Fundraising trading: Cost of goods sold and other costs**

	<b>Fundraising trading £</b>	<b>Support costs £</b>	<b>Unrestricted Total Funds 2014 £</b>	<b>Unrestricted Total Funds 2013 £</b>
Bar and catering	<u>39,977</u>	<u>9,101</u>	<u>49,078</u>	<u>72,942</u>

### **7 Costs of charitable activities by activity type**

	<b>Note</b>	<b>Charitable activities £</b>	<b>Support costs £</b>	<b>Total Funds 2014 £</b>	<b>Total Funds 2013 £</b>
Running of Leisure Facilities		1,764,850	218,328	1,983,178	2,069,219
Exceptional item: Redundancy costs	9	133,004	–	133,004	–
		<u>1,897,854</u>	<u>218,328</u>	<u>2,116,182</u>	<u>2,069,219</u>

# SOUTH LAKELAND LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

### 8 Other resources expended

	Note	Unrestricted Total Funds 2014 £	Unrestricted Total Funds 2013 £
Exceptional item: Losses on disposal of tangible fixed assets for charity's own use	9	<u>256,516</u>	<u>—</u>

### 9 Exceptional items

As a result of the loss of the leisure provision contract with SLDC, the employees of South Lakeland Leisure were offered voluntary redundancy or an alternative offer of employment with the new leisure provider, North County Leisure, on 31 March 2014. Redundancy costs arising as a consequence during the year totalled £133,004.

Also, as a result of the same loss of contract, at 31 March 2014 all fixed assets, other than those on finance lease, were transferred over to North County Leisure for a value of £nil. The loss on disposal of these assets totalled £256,516.

### 10 Governance costs

	Unrestricted Total Funds 2014 £	Unrestricted Total Funds 2013 £
Salaries and wages	58,404	56,772
Employer's NIC	4,524	5,471
Legal fees	27,060	9,264
Other pension costs	-	6,374
	<u>89,988</u>	<u>77,881</u>

### 11 Analysis of support costs

	Running of Leisure Facilities £	Bar and catering £	Governance £	Total 2014 £	Total 2013 £
Legal and professional	73,177	8,597	27,060	108,834	69,878
Finance costs	74,849	204	—	75,053	21,834
Depreciation	70,302	300	—	70,602	109,284
Staff costs	—	—	62,928	62,928	68,617
	<u>218,328</u>	<u>9,101</u>	<u>89,988</u>	<u>317,417</u>	<u>269,613</u>

Central administration employment costs are allocated on the basis of time.

Legal and professional fees, finance charges and depreciation are allocated on the basis of usage.

# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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### **12 Trustees**

None of the trustees (or any persons connected with them) received any remuneration in their capacity as trustees during the year and two trustees were reimbursed a total of £229 for travelling expenses (2013 - £289).

Indemnity insurance paid by the charitable company in respect of the trustees amounted to £1,378 (2013 - £2,386).

### **13 Net (outgoing)/incoming resources for the year**

This is stated after charging:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Depreciation	<b>114,359</b>	123,190
Auditors' fees	<b>5,625</b>	5,455

### **14 Staff costs and emoluments**

Total staff costs were as follows:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>1,163,865</b>	1,270,134
Exceptional item: redundancy costs	<b>133,004</b>	-
Social security costs	<b>64,035</b>	55,630
Other pension costs	-	54,121
	<b>1,360,904</b>	1,379,885

Membership of the defined benefit contribution scheme ceased on 31 March 2014. For further explanation of the £nil pension costs in the year see note 21.

Other pension costs in the comparative year represent the total operating charge included in resources expended in the statement of financial activities and does not include amounts included in other recognised gains and losses.

# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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### **14 Staff costs and emoluments (*continued*)**

#### **Particulars of employees:**

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

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
Management and administration	<b>9</b>	13
Operational supervisors	<b>8</b>	10
Operational staff	<b>151</b>	162
Cleaners	<b>3</b>	3
Bar and catering	<b>1</b>	2
	<b>172</b>	190

The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
Management and administration	<b>7</b>	11
Operational supervisors	<b>8</b>	9
Operational staff	<b>42</b>	38
Cleaners	<b>2</b>	2
	<b>59</b>	60

#### **Employees earning over £60,000**

	<b>2014</b>	<b>2013</b>
	<b>No</b>	<b>No</b>
£80,000 - £89,999	<b>1</b>	-

The above employee accrued benefits under the company's defined benefit scheme during the year.

### **15 Taxation**

As a charity, South Lakeland Leisure is exempt from tax on income and gains falling within sections 472 - 474 of the Corporation Tax Act 2010, sections 478 - 489 of the Corporation Tax Act 2010, or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the Charity.

# SOUTH LAKELAND LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

### 16 Tangible fixed assets

	Office Equipment £	General Equipment £	Leasehold Improvements £	Computer Equipment £	Total £
<b>Cost</b>					
At 1 April 2013	25,105	435,576	594,531	139,286	1,194,498
Additions	546	50,347	–	–	50,893
Disposals	(25,651)	(396,291)	(594,531)	(139,286)	(1,155,759)
<b>At 31 March 2014</b>	<u>–</u>	<u>89,632</u>	<u>–</u>	<u>–</u>	<u>89,632</u>
<b>Depreciation</b>					
At 1 April 2013	25,105	349,325	345,516	137,957	857,903
Charge for the year	96	53,878	59,056	1,329	114,359
On disposals	(25,201)	(328,544)	(404,572)	(139,286)	(897,603)
<b>At 31 March 2014</b>	<u>–</u>	<u>74,659</u>	<u>–</u>	<u>–</u>	<u>74,659</u>
<b>Net book value</b>					
<b>At 31 March 2014</b>	<u>–</u>	<u>14,973</u>	<u>–</u>	<u>–</u>	<u>14,973</u>
At 31 March 2013	<u>–</u>	<u>86,251</u>	<u>249,015</u>	<u>1,329</u>	<u>336,595</u>

#### Finance lease agreements

The net book value of £14,973 (2013 - £47,131) relates to assets held under finance lease agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £28,698 (2013 - £34,219).

### 17 Stocks

	2014 £	2013 £
Stock	<u>8,551</u>	<u>8,948</u>

### 18 Debtors

	2014 £	2013 £
Trade debtors	20,253	26,795
Other debtors	13,838	–
Prepayments	2,319	90,961
	<u>36,410</u>	<u>117,756</u>



# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

### **19 Creditors: Amounts falling due within one year**

	<b>Note</b>	<b>2014 £</b>	<b>2013 £</b>
Trade creditors		<b>20,979</b>	143,474
Taxation and Social Security		<b>51,505</b>	61,960
Finance lease agreements		<b>18,561</b>	50,525
Deferred income	<b>20</b>	-	55,363
Other creditors		<b>22,170</b>	-
Accruals		<b>96,433</b>	65,488
		<b>209,648</b>	376,810

Net obligations under finance lease contracts are secured by fixed charges on the assets concerned.

### **20 Deferred income**

	<b>2014 £</b>	<b>2013 £</b>
Total deferred income at 1 April 2013	<b>55,363</b>	62,601
Amounts received in the year	-	55,363
Amounts credited to statement of financial activities	<b>(55,363)</b>	(62,601)
Total deferred income at 31 March 2014	-	55,363

### **21 Pension and other post-retirement benefits**

South Lakeland Leisure's membership of the County Council Pension Fund ceased on 31 March 2014 and no further contributions are payable to the fund after 31 March 2014. No FRS 17 report has been prepared in respect of the year ended 31 March 2014 as the trustees considered that the cost of preparation of such report would not be proper use of charitable funds. As a consequence, the deficit brought forward less contributions paid in the year, has been released to the statement of financial activities, rather than being apportioned between current service costs, other financial income/cost and actuarial gain/loss. The resulting credit of £53,764 is shown as a gain on cessation of membership of the pension fund.

Pension contributions amounting to £nil were outstanding at 31 March 2014 (2013 £nil).

# SOUTH LAKELAND LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 MARCH 2014

The principal assumptions used by the independent actuaries in updating the comparative valuation for FRS 17 purposes were:

	2014 %	2013 %
Rate of CPI inflation	-	2.40
Rate of increase in salaries	-	2.40
Rate of increase in pensions	-	2.40
Discount rate	-	4.40

An analysis of the movements in the deficit during the year is shown below:

	2014 £	2013 £
At 1 April 2013	(117,000)	58,000
Total operating charge	-	(63,000)
Total other finance income	-	12,000
Actuarial gain/(loss)	-	(206,000)
Contributions	63,236	82,000
Gain on cessation of membership of pension fund	53,764	-
At 31 March 2014	-	(117,000)

An analysis of the amounts included in the statement of financial activities follows:

*Analysis of the total operating charge included in resources expended:*

	2014 £	2013 £
Current service cost	-	63,000
Total operating charge	-	63,000

*Analysis of the amount included in other finance income:*

	2014 £	2013 £
Expected return on pension scheme assets	-	164,000
Interest on pension scheme liabilities	-	(152,000)
Other finance income	-	12,000

*Analysis of pension asset/(liability):*

	2014 £	2013 £
Fair value of pension scheme assets	-	3,497,000
Present value of benefit obligation	-	(3,614,000)
Pension asset/(liability)	-	(117,000)

# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31 MARCH 2014**

#### **22 Commitments under operating leases**

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as set out below.

	2014		2013	
	Land and buildings £	Other items £	Land and buildings £	Other items £
<b>Operating leases which expire:</b>				
Within 1 year	-	1,886	-	4,232
Within 2 to 5 years	-	-	5,819	4,300
	<u>-</u>	<u>1,886</u>	<u>5,819</u>	<u>8,532</u>

#### **23 Restricted income funds**

	Incoming resources £	Outgoing resources £	Transfers £	Balance at 31 Mar 2014 £
Rounders England	1,000	(1,000)	-	-
Children's Able and Disabled Sports events	2,505	(2,505)	-	-
Upgrade of disability provisions	41,440	(5,446)	(35,994)	-
Community games	75	(75)	-	-
Apprenticeship funding	1,000	(1,000)	-	-
	<u>46,020</u>	<u>(10,026)</u>	<u>(35,994)</u>	<u>-</u>

The restricted funds were for the following purposes:

Rounders England	To encourage participation in the sport of rounders in the area.
Children's Able and Disabled Sports event	To hold sports events for disabled children.
Upgrade of disability provisions	To upgrade disability provisions at both sites.
Community games	To hold a community games event.
Apprenticeship funding	To fund the employment of an apprentice.

#### **24 Fund transfers**

Transfers between funds occur when the restricted monies have been spent or if relating to capital, the item has been purchased.

# SOUTH LAKELAND LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

### 25 Unrestricted income funds

	Balance at 1 Apr 2013 £	Incoming resources £	Outgoing resources and transfers £	Gains and losses £	Balance at 31 Mar 2014 £
<b>Designated Funds</b>					
Stage units	8,443	—	(8,443)	—	—
Ulverston astroturf pitch	26,062	—	(26,062)	—	—
Inclusive fitness initiative (IFI)	218	—	(218)	—	—
Kayak equipment	766	—	(766)	—	—
	<u>35,489</u>	<u>—</u>	<u>(35,489)</u>	<u>—</u>	<u>—</u>
<b>General Funds</b>	<u>1,330,632</u>	<u>2,180,126</u>	<u>(2,430,255)</u>	<u>53,764</u>	<u>1,134,267</u>
	<u>1,366,121</u>	<u>2,180,126</u>	<u>(2,465,744)</u>	<u>53,764</u>	<u>1,134,267</u>

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

Following the loss of the leisure provision contract at 31 March 2014 and the transfer of assets to North County Leisure for £nil proceeds, the designated funds above have also been written down to £nil.

Income received from grant providers to facilitate the acquisition of capital assets or carry out major repairs is initially treated as restricted income in accordance with SORP 2005. For capital projects, the related assets are capitalised and depreciated over their estimated useful economic lives. When the costs related to the grant are defrayed, South Lakeland Leisure transfers the grant amount from restricted funds to designated funds. In the case of capital grants, the designated fund is reduced by the relevant portion of depreciation each year. In the case of revenue grants, the designated fund is expended in the year. By making this disclosure, South Lakeland Leisure is highlighting the annual costs associated with the grants in order to give more information to users of the accounts. The grant providers, purpose of the grant, nature of the grant and estimated useful economic life (UEL) of the related assets, if applicable are set out below:

Year of grant	Grant provider	Amount	Purpose of grant	Capital / Revenue	UEL (yrs)
2004/2005	SLDC	£59,574	Stage Units	Capital	10
2005/2006	Various	£262	Ulv. Astroturf pitch	Capital	10
2006/2007	Sport England	£67,000	Ulv. Astroturf pitch	Capital	10
2006/2007	Ulv Townlands Trust	£5,000	Ulv. Astroturf pitch	Capital	10
2006/2007	Various	£475	Ulv. Astroturf pitch	Capital	10
2006/2007	IFI	£7,296	DDA Gym equipment	Capital	3
2007/2008	IFI	£4,864	DDA Gym equipment	Capital	3
2011/12	Canoe Foundation	£1,376	Kayak Equipment	Capital	5

# **SOUTH LAKELAND LEISURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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### **26 Contingencies**

The company has a contractual obligation to pay to South Lakeland District Council (SLDC) dilapidations on the vacation of leisure centre premises which occurred on 31 March 2014 on the termination of the company's contract to operate these premises on behalf of SLDC. SLDC have commissioned a report on dilapidations which quantified these at £81,000. However the trustees do not accept this amount and are contesting that account should be taken of the improvements made at the centres by the company during its occupation. Negotiations between the two parties are on-going and a compromise that is currently being considered is that the company might agree to provide funds to support the construction of new facilities at one of the centres. Such funding would be in line with the on-going charitable objectives of the company to assist in the provision of leisure facilities for the benefit of South Lakeland and would be accounted for in the period in which the funds were advanced. Funding in the region of £110,000 has been approved by the company and in exchange the company would expect to be released from any obligation that it might have to pay for dilapidations and also receive a right to a percentage of the income generated by the new facility.

There were no contingent liabilities at 31 March 2013.

### **27 Related party transactions**

During the year South Lakeland Leisure incurred costs of £4,436 (2013 - £nil) to Macron Properties Limited in respect of the services of Company Secretary G Ronson. G Ronson is a director of Macron Properties Ltd.

The charitable company and South Lakeland District Council are related parties for the purposes of Financial Reporting Standard for Smaller Entities (effective April 2008), Related Party Disclosures. South Lakeland District Council nominates two trustees and provides Community Partnership funding to enable the charitable company to carry out its objects. Material transactions with South Lakeland District Council are shown below:

#### At 31 March 2014

South Lakeland Leisure owed £2,988 (2013 - £23,695) to South Lakeland District Council.

#### Income

Community Partnership funding receivable - £661,290 (2013 - £1,105,420)

#### Expenditure

Support services - £12,948 (2013 - £12,671)

Electricity recharge - £168,189 (2013 - £172,342)

### **28 Control**

There is no single ultimate controlling party of South Lakeland Leisure throughout the current and previous year.