Company Registration No. SC145750 (Scotland)
Charity Registration No. SC023033 (Scotland)

Moray Leisure Limited
(A company limited by guarantee)
Annual report and
group financial statements
for the year ended 31 March 2018

Saffery Champness
CHARTERED ACCOUNTANTS

Moray Leisure Limited

Contents

The trustees are pleased to present their annual report together with the financial statements of the charity for the year ended 31 March 2018 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and 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).

Objectives and activities

The key objective of the company is:

"To provide and arrange for the management and administration of a leisure centre at Borough Briggs, Elgin, incorporating a swimming pool and ice rink, together with such ancillary facilities as the directors from time to time of the company shall deem appropriate for the recreational and educational benefit and in the interest of the social welfare of the public (both resident and visitor) of the district of Moray."

The centre continues to provide a broad range of activities including swimming, ice sports, health and wellness, childcare and catering services. The company remains closely aligned with primary and secondary health care providers. The health and wellness facility still offers an extended range of referral schemes including GP (General Practitioner), diabetic, back-care, MS (Multiple Sclerosis) and cardiac rehabilitation phase IV. The wellness programme also provides in excess of 55 classes per week targeted and tailored for all ages and abilities.

The ice plant continues to operate well and ensuring and guaranteeing an ice facility in Moray for a period in excess of at least 15 years. Increased ice usage is due entirely to the vastly improved ice conditions for all users. Ice hockey has made a resurgence and curling is attracting international touring teams again.

Moray Leisure Centre has been operational since 1993 and each year provides new challenges regarding equipment renewal and replacement. Based on the building condition report from 2015 ongoing maintenance has been undertaken. It is important to note, that due to financial restraints with Moray Council, no capital grant was received during 2017/2018.

There has been a continued reduction in footfall across all of the services provided by Moray Leisure Centre, however work is ongoing to revamp the individual services and the delivery model of the leisure centre.

Service area	**2017-18**	**2016-17**
Swimming pool (including general)	156,615	161,582
Health and wellness (including squash)	77,598	78,595
Ice rink	30,546	32,031
Rainbow castle childcare	46,790	55,114
Moray Leisure Centre (facility total)	311,549	327,322

Financial review

The results for the year for the group are detailed on page 11 of the financial statements. The net outgoing resources deducted from reserves are £387,028 (2017 – net incoming resources of £93,143) which has left the group with an accumulated deficit on its unrestricted funds of £206,285 (2017 - £3,454). This deficit will be tackled by seeking out savings and efficiency gains and developing and implementing a new sales scheme (Fit Life card) as detailed below. The company has one subsidiary, Moray Leisure (Trading) Limited, which recorded a profit of £5,596 (2017 – £2,452) in the year. The company passes on its taxable profit each year to Moray Leisure Limited by the way of Gift Aid. The amount payable for the year ended 31 March 2018 was £18,583 (2017 - £36,049).

Due to the poor financial performance of the centre and projected loss for 2018, the Board prepared a paper to be submitted to Moray Council to justify keeping the centre operating.

The Board looked at a number of options, and selected the option below to progress:
Introducing a Fit Life card scheme which is currently used throughout Moray by Moray Council. The card is purchased on a direct debit basis and offers either a family or single use for a monthly payment.

A detailed business case, with options, was produced showing methods of increasing income and reducing costs. Due to the requirement for at least 12 months being needed to enact the proposals, the Board accepted an offer from Moray Council to extend their lease for a further year to July 2019.

Additionally, the Board requested that external consultants be employed for a minimum of 6 months to undertake a study of existing operations, staffing and pricing structure and to implement the findings whilst developing the Fit Life scheme.

The Board presented the case to the Council and a resolution was passed by Council members on 21 December 2017

- agreement to an extended lease to July 2019
- confirmation they would fund external consultants (High Life Highland (HLH)) for 6 months
- confirmation they would reprofile management fee payments with an additional payment in December
- a council representative would attend regular Board meetings to ensure the proposed expenditure and business case were being followed.

The reprofiling of fee payments has enabled the centre to continue to operate during the quieter months of November and December.

An entry fee rise was put in place from April 2018, so although not effecting this reporting period, the next year has started more profitably.

Investment policy

The directors are governed by the Memorandum and Articles of Association which permit funds to be invested as the directors see fit.

Reserves policy
The directors have a policy of building up sufficient resources to enable the company to operate sufficient liquidity at all times.

The total reserves (assets less liabilities) held at year end was £72,338 (2017 – £459,366), of which a deficit of £206,285 (2017 - £3,454) was unrestricted and a surplus of £278,623 (2017 - £462,820) was restricted.

Principal risks and uncertainties
A principal concern to the Board is the age of the facility – now 25 years old. Despite being well maintained, the plant on which the building relies is requiring a systematic replacement programme.

Moray Leisure Limited was set up as an arms-length organisation 25 years ago to run Moray Leisure Centre on behalf of the Council. The contract is due for renewal in July 2018. There is a leisure review ongoing at present time and the centre is part of that review. The favoured proposal to agree a year extension to allow time for The Moray Council to review further options with Moray Leisure Limited was agreed, together with a rolling monthly contract from July 2019.

There is a direct correlation to facility footfall and income generation, as footfall for the leisure centre has demonstrated a further year on year decline this has had a detrimental impact on income generation. Improving this situation and stabilising what has been proving to be a volatile financial model is a key factor for improving the ongoing viability of the centre.

The Board and management are aware of this and continue to look at ways to maintain, and progress services and activities on offer. Introduction of a Fit Life scheme is instrumental in reversing this decline. HLH have implemented this scheme in neighbouring Highland district with great success.

Future plans
The Board have arranged assistance in establishing a regular management accounting regime to facilitate the decision making process. Accountants produce monthly management accounts and report on discipline income which gives the Board the ability to interrogate income and costs per leisure area. The Board have also recruited the assistance of external consultants, HLH, as of February 2018.

The Board also prepared business plans for the use of a direct debit card system (currently operated elsewhere by Moray Council as a Fit Life scheme). Early indications are that this will increase income and footfall as it's a cheaper family outlay but will attract more customer participation.

Moray Council requested that budgets be prepared for the existing centre use and for the future Fit Life scheme as they wished to see what HLH recommended.

The Board, together with HLH, prepared a paper for council consideration including a Fit Life scheme (comparable and transferable with the existing Moray Fit Life scheme) and requesting underwriting of the £120,000 overdraft position together with investment in the region of £500,000 to refit the gym and provide new equipment. The financial projections allowed for repayment of the loan at approximately £70,000 per annum following implementation.

(This was agreed at a full council meeting on 16 May 2018 and Moray Leisure Limited are now actively working towards implementation).

Reference and administrative details

Trustees and directors:	Mark Houliston	(resigned 6 March 2017)
	Councillor Douglas Ross	(resigned 4 May 2017)
	Councillor Michael Shand	(resigned 4 May 2017)
	Gary Callow	(appointed 27 June 2016)
	Andrew Wood	(appointed 27 June 2016)
	Martin Gray	(appointed 27 June 2016)
	Gillian Dale	(appointed on 27 June 2016)
	Councillor John Cree	(appointed 28 September 2016, resigned 4 May 2017)
	Councillor Frank Brown	(appointed 24 June 2017)
	Councillor Amy Patience	(appointed 1 July 2017)
	Councillor Walter Wilson	(appointed 1 June 2017, resigned 6 February 2018)
	Councillor Marc Macrae	(appointed 6 February 2018)
Secretary:	LC Secrataries Ltd	
Company number:	SC145750	
Charity number:	SC023033	
Registered office:	Ledingham Chalmers LLP Kintail House Beechwood Business Park Inverness IV2 3BW	
Auditors:	Saffery Champness LLP Kintail House Beechwood Business Park Inverness IV2 3BW	

Bankers:	Bank of Scotland 90 High Street Elgin IV30 1DW
Solicitors:	Ledingham Chalmers LLP Kintail House Beechwood Business Park Inverness IV2 3BW

Structure, governance and management

Moray Leisure Limited is a company limited by guarantee governed by its Memorandum and Articles of Association. It is registered as a charity with the Office of the Scottish Charity Regulator. It has one subsidiary company; Moray Leisure (Trading) Limited which carries out any trading activities undertaken at premises operated by Moray Leisure Limited. The directors of the company are trustees of the charity for the purposes of charity legislation.

Moray Leisure Limited is a charitable company having eight directors comprising of representatives from both the private sector and Moray Council.

The Board positions are voluntary and no remuneration is paid to any of the directors. In addition, in order to maintain independence from The Moray Council, the ratio of the board is five private sectors members to three council members.

The company has no reliance on the Council for any services such as finance or personnel or other operational support. The direct link with Moray Council is only through the management fee.

Other than financial support the company maintains a wholly autonomous position.

The Board of Directors meet as required and from December 2017 have met on a monthly basis.

The person appointed to carry out the directives and policies of the Board of Directors is the general manager, however these duties have been adopted by the external consultants, HLH, due to the long term absence of this employee.

The Board, together with HLH, is further developing and strengthening governance procedures. A total review of all centre policies and procedures is ongoing. The Board is assisting in particular areas of health and safety, HR and regulatory requirements. Strengthening of policies such as data protection and financial reporting are all in progress. HLH have implemented reporting procedures for health and safety (accident and incident statistics) and ongoing attendance recording.

Trustees' responsibilities in relation to the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 directors 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of directors' responsibilities

The directors are responsible for preparing the trustees and directors report and the financial statements in accordance with applicable law and regulation.

Under company law the directors 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 group and of the surplus or deficit of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and the company hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 477 of the Companies Act 2006 not to prepare strategic report.

On behalf of the board

A W Wood
....
Andrew Wood

29/6/18
....

Moray Leisure Limited

Independent auditor's report
To the members of Moray Leisure Limited

Opinion

We have audited the financial statements of Moray Leisure Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group Income Statement, the Group Statement of Financial Position, the Company Statement of Financial Position the Group Statement of Changes in Equity , the Group Statement of Cash Flows 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, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2018 and of its results for the year 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.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 our audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors 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 Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors 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 directors 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 directors are responsible for assessing the group's and the parent 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 directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 an auditor's report 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.

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

Saffery Champness LLP

Donald Forsyth (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

29.06.18

Chartered Accountants
Statutory Auditors

Kintail House
Beechwood Park
Inverness
IV2 3BW

Moray Leisure Limited

Group statement of financial activities
For the year ended 31 March 2018

	Notes	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Income and endowments from:					
Charitable activities	**3**	1,764,508	104,546	1,869,054	2,366,358
Commercial trading operations		271,703	-	271,703	280,754
Investments	**5**	6	-	6	73
Total income		2,036,217	104,546	2,140,763	2,647,185
Expenditure on:					
Charitable activities		1,991,519	288,743	2,280,262	2,311,773
Commercial trading operations		247,529	-	247,529	242,269
Total expenditure		(2,239,048)	(288,743)	(2,527,791)	(2,554,042)
Net income/(expenditure)		(202,831)	(184,197)	(387,028)	93,143
Gross transfers between funds		-	-	-	-
Net movement in funds		(202,831)	(184,197)	(387,028)	93,143
Total funds brought forward		(3,454)	462,820	459,366	366,223
Total funds carried forward		(206,285)	278,623	72,338	459,366

The notes on pages 17 to 33 form part of these financial statements.

Moray Leisure Limited

Company statement of financial activities
For the year ended 31 March 2018

	Notes	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Income and endowments from:					
Donations and legacies	2	18,583	-	18,583	36,049
Investments	5	1	-	1	57
Charitable activities	3	1,764,508	104,546	1,869,054	2,366,358
Total income		1,783,092	104,546	1,887,638	2,402,464
Expenditure on:					
Charitable activities		1,991,519	288,743	2,280,262	2,311,773
Total expenditure		(1,991,519)	(288,743)	(2,280,262)	(2,311,773)
Net income/(expenditure)		(208,427)	(184,197)	(392,624)	90,691
Net movement in funds		(208,427)	(184,197)	(392,624)	90,691
Total funds brought forward		(4,471)	462,820	458,349	367,658
Total funds carried forward		(212,898)	278,623	65,725	458,349

The notes on pages 17 to 33 form part of these financial statements.

Moray Leisure Limited

Group statement of financial position
As at 31 March 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Tangible assets	**10**		312,905		505,100
Current assets					
Stocks		22,361		16,940	
Debtors	**11**	53,500		47,071	
Cash at bank and in hand		21,524		79,013	
		97,385		143,024	
Creditors: amounts falling due within one year	**12**	(337,952)		(188,758)	
Net current liabilities			(240,567)		(45,734)
Total assets less current liabilities			72,338		459,366
Capital and reserves					
Unrestricted funds			(206,285)		(3,454)
Restricted funds			278,623		462,820
Total equity			72,338		459,366

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the companies Act 2006 and are for circulation to members of the company.

The financial statements were approved by the board of directors and authorised for issue on 29/6/18 and are signed on its behalf by:

A Wood

Andrew Wood
Director

Moray Leisure Limited

Company statement of financial position
As at 31 March 2018

			2018		2017
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	**10**		305,616		500,139
Investments	**9**		2		2
			305,618		500,141
Current assets					
Stocks		15,444		9,124	
Debtors	**11**	61,145		71,784	
Cash at bank and in hand		534		37,510	
		77,123		118,418	
Creditors: amounts falling due within one year	**12**	(317,016)		(160,210)	
Net current liabilities			(239,893)		(41,792)
Total assets less current liabilities			65,725		458,349
Capital and reserves					
Unrestricted funds			(212,898)		(4,471)
Restricted funds			278,623		462,820
Total equity			65,725		458,349

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

The financial statements were approved by the board of directors and authorised for issue on ..29/6/18........ and are signed on its behalf by:

A J Wood
....
Andrew Wood
Director

Company Registration No. SC145750

Group statement of changes in equity
For the year ended 31 March 2018

	Profit and loss reserves £
Balance at 1 April 2016	366,223
Year ended 31 March 2017:	
Profit and total comprehensive income for the year	93,143
Balance at 31 March 2017	459,366
Year ended 31 March 2018:	
Profit and total comprehensive income for the year	(387,028)
Balance at 31 March 2018	72,338

Group statement of cash flows
For the year ended 31 March 2018

	Notes	£	2018 £	£	2017 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	14		(129,762)		310,948
Investing activities					
Purchase of tangible fixed assets		(18,335)		(487,696)	
Interest received		6		73	
Net cash used in investing activities			(18,329)		(487,623)
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(148,091)		(176,675)
Cash and cash equivalents at beginning of year			79,013		255,688
Cash and cash equivalents at end of year			(69,078)		79,013
Relating to:					
Cash at bank and in hand			21,524		79,013
Bank overdrafts included in creditors payable within one year			(90,602)		-

1 Accounting policies

Company information

Moray Leisure Limited is a private company limited by guarantee incorporated in Scotland. The registered office is Ledingham Chalmers LLP, Kintail House, Beechwood Park, Inverness, IV2 3BW.

The group consists of Moray Leisure Limited and its subsidiary Moray Leisure (Trading) Limited.

1.1 Accounting convention

The financial statements have been prepared in accordance with 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 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available group financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the group financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.

1 Accounting policies (continued)

1.2 Turnover

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is a treated as a contingent asset and disclosed if material.

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the costs of commercial trading including the bar and coffee lounge and their associated support costs.
- Expenditure on charitable activities includes the costs of performances, exhibitions and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Straight line over the life of the lease
Plant and equipment	10% - 31% straight line
Fixtures and fittings	10% - 22% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1 Accounting policies (continued)

1.4 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.5 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1 Accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies (continued)

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1 Accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1 Accounting policies (continued)

1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.11 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies (continued)

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Group financial statements

The consolidated accounts incorporate the accounts of the company and its subsidiary undertaking for the year ended 31 March 2018. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

1.15 Legal status of the Trust

Moray Leisure Limited is a company limited by guarantee and not having a share capital. The liability of its members who constitute the charity is limited to £1 per member.

The affairs of the company are managed by a Board of Directors. The company is a registered charity, Scottish Charity Number SC023033, and is not liable to income tax or corporation tax on its income or capital gains.

- agreement to an extended lease to July 2019
- confirmation they would fund external consultants (High Life Highland (HLH)) for 6 months
- confirmation they would reprofile management fee payments with an additional payment in December
- a council representative would attend regular Board meetings to ensure the proposed expenditure and business case were being followed.

2 Donations and legacies

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Gift aid donation from subsidiary	-	-	18,583	36,049
	-	-	18,583	36,049

3 Income from charitable activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Capital grants - Moray Council	-	-	-	431,831
Management fee - Moray Council	711,000	-	711,000	684,999
Under 5s playgroup - Moray Council	-	104,546	104,546	97,672
Operation of leisure centre	1,053,508	-	1,053,508	1,151,856
	1,764,508	104,546	1,869,054	2,366,358

4 Income from other trading activities

The wholly owned trading subsidiary Moray Leisure (Trading) Limited is incorporated in Scotland (SC144040) and pays some of its profits to the charity under the gift aid scheme. Moray Leisure (Trading) Limited operates the vending and restaurant facilities at Moray Leisure Centre, Elgin. The charity owns the entire share capital of 100 shares of £1 each.

A summary of the trading results is shown below:

	2018 £	2017 £
Turnover	271,703	280,754
Cost of sales and administrative expenses	(253,125)	(242,269)
Interest receivable and other operating income	5	16
Net profit before gift aid and tax	18,583	38,501
Amount gift aided to Moray Leisure Limited	(18,583)	(36,049)
Taxation	5,596	-
Profit for the financial year retained in subsidiary	5,596	2,452

The assets and liabilities at 31 March 2018 were:

Fixed assets	7,289	4,961
Current assets	28,770	50,223
Creditors amounts falling due within one year	(29,444)	(54,165)
Aggregate share capital and reserves	6,615	1,019

5 Investment income

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Interest received	6	73	1	57

All of the group's and company's interest received in the current and prior year arises from money held in interest bearing deposit accounts. All of the interest received was unrestricted.

6 Expenditure on charitable activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Wages and salaries	1,147,875	98,946	1,246,821	1,292,181
Social security costs	78,059	-	78,059	79,895
Staff training	13,669	-	13,669	18,243
Staff pension costs defined contribution	11,684	-	11,684	9,194
Rates	5,978	-	5,978	7,085
Security collections	8,026	-	8,026	7,718
Cleaning	16,756	-	16,756	17,610
Chemicals	16,787	-	16,787	18,732
Power, light and heat	244,122	-	244,122	229,119
Property repairs and maintenance	149,179	-	149,179	139,187
Premises insurance	34,826	-	34,826	39,760
Group life insurance	7,162	-	7,162	7,392
Software costs	15,914	-	15,914	14,680
Hire of equipment	40,446	-	40,446	28,901
Travelling expenses	1,870	-	1,870	3,578
Child transport	9,716	-	9,716	11,404
Professional subscriptions	5,544	-	5,544	5,590
Legal and professional fees	78,061	-	78,061	44,447
Bank charges	8,824	-	8,824	8,355
Interest payable	373	-	373	79
Printing and stationery	9,177	-	9,177	15,639
Advertising	5,326	-	5,326	13,860
Telecommunications	5,235	-	5,235	5,307
Sundry expenses	422	-	422	(4,942)
Uniforms	2,446	-	2,446	3,595
Consumable supplies	21,572	-	21,572	26,056
Depreciation	17,837	189,797	207,634	227,408
Input tax inhibited	34,633	-	34,633	41,700
	1,991,519	288,743	2,280,262	2,311,773

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Total employees	151	151	136	136

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Company 2018 £	2017 £
Wages and salaries	1,364,291	1,410,376	1,246,821	1,292,181
Social security costs	80,970	82,271	78,059	79,895
Pension costs	13,333	9,989	11,684	9,194
	1,458,594	1,502,636	1,336,564	1,381,270

No employee was remunerated at a rate of over £60,000 per annum in either the current or prior year.

8 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	210,530	71,629
Auditors' remuneration	13,200	11,900

9 Fixed asset investments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments	-	-	2	2

9 Fixed asset investments (continued)

Movements in fixed asset investments

Company	**Shares in group undertakings**
	£
Cost or valuation	
At 1 April 2017 and 31 March 2018	2
Carrying amount	
At 31 March 2018	2
At 31 March 2017	2

10 Tangible fixed assets

Group	**Land and buildings**	**Plant and machinery etc**	**Total**
	£	**£**	**£**
Cost			
At 1 April 2017	719,438	2,013,813	2,733,251
Additions	-	18,335	18,335
At 31 March 2018	719,438	2,032,148	2,751,586
Depreciation and impairment			
At 1 April 2017	615,769	1,612,382	2,228,151
Depreciation charged in the year	28,944	181,586	210,530
At 31 March 2018	644,713	1,793,968	2,438,681
Carrying amount			
At 31 March 2018	74,725	238,180	312,905
At 31 March 2017	103,669	401,431	505,100

10 Tangible fixed assets (continued)

Company	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 April 2017	719,438	1,996,781	2,716,219
Additions	-	13,111	13,111
At 31 March 2018	719,438	2,009,892	2,729,330
Depreciation and impairment			
At 1 April 2017	615,769	1,600,311	2,216,080
Depreciation charged in the year	28,944	178,690	207,634
At 31 March 2018	644,713	1,779,001	2,423,714
Carrying amount			
At 31 March 2018	74,725	230,891	305,616
At 31 March 2017	103,669	396,470	500,139

11 Debtors

	Group 2018	2017	Company 2018	2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	23,976	9,597	23,979	9,597
Amounts owed by group undertakings	-	-	7,730	24,713
Other debtors	29,524	37,474	29,436	37,474
	53,500	47,071	61,145	71,784

12 Creditors: amounts falling due within one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	90,602	-	90,602	-
Trade creditors	43,637	32,848	41,816	29,431
Corporation tax payable	-	5,596	-	-
Other taxation and social security	59,197	63,772	47,308	51,563
Other creditors	144,516	86,542	137,290	79,216
	337,952	188,758	317,016	160,210

13 Loans and overdrafts

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank overdrafts	90,602	-	90,602	-
Payable within one year	90,602	-	90,602	-

The bank overdraft is secured by a bond and floating charge over the whole assets of the company.

14 Cash generated from group operations

	2018	2017
	£	£
(Deficit)/surplus for the year after tax	(387,028)	93,143
Adjustments for:		
Taxation credited	(5,596)	-
Investment income	(6)	(73)
Depreciation and impairment of tangible fixed assets	210,530	229,256
Movements in working capital:		
(Increase)/decrease in stocks	(5,421)	8,430
(Increase)/decrease in debtors	(6,429)	11,402
Increase/(decrease) in creditors	64,188	(31,210)
Cash (absorbed by)/generated from operations	(129,762)	310,948