

Edinburgh Leisure

(a company limited by guarantee)

Report and financial statements

31 March 2019

Registered number SC 179259

Charity number SC 027450

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Strategic report

As a charity Edinburgh Leisure is on a mission to help local people lead more active, healthy lives. It's a responsibility we take extremely seriously and it guides us in everything we do. Edinburgh Leisure does not have shareholders to pay dividends to, meaning every penny we make goes back into enhancing the venues, the equipment and the services we are trusted to provide. In each of the last five years Edinburgh Leisure's accounts have shown an underlying surplus. Those surpluses have been borne out of fantastic achievements by teams all across the organisation, but it is what has been done with those surpluses that really motivates us.

Over the last few years financial pressures have come from a variety of sources and against a background of continued economic uncertainty, one possible reaction to those pressures was to scale back operations. To entrench. But as a charity, we have a responsibility to those we serve; a responsibility to provide a service that people want to use and that meets the needs and demands of the citizens of Edinburgh.

Significant investments in 2018/19

Throughout 2018/19 we continued our strategy of investing in our venues, in our equipment and in our systems. We continued to be guided by our charitable purpose by directing our surpluses to improving the experience of our users. To make our venues and services the best they can be.

There are many low cost gyms in Edinburgh, with two major new additions during 2018, and they occupy a vital place in the market and an entry point to fitness for a great many people. However, for those people who prefer or need a different level of equipment or a different level of support and guidance, Edinburgh Leisure offers a higher value proposition. To maintain that value proposition, it is vital that we continue to differentiate our offering. During the first half of 2018/19 we replaced the equipment in our gyms at Ainslie Park and Gracemount Leisure Centre(s) with brand new state of the art equipment, allowing us to also refresh the gyms at three other centres, such that by summer 2018 all fourteen of our gyms had been refreshed within three years.

During the last year we invested in the iconic Edinburgh International Climbing Arena (EICA) with a reconfigured soft play area, a new café and a major infrastructure investment to connect the centre to the main sewer line, a move which will save many tens of thousands of pounds per year which can be directed to improving our charitable deliverables across the organisation. At Craiglockhart Tennis Centre, with support from Tennis Scotland, **sportscotland** and the City of Edinburgh Council another major infrastructure investment was completed with the replacement of five outdoor American clay courts by six new synthetic all weather "clay" courts, allowing greater access to the game in our unpredictable Scottish climate.

During the year we also completed the refurbishment of Dalry Swim Centre, a venue which opened in the last years of the 19th century. The programme of works was significant and with a total cost in excess of £1.5m, financial contributions from the City of Edinburgh Council were vital in refreshing and maintaining this superb gem of a building for future generations.

Schools

In September 2016, we began a programme to transfer the operation of high school sports facilities outside of curricular and extra-curricular hours from the City of Edinburgh Council to Edinburgh Leisure. The phased transfer continued during 2018/19 with seven additional secondary schools bringing Edinburgh Leisure's schools portfolio to twenty one and leaving only two schools still to transfer. Edinburgh Leisure's work on the schools is conducted on a partnership basis with all transactions ringfenced and reported separately to the City of Edinburgh Council. All net income from that element of our operations is remitted to the Council as we play another key role in contributing to greater levels of physical activity across the city.

Our approach to budgeting

Before reviewing the results for the year, it's worth framing that performance in the context of the budgeting process that we implemented a few years ago. Departmental and venue managers set their own budgets and in so doing they have ownership for their financial performance. Each year, our Commercial Director and other members of the Strategic Leadership Team walk through the budgets with each manager in order to make sure they are reasonable. This process has nurtured an environment where managers are engaged to beat their departmental budgets whilst as a company we strive to implement changes which will yield improvements across the organisation.

Net income for the year

From the process noted above the budget for 2018/19 was set at £300,000 deficit although our recent history as a company of beating budget meant that we had reasonable expectations of delivering something around a break-even outturn. The results for the year are shown on page 14. The deficit on unrestricted funds was £1,465,000 before actuarial losses. This however included non-cash accounting costs arising from the difference between the revenue account pension charge when calculated under FRS102 and the actual employer cash contributions made to the pension fund during the year. The £1,465,000 figure shown on page 14 also included expenditure on Dalry Swim Centre, £745,000 of which had been designated in reserves at March 2018. When adjusting for the above, the underlying surplus on a basis comparable to the budget was £149,000 as shown in the table below. In addition, a transfer of £255,000 from restricted to unrestricted funds was also made in the year, £250,000 of which represents the release of grant funding received in the year for a capital project which was completed.

	2019	2018
	£'000	£'000
Reported Deficit on Unrestricted Funds	(1,465)	(738)
Interest cost in relation to pension liability	93	308
Pension service costs	776	907
Transfer from designated funds	745	-
Underlying surplus before transfer from restricted funds	<u>149</u>	<u>477</u>
Transfer from restricted funds	<u>255</u>	<u>10</u>
Underlying Surplus	<u><u>404</u></u>	<u><u>487</u></u>

The underlying surplus of £149,000 before transfer from restricted funds compares very favourably to the £300,000 deficit budget, however the Board recognise that cumulative net underspends, much of it due to unbudgeted external support for projects, does not detract from the challenges experienced in income, which missed budget by £170,000 (0.8%). This acts as a constant reminder of the need to evolve our offering against the background of ever increasing competition and changing consumer tastes.

Pension reserve

The actuarial loss on The Lothian Pension Fund of £713,000 (2018: gain of £9,530,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities, nor does the accounting deficit of £4,651,000 (2018: £3,069,000).

It is important to note that this large deficit and consequent volatile gains or losses arise only from the accounting treatment of the pension assets and liabilities and do not, in themselves, impact on the company's contributions to the plan. The annual FRS102 valuation is based on a calculation of future net liabilities by applying bond yields to the plan assets, thereby calculating conservatively low asset values and hence high deficit levels. The fund is actually invested across a number of asset classes typically resulting in greater returns over the long term, reducing the liability to manageable levels. The actuarial evaluation which takes place every three years calculates the company contributions required to meet the likely liabilities when they arise, and the company continues to invest these recommended contribution rates into the pension scheme. For information, the latest triennial evaluation based on year end March 2017 recommended company contributions of 23.2% from 1st April 2019 and the current year's budget has been built on that basis. That triennial evaluation projected Edinburgh Leisure's plan assets to be £68,983,000, 109% of the projected liabilities of £63,111,000, a long-term funding position which the Board consider to be appropriate.

Reserves policy

Total funds at March 2019 were £610,000 (2018: £209,000), of which £2,757,000 was restricted (2018: 433,000). Unrestricted negative reserves of £2,147,000 (2018: £224,000) include a negative reserve of £4,651,000 in respect of the pension deficit (2018: £3,069,000). £504,000 has been designated for use in lifecycle and other maintenance works as per Note 13 with the balance of unrestricted reserves being £2,000,000 which is not a free reserve as it is backed up by long term assets rather than exclusively cash reserves.

It is the intention of the Board to accumulate a reserve fund to allow the company some protection against future adverse events. The long-term strategy of the Board is to improve the sustainability of the business by reducing the reliance on the annual management fee, recognising the financial challenges experienced by our largest external funder, the City of Edinburgh Council. As such the operating performance of the business over recent years has generated funds which have been utilised in the investment of fixed assets which are net income generating. It is the opinion of the Board that, all other things being equal, this strategy will move net current assets in a positive direction over the long term. Over the most recent five years, one can see from the table below that net current liabilities at March 2019 improved by £668,000 from March 2014 and in the same timeframe the net book value of our tangible fixed assets has strengthened by £1.4m, with the quality of assets allowing us a greater ability to drive year on year operational performance improvements.

	2019	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted current assets	1,349	2,039	1,576	1,667	1,688	958
Current liabilities	(3,334)	(3,848)	(4,127)	(3,488)	(3,574)	(3,611)
Net unrestricted current liabilities	(1,985)	(1,809)	(2,551)	(1,821)	(1,886)	(2,653)
Unrestricted tangible fixed assets	5,322	4,924	5,329	4,844	4,199	3,902

The liquidity of the business is positive throughout the year due to the timing of cash flows, reducing as we approach each financial year end. Recent history has shown that significant adverse events can impact the business to a value of up to £500,000, particularly during the winter months. The reserves policy agreed by the Board is therefore to maintain free cash balances in excess of £500,000 throughout the year, with the ability to utilise those cash balances towards the end of March as the risk of significant adverse conditions diminishes. This minimum cash holding was met for the year to March 2019 with a year-end cash balance of £1,649,000, much of which is being held in order to deliver on the projects represented within restricted funds. The reserves policy is reviewed by the Board annually.

Employees

The company regularly provides all employees and, where represented, trade unions (via the Joint Negotiations & Consultative Committee) with information on the company's performance. We are committed to ensuring that our employment policies and practices are fair, transparent and free from discrimination. We recruit using competency-based selection processes to ensure that employment decisions are based on a person's ability to do the job. Edinburgh Leisure's vision is to inspire Edinburgh to be a more active and healthy city and we include our staff in this vision. We offer a series of wellbeing initiatives, including individual consultations, throughout the year to encourage and support our employees to be active and healthy. Our commitment to the wellbeing of our employees was recognised through the maintenance of our Gold Healthy Working Lives award from NHS Health Scotland.

Key performance indicators

In reviewing the performance of the business, the Directors consider the actual performance against target and history for various metrics including those identified below. Regular performance updates are communicated to the Board, the City of Edinburgh Council and published on the Edinburgh Leisure website (<https://www.edinburghleisure.co.uk/freedom-of-information/published-information>).

	Actual	Target	Actual
	2019	2019	2018
Income from operating activities (£000's)	21,028	21,198	21,546
Expenditure on operating activities (£000's) *	28,795	29,413	29,156
Fundraising	1,027	991	786
Customer visit numbers (000's)	4,338	4,290	4,472
Customer experience index	8.75	8.75	8.70
Customer accidents per hundred thousand visits	8.11	n/a	8.28
Staff absence levels	3.45 %	4.00 %	3.60 %

* excluding expenditure which had been designated as part of prior year reserves

Principal risks and uncertainties

Management fee income: During the year to March 2019 the City of Edinburgh Council paid £7.9m (2018: £8.1m) in management fee to Edinburgh Leisure for the delivery of core services. The management fee for the year to March 2020 has been set at the same level with further reductions possible for 2020/21 and beyond as the Council is required to make significant improvements to its budget position. Edinburgh Leisure is engaging in regular dialogue with the Council regarding the potential impact of these future reductions.

Political: The fact that physical activity is a key enabler to improving health and social outcomes is well documented, as is the immense pressure experienced within the National Health Service and Health & Social Care Services at a local and national level. Over recent years the political landscape has been ever changing. The deadline of 29 March 2019 for the UK's departure from the EU came and went, but with the most recent deadline set for 31 October 2019 the political focus nationally is likely to remain on Brexit rather than a significant shift in public health policy. In the meantime, we continue to work with our partners at the Council to develop their preventative agenda. The Directors remain focused on improving the core sustainability of the Edinburgh Leisure business model and if subsequent political changes result in greater focus on physical activity and the transformational health benefits it delivers, our organisation will be well placed to respond.

Economic: With household investment in physical activity tending to be viewed as discretionary, any macro-economic shifts could have an impact on our income position. Edinburgh Leisure is positioned as an affordable, professional, good quality choice for customers across our service offerings such as fitness, aquatics, golf and sports coaching. As such the Directors believe the company is well placed within the current economic climate.

People attraction and retention: The Directors review salary increases annually to balance the need to control wage costs with the need to retain and attract quality staff in the Edinburgh job market. The business continues to invest in developing a great 'employee experience' and in learning and development opportunities for staff. Whilst the positive working environment and career development remains a strong incentive for quality people to work for Edinburgh Leisure, we cannot be complacent with regards to our rewards package.

Competition: We continue to operate in a very competitive city and sophisticated market, particularly in respect of our fitness offerings, but also in other activities such as golf and sports coaching. By investing in our facilities, developing our products and constantly tracking competitor activity and our own usage, membership and income metrics, we remain equipped to adjust our products and services to continue our success.

Thanks to our partners

As an independent charity we rely on external funding to deliver on many of our activity and health projects. Our Active Communities Programme harnesses the power of physical activity and sport to tackle inequality and combat the effects of inactivity. Each year we provide support to around 10,000 people in need who face the greatest barriers to getting active, including those affected by health conditions, disabilities, inequalities and poverty – encouraging, supporting and empowering them to get active to improve and protect their health and wellbeing.

This work relies on support from donors, fundraisers, companies, trusts, grant funders and volunteers. During the year our Ageing Well programme received the Queens Award for Voluntary Service, the highest award given to local volunteer

groups across the UK to recognise outstanding work done in their own communities. This award reflects the tremendous contribution of our Ageing Well volunteers in supporting older people to be more active and healthy. We are grateful to all our supporters in 2018/19, including the following partners:

Baillie Gifford & Co	Barratt Homes East Scotland	Cole AD	Co-op Local Community Fund	EAE
Edinburgh Wellbeing Public Social Partnership	Edinburgh Health and Social Care Partnership	ESPC	EVOC	Glasgow 2018 European Championships
Littlehouse Media	Lothian Region Swimming Committee	Macmillan Cancer Support	NHS Lothian	NHS Lothian Health Improvement Fund
Paths for All	SASA East District	Scottish Swimming	SPEEDO	sportscotland
Souter Charitable Trust	State Street Foundation	Sustrans	Tennis Scotland	The City of Edinburgh Council
The Lane Agency	The Life Changes Trust	The W M Mann Foundation	Young Scot Create 2018 Fund	

Plans for future periods

As we progress through 2019/20 with a break-even budget we will continue to invest to improve the user experience. Easy access entry systems, now in place at Drumbrae and Dalry will be rolled out in additional venues in order to speed up access for our customers. New online dynamic timetables were introduced in Spring 2019, allowing users to find and book activities far more easily than before. At the time of writing we are augmenting the single lift at the EICA with the installation of two new lifts, facilitating access to the array of activities on offer throughout that five storey building. New boilers, combined heat and power units, filtration systems and a host of other mechanical and electrical work will ensure our venues continue to provide the type of environments that support the activity needs of our users.

Leith Victoria Swim Centre first opened on 30th June in 1899. With funding from our strategic partner, the City of Edinburgh Council, the swimming pool 'side' of the venue will be refurbished later in 2019. Whilst the gym, cycle studio and the large fitness studio remain open, significant work will be undertaken on both the external and internal fabric of the building. We will also replace much of the ageing mechanical and electrical installations, ensuring this classical piece of Edinburgh's history will be preserved for many more decades.

We began this Strategic Review by noting that Edinburgh Leisure, as a charity, does not have shareholders to pay dividends to. That our focus is on providing venues, equipment, services and, importantly, skilled and committed employees, service providers and volunteers to enable people to be active and healthy and to remain active and healthy. We are immensely proud of our successes over the years and by striving to build on that success with ever greater investments in facilities across Edinburgh, we pay our dividend to the people of Scotland's capital.



Kevin J Johnston FCMA
Company Secretary

17 June 2019

Directors' report

The Directors of the company are pleased to present their annual report and the audited financial statements for the year ended 31 March 2019.

Reference and administration information

The Directors who currently hold office are as follows:

Directors	D. Milne (Chair) Councillor G. Bruce Councillor D. Dixon Councillor H. Osler Councillor A. Staniforth Councillor D. Wilson J. Davies S. Haldane C. McMillan J. Moran Dr C. Mumford J. Taylor C. Parker C. Hall L. Panglea	(appointed 14 May 2018) (appointed 27 August 2018) (appointed 16 November 2018)
Chief Executive	J. Peebles	
Secretary	K. Johnston	
Registered office	Vantage Point 3 Cultins Road Edinburgh EH11 4DF	
Auditor	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD	
Solicitors	Harper Macleod LLP 65 Haymarket Terrace Edinburgh EH12 5HD	
Bankers	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB	Barclays Quay 2, Fountainbridge Edinburgh EH3 9QG
Charity number	SC027450	
Company number	SC179259	

Edinburgh Leisure's purpose

At Edinburgh Leisure, we are passionate about the positive impact physical activity has on people's physical, mental and social wellbeing. Which is why as a charity we are on a mission to inspire everyone in Edinburgh to be active.

Physical inactivity remains one of Scotland's major public health risks, with a significant proportion of Scottish adults (35%) and young people (67%) failing to meet the minimum physical activity guidelines (Scottish Health Survey 2017). Sedentary lifestyles increase the risk of developing multiple health conditions and one in six deaths are caused by inactivity. In Scotland, inactivity is costing the NHS around £77 million each year, and this is expected to rise ('Costing the burden of ill health related to physical inactivity for Scotland', British Heart Foundation, 2015). However, it is preventable, and Edinburgh Leisure has a vital role to play in getting more people in the city active.

Structure, Governance and Management

Charitable status

Edinburgh Leisure is a company limited by guarantee, governed by its memorandum and articles of association, and does not have a share capital. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up. The company has charitable status under Section 505 of the Income and Corporation Taxes Act 1988 and the Scottish Charity Number is SC 027450.

Directors

Edinburgh Leisure's Board comprises a maximum of fifteen Directors. Seven are co-opted from business, the leisure industry, and the professions. One is nominated from ClubSportEdinburgh, one is a nominated employee representative and five are nominated elected members of the City of Edinburgh Council. There is also one Director specifically appointed to represent users. The seven co-opted members and the one user representative are appointed for a period of three years.

The following Directors served during the year:

D. Milne	
Councillor G. Bruce	
Councillor D. Dixon	
Councillor H. Osler	
Councillor A. Staniforth	
Councillor D. Wilson	
K. Goodlad	(resigned 25 June 2018)
D. McKenzie	(resigned 14 August 2018)
S. Haldane	
J. Davies	
C. McMillan	
J. Moran	
Dr C. Mumford	
J. Taylor	
C. Parker	(appointed 14 May 2018)
C. Hall	(appointed 27 August 2018)
L. Panglea	(appointed 16 November 2018)

Policies and procedures for induction and training of Directors

An induction process is in place for new Directors. This covers the strategic and operational issues affecting the company. Processes are in place to provide feedback to Directors on their contributions and to identify on-going training needs. Actions are taken as required.

Pay and remuneration of the charity's key management personnel

At least every three years, an external consultant is engaged to benchmark salaries against other leisure trusts, similar sized organisations in Edinburgh and UK wide charities, their findings and recommendations then being presented to Edinburgh Leisure's Remuneration Committee. To aid their determination, the Remuneration Committee have available the pay recommendations for the rest of the company and may choose to mirror the wider company award, although flexibility exists to implement differing pay awards if deemed necessary. The Remuneration Committee present their recommendations for discussion to the Board with key management not permitted to be present for these discussions.

Organisation Structure

The Board of Directors meets every two months with Directors and senior management present. Decisions are taken to set the overall strategy for the business as well as to monitor its activities. Senior management are charged with the task of implementing these decisions.

Objectives and activities

Principal activity

The principal activity of the company is the provision of recreation and leisure facilities on behalf of The City of Edinburgh Council in accordance with the following charitable objectives to:

- Provide or assist in the provision of facilities for recreation or other leisure time occupation in the interests of social welfare for the general public and in particular in connection with the local authority area of The City of Edinburgh as defined in the Local Government etc. (Scotland) Act 1994 with the object of improving the conditions of life for the Community;
- Provide facilities for persons who by reason of their youth, infirmity or disability, poverty or social and economic circumstances may need special facilities; and
- Promote good health among the Community through health education directed to the part which healthy eating and standards of nutrition together with exercise play in the maintenance of good health.

Disclosure of information to the Auditors

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken the appropriate steps as a Director to make themselves aware of such information and to establish that the auditors are aware of it.

Approved by the Board of Directors and signed on its behalf by:



David Milne
Chairman

17 June 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors report and the financial statements in accordance with applicable law and regulations.

Company law and Charity law requires the Directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law and charity 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charity 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 charity will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS OF EDINBURGH LEISURE

Opinion

We have audited the financial statements of Edinburgh Leisure ("the Charitable Company") for the year ended 31 March 2019 which comprise the statement of financial activities, the balance sheet, cash flow statement 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 Financial Reporting Standard 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 Charitable Company's affairs as at 31 March 2019 and of incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

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 Charitable Company in accordance with the ethical requirements 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 related 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 Charitable 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 other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises the Strategic Report and the Directors' Report. The Directors are responsible for the other information.

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 the audit:

- the information given in the Directors' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Directors' Report, have 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 Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- proper and 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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines 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 Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's Directors, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charitable Company's members and Directors 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 Charitable Company, the Charitable Company's members as a body and the Charitable Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.



Martin Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh, UK

Date 19 JUNE 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses)

For the year ended 31 March 2019

	Unrestricted	Restricted	Total	Total
Note	Fund	Fund	2019	2018
	£'000	£'000	£'000	£'000
Income				
Investment income	6	11	-	11
<i>Income from charitable activities</i>				
Provision of leisure facilities		21,028	2,064	23,092
Contract with City of Edinburgh Council		7,905	3,522	11,427
Total income	2	28,944	5,586	34,530
Expenditure				
Charitable activities				
Provision of leisure facilities	3	29,540	3,007	32,547
Interest cost in relation to pension liability	19	93	-	93
Pension service costs	19	776	-	776
Total expenditure		30,409	3,007	33,416
Net movement in funds for the year before other recognised gains and losses		(1,465)	2,579	1,114
Other recognised gains and losses				
Actuarial (loss)/gain on Lothian Pension Fund	19	(713)	-	(713)
Net movement in funds (after actuarial loss on pension scheme)		(2,178)	2,579	401
Transfers between funds	14	255	(255)	-
Net movement in funds		(1,923)	2,324	401
Fund balances brought forward at 1 April 2018		(224)	433	209
Fund balances carried forward at 31 March 2019		(2,147)	2,757	610

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

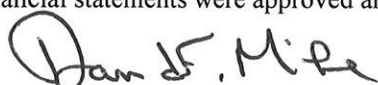
Balance Sheet

Company Number: SC179259
At 31 March 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	7		5,412		5,024
Investments	8		-		-
			<u>5,412</u>		<u>5,024</u>
Current assets					
Stocks	9	134		116	
Debtors	10	2,233		990	
Cash in hand		1,649		1,266	
		<u>4,016</u>		<u>2,372</u>	
Current liabilities					
Creditors: amounts falling due in one year	11	(3,334)		(3,848)	
Net current assets/(liabilities)			<u>682</u>		<u>(1,476)</u>
Total assets less current liabilities			<u>6,094</u>		<u>3,548</u>
Long term liabilities					
Creditors : amounts falling due in more than one year	12		(833)		(270)
Net assets excluding pension deficit			<u>5,261</u>		<u>3,278</u>
Pension deficit	19		(4,651)		(3,069)
Net assets including pension deficit			<u>610</u>		<u>209</u>
Funds					
Unrestricted funds		2,000		2,100	
Designated reserves	13	504		745	
Pension reserve	19	(4,651)		(3,069)	
			<u>(2,147)</u>		<u>(224)</u>
Restricted funds	14		2,757		433
Total funds			<u>610</u>		<u>209</u>

The notes at pages 17 to 32 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 17 June 2019 and signed on its behalf by:



David Milne
Chairman

Cash flow statement
for the year ended 31 March 2019

	2019	2018
	£'000	£'000
Net expenditure for the reporting period	1,114	(683)
Adjustments for:		
Depreciation charges	1,229	1,117
Pension adjustment	776	907
Interest paid	96	314
Interest received	(11)	(12)
Increase in stock	(18)	-
Increase in debtors	(1,243)	(117)
Decrease in creditors	(624)	(296)
Loss on disposal of fixed assets	139	17
Net cash provided by operating activities	1,458	1,247
 Cash flows from investing activities		
Interest received	11	12
Purchase of PPE	(1,086)	(721)
Finance lease interest paid	(3)	(6)
Proceeds from sale of fixed assets	17	19
Net cash used in investing activities	(1,061)	(696)
 Cash flows from financing activities		
Repayment of finance leases	(48)	(78)
New loans entered into	145	-
Repayment of loans	(111)	(72)
Net cash used in financing activities	(14)	(150)
 Change in cash and equivalents in the reporting period	383	401
 Cash and cash equivalent at the beginning of the reporting period	1,266	865
 Cash and cash equivalent at the end of reporting period	1,649	1,266

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

Edinburgh Leisure is a private company, limited by guarantee, incorporated in Scotland under the Companies Act. The address of the registered office is on page 7. Edinburgh Leisure constitutes a public benefit entity as defined by FRS102. The financial statements have been prepared in accordance with FRS102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of the financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the Charity to exercise judgement in applying the entity accounting policies (see Note 1m).

1a Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards. The financial statements are set out so as to comply with the Statement of Recommended Practice: Accounting and Reporting by Charities approved by the Accounting Standards Board in 2015, the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006.

The company's functional and presentational currency is GBP. Figures are presented rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis. Edinburgh Leisure has a contract to manage leisure facilities on behalf of the City of Edinburgh Council; although the contract is on-going, the financial terms relating to the contract are settled annually in conjunction with the Council's budgeting process. A six month notice period applies to the contract. In the opinion of the Directors there is no risk that funding will be withdrawn in the foreseeable future and as such the financial statements are prepared on a going concern basis.

These financial statements present information about the company as an individual undertaking, and not about its group, by virtue of s402 of the Companies Act 2006.

1b Funds

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

Restricted funds are funds subject to specific trusts, which may be declared by the donor or with their authority. Some are restricted income funds expendable at the discretion of the Board in furtherance of a particular activity, such as funds raised for particular client groups or activities. Others are capital funds where the assets are required to be invested for long term use.

Unrestricted funds are expendable at the discretion of the Board in furtherance of the objectives of Edinburgh Leisure. If part of the unrestricted funds is earmarked at the discretion of the Board for a particular project it is designated as a separate fund. This designation has an administrative purpose only and does not legally restrict the Board's discretion to apply the fund.

1c Income

Activities for generating income are accounted for on an accruals basis.

Income from the City of Edinburgh Council is accounted for on an accruals basis and is agreed in advance based on the level of service provided.

Investment Income is accounted for on an accruals basis.

Capital Grants received are accounted for on an accruals basis. If a functional fixed asset is acquired in full or in part from the proceeds of a grant it is included in the balance sheet at its full acquisition cost, with the relevant grant being recognised as income and held in restricted funds. Depreciation is then allocated to this fund over the useful life of the related asset.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1d Expenditure

All expenditure is accounted for on an accruals basis. Governance costs are included in the costs of providing service and relate to the expenditure on the Directors including meetings, if any, and for the company's obligation for audit as a charity. Support costs are included within the costs of providing service in note 3.

1e Leased assets: lessee

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of leasing payments is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding.

1f Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward for future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

1g Stocks

Stocks of materials and consumables are stated at the lower of cost and net realisable value in the ordinary course of operating.

1h Tangible fixed assets

Assets are held at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, generally as follows:

Freehold land and buildings	up to 50 years
Leasehold improvements	5 years – 25 years
Plant and equipment	3 to 25 years
Motor vehicles	4 years
Furniture and fittings	5 years
Computer equipment	3 to 5 years
Finance Leases	over the term of the lease, if shorter than useful life

The assets are reviewed annually for impairment. Assets purchased during the year with a value of £1,000 or more are reviewed for capitalisation.

1i Taxation

As a charity, the group is exempt from income tax by virtue of Section 505(1) Income and Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1j Pensions

Edinburgh Leisure is a member of the Lothian Pension Fund, a Local Government Pension Scheme, which provides benefits based on final salary for periods before 1st April 2015 and career average salary after that date. The scheme closed to new entrants as at 1st April 2008.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Activities. These amounts together with the return on plan assets are disclosed as 'Actuarial gain/(loss) on Lothian Pension Fund'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Financial Activities as 'Interest cost in relation to pension liability'.

All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%. Allocation of the expense in relation to the defined contribution scheme between restricted and unrestricted funds is done on an employee by employee basis where it will be classed as restricted if the employee is employed in relation to a restricted project. Otherwise it will be classed as an unrestricted expense.

1k Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

1m Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements the Directors have made the following judgements:

- Determining whether there are indicators of impairment of the charity's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determining whether the assumptions set by the Directors over the defined benefit pension scheme are reasonable.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see Note 7). Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Defined benefit pension scheme (see Note 19). The actuary values the pension scheme in line with assumptions set by the Directors. The actual performance is unlikely to be in line with the actuarial valuation as a result of the valuation being based upon assumptions on future unpredictable events such as return on assets and mortality rates.

Notes to the financial statements *(continued)*

2 Income

Income from investments was £11,000 (2018: £12,000), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £23,092,000 (2018: £22,954,000), of which £21,028,000 (2018: £21,546,000) was unrestricted and £2,064,000 (2018: £1,408,000) was restricted.

Income from the contract with City of Edinburgh Council was £11,427,000 (2018: £8,180,000), of which £7,905,000 (2018: £8,075,000) was unrestricted and £3,522,000 (2018: £105,000) was restricted.

3 Costs of providing service

	Unrestricted Fund £'000	Restricted Fund £'000	Total 2019 £'000	Total 2018 £'000
Wages and salaries	14,432	1,015	15,447	15,377
Social security costs	1,102	66	1,168	1,166
Employer pension contributions	1,124	60	1,184	1,135
Payments to self-employed coaches	1,077	48	1,125	1,073
Property costs	4,832	1,356	6,188	4,375
Supplies and services	5,378	461	5,839	5,976
Rental charges under operating leases	196	-	196	344
Depreciation	1,228	1	1,229	1,118
Finance lease costs	3	-	3	6
Governance costs	29	-	29	27
Gain on disposal of fixed assets	139	-	139	17
	29,540	3,007	32,547	30,614

The costs of providing services during 2018 were comprised of £29,156,000 in relation to unrestricted funds and £1,458,000 in relation to restricted funds.

4 Governance costs

	2019 £'000	2018 £'000
Audit fees	20	20
Non-audit fees	2	2
Directors and Officers Indemnity Insurance	7	5
	29	27

Notes to the financial statements *(continued)*

5 Staff numbers and costs

The remuneration and associated costs of the company were:

	2019	2018
	£'000	£'000
Wages and salaries	15,447	15,377
Social security costs	1,168	1,166
Pension costs	1,184	1,135
Pension adjustment	776	907
	18,575	18,585

There were no redundancy costs included within staff costs (2018: £107,000). Costs for any redundancies are recognised when the liability is confirmed and communicated to the relevant parties creating a constructive obligation. There were no balances outstanding this year, or last year, as at the Balance Sheet date.

Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the following bands:

	2019	2018
	Number	Number
£90,000 - £100,000	1	1
£60,000 - £70,000	3	2

The total contributions to defined benefit pension schemes for the staff within the above bands is £33,339 (2018: £29,293) and to defined contribution pension schemes is £5,975 (2018: £391).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance and travel expenses claimed by one Board member of £1,891 (2018: £1,957).

The average monthly full-time equivalent number of employees of the company during the year was:

	2019	2018
	Number	Number
Dry facilities	188	205
Wet centres	369	328
Golf courses	32	43
Administration and support	130	129
	719	705

Notes to the financial statements *(continued)*

5 Staff numbers and costs *(continued)*

The average monthly headcount number of employees of the company during the year was:

	2019	2018
	Number	Number
Dry facilities	294	316
Wet centres	498	485
Golf courses	35	47
Administration and support	145	142
	972	990

6 Investment income

	2019	2018
	£'000	£'000
Bank and other interest	11	12
	11	12

7 Tangible fixed assets

	Freehold Buildings	Leasehold Impmt's	Plant & Equipt.	Motor Vehicles	Furniture & fittings	Computer Equipment	Finance Leases	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>								
At beginning of year	539	6,277	3,434	197	429	1,014	660	12,550
Additions	-	1,017	640	41	12	63	-	1,773
Disposals	-	(1,073)	(391)	-	(53)	(140)	(127)	(1,784)
At end of year	539	6,221	3,683	238	388	937	533	12,539
<i>Depreciation</i>								
At beginning of year	176	3,941	1,766	162	299	615	567	7,526
Charge	11	468	524	14	28	138	46	1,229
Disposals	-	(918)	(391)	-	(53)	(139)	(127)	(1,628)
At end of year	187	3,491	1,899	176	274	614	486	7,127
<i>Net book value</i>								
At 31 March 2019	352	2,730	1,784	62	114	323	47	5,412
At 31 March 2018	363	2,336	1,668	35	130	399	93	5,024

The net book value of assets held under finance leases was £636,000 (2018: £93,000).

Notes to the financial statements (continued)

8 Fixed asset investments

	2019	2018
	£'000	£'000
Investment in subsidiary undertaking	-	-

The company owns 100% of the ordinary share capital of Edinburgh Leisure Two Limited, a company registered in Scotland. The registered office is; Vantage Point, 3 Cultins Road, Edinburgh, EH11 4DF. The value of the investment is at cost which is £2 (2018: £2). This company did not trade in the year.

9 Stocks

	2019	2018
	£'000	£'000
Stocks	134	116

The total of stock recognised as an expense in the year is £1,204,000 (2018: £1,283,000).

10 Debtors

	2019	2018
	£'000	£'000
Trade debtors	435	445
City of Edinburgh Council	1,408	71
Other Debtors	75	202
Prepayments and accrued income	315	272
	2,233	990

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	117	500
Pension creditor – City of Edinburgh Council	99	95
Due to City of Edinburgh Council	154	883
Social security costs and other taxes	658	349
Other creditors and accruals	2,062	1,869
Finance leases	181	48
Other loans	63	104
	3,334	3,848
	3,334	3,848

Included in finance leases above is £153,000 (2018: nil) due to the City of Edinburgh Council.

Included in other creditors and accruals above are amounts of deferred income as follows:

	2019	2018
	£'000	£'000
Balance at start of year	505	1,081
Transfers out	(505)	(1,081)
Transfers in	627	505
Balance at end of year	627	505
	627	505

Income is deferred where it is received in advance of the service delivery.

12 Creditors: amounts falling due after more than one year

	2019	2018
	£'000	£'000
Finance leases	552	46
Other creditors and accruals	45	63
Other loans	236	161
	833	270
	833	270

Included in finance leases above is £534,000 (2018: nil) due to the City of Edinburgh Council.

Notes to the financial statements (continued)

12 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases is as follows:

	2019	2018
	£'000	£'000
Within one year	181	48
Within one to two years	168	28
Within two to five years	384	18
	733	94
	733	94

The obligations under finance leases are secured over the assets to which they relate.

13 Designated reserve

	Total
	£'000
Balance as at 1 April 2018	745
Income	-
Expenditure	(745)
Transfer from Unrestricted Funds	504
Balance at 31 March 2019	504

The designated reserve has been created in order to ringfence funding towards lifecycle and capital maintenance activity expected to take place before 31 March 2020.

Notes to the financial statements (continued)

14 Restricted funds

	Maintenance	Other	EICA	Schools	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2018	-	332	100	1	433
Income	3,522	955	-	1,109	5,586
Expenditure	(1,262)	(636)	-	(1,109)	(3,007)
Transfer from Unrestricted Funds	-	5	-	-	5
Transfer to Unrestricted Funds	-	(250)	(10)	-	(260)
Balance at 31 March 2019	2,260	406	90	1	2,757

The *Maintenance* reserve represents money paid from the City of Edinburgh Council to Edinburgh Leisure specifically for the purpose of carrying out capital upgrading and lifecycle works.

The *Other* reserve represents a number of funds received from external organisations for specific purposes and also transfers from unrestricted funds, restricted for future spend in respect of replacement of the playing surfaces of the tennis courts at Craighlockhart Tennis Centre, as part of the funding agreement entered into for them. The transfer of £250,000 from restricted to unrestricted funds represents the release of grant funding we received in the year for a capital project which is now complete.

The *EICA* reserve represents grant funding received from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant asset.

The company has taken over the operation of substantially all of the secondary school sporting estate of City of Edinburgh Council (CEC) outside of curricular and extra-curricular school hours. All income and expenditure is restricted with any surpluses being returned to CEC and any deficits being refunded by CEC.

A requirement exists to ring fence any surplus made from the operation of Queensferry High Recreation Centre. Any deficits are funded by Edinburgh Leisure from unrestricted reserves. To date the facility has generated a net deficit of £130,000 (2018: £141,000).

Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

Notes to the financial statements (continued)

15 Analysis of net assets between funds

	Unrestricted Fund £'000	Restricted Fund £'000	Total 2019 £'000	Total 2018 £'000
Fund balances at 31 March 2019 are represented by:				
Tangible fixed assets	5,322	90	5,412	5,024
Current assets	1,349	2,667	4,016	2,372
Current liabilities	(3,334)	-	(3,334)	(3,848)
Long term liabilities	(833)	-	(833)	(270)
Pension deficit	(4,651)	-	(4,651)	(3,069)
Total net assets	(2,147)	2,757	610	209

In the year ended March 2018, £100,000 of tangible fixed assets and £333,000 of current assets were restricted with all other amounts being unrestricted.

16 Financial instruments

	2019 £'000	2018 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	3,567	1,984
Financial liabilities		
Financial liabilities measured at amortised cost	2,882	3,264

Financial assets that are debt instruments measured at amortised cost include trade debtors, cash in hand, amounts due from City of Edinburgh Council and other debtors.

Financial liabilities measured at amortised cost include trade creditors, amounts due to City of Edinburgh Council, accruals, finance lease creditor, other loans and other creditors.

Notes to the financial statements (continued)

17 Commitments

Total commitments under non-cancellable operating leases are as follows:

	2019	2018
	Total	Total
	£'000	£'000
No later than 1 year	211	356
Later than 1 year and no later than 5 years	76	211
Total	287	567

The company had no capital commitments at either 31 March 2019 or 31 March 2018.

18 Contingent liabilities

During the year Edinburgh Leisure received a grant from Tennis Scotland for £150,000 by way of contribution towards the build of new tennis courts at Craiglockhart Tennis Centre. Edinburgh Leisure are required to repay this loan, should the courts not be maintained adequately or cease to be operated as such, in the following 21 years from the date of the grant.

19 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2019 the employer contribution rate was 20.8%. The most recent actuarial valuation (31 March 2019) showed that the market value of Edinburgh Leisure's notional share of the scheme's assets was £75,382,000 and that the actuarial value for these assets represents 94% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the Directors on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS102, section 28: Employee Benefits. The value of the fund at 31 March 2019 was as follows:

Actuarial valuation

	2019	2018
	£'000	£'000
Present value of funded liabilities	(80,024)	(71,836)
Present value of unfunded liabilities	(9)	(9)
Fair value of employer assets	75,382	68,776
Net liability	(4,651)	(3,069)

Notes to the financial statements (continued)

19 Pension Scheme (continued)

Movement in present value of defined obligation

	2019	2018
	£'000	£'000
At start of year	71,845	80,909
Current service cost	1,732	1,817
Past service cost	-	19
Interest cost	1,950	2,114
Contribution by members	280	292
Actuarial losses/(gains)	5,360	(12,070)
Benefits paid	(1,133)	(1,235)
Unfunded benefits paid	(1)	(1)
At end of year	80,033	71,845

Movement in fair value of employer assets

	2019	2018
	£'000	£'000
At start of year	68,776	69,525
Interest income on plan assets	1,857	1,806
Contributions by members	280	292
Contributions by the employer	955	928
Contributions in respect of unfunded benefits	1	1
Return on assets excluding amounts included in net interest	4,647	(2,540)
Benefits paid	(1,133)	(1,235)
Unfunded benefits paid	(1)	(1)
At end of year	75,382	68,776

Notes to the financial statements (continued)

19 Pension Scheme (continued)

(Expense) / income recognised in the statement of financial activities

	2019	2018
	£'000	£'000
Current service cost	(1,732)	(1,817)
Past service cost	-	(19)
Interest cost	(93)	(308)
Actuarial (loss)/gain on Lothian Pension Fund	(713)	9,530
At end of year	(2,538)	7,386

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a loss of £713,000 (2018: £9,530,000 gain), calculated as follows:

	2019	2018
	£'000	£'000
Actuarial (loss)/gain on movement in present value of defined benefit obligation	(5,360)	12,070
Actuarial gain/(loss) on movement in fair value of employer assets	4,647	(2,540)
Actuarial (loss)/gain on Lothian Pension Fund during year	(713)	9,530

Fair value of employer assets and return on those assets

	Value	Value
	2019	2018
	£'000	£'000
Equities	55,782	51,583
Bonds	9,046	7,565
Property	5,277	4,814
Cash	5,277	4,814
Company's share of scheme assets	75,382	68,776

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the Plan's investment portfolio.

Notes to the financial statements (continued)

19 Pension Scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2019	2018
	%	%
Inflation/pension increase rate	2.4%	2.3%
Salary increase rate	4.1%	4.0%
Discount rate	2.5%	2.7%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date as based on standard actuarial marketing tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males	Females
Current pensioners	21.7	24.3
Future pensioners	24.7	27.5

History of the Plan

The history of the plan for the current and prior periods is as follows:

	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(80,033)	(71,845)	(80,909)	(59,215)	(64,011)
Fair value of employer assets	75,382	68,776	69,525	56,682	53,920
Deficit	(4,651)	(3,069)	(11,384)	(2,533)	(10,091)

The charity expects to contribute approximately £1,067,000 to its defined benefit scheme in the next financial year.

On 1st April 2008 Edinburgh Leisure closed its defined benefit scheme to new members. All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%.

20 Related Party

Edinburgh Leisure is contracted to provide recreation and leisure by the City of Edinburgh Council ("CEC"). In the year to 31 March 2019 CEC made a payment of £7,905,000 (2018: £8,075,000) to the company and leased the facilities occupied by the company for a peppercorn rent. CEC also made a payment of £3,522,000 (2018: £105,000), restricted for capital upgrade works. At 31 March 2019 CEC owed the company £1,408,000 (2018: £71,000) and the company owed CEC £940,000 (2018: £978,000) (including amounts due to the Lothian Pension Fund) in relation to normal trading activities. During the year, CEC loaned to the company, £687,000 on an interest free basis, for the installation of tennis courts at Craigmlockhart and a new sewage pipe at the EICA. At 31 March 2019, the full £687,000 remains due to the City of Edinburgh Council.

Key management personnel include all directors and a number of senior staff who together have responsibility for planning, directing and controlling the activities of the company. The total compensation paid for key management for services provided to the company in the year was £370,000 (2018: £365,000).