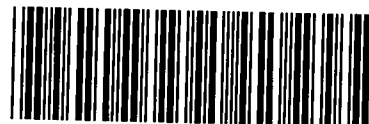


REGISTERED COMPANY NUMBER: 04343347 (England and Wales)
REGISTERED CHARITY NUMBER: 1093653

REPORT OF THE TRUSTEES AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016
FOR
HERTSMERE LEISURE



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HERTSMERE LEISURE

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 MARCH 2016

The Trustees, who are also directors of the Charitable Company for the purposes of the Companies Act 2006, present their report, which includes their strategic report, with the consolidated financial statements of the Charitable Company and the Group for the year ended 31 March 2016. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) (FRS102) 'Accounting and Reporting by Charities' effective 1 January 2015.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number
04343347 (England and Wales)

Registered Charity number
1093653

Trustees

M Gibson		
N Walsh		
L Cohen	-Resigned	20/10/2015
R Leboff		
G Key		
A Keating		
K O'Malley		
C Warne		
C Ayrton	-Appointed	20/10/2015
A Sinclair	-Appointed	20/10/2015

Chief executive officer

I Pluck	-Resigned	31/03/2016
D Brame	-Appointed	01/04/2016

Registered office

Unit 8 Borderlake House
Lowbell Lane
London Colney
St Albans
Hertfordshire
AL2 1HG

Auditors

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

Bankers

The Royal Bank of Scotland
St Albans Branch
1 Lockey House
St Peter's Street
St Albans
Herts AL1 3LR

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

OBJECTIVES AND ACTIVITIES

The principal activities are those encompassed within the Memorandum of Association, which principally involve managing leisure and children's centres.

HLT exists to promote and preserve good health, wellbeing and more active lifestyles for the communities it serves. Specifically, it provides leisure services to the residents of Hertsmere, Three Rivers, Milton Keynes and the London Borough of Ealing. In addition, through contracts with Hertfordshire County Council, the charity provides children's centre services to the boroughs and districts of Hertsmere, Three Rivers, St Albans, Watford and Dacorum. This entails being the lead agency in supporting work with children aged 0-5 in these areas and requires the provision of staff and expertise.

The leisure facilities managed by the trust attract almost 3 million visits per year to a wide and varied programme of activities. Gym membership continues to provide a significant proportion of revenue received and remains at the forefront of this competitive business.

HLT continues to operate a concessionary pricing policy to encourage disadvantaged sections of the community to participate and the programme for each site supports 'specialist' groups to encourage them to make use of the facilities. One such example is the GP referral scheme, which encourages people whose health, both mental and physical, would benefit from the services offered in HLT's facilities.

PUBLIC BENEFIT

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

We have referred to the Charity Commission general guidance on public benefit when reviewing our aims and objectives and in planning our future activities.

Who used and benefited from our services

The services are for individuals, groups and clubs, and contribute to community cohesion and the health and wellbeing of the local population. The wide range of activities on offer allows individuals of all ages to participate at the level and intensity that suits their personal need and ability. Many residents are aware of the health and social benefits of participation in sport and physical activities, but there are also many people who need encouragement and/or support, or who have particular personal or social circumstances that make participation in active recreation more problematic. We actively pursue a diverse range of approaches, not only in respect of these hard-to-reach groups, but in order to encourage all local residents to pursue a healthier lifestyle.

In leisure, the engagement and interaction with the public is through a wide variety of sports and leisure centres, a theatre, golf courses, health clubs, community halls and pavilions. Every centre is open to all and a concessionary pricing scheme is operated within each contract to encourage participation and, wherever possible, remove barriers to following a healthy lifestyle.

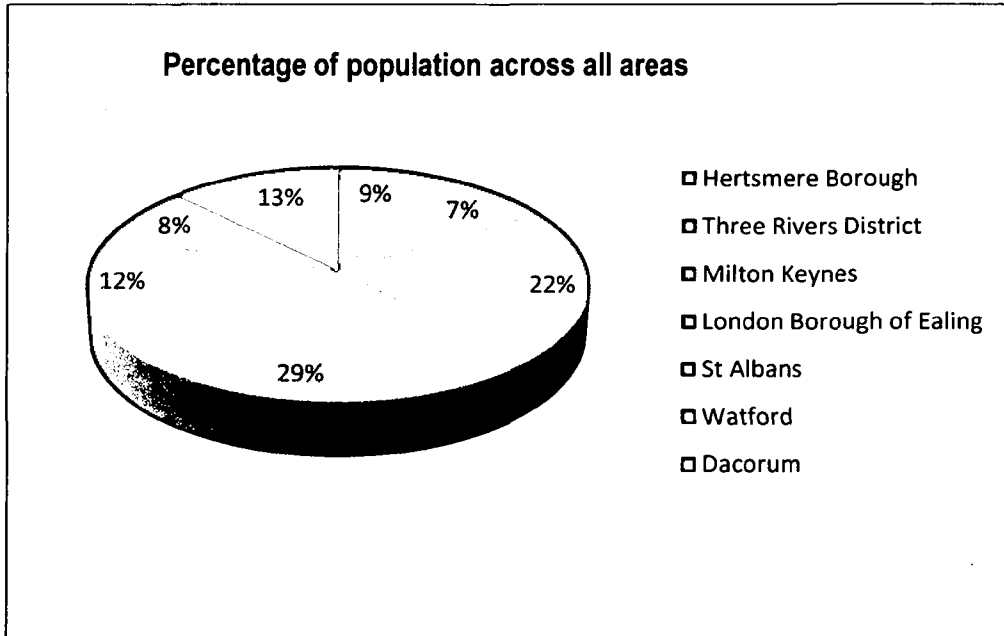
At Children's Centres in the Hertfordshire boroughs of Hertsmere, Dacorum, Watford, Three Rivers, and St Albans, the engagement with local families and residents is achieved through a wide and varied programme of universal and targeted services. Of the 18,543 children aged 0-5 years living across our 19 Children's Centre areas, 16,661 (90%) are registered with their local Children's Centre. On average, 13,778 (74%) children are supported by their local Children's Centre each quarter.

The demographic breakdown of the areas in which HLT operates is summarised in the two charts overleaf (information sourced from the 2011 Census).

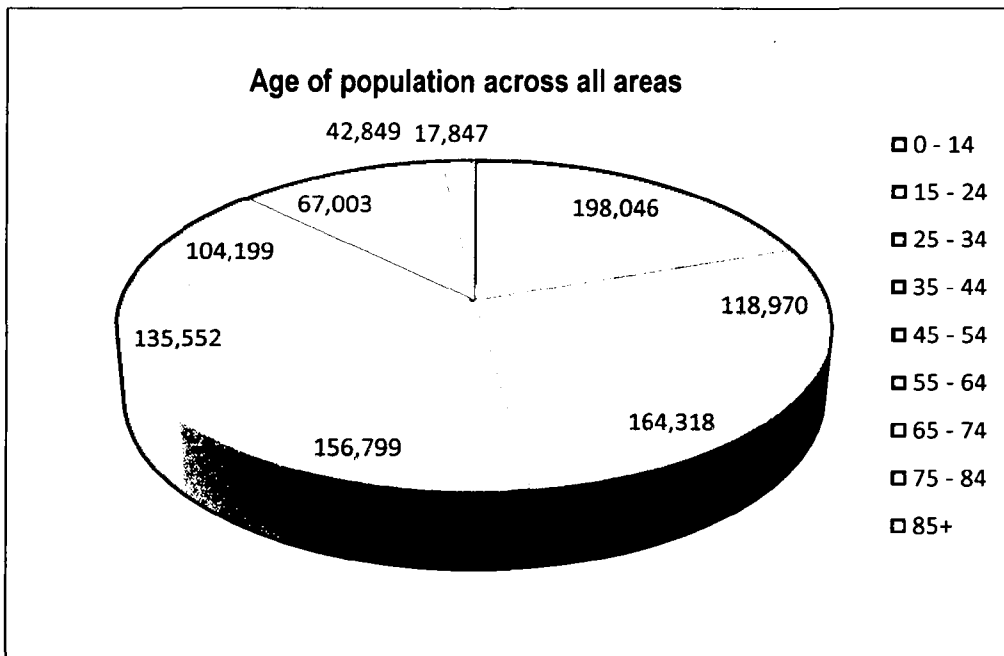
**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016**

PUBLIC BENEFIT - CONTINUED

The first chart shows the population split by the areas in which HLT operates. The area with the largest population is London Borough of Ealing and the smallest Three Rivers District. The split between male and female population across all the areas is fairly even.



The second chart shows the age of population across the total area in which HLT operates. The single largest group is children under 14



REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

PUBLIC BENEFIT - CONTINUED

HLT leads or participates in a number of programmes aimed at increasing participation, including:

- 'This Girl Can' community fitness - an eight-week community fitness programme getting the inactive slowly active through 30 minutes of theory and then 30 – 45 minutes of activity so as to be a gentle introduction to exercise.
- Back to netball / hockey – programmes designed to get players back into sports they have played in the past.
- Facility hire for clubs and organisations to provide sessions such as martial arts, cultural exhibitions and educational sessions. These sessions add a broader spectrum of activities, enhancing customer choice and are usually activities the Charity cannot itself easily provide.
- In conjunction with local doctors' surgeries and the NHS, a GP Referral Programme where patients are referred to our centres. In addition, The Centre in South Oxhey supports a cardiac rehabilitation programme with local NHS Trusts. HLT has a full-time employee based in doctors' surgeries across the Hertsmere Borough Council contract area to encourage patients into activity.

HLT offers a wide range of membership options and also allows users to enjoy the facilities on a pay-and-play basis. There are special memberships specifically for juniors and senior citizens. Discounts are available for couples and joint memberships. Concession prices are also available for families, the disabled and benefit claimants.

HLT carries out regular user and non-user customer surveys to establish the needs of the community and to measure the level of satisfaction with the services provided. The outcome of the surveys is shared with our partner Councils, informs future development opportunities and helps identify areas for improvement.

The children's and leisure centres work collaboratively and strategically to develop the 'reach' within each community in which they are located. Particular importance is given to engaging with an increased number of under 5s, hard-to-reach families and the disadvantaged.

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Improving Our Facilities

Capital investment exceeded £750,000 in the year. Major expenditure included the replacement of gym equipment at Bletchley Leisure Centre, further investment in the Trust's IT infrastructure, the refurbishment of changing facilities and continuation of the roll out of new LED lighting in the centres.

The leisure sector, especially the provision of gym facilities, is highly competitive. Rapidly changing technology means there is constant pressure for HLT to ensure the equipment it provides is up-to-date and that the customer environment is attractive. The increase in the number of low cost gyms has put pressure on income streams and at the same time created an even greater need for the refurbishment of facilities.

Staff Development

The Trustees and staff continue to keep the Charity focused on its core objectives, with service excellence a continuous theme. Investment in staff training and development forms part of the regular activity of the staff from pre-employment, induction and throughout their employment.

Customer Service and Satisfaction

The Trust values the input and feedback from its customers and a number of systems are used to evaluate the performance of HLT such as:

NPS (Net Promoter Score) -The NPS is used to survey existing members. The surveys ask a simple question of how likely are you to recommend the centre to family or friends on a scale of 1 – 10. Depending on the score given an overall score for each centre and HLT is calculated.

Mystery visits – an independent third party conducts monthly mystery visits across the leisure centres, focusing on the membership sales process. These monthly visits include an initial web enquiry, a mystery phone call and a mystery visit to each leisure centre. The visits are scored on a rigorous set of over 100 questions that the mystery shopper completes to demonstrate the various stages of the visit. Overall company results range between 54.9% and 74.9%.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

ACHIEVEMENTS AND PERFORMANCE - CONTINUED

Hertsmere Borough Council Contract (HBC)

The current contract with Hertsmere Borough Council finished its fourth year showing £9.5 million of revenues and a surplus for the first time. The major areas of improvement were swimming revenues and food & beverage secondary sales margins.

Financial challenges remain in the contract with increased competition from the opening of low cost gyms in the catchment areas of HBC facilities. As a consequence, gym membership was materially affected in the period. Bushey County Club remained a significant impediment on the contract, ending the year with a significant net loss. Despite this, the contract made considerable progress through the year with the net result improving on the previous year.

Community and 50+ activities operated an expanded programme, with the Park Events undergoing significant development under the Events Manager. Focusing on larger community park events, such as music and film showings rather than a multitude of smaller, poorly attended events, has assisted in getting greater public engagement than in previous years. The 50+ programme continued to offer a significant benefit to the older members of the community, with successful leisure and educational trips and a weekly programme of activities ranging from keyboard classes to Zumba.

The swimming academy and junior courses have performed well through the year, with attendance up in both wet and dry activities. Of particular note was the Gymnastics group at Hertswood, which achieved 100% occupancy with 198 children enrolled throughout the terms. The gymnastics club is planning its 40th Anniversary event for 2016 and has remained a very successful programme despite the uncertainty of the centre's future linked to the Hertswood Academy development. Similarly, Furze Field and Bushey Grove have enrolment consistently above 85% and have many second or third generation gymnasts in the sessions.

Club and block-booking use has also grown throughout the year and it appears that the business profile is gradually changing to programmed and member-based activities, away from pay-as-you-go casual use. Hertsmere Flyers Swimming Club, the home club at the Venue, experienced a challenging year, with changes in their coaching staff and committee and a resultant loss of 40% of their swimmers. Hertsmere Leisure have helped facilitate a sustainability package between them and Potters Bar Swimming Club, which will help secure club swimming in Borehamwood.

The contract has introduced the Active Herts pilot scheme in Borehamwood and Potters Bar. A post has been appointed to work directly from doctors' surgeries and MIND Centres, aimed at getting adult patients with mild to moderate health conditions, who are participating in less than 30 minutes exercise per week, into sustainable exercise. The project has 95 active participants and ongoing referrals from health practitioners. The project is part of a three-year county-wide academic study into the behavioural and health changes that can be made through exercise.

Wyllyotts theatre achieved the lowest subsidy since the start of the contract. This has been achieved through a consistent focus on maximising income around the regular programmes, aided by the 3D Cinema, and investment in LED, programmable lighting rigs, which allow quick and efficient change-around and therefore a busier programme.

Three Rivers District Council Contract (TRDC)

Swimming lessons across the contract, and particularly at Sir James Altham pool, have been the major success for the year.

The refurbishment of the William Penn gym was completed, including a new strength equipment section, increasing membership, income and usage. The gym at The Centre was completely refurbished, again increasing membership, income and usage. These improvements were part funded by the Council.

Major work has taken place to improve the condition of the golf course at Rickmansworth Golf Course., though the main success was the steady increase in the popularity of Footgolf over the year.

Milton Keynes Council Contract (MKC)

Financially, it was another satisfactory year for the MKC contract. Income levels have been maintained, even with the threat of losing the Tattenhoe Sports Ground and Oakgrove Leisure Centre facilities hanging over the contract. Their future was resolved in October 2015 with a new contract being negotiated until 2024.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

ACHIEVEMENTS AND PERFORMANCE - CONTINUED

Milton Keynes Council Contract (MKC)

HLT's partnership with MK College flourished during the year. The college increased its use of Tattenhoe Sports Ground and the outdoor pitches, a staff apprentice scheme was setup and additional work placements offered for students who, via a volunteer agreement, ran holiday activities throughout the year.

A new partnership with Tattenhoe Football Club was established. This provides football for all ages, from under six through to adult, at Tattenhoe Sports Ground, sponsored by the Football Association.

In 2016, HLT were selected as one of four pilot schemes working with the British Lung Foundation. The scheme is designed to help improve the lung functionality and health of people suffering with lung problems. The scheme was so successful that it has been extended for a further twelve months, increasing participation from 30 to 150 individuals.

Unfortunately, HLT were unsuccessful in their bid during the year for the contract to manage further MKC facilities.

96 Shenley Road

The contract with the Hertfordshire County Council (HCC) to manage the community facility at 96 Shenley Road continues to flourish. The programme continues to grow to include films, theatre shows and other live entertainment. The relationship with the partner organisations and HCC allows the facility to operate with the community at its core.

Children's Centres and Nurseries

As anticipated, the main focus of 2015/16 has been embedding the new Children's Centre Group structure. This has involved ensuring each Children's Centre group is being effectively led by a Team Leader (supported by a Deputy Team Leader for large groups, such as Borehamwood, and those groups covering 3 Children's Centre areas). Introducing the new role of Deputy Team Leader has provided significant progression opportunities for existing Children's Centre staff and will facilitate succession planning.

In early autumn 2015, HLT Children's Centres completed an administration restructure. The purpose of this restructure was to ensure that each Children's Centre group had access to the necessary administrative support, whilst allowing the provision of a new post of Data Administrative Assistant. This new post supports the production of data reports used to develop service delivery and to demonstrate impact.

Building on past work, HLT Children's Centres have continued to develop their Outreach service. Led by the Outreach Leader, all Outreach Co-ordinators now have access to monthly peer support sessions, a package of 'lite bite' training sessions and regular practical support. As a result, vulnerable families are receiving timely and effective packages of support by skilled and knowledgeable practitioners. In order to demonstrate the impact of this support, all families receiving outreach support are now assessed and their progress is monitored through the Family Outcome Star impact tool.

Increasing volunteering across our Centres has remained a priority for us and, as a result, staff teams have access to increased capacity to deliver sessions. Where volunteering is more developed, support to undertake admin duties and fund-raising for the Centres have arisen. Through volunteering, many parents have gained confidence and skills and as a result now have moved into further training/education or into work.

As part of the transfer of Children's Centres, HLT inherited resources from a number of Toy Libraries from Berrygrove, Leavesden, Three Villages and Galley Hill Children's Centres. Through the appointment of an additional part-time Toy Co-ordinator, we have been able to replicate the success of the Hertsmere Mobile Toy Library. This new service provides easy access to high-quality toys to families in North Watford, Leavesden, the Langleys and Hemel Hempstead West.

HLT Children's Centres were selected as a partner for the Behavioural Insights Team (BIT) to design and implement a series of trials to assess the most effective ways for Children's Centres to engage and support parents to improve their literacy and numeracy. As a result, by effectively using interventions such as text, incentives and commitments, it has positively impacted on increasing our take up and retention rates for courses designed to improve parents' key skills.

HLT have been working with the wider network of Hertfordshire Children's Centres and the Hertfordshire Community NHS Trust (Health Visiting Service) towards gaining UNICEF Breastfeeding Friendly accreditation. It has recently been confirmed that Stage 2 of the accreditation has been awarded. UNICEF UK assessors were particularly impressed with the enthusiasm and commitment of the Children's Centre staff and the wonderful displays that they were greeted with in all the venues that they visited.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

ACHIEVEMENTS AND PERFORMANCE - CONTINUED

Eighth Level

Our facility in the London Borough of Ealing has attempted to grow its membership base and reduce its deficit position, but gym membership levels have continued to fall in the face of significantly increased competition from low-cost gyms in its catchment area. However, swimming lessons have continued to be very successful and plans have been made to increase the programme from 38 to 50 weeks in 2016/17.

Environmental Impact

ISO 14001 assessment and registration continued in the year, with all Centres confirmed as achieving the standards. HLT has been working to reduce its impact on the environment throughout the year. Certification was received confirming 63% of all waste was recycled and no waste was transferred to landfill.

FINANCIAL REVIEW

The results for the year are set out in the annexed financial statements.

Total income increased by 7% to £20,225,413, this was due primarily to growth throughout the portfolio in swimming lessons, room hire and nurseries.

The net surplus for unrestricted funds for the financial year, before the pension adjustment, was £338,867 (2015: £173,161). This represents a 96% improvement on the prior year, reflecting the continued development of our programme of activities, the delivery of the investment initiatives and the increased income generated from the further capital investments in the facilities across the whole portfolio.

There was an overall surplus of £967,629 (2015: £874,895 loss) for the year meaning that funds carried forward are £2,012,938 (2015: £1,045,309) including £517,971 (2015: £118,209) of restricted funds

£797,182 (2015: £637,359) was spent on fixed assets to enhance the facilities, add new activities and improve operational efficiency.

RESERVES POLICY

HLT's policy is to achieve free reserves of at least £0.5m, after net capital expenditure (and before the pension adjustment) in order to have a sufficient buffer to deal with possible fluctuations in income levels. The nature of HLT's business necessitates significant investment in its facilities in the form of either fixed assets or repairs and maintenance. At the end of the period, the Trust held unrestricted reserves of £1.55m (2015: £1.21m) and a cash balance of £2.46m (2015: £2.04m). The Trustees consider these balances to be acceptable in view of the need for regular investment in the facilities.

The existence of the defined benefit pension fund obligation is not seen as an immediate threat to the day-to-day business of the Trust, although it is monitored closely.

MANAGEMENT REMUNERATION POLICY

The pay and remuneration for key management personnel is based on benchmarking of similar roles in comparable organisations. Any changes in remuneration of key management personnel is only made with the explicit approval of the Board of Trustees.

PLANS FOR FUTURE PERIODS

Operating in the leisure industry remains challenging: there has been no meaningful increase in disposable incomes following the recession, there is growing pressure on local government finances, the constantly increasing Living Wage (not forgetting its impact on pay differentials) puts pressure on operating costs, whilst the growing budget gym sector and the growth of 'super-trusts' intensifies competition.

In such a competitive market, the Trustees recognise the need to deliver a high level of customer service and maintain and enhance the standard of the facilities. Following customer feedback, a key focus will be on improving the cleanliness of our some of our facilities, for example through the introduction of day-time cleaning. New, local maintenance teams will enhance the ability of our facilities to undertake repairs more promptly.

In pursuit of service excellence, senior managers are working on a number of service enhancement initiatives, including training, mentoring, external support and to embed a culture of staff commitment to exceed customer expectations through every area of the business. Front-of-house is a key "moment of truth" with customers and will continue to be an area for focus.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

PLANS FOR FUTURE PERIODS - CONTINUED

The Trustees will continue to actively investigate opportunities to grow the business. In the short-term, the priorities are the bid to renew the Three Rivers District Council contract and the development of plans to achieve a step-change in the performance and delivery of the Hertsmere BC contract. Further ahead, external opportunities to expand the business will continue to be sought. However, this will only be in those geographical areas close to its current operating environment, reflecting the belief that one of the advantages that the Charity has over the 'super-trusts' is its truly local focus.

Internally, the HR side of the business will be strengthened, with an increase in the number of HR staff so as to support the business and its staffing requirements.

Following the IT strategy review, investment priorities have been agreed and projects are underway. Key initiatives include consolidation of the front office systems, an upgrade to VOIP telephony and replacement of the Trust's financial reporting software. These initiatives will enable the Trust to streamline its processes and operate more efficiently.

Hertsmere Borough Council Contract

Whilst achieving a surplus in 2015-16 the contract remains challenging in a number of areas, including the competition of low cost gyms in Borehamwood and ageing facilities at the Leisure Centres.

The effect of the competition in Borehamwood highlights the susceptibility of leisure centres to low-cost operators in the short-term membership market. A campaign specifically to counteract the local competition is planned, focusing on the breadth of facilities available to members. The results here will inform our strategy in the second part of 2016-17.

The single largest drain on the HBC contract is Bushey Country Club, where it has been hard to make significant headway. New management is in place with new plans to turn around the facility. A project to use inert soil to improve the landscaping of the golf course / driving range has the potential to deliver significant revenue in 2017-18.

Since renewal of the contract in 2012, capital investment in the HBC facilities has mainly focused on income-driven improvements, such as the refurbishment of fitness gyms and studios. It is apparent that, with improvements in the activity areas, customers notice the contrasting conditions in the changing and circulation areas where, in most places, the previous refurbishments occurred more than 15 years ago. Entering into the second half of the contract, a focus will be on achieving a consistently good customer experience from car park to the activity area, with improvements in the changing rooms a priority.

Diversification across the activity programme will remain a target for the contract, reducing risks of single market competition, changes in demand and low-cost operators. Sports Development, the Active Herts programme and 50+ activities will remain a focus for grants and funding. The Junior Programmed Activities are also an area earmarked for growth, alongside club use and block bookings.

Three Rivers District Council Contract

The refurbishment of The Centre in South Oxhey during 2016/17 has already resulted in a large increase in membership, exceeding the annual target. The Centre group fitness programme was reviewed and re-launched, all helping to achieve a good retention rate of gym members in 2016/17.

The re-launch of group fitness programmes at William Penn Leisure Centre, including a new partnership with Les Mills, is being rolled out. Additionally, a range of activities planned to benefit the wider community, including 'Back to Fitness', 'This Girl Can' and courses designed to deliver experience and education to the aging population are being initiated. Refurbishment of the leisure centre along with the purchase of new fitness equipment is expected to stimulate demand from local residents.

HERTSMERE LEISURE

REPORT OF THE TRUSTEES **FOR THE YEAR ENDED 31 MARCH 2016**

PLANS FOR FUTURE PERIODS - CONTINUED

Three Rivers District Council Contract - continued

A decline in the use of Rickmansworth Golf Course, in line with national trends, continues to be offset with Footgolf, including lessons through outreach and junior academy promotions. Other plans to raise the profile of Rickmansworth Golf Club include the set-up of disabled golf and street golf.

The Centre and William Penn will be adding weight management and nutrition programmes to their offering, along with a Physical Activity Referral Scheme.

One of the important areas of focus for the year will be the bid for the new Three Rivers District Council contract. The current contract expires in March 2018 and the tender process will run during 2016/17. Design and build experts have been brought in by HLT to create innovative proposals, with a particular emphasis on targeted areas, particularly the elderly population, obese youngsters and rehabilitation from injury. HLT's submission was made in October 2016 and it will know if it has been shortlisted in December 2016.

Milton Keynes Council Contract

A new 3G Astroturf football / rugby pitch is being installed at Tattenhoe Sports Ground at a cost of £450,000, paid for by MKC, and agreed as part of the contract renewal.

Refurbishment is being undertaken at Oakgrove Leisure Centre including the purchase of new equipment, spin bikes, redecoration and rebranding of the facility.

HLT has won the tender for MK College student memberships starting in September 2016, whereby students can enrol as members of Bletchley Leisure Centre at discounted rates.

HLT has employed a dedicated Sports Development Officer for the MKC contract. Their brief is to meet the MKC objectives, seek grant funding and liaise with local communities to promote healthier lifestyles.

Children's Centres

HLT Children's Centres, in particular the Hertsmere East Children's Centre Group, will continue to contribute to the development and trialling of best practice for the service delivery of the Health Visiting and Children's Centres. Findings from this work are being used to structure the bidding processes for the 2018 contract.

In line with contract requirements, the Children's Centre team will be working towards the completion of the Healthy Children's Centre programme and aim to receive accreditation by spring 2017.

Focus will be placed on workforce development in the coming year, the up skilling of a significant number of new Children's Centre staff, as well as those existing staff that have progressed into more senior roles. This work will ensure that we provide a quality service that is carefully tailored to our most vulnerable children and their families. Staff will be supported through the development of an enhanced induction programme, both external and internal training opportunities, the extension of peer support groups and the development of peer observers.

Both the Children's Centre and Leisure sides of the business are keen to look for new ways to work more closely together. An exciting opportunity is the introduction of the Childcare Development Manager post. This role will oversee Hertsmere Leisure's Nurseries and Pre-school, with the aim of increasing occupancy levels across the Nurseries and Pre-school, with a particular focus on Furze field Nursery. Additional marketing support has been secured to refresh the marketing materials, enhance the website, develop its profile on social media and increase promotional outreach opportunities.

The Childcare Development Manager will also offer support and guidance to the Leisure side of the business in respect of play schemes and crèches. The aim is to develop a consistent approach to children's fitness sessions across the whole business, with new initiatives to be launched in early 2017.

Preparations for the retendering of the current three-year contract will also begin.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

PLANS FOR FUTURE PERIODS - CONTINUED

Sports Development

It remains a priority of HLT to increase the participation of the community in sporting activities. To that end, the Trust has employed a Partnership Manager and two supporting Sports Development Officers. Their brief is to devise innovative programmes, seek funding for new initiatives and bring programmes into practice. To date, programmes activated within the facilities have included:

- Back to Netball / Hockey - Provides people of all ages with a gentle re-introduction to these sports.
- 50+ activities - Providing activities for those predominately of retirement age containing a host of weekly activities including table tennis, bridge, chair based activities, yoga and Zumba.
- 50+ Short Tennis - Played on a smaller court and for a shorter duration than standard tennis. The game is primarily designed for children, but handicapped adults or anyone new to tennis may also use the shorter game as an introduction.
- Street Games Doorstep Sports Club - In conjunction with Street Games and Milton Keynes Community Education Trust, HLT runs football sessions in deprived communities.
- 'This Girl Can' Community Fitness – In conjunction with Milton Keynes College, HLT run a community fitness programme getting the inactive slowly active through 30 minutes theory and then 30 – 45 minutes activity.
- Walnut School Gym Sessions - Working closely with SEN Schools to provide a physical activity programme for the people on the autistic spectrum.
- Unified Sport Disability Sessions - Disability sessions run with a mix of mainstream participants to integrate disability into a mainstream setting.
- 28 Day Transformation - Promotes opportunities for members of the community to develop knowledge of health and nutrition in order to enhance social and physical well-being.

Capital expenditure

Capital Expenditure projects will be delivered across the contract, as identified in the board approved programme. In agreeing the list of projects, three considerations were uppermost: investment to keep the facilities up-to-date; improving access, attendances & customer satisfaction; and energy efficiency. Projects range from the refurbishment of changing rooms to replacing existing lighting with more efficient LED lighting.

Financial management policies

The Charitable Company's business and strategic plans and its associated financial budgets are prepared by management and approved by the Board of Trustees. The risk register is updated as part of this process on an annual basis.

Performance against the plans and budget is reported monthly to be reviewed by the Board and sub-committees. Budget accountability within the Trust is defined in line with the organisational structure and this is the basis for monthly internal reporting and review. Budgetary control is supported by documented internal financial procedures which are reviewed annually. These procedures include the sign-off process for investment expenditure.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Assessment

Risk management is recognised as a key focus area for Trustees. Key risks are identified as part of the annual strategic planning process. The Risk Framework document currently identifies twenty-nine primary risks, grouped under four headings;

- Finance
- Governance
- Operations
- Force Majeure

Financial risks remain the area considered the highest priority, accepting significant progress has been made in the last three years. The key operational risk was the continued increase in competition that all HLT centres are facing in the health and fitness market, with recognition of the challenge we face in respect of staff recruitment and pay

The Board and Finance & Development Sub-Committee review monthly management accounts, bi-annual re-forecasts and Key Performance Indicators at each meeting. Other non-financial risks are reviewed regularly, with the Risk Framework updated as necessary.

AUDITOR INDEPENDENCE AND OBJECTIVITY

HLT uses its auditors to help prepare the Financial Statements. To safeguard auditor objectivity and independence, HLT request that a member of staff separate to the audit team is used to prepare the statutory accounts.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

Hertsmere Leisure is a Charitable Company limited by guarantee. The governing documents are its Memorandum and Articles of Association which were adopted on 1 December 2003. The Memorandum and Articles of Association were revised in 2006 to accommodate the addition of children's centres services to the portfolio.

The Members are the guarantors of the Charitable Company and each has undertaken to contribute such amount as may be required (but not exceeding £1 each) to the Charitable Company's assets if it should be wound up while he or she is a member, or within one year after he or she should cease to be a member, for payment of the Charitable Company's debts and liabilities contracted before he or she ceased to be a member, and of the costs, charges and expenses of the winding up, and for the adjustments of the rights of the contributors among themselves.

The Trustees

The Trustees are the Trustees of HLT in accordance with the Charities Act 2011 and they are also Directors in accordance with the Companies Act 2006. The Board is made up of nine industry leaders with expertise that includes charity governance, accounting, customer relations, law, food & beverage, sales & marketing, HR and energy.

The Board is continually seeking to recruit new people with the necessary attributes to complement those of the existing Board and the executive team.

Induction and training of new trustees

The Charitable Company recognises that its chief asset is its staff and has a formal procedure for inducting each new member. The training needs of each new staff member are established as part of the recruitment and appraisal processes and are incorporated in an annual training programme. Further training is provided as required throughout the business in response to demand and changing business needs.

HLT also operates a formal procedure for inducting new Trustees, who are appointed after a period of time spent acting as observers.

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT - CONTINUED

Organisational structure and decision making process

The Board of Trustees, currently nine in number, meet at least every two months and has delegated the responsibility for administering the Charity to a management team:

Ian Pluck – resigned 31/03/2016	Chief Executive
David Brame – appointed 01/04/2016	Chief Executive
Nicola Taylor – resigned 01/06/2016	Head of Finance
Clifford Hedley – appointed 01/06/2016	Head of Finance
Judith Lewis – resigned 31/03/2016	Sales and Marketing Director
Liz Applin	Head of Children's Centres

In addition to the regular Board meetings, there are regular meetings of the Finance and Development and HR Sub-Committees and the Board also arranges an annual 'away day', to review development, objectives and future strategy.

In exercising its power to nominate, reappoint, re-elect, approve and dismiss Trustees, the Board ensures that it comprises of persons with a broad range of skills that are likely to contribute to the Charity's success.

None of the four Councils presently served by HLT (Hertsmere Borough Council, Milton Keynes Council, Three Rivers District Council and Hertfordshire County Council) nominate people for consideration by the Trustees for appointment.

Co-operation with other organisations

HLT operates independently, but occupies buildings owned by Hertsmere Borough Council, Milton Keynes Council, Three Rivers District Council and Hertfordshire County Council from whom it also receives some funding. HLT works with and supports the respective Councils in their health, leisure and children's centres objectives where they coincide with the aims of the charity.

STATEMENT OF TRUSTEES RESPONSIBILITIES

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP 2015 (FRS102);
- make judgements and 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 charitable company will continue in business.

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

HERTSMERE LEISURE

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016

DISCLOSURE OF INFORMATION TO THE AUDITORS

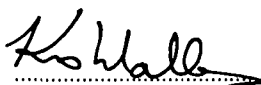
In so far as the trustees are aware:

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

Approved by order of the board of trustees on 7 December 2016 and signed on its behalf by:


.....

C Warne - Chairman


.....

K O'Malley - Trustee

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HERTSMERE LEISURE

We have audited the financial statements of Hertsmere Leisure Group for the year ended 31 March 2016 which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 (the financial reporting standard applicable in the UK and R.O.I.).

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

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page thirteen, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charitable company's affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



.....
Liam McHugh FCA (Senior Statutory Auditor)
for and on behalf of McCabe Ford Williams
Statutory Auditors and Chartered Accountants
Bank Chambers
1 Central Avenue
SITTINGBOURNE
Kent
ME10 4AE

Date: 7 December 2016

HERTSMERE LEISURE

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES **(Incorporating an Income and Expenditure Account)** **for the year ended 31 March 2016**

		Unrestricted Funds	Restricted Funds	FRS 102 s.28 Unrestricted Funds	31.3.16 Total Funds	31.3.15 Total Funds
	NOTE	£	£	£	£	£
INCOME						
Donations and legacies	3	-	70,016	-	70,016	-
Commercial trading operations	4	585,691	-	-	585,691	635,305
Investment income	5	2,040	-	-	2,040	2,090
Charitable activities	6	16,607,889	2,959,777	-	19,567,666	18,250,416
TOTAL INCOME		17,195,620	3,029,793	-	20,225,413	18,887,811
EXPENDITURE						
Commercial trading operations	4	574,996	-	-	574,996	625,376
Leisure activities	11	16,281,016	2,630,772	51,000	18,962,788	17,943,330
TOTAL EXPENDITURE		16,856,012	2,630,772	51,000	19,537,784	18,568,706
NET INCOME BEFORE TRANSFERS		339,608	399,021	(51,000)	687,629	319,105
GROSS TRANSFERS BETWEEN FUNDS		(741)	741	-	-	-
NET INCOME BEFORE ACTUARIAL (LOSSES)/GAINS UNDER FRS102		338,867	399,762	(51,000)	687,629	319,105
OTHER RECOGNISED GAINS AND LOSSES						
<i>Re-measurements on defined benefit pension schemes</i>	24	-	-	280,000	280,000	(1,194,000)
NET INCOME / (EXPENDITURE)		338,867	399,762	229,000	967,629	(874,895)
FUNDS BROUGHT FORWARD		1,207,100	118,209	(280,000)	1,045,309	1,920,204
FUNDS CARRIED FORWARD		1,545,967	517,971	(51,000)	2,012,938	1,045,309

All of the above results are derived from continuing activities.

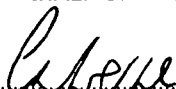
The group has no other recognised gains and losses other than those stated above.

The notes form part of these financial statements

HERTSMERE LEISURE**CONSOLIDATED BALANCE SHEET**
31 MARCH 2016

	Notes	31.3.16 £	31.3.16 £	31.3.15 £	31.3.15 £
FIXED ASSETS					
Intangible assets	13		-		-
Tangible assets	14		<u>2,003,029</u>		<u>1,980,101</u>
			2,003,029		1,980,101
CURRENT ASSETS					
Stocks	16	151,227		175,339	
Debtors	17	2,016,717		2,091,418	
Cash at bank and in hand		<u>2,460,033</u>		<u>2,042,794</u>	
		4,627,977		4,309,551	
CREDITORS					
Amounts falling due within one year	18	<u>(4,154,852)</u>		<u>(4,414,459)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>473,125</u>		<u>(104,908)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,476,154		1,875,193
CREDITORS					
Amounts falling due after more than one year	19		<u>(412,216)</u>		<u>(549,884)</u>
NET ASSETS BEFORE PENSION LIABILITY			<u>2,063,938</u>		<u>1,325,309</u>
PENSION LIABILITY	24		51,000		280,000
FUNDS					
Unrestricted income funds	22	1,545,967		1,207,100	
Pension liability	24	(51,000)		(280,000)	
Restricted funds	22	<u>517,971</u>		<u>118,209</u>	
TOTAL FUNDS	22		<u>2,012,938</u>		<u>1,045,309</u>
			<u>2,063,938</u>		<u>1,325,309</u>

ON BEHALF OF THE BOARD:



 C Warne – Chairman



 K O'Malley – Trustee

Date: 7 December 2016

Company Registered number: 04343347

Registered Charity number: 1093653

The notes form part of these financial statements

COMPANY BALANCE SHEET
31 MARCH 2016

	Notes	31.3.16 £	31.3.16 £	31.3.15 £	31.3.15 £
FIXED ASSETS					
Intangible assets	13	-	-	-	-
Tangible assets	14	1,816,528	1,816,528	1,754,520	1,754,520
Investments	15	1	1	1	1
			1,816,529		1,754,521
CURRENT ASSETS					
Stocks	16	139,280		162,109	
Debtors	17	2,286,073		2,416,889	
Cash at bank and in hand		2,258,997		1,840,465	
		4,684,350		4,419,463	
CREDITORS					
Amounts falling due within one year	18	(4,083,666)		(4,347,037)	
NET CURRENT ASSETS			600,684		72,426
TOTAL ASSETS LESS CURRENT LIABILITIES			2,417,213		1,826,947
CREDITORS					
Amounts falling due after more than one year	19		(412,216)		(549,884)
NET ASSETS BEFORE PENSION LIABILITY			2,004,997		1,277,063
PENSION LIABILITY	24		51,000		280,000
FUNDS					
Unrestricted income funds	23	1,487,026		1,158,854	
Pension liability	24	(51,000)		(280,000)	
Restricted funds	23	517,971		118,209	
TOTAL FUNDS	23		1,953,997		997,063
			2,004,997		1,277,063

ON BEHALF OF THE BOARD:



C Warne - Chairman



K O'Malley - Trustee

Date: 7 December 2016

The notes form part of these financial statements

HERTSMERE LEISURE**CONSOLIDATED CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	31.3.16 £	31.3.15 £
Cash flows from operating activities			
Cash inflow from operating activities	1	1,387,544	1,439,144
Tax paid		(36)	(76)
		<hr/>	<hr/>
Net cash inflow from operating activities		<u>1,387,508</u>	<u>1,439,068</u>
 Cash flows from investing activities			
Interest received		2,040	2,090
Purchase of tangible fixed assets		<u>(797,182)</u>	<u>(637,359)</u>
		<hr/>	<hr/>
Net cash outflow from investing activities		<u>(795,142)</u>	<u>(635,269)</u>
 Cash flows from financing activities			
New finance lease agreements in year		173,734	188,401
Interest paid		(24,281)	(28,069)
Loan repayments in year		(129,178)	(122,890)
Hire purchase repayments in year		(175,873)	(173,576)
Interest element of hire purchase and lease payments		<u>(19,529)</u>	<u>(19,219)</u>
		<hr/>	<hr/>
Net cash outflow from financing activities		<u>(175,127)</u>	<u>(155,353)</u>
		<hr/>	<hr/>
Change in cash and cash equivalents in the reporting period		<u>417,239</u>	<u>648,446</u>
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the reporting period		<u>2,042,794</u>	<u>1,394,348</u>
		<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period		<u>2,460,033</u>	<u>2,042,794</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**1. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	31.3.16	31.3.15
	£	£
Net incoming resources	687,629	319,105
Interest element of hire purchase/finance lease payments	19,529	19,219
Interest paid	24,281	28,069
Interest received	(2,040)	(2,090)
Depreciation/amortisation charges	774,254	710,209
Decrease in stocks	24,112	1,714
Decrease/(Increase) in debtors	74,701	(396,893)
(Decrease)/Increase in creditors	(265,992)	807,775
Taxation provision on surplus in subsidiary	70	36
Interest cost on defined benefit pension scheme	278,000	284,000
Expected return on defined benefit pension scheme	(268,000)	(326,000)
Difference between pension charge and cash contributions	<u>41,000</u>	<u>(6,000)</u>
Net cash inflow from operating activities	<u>1,387,544</u>	<u>1,439,144</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The Group meets its day to day working capital requirements largely through its own activities but also through financial and grant support from the Authorities for which it operates facilities. The grant and management fee support is agreed for contractual terms of varying lengths. The Trustees expect this financial support to continue for the foreseeable future and therefore consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the withdrawal of its financial support by the local authority.

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the provisions of FRS 102 (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. There were no material departures from that standard.

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

These financial statements for the year ended 31 March 2016 are the first financial statements that comply with FRS 102. The date of transition is 1 April 2014.

The transition to FRS102 has resulted in a small number of changes in accounting policies to those used previously.

Under Section 28 Employee Benefits of Financial Reporting Standard 102 the deficit on the Charitable Company's pension scheme has been included in the financial statements and the Charitable Company's reserves have therefore been reduced by the pension deficit creating net assets of £2,012,938 (2015: £1,405,039) at the year end. The Trustees are satisfied that the Charitable Company will be able to meet all its obligations as and when they fall due.

Funds

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

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

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

Income recognition

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

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

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

Grants receivable

Grants receivable in respect of a specified period relating to the general activities of the Group are recognised in the income and expenditure account in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES - continued

Expenditure recognition

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

Support costs

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

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to Property	- over remaining term of lease
Plant and Machinery	- straight line over 3-10 years
Fixtures and Fittings	- straight line over 3-5 years

Intangible fixed assets

Goodwill, being the amount paid in connection with the acquisition of a business in 2011, is being amortised evenly over its estimated useful life of 10 years. Goodwill is reviewed for impairment annually. Impairment is determined by assessing the recoverable amount of the cash generating centre to which the goodwill relates. Where the recoverable amount of the cash generating centre is less than the carrying amount of the goodwill an impairment loss is recognised in the statement of financial activities.

Stocks

Inventories have been valued at the lower of cost and estimated selling price less costs to sell, after making due allowance for obsolete and slow moving items.

Group Financial statements

The financial statements consolidate the results of the Charitable Company and its wholly owned subsidiary Herts Leisure Limited on a line by line basis. A separate statement of financial activities and income and expenditure account is not presented for the Charitable Company itself in accordance with the exemptions afforded by paragraph 397 of the SORP.

Company status

The charitable company is limited by guarantee and the guarantors are the Members of the charitable company.

The liability in respect of the guarantee, as set out in the Memorandum of Association, is limited to £1 per member of the charitable company.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

Irrecoverable VAT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES – continued

Service Concession Arrangements

The Charitable Company has Service Contracts with Local Authorities for the maintenance and operation of leisure centres owned by the Local Authority to which it has a lease and management service contract. The Authority has rights under the contract to specify the activities offered by the centres and has influence over the prices charged for them and also may have certain exclusive rights for the use of the centres at certain times. The contract specifies minimum standards for the services to be provided, with deductions from the service management fee payable being made if facilities are unavailable or performance is below the minimum standards.

Property, plant and equipment

The buildings and plant at the centres are leased to the Charitable Company as part of the overall contractual relationship with the Authority but the Authority maintains ultimate control of these assets. Accordingly the access which the Charitable Company has in the use of these assets is to enable it to operate the leisure centres, so that the Charitable Company can provide the public service it is contracted to provide, not to effectively own these public service assets. These assets are therefore not recognised on the Charitable Company's Balance Sheet.

Receipts

The Charitable Company receives an agreed payment from the Authority each year which is adjusted each year by inflation and can be reduced if the Charitable Company fails to meet availability and performance standards in any year but which is otherwise fixed.

In cases where the receipt from the Authority includes funding for specific works to be carried out in accordance with specifications laid down in the contract but which has not been spent at the year end a provision is included in the financial statements to reflect this.

Leasing and hire purchase

Property, plant and equipment acquired under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Charitable Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Financial Activities so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The Charitable Company is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Going Concern

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES – continued

Pension costs and other post-retirement benefits

The Charitable Company accounts for the pension scheme in accordance with the Financial Reporting Standard 102.

The Charitable Company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2013.

The Charitable Company provides pension benefits for eligible staff through Hertfordshire County Council and Buckinghamshire County Council administered pension schemes. The administered schemes are multi-employer schemes which provide benefits based upon final pensionable pay.

For defined benefit schemes the amounts charged to resources expended on charitable activities are the current service costs and any gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately if the benefits are vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Financial Activities.

The defined benefit scheme is funded, and the assets of the scheme are held separately from those of the charity in a trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on long dated high quality corporate bonds of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

See note 24 for further information in connection with the Charitable Company's defined benefit scheme.

This pension scheme was closed to new entrants from 1st April 2004 and the charitable company operates a stakeholder pension scheme for employees who have joined since then. Pension costs relating to this stakeholder scheme are charged to the Income and Expenditure Account when payable.

2. FINANCIAL ACTIVITIES OF THE CHARITABLE COMPANY

The financial activities shown in the Consolidated Statement of Financial Activities include those of the Charitable Company's wholly owned subsidiary Herts Leisure Limited.

A summary of the financial activities undertaken by the Charitable Company is set out below:

	31.3.16	31.3.15
	£	£
Incoming resources excluding gift aid from subsidiary	19,639,421	18,252,326
Expenditure on charitable activities	(18,939,983)	(17,923,430)
Governance costs	<u>(22,785)</u>	<u>(19,900)</u>
Net incoming resources	676,653	308,996
Actuarial gains/(losses) on defined benefit pension schemes	<u>280,000</u>	<u>(1,194,000)</u>
	<u><u>956,653</u></u>	<u><u>(885,004)</u></u>

HERTSMERE LEISURE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEAR ENDED 31 MARCH 2016**3. DONATIONS AND LEGACIES**

	31.3.16	31.3.15
	£	£
Donations as a result of business combinations	<u>70,016</u>	<u>-</u>

On 1 April 2015 the Charitable Company acquired the assets of 9 Children's Centres.

4. INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING FUNDS

A summary of the trading results of the wholly owned subsidiary Herts Leisure Limited is shown below:

	31.3.16	31.3.15
	£	£
Turnover	585,691	635,305
Cost of sales and administration costs	(575,277)	(625,340)
Interest receivable	351	180
Taxation	<u>(70)</u>	<u>(36)</u>
Net profit	<u>10,695</u>	<u>10,109</u>

5. INVESTMENT INCOME

	31.3.16	31.3.15
	£	£
Deposit account interest	<u>2,040</u>	<u>2,090</u>

All of the group's investment income arises from interest bearing deposit accounts.

6. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Operation of leisure centres	15,601,523	4,260	15,605,783	15,664,528
Government grants	<u>1,006,366</u>	<u>2,955,517</u>	<u>3,961,883</u>	<u>2,585,888</u>
Total	<u>16,607,889</u>	<u>2,959,777</u>	<u>19,567,666</u>	<u>18,250,416</u>

7. INCOMING/OUTGOING RESOURCES OF THE PARENT CHARITABLE COMPANY

As permitted by section 408 of the Companies Act 2006, the income and expenditure account of the parent Charitable Company is not presented as part of these financial statements. The parent Charitable Company's net incoming resources after actuarial gains/losses under defined benefit schemes for the financial year was £956,653 (2015: £885,004 net outgoing resources).

8. STAFF COSTS

	31.3.16	31.3.15
	£	£
Wages and salaries	9,488,984	8,856,300
Social security costs	473,986	479,685
Other pension costs	<u>368,466</u>	<u>225,674</u>
	<u>10,331,436</u>	<u>9,561,659</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

8. STAFF COSTS- continued

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

	31.3.16	31.3.15
Charity	902	702
Support	244	203
Management and administration	<u>28</u>	<u>25</u>
	<u>1,174</u>	<u>930</u>

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	31.3.16	31.3.15
£60,001 - £70,000	1	1
£70,001 - £80,000	<u>1</u>	<u>1</u>

One of the above members of staff is accruing benefits under a defined benefit scheme.

9. NET INCOME FOR THE YEAR

The net income is stated after charging:

	31.3.16	31.3.15
	£	£
Plant hire	28,721	30,566
Depreciation - owned assets	595,390	558,458
Depreciation - assets on hire purchase contracts or finance leases	178,864	151,751
Auditors remuneration	19,000	15,100
Non audit work – statutory accounts preparation	<u>3,785</u>	<u>4,800</u>
Trustees' emoluments	<u>-</u>	<u>-</u>

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

During the year expenses of £nil (2015: £nil) were reimbursed to Trustees of the Charitable Company.

The total amount of employee benefits received by key management personnel is £234,750 (2015: £225,989). The trust considers its key management personnel comprise of the Chief Executive, Head of Finance, Sales and Marketing Director and Head of Children's Centres.

10. INTEREST PAYABLE AND SIMILAR CHARGES

	31.3.16	31.3.15
	£	£
Loan interest	24,281	28,069
Hire purchase interest	<u>19,529</u>	<u>19,219</u>
	<u>43,810</u>	<u>47,288</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

11. RESOURCES EXPENDED ON CHARITABLE ACTIVITIES

	Direct costs	Staff costs	Support costs	Total	Total
	£	£	£	31.3.16	31.3.15
	£	£	£	£	£
Leisure centres	<u>691,571</u>	<u>10,106,052</u>	<u>8,165,165</u>	<u>18,962,788</u>	<u>17,943,330</u>
Major components of Support Costs					
				31.3.16	31.3.15
				£	£
Premises Costs				3,611,240	3,550,659
Advertising & Promotions				338,601	347,007
Theatre performing fees				317,862	314,540
Finance and Compliance				926,792	771,935
Equipment Repairs, Maintenance and Lease				511,274	523,054
Irrecoverable VAT				765,181	684,108
Office administration				521,168	456,746
Other staff related costs				310,039	371,476
Other Costs				840,223	777,729
Governance Costs				<u>22,785</u>	<u>19,900</u>
				<u>8,165,165</u>	<u>7,817,154</u>

All support costs relate to the sole activity of the Charitable Company, being the provision of leisure facilities. Governance costs are made up of auditor's remuneration of £22,785 (2015: £19,900).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

12. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted fund £	Restricted funds £	Total funds £
INCOME AND ENDOWMENTS FROM			
Commercial trading operations	635,305	-	635,305
Investment income	2,090	-	2,090
Charitable activities			
Operation of leisure and recreation sites	16,360,678	1,889,738	18,250,416
	<hr/>	<hr/>	<hr/>
Total	16,998,073	1,889,738	18,887,811
EXPENDITURE ON			
Commercial trading operations	625,376	-	625,376
Charitable activities			
Charitable activities	16,151,536	1,791,794	17,943,330
	<hr/>	<hr/>	<hr/>
Total	16,776,912	1,791,794	18,568,706
	<hr/>	<hr/>	<hr/>
NET INCOME	221,161	97,944	319,105
Transfers between funds	<hr/>	<hr/>	<hr/>
	-	-	-
Other recognised losses			
Actuarial losses on defined benefit schemes	(1,194,000)	-	(1,194,000)
	<hr/>	<hr/>	<hr/>
Net movement in funds	(972,839)	97,944	(874,895)
RECONCILIATION OF FUNDS			
Total funds brought forward	1,899,939	20,265	1,920,204
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS CARRIED FORWARD	<u>927,100</u>	<u>118,209</u>	<u>1,045,309</u>

HERTSMERE LEISURE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016****13. INTANGIBLE FIXED ASSETS****Group and company**Goodwill
£**COST**

At 1 April 2015 and 31 March 2016

14,464**AMORTISATION**

At 1 April 2015 and 31 March 2016

14,464**NET BOOK VALUE**

At 31 March 2016

-

At 31 March 2015

-**14. TANGIBLE FIXED ASSETS****Group**Improvements
to
property
£Plant and
Machinery
£Fixtures
and
fittings
£Totals
£**COST**

At 1 April 2015

1,824,718

2,625,457

34,886

4,485,061

Additions

79,206715,7262,250797,182

At 31 March 2016

1,903,9243,341,18337,1365,282,243**DEPRECIATION**

At 1 April 2015

829,273

1,649,536

26,151

2,504,960

Charge for year

231,292539,8383,124774,254

At 31 March 2016

1,060,5652,189,37429,2753,279,214**NET BOOK VALUE**

At 31 March 2016

843,3591,151,8097,8612,003,029

At 31 March 2015

995,445975,9218,7351,980,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

14. TANGIBLE FIXED ASSETS- continued

Group- continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and Machinery £
COST	
At 1 April 2015	569,611
Additions	<u>168,522</u>
At 31 March 2016	<u>738,133</u>
DEPRECIATION	
At 1 April 2015	267,239
Charge for year	<u>178,864</u>
At 31 March 2016	<u>446,103</u>
NET BOOK VALUE	
At 31 March 2016	<u>292,030</u>
At 31 March 2015	<u>302,372</u>

Company

	Improvements to property £	Plant and machinery £	Totals £
COST			
At 1 April 2015	1,520,551	2,625,457	4,146,008
Additions	<u>79,206</u>	<u>715,726</u>	<u>794,932</u>
At 31 March 2016	<u>1,599,757</u>	<u>3,341,183</u>	<u>4,940,940</u>
DEPRECIATION			
At 1 April 2015	741,952	1,649,536	2,391,488
Charge for year	<u>193,086</u>	<u>539,838</u>	<u>732,924</u>
At 31 March 2016	<u>935,038</u>	<u>2,189,374</u>	<u>3,124,412</u>
NET BOOK VALUE			
At 31 March 2016	<u>664,719</u>	<u>1,151,809</u>	<u>1,816,528</u>
At 31 March 2015	<u>778,599</u>	<u>975,921</u>	<u>1,754,520</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

14. TANGIBLE FIXED ASSETS- continued

Company- continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and Machinery £
COST	
At 1 April 2015	569,611
Additions	<u>168,522</u>
At 31 March 2016	<u>738,133</u>
DEPRECIATION	
At 1 April 2015	267,239
Charge for year	<u>178,864</u>
At 31 March 2016	<u>446,103</u>
NET BOOK VALUE	
At 31 March 2016	<u>292,030</u>
At 31 March 2015	<u>302,372</u>

15. FIXED ASSET INVESTMENTS

Company

	Unlisted investment £
COST	
At 1 April 2015 and 31 March 2016	<u>120,000</u>
PROVISIONS	
At 1 April 2015 and 31 March 2016	<u>(119,999)</u>
NET BOOK VALUE	
At 31 March 2016	<u>1</u>
At 31 March 2015	<u>1</u>

The charitable company's investment at the balance sheet date comprises the following:

Subsidiary

Herts Leisure Limited

Nature of business: Management of catering and functions

	%		
Class of shares:	holding		
Ordinary	100.00		
		31.3.16	31.3.15
		£	£
Aggregate capital and reserves		58,942	48,247
Profit for the year		10,695	10,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

16. STOCKS

	Group		Company	
	31.3.16	31.3.15	31.3.16	31.3.15
	£	£	£	£
Stocks	<u>151,227</u>	<u>175,339</u>	<u>139,280</u>	<u>162,109</u>

Group

Stock amounts recognised within expenditure for the current period are £852,884 (March 2015: £980,117).

Company

Stock amounts recognised within expenditure for the current period are £668,792 (March 2015: £746,339).

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.16	31.3.15	31.3.16	31.3.15
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	1,620,149	1,689,093	1,614,711	1,679,583
Other debtors	17,519	54,580	17,519	54,580
Prepayments and accrued income	<u>373,397</u>	<u>324,251</u>	<u>373,397</u>	<u>324,251</u>
	<u>2,011,065</u>	<u>2,067,924</u>	<u>2,005,627</u>	<u>2,058,414</u>
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	274,794	334,981
Prepayments and accrued income	<u>5,652</u>	<u>23,494</u>	<u>5,652</u>	<u>23,494</u>
	<u>5,652</u>	<u>23,494</u>	<u>280,446</u>	<u>358,475</u>
Aggregate amounts	<u>2,016,717</u>	<u>2,091,419</u>	<u>2,286,073</u>	<u>2,416,889</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.16	31.3.15	31.3.16	31.3.15
	£	£	£	£
Other loans (see note 20)	135,787	129,178	135,787	129,178
Hire purchase contracts (see note 21)	140,470	151,540	140,470	151,540
Trade creditors	875,741	977,370	862,064	957,940
Taxation	70	36	-	-
VAT	71,588	94,811	55,917	79,167
Other creditors	79,395	10,845	72,169	3,300
Accruals and deferred income	<u>2,851,801</u>	<u>3,050,679</u>	<u>2,817,259</u>	<u>3,025,912</u>
	<u>4,154,852</u>	<u>4,414,459</u>	<u>4,083,666</u>	<u>4,347,037</u>

Deferred income (excluding capital grants)

	31.3.16
	£
Deferred income at 1 April 2015	2,365,428
Resources deferred in the year	2,120,412
Amounts released from previous periods	<u>(2,299,426)</u>

Deferred income at 31 March 2016

2,186,414

Deferred income at 31 March 2016 represents annual leisure memberships income, swimming courses income and room bookings, where the consideration has been received in the year ended 31 March 2016 but the services were only provided in the year ending 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

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

	Group		Company	
	31.3.16	31.3.15	31.3.16	31.3.15
	£	£	£	£
Other loans (see note 20)	229,344	365,131	229,344	365,131
Hire purchase contracts (see note 21)	116,870	107,939	116,870	107,939
Accruals and deferred income	66,002	76,814	66,002	76,814
	<u>412,216</u>	<u>549,884</u>	<u>412,216</u>	<u>549,884</u>

20. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	31.3.16	31.3.15	31.3.16	31.3.15
	£	£	£	£
Amounts falling due within one year or on demand:				
Other loans – less than 1 year	<u>135,787</u>	<u>129,178</u>	<u>135,787</u>	<u>129,178</u>
Amounts falling due between one and two years:				
Other loans – 1-2 years	<u>142,734</u>	<u>135,787</u>	<u>142,734</u>	<u>135,787</u>
Amounts falling due between two and five years:				
Other loans – 2-5 years	<u>86,610</u>	<u>229,344</u>	<u>86,610</u>	<u>229,344</u>

Other loans, totalling £365,131 (2015: £494,309), comprises loans from Hertsmere Borough Council used for various fixed asset acquisitions. These loans are secured by way of a fixed and floating charge over all of the charitable company's assets.

21. OBLIGATIONS UNDER LEASING AGREEMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group and company		Land and buildings		Other operating leases	
		31.3.16	31.3.15	31.3.16	31.3.15
		£	£	£	£
Expiring:					
Within one year		60,000	60,000	-	10,500
Between one and five years		240,000	240,000	-	-
More than five years		-	60,000	-	-
		<u>300,000</u>	<u>360,000</u>	<u>-</u>	<u>10,500</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

22. MOVEMENTS IN FUNDS

	Balance at 1.4.15	Incoming resources	Outgoing resources	Gains/(losses) and transfers between funds	Balance at 31.3.16
	£	£	£	£	£
Unrestricted Funds					
General unrestricted funds	1,207,100	17,195,670	(16,856,062)	(741)	1,545,967
Pension liability	(280,000)	-	-	229,000	(51,000)
Total unrestricted funds	927,100	17,195,670	(16,856,062)	228,259	1,494,967
Restricted funds:					
Children's centres	102,264	3,025,533	(2,613,562)	-	514,235
50+ Community	4,303	3,171	(5,258)	-	2,217
Home learning bursary	1,194	-	(1,017)	-	177
Equipment for 2 year olds	1,141	-	(1,068)	-	73
Locality budget	3,005	-	(2,448)	-	557
Educational toys	242	-	(329)	87	-
Home safety	2,058	-	(2,711)	654	-
Toy library	4,000	500	(4,379)	-	121
Baby funding	2	-	-	-	2
Herts Sport	-	589	-	-	589
Total restricted funds	118,209	3,029,793	(2,630,772)	741	517,971
Total funds	1,045,309	20,225,463	(19,486,834)	229,000	2,012,938

RESTRICTED FUNDS**Sure Start Children's Centres**

Since 2006, HCC has overseen the development of 82 Children's Centres across the County. In all HLT manages 15 Children's Centres across Hertsmere, 1 in Three Rivers, 2 in St Albans and 1 in North Herts district.

The total funding/grant received in 2015/16 was £3,025,533 (2014/15 - £1,877,118).

The Core Purpose of Sure Start Children's Centres

The Government believes that Children's Centres should have a clear core purpose, focused on improving outcomes for young children and their families, with a particular focus on the most disadvantaged families, in order to reduce inequalities in:

- Child development and school readiness;
- Parenting aspirations, self-esteem and parenting skills;
- Child and family health and life chances.

The Government has worked with sector leaders to consider evidence and good practice, resulting in a co-produced statement of intent about how the core purpose can be achieved, by:

- Assessing need across the local community;
- Providing access to universal early years services in the local area including high quality and affordable early years education and childcare;
- Providing targeted evidence based early interventions for families in greatest need, in the context of integrated services;
- Acting as a hub for the local community, building social capital and cohesion;
- Sharing expertise with other early years settings to improve quality; and
- Respecting and engaging parents working in partnership across professional/agency boundaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

22. MOVEMENTS IN FUNDS (continued)

Funding

Annual funding is provided by HCC to a pre-determined level and services have to be provided within that limit with any unspent funds being carried forward with the prior agreement of the council. The funding is to support the infrastructure and the delivery of appropriate services to the discrete communities served. The contract stipulates submission of expenditure reports against budget, which will be reviewed by HCC and are subject to audit.

50+ Community

Chair based exercise funding for 50+ activity programme. Funding has been secured to continue this service as part of the communities funding provided through Hertsmere Borough Council. It provides entry and advanced exercise for those with reduced mobility in a class environment.

Home learning bursary

This bursary was provided by Hertfordshire County Council to help Early Years Settings and Children's Centres develop a set of resources to help parents to support their children's home learning environment. The focus of the project was to provide resources that particularly targeted communication and language development, parents reading to their child and parents teaching their child songs, poems and nursery rhymes.

Equipment for 2 year olds

This grant was provided by Hertfordshire County Council to Early Years Settings who offer free early years funded places to 2 year olds. The grant was to ensure that settings have a good range of age appropriate equipment/resources for the 2 year old children attending their setting.

Buggy park

In response to parental feedback and increased numbers of families with children under 1 year accessing services, Oughton Children's Centres secured local funding which was used to cover the cost of constructing a Buggy Park at the front of the Centre. Grants were received from North Hertfordshire District Council's Area Committee fund and a Local Borough Councillor, David Barnard.

Locality budget

Each elected member of Hertfordshire County Council has £10,000 to spend on worthwhile projects in their community that promote social, economic or environmental wellbeing. A number of Hertsmere Leisure Children's Centres successfully applied for funding to support a range of projects including the development of an allotment plot and gardening resources for families at The BECC in Borehamwood, and a healthy eating project in Bushey. Further funds were received at the end of the year to allow the Children's Centre at Bushey to play music at their sessions to support children's learning and physical development.

Educational toys

The Toy Library at The BECC has received £1,000 funding from Hertsmere Borough Council from the council's Ward Improvement Initiative Scheme (WIS). Borehamwood Hillside Councillors Sandra Parnell and Farida Turner have pooled these resources in order to enable parents of children aged 0-5 who are accessing the food bank to borrow toys. A transfer was made from unrestricted funds to cover overspend of £87.

Home safety

This funding was provided for the Safe at Home project aimed at parents on low incomes who are struggling to make their homes safe for children aged 0-5. A trained Children's Centre Worker assesses the safety of their homes. If necessary, arrangements are made to supply items such as safety gates, window restrictors, cupboard locks, bath/shower mat, corner cushions and bath thermometers. A transfer was made from unrestricted funds to cover an overspend of £654.

Toy Library

This funding has been provided to increase the choice of sensory toys available through the Toy Library. The advantage of sensory toys is that they can be matched to the ability of the child and changed as the child develops. Children's Centre Toy Library Co-ordinators will help parents select the right sensory toy and then arrange for delivery, collection and the evaluation of the benefits of the individual toys.

Baby funding

Locality Funding has been secured to support breastfeeding mothers and expectant mothers. This funding has been provided to promote and increase the uptake of breastfeeding in Potters Bar by supporting parents with appropriate resources, such as books and DVDs for them to borrow, and by encouraging more mums to attend the weekly Breastfeeding Support group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

23. RECONCILIATION OF MOVEMENTS IN FUNDS

Group

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 April 2015	927,100	118,209	1,045,309
Incoming resources	17,195,620	3,029,793	20,225,413
Outgoing resources	(16,907,012)	(2,630,772)	(19,537,784)
Transfers	(741)	741	-
Actuarial gains on defined benefit schemes	280,000	-	280,000
At 31 March 2016	<u>1,494,967</u>	<u>517,971</u>	<u>2,012,938</u>

Company

	Unrestricted Funds £	Restricted Funds £	Totals £
At 1 April 2015	878,854	118,209	997,063
Incoming resources	16,609,628	3,029,793	19,639,421
Outgoing resources	(16,331,715)	(2,630,772)	(18,962,487)
Transfers	(741)	741	-
Actuarial losses on defined benefit schemes	280,000	-	280,000
At 31 March 2016	<u>1,436,026</u>	<u>517,971</u>	<u>1,953,997</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

24. EMPLOYEE BENEFIT OBLIGATIONS

The Charitable Company has employees who are admitted into one of two Local Government Pension Schemes administered either by Hertfordshire County Council or Buckinghamshire County Council. The deficits for past service up to the point of transfers have been guaranteed by Hertfordshire County Council and Buckinghamshire County Council respectively.

The pension costs and provision for the year ended 31 March 2016 are based on the advice of a professionally qualified actuary. The most recent formal valuation is dated 31 March 2013.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.3.16	31.3.15
	£	£
Present value of funded obligations	(8,003,000)	(8,241,000)
Fair value of plan assets	<u>7,952,000</u>	<u>7,961,000</u>
	(51,000)	(280,000)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Deficit	<u>(51,000)</u>	<u>(280,000)</u>

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

	Defined benefit pension plans	
	31.3.16	31.3.15
	£	£
Current service cost	156,000	140,000
Net Interest from net defined benefit asset/liability	<u>10,000</u>	<u>42,000</u>
	<u>166,000</u>	<u>182,000</u>
Actual return on plan assets	<u>3,000</u>	<u>976,000</u>

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

	Defined benefit pension plans	
	31.3.16	31.3.15
	£	£
Opening defined benefit obligation	8,241,000	6,029,000
Current service cost	156,000	140,000
Contributions by scheme participants	46,000	55,000
Interest cost	278,000	284,000
Actuarial (gains)/losses	(428,000)	1,844,000
Benefits paid	<u>(290,000)</u>	<u>(111,000)</u>
	<u>8,003,000</u>	<u>8,241,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	31.3.16	31.3.15
	£	£
Opening fair value of scheme assets	7,961,000	6,895,000
Interest on plan assets	268,000	326,000
Contributions by employer	115,000	146,000
Contributions by scheme participants	46,000	55,000
Re-measurements	(148,000)	650,000
Benefits paid	<u>(290,000)</u>	<u>(111,000)</u>
	<u>7,952,000</u>	<u>7,961,000</u>

The amounts recognised in the statement of recognised gains and losses are as follows:

	31.3.16	31.3.15
	£	£
Actuarial gains/(losses)	<u>280,000</u>	<u>(1,194,000)</u>
Cumulative amount of actuarial losses	<u>(50,000)</u>	<u>(330,000)</u>

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

	Defined benefit pension plans	
	31.3.16	31.3.15
Equities	58.00%	60.50%
Bonds	19.00%	18.50%
Property	9.00%	8.00%
Cash	3.00%	2.50%
Gilts	6.00%	6.00%
Hedge funds	2.00%	2.00%
Absolute return portfolio	2.00%	2.00%
Alternative assets	<u>1.00%</u>	<u>0.50%</u>
	<u>100.00%</u>	<u>100.00%</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2016

24. EMPLOYEE BENEFIT OBLIGATIONS - continued

Principal actuarial assumptions at the balance sheet date:

	31.3.16	31.3.15
Discount rate	3.40% - 3.50%	3.10% - 3.40%
Future salary increases	2.80% - 4.00%	2.80% - 4.10%
Future pension increases	2.00% - 2.20%	2.00% - 2.30%

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

	Year Ended 31.3.16	Year Ended 31.3.15	Year Ended 31.3.14	Year Ended 31.3.13	Year Ended 31.03.12
Defined benefit obligation	(8,003,000)	(8,241,000)	(6,029,000)	(6,004,000)	(5,583,000)
Fair value of scheme assets	7,952,000	7,961,000	6,895,000	6,039,000	4,716,000
Surplus/(deficit)	(51,000)	(280,000)	866,000	35,000	(867,000)
Experience adjustments on scheme liabilities	-	-	-	-	(30,000)
Experience adjustments on scheme assets	-	-	-	848,000	(224,000)

25. RELATED PARTY DISCLOSURES

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

26. CONTINGENT LIABILITY

The charitable company's bankers, The Royal Bank of Scotland ("RBS"), issued a performance bond of £100,000 to Three Rivers District Council on 21 January 2008 which was valid until 31 December 2015 in relation to the charitable company's contract with the Council. The charitable company has undertaken to reimburse RBS for any amount called under this guarantee and has given RBS a charge over a deposit totalling £50,000. A pension indemnity bond of £30,000 was also issued to Hertfordshire County Council which is valid until June 2016 in relation to the charitable company's contract with Three Rivers District Council. The charitable company has undertaken to reimburse RBS for any amount called under this guarantee and has given RBS a charge over a deposit totalling £15,000. The charitable company has also issued a performance bond of £100,000 to Milton Keynes Council on 1 November 2009 which is valid for 15 years in relation to the charitable company's contract with the Council. The charitable company has undertaken to reimburse RBS for any amount called under this guarantee and has given RBS a charge over a deposit totalling £50,000.

27. FIRST-TIME ADOPTION OF SORP 2015 (FRS 102)

The Charitable Company has adopted the SORP 2015 (FRS 102) for the first time in the year ended 31 March 2016.

The effective date of transition for the Charitable Company is 1 April 2014. The effect of transition from SORP (2005) to SORP 2015 (FRS 102) is outlined below.

There were no adjustments to previously reported Company funds at the date of transition to SORP 2015 (FRS 102).

Adjustments to previously reported net income/expenditure in the comparative period were as follows:

	£
Net income for the year ended 31 March 2015 under SORP (2005)	408,105
Additional pension costs recognised under FRS 102	(89,000)
Net expenditure for the year ended 31 March 2015 under SORP 2015 (FRS 102)	<u>319,105</u>