



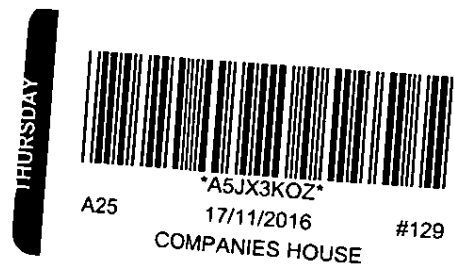
## Hull Culture and Leisure Ltd

Report and Financial Statements

Period Ended

31 March 2016

Company Number 0945 1253



# Hull Culture and Leisure Ltd

## Report and Financial Statements for the period ended 31 March 2016

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### Directors

Terence Geraghty  
John Fareham  
David Craker  
Peter Allen (resigned June 2015, reappointed October 2015)  
Marjorie Brabazon (appointed June 2015)  
Mary Glew (resigned April 2016)  
Terence Keal  
Rosemary Pantelakis

### Secretary and registered office

Dock Office Chambers  
New Cross Street  
Hull City Council HU1 3AR

### Company number

0945 1253

### Auditors

Mazars LLP, Leeds  
Mazars House, Gelderd Road, Leeds LS27 7JN

# Hull Culture and Leisure Ltd

## Strategic report for the period ended 31 March 2016

### Strategic Report for the period ended 31 March 2016

- 1 The Directors present their strategic report on the company for the period ended 31 March 2016

#### **Review of the Business**

- 2 Hull Culture and Leisure Limited (HCL) is a newly formed wholly owned company of Hull City Council, contracted to operate sports and leisure, library facilities, heritage sites, to deliver commercial catering activities and the park ranger service and to manage the Councils programme of performances in the New Theatre and The City Hall
- 3 This first year has seen a significant amount of effort being undertaken to get the company off to a good start and to establish a stable baseline on which to build for the future
- 4 Despite the very tight timescales involved following the Council's decision to create the Company, HCL's inception was successfully achieved as required on 1st April 2015. Generally speaking, matters have now settled down following the changes, the formation of the HCL Board and the transfer of the 850 strong staff group and services
- 5 During the year the Ferens Art Gallery and the Hull New Theatre have had periods of closure whilst major refurbishment is undertaken and the impact of this has had to be managed alongside the establishment of the business operations
- 6 The Board is pleased to report that during the year customer visits have been 2.3% ahead of target despite the period of change, and the company achieved 2.856m visits to facilities against a target of 2.792m
- 7 The temporary closure of facilities, combined with a downward trend in the utilisation in sports and leisure over a number of years, has resulted in a negative impact on customer receipts, income receipts excluding the fees from the management and operating contracts with Hull City Council were £6.95m this year being a shortfall of £561,000 against expectations, and whilst expenditure has been reduced on most items the simple reality is that the fall in expected income has not been fully mitigated in the year
- 8 Expenditure for the year has been lower than budgeted for, as the need for tight control on expenditure was recognised in view of the income risks
- 9 Pay costs are semi-fixed and the reported variance from budget is £93,000 over but this included some one-off employment related costs incurred during the year. Overall savings of £393,000 have been made in the direct costs of operations and overheads
- 10 The results for the year are shown on page 9. The company incurred a loss of £2.72m
- 11 This loss includes actuarial losses on the pension scheme of £894k, which do not reflect the underlying activity of the company. Pension liabilities are guaranteed by Hull City Council under a pooling arrangement, details of which are shown on page 26

#### **Key Risks and Uncertainties**

- 12 Achieving the required targeted income levels is considered to be the key financial risk going forward and addressing the pressure on income realisation is the primary focus for HCL. The HCL Board has

already determined a number of savings and various ways to improve income with the expectation of achieving a balanced trading position in the coming year

- 13 The Board recognises that against the background of austerity and ongoing reductions in public sector funding that any budgetary pressure within Hull City Council may pose a risk to future operations HCL is in regular dialogue with the Council regarding the potential impact of any future reductions

#### General

- 14 During the last year the HCL Board has reviewed a number of key matters and has implemented relevant changes found to be required, and will continue to develop changes arising from the following actions

- Creating a new customer feedback scheme
- Creating opportunities to offer cultural apprenticeships
- Commencing the upgrade of IT systems
- Completing a company risk management plan
- Determining a new training programme for staff
- Determining a savings programme for 2016 and beyond
- Negotiating and implementing an updated Industrial Relations framework
- Implementing the national living wage regardless of age
- Monitoring income trends, budgets and all financial issues
- Introducing a new safeguarding policy
- Setting targets for sickness absence and monitoring absences against those targets
- Monitoring performance against KPIs on an on-going basis
- Reviewing marketing and commerciality issues
- Undertaking actions to improve business offers
- Undertaking a comprehensive health and safety review of all buildings and sites

- 15 The Board has also commenced a review of commercial opportunities within sports and leisure, although all key lessons learned will be applied across the whole of HCL. The primary requirement of this Leisure Commerciality Review is to undertake an assessment and review of the following to provide a plan of where improvements are necessary to allow HCL to maximise the number of paying customers

- Baseline data of existing customer profiles
- Effectiveness of current pricing policies and discount offers
- The current and likely future market positions for leisure services

- 16 In the coming year, HCL will have a new website designed to provide 24/7 easy access to information regarding all HCL services and an online booking system to book events and buy tickets primarily for the Theatre and City Hall. The site will be designed to promote to customers events, latest news, what's coming with a quick and easy way to book/make reservations for shows and similar activities

- 17 The aim is to modernise communication channels with our customers, provide more customer focussed self-service and improved online functions such as web chat introducing efficiencies whilst improving the customer experience

By the order of the Board

Name



Position

CHAIRMAN

Date

27<sup>TH</sup> OCTOBER 2016

# Hull Culture and Leisure Ltd

## Directors' report for the period ended 31 March 2016

### Directors' Report for the Period Ended 31 March 2016

- 1 The Directors present their report and the audited financial statements of the company for the period ended 31 March 2016

#### **Structure, Governance and Management**

- 2 Hull Culture and Leisure Limited is a not for profit company limited by guarantee and does not have share capital. Each member has undertaken to contribute an amount not exceeding one pound toward any deficit arising in the event of the company being wound up.
- 3 The company's memorandum and articles of association are the primary governing documents of the company.
- 4 The Hull Culture and Leisure Board has met monthly and consists of not less than seven Directors. The current Directors, including those who served during the year are:
- Peter Allen (resigned June 2015, reappointed October 2015)
  - Marjorie Brabazon (appointed June 2015)
  - David Craker
  - John Fareham
  - Terence Geraghty (Chairman)
  - Mary Glew (resigned April 2016)
  - Terence Keal
  - Rosemary Pantelakis
- 5 The Directors are responsible for the maintenance and integrity of HCL's web site.

#### **Future Developments**

- 6 Future strategic developments of the company can be found in the strategic report.
- 7 In addition, Hull City Council is investing in properties from which Hull Culture and Leisure operate. Hull New Theatre (HNT) and the Ferens Arts Gallery were closed during the year for significant remodelling and upgrading. HCL's staff group have been significantly involved in supporting and advising the Council's Major Project Team to determine its plans for the upgrades in order to both enhance the quality of the offer provided and to allow for exhibitions and theatrical performance of a national standard to be secured.
- 8 HCL and the Council have entered into a partnership with British Cycling to provide a regional standard cycle track at the Ennerdale Leisure Centre which has obtained planning permission and is currently subject to tender and confirmation of the final financial package.
- 9 However, the inherited quality and relative standard of the properties that HCL operates on behalf of Hull City Council remain a concern as this affects both utilisation targets and income levels. HCL has set up a Property Investment Group in partnership with the Council and their property management supplier, the objectives of the group are to:
- Address any health and safety requirements,
  - Make the buildings physically sustainable,
  - Enhance income generation opportunities, and,
  - Improve the customer experience.

### **Going Concern**

- 10 These financial statement have been prepared on a going concern basis, and Directors have considered the following
- The company's business activities, together with the factors likely to affect its future development and position
  - The company's contractual arrangements with Hull City Council for the payment of its pension liabilities
  - Future cash flows, forecasts and ability to meet liabilities as they fall due
  - Whether the company is expected to generate positive cash flows on its own account for the foreseeable future or is appropriately supported
- 11 A letter of support from the parent company, Hull City Council, has been received, confirming that operating capital loans will be made available as and when required to support the company as a going concern
- 12 The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report and Directors' report
- 13 The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of HCL to continue as a going concern or its ability to continue with the current banking arrangements
- 14 The company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

### **Financial Instruments**

- 15 **Credit Risk** The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables, which are made where there is evidence of a reduction in the recoverability of the cash flows. The credit risk of the company is minimised as customers generally make payment in cash or payment in advance basis
- 16 **Liquidity Risk** The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably
- 17 **Cash flow Risk** The Board receives cash flow projections on a monthly basis including information regarding cash balances. At the end of the financial year, the company expected to have sufficient liquid resources available to meet its obligations under expected circumstances

### **Post Balance Sheet events**

- 18 Following the year end, the company has entered into an operating lease for the hire of a Golf buggy, for a period of 8 months. The financial commitment from this lease is £2,160

### **Employee Involvement**

- 19 The company operates a framework for employee information and consultation. Regular meetings are held between local management and employees to allow a free flow of information and ideas
- 20 During the year HCL has negotiated and agreed an Industrial Relations Framework with the recognised Trade Unions and is to embark on a company-wide staff survey in order to inform the development of a company workforce strategy
- 21 The company's has also fully reviewed and updated its training programme

### **Disabled Employees**

- 22 The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.
- 23 Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### **Statement of Directors' responsibilities**

- 24 The Directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable laws and regulations.
- 25 Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).
- 26 Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the Directors are required to
- Select suitable accounting policies and apply them consistently,
  - Make judgements and accounting estimates that are reasonable and prudent,
  - State whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the Financial Statements
  - Notify members in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements, and
  - Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- 27 The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to Auditors**

- 28 All the Directors as at the date of this report have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company auditor is aware of that information.
- 29 The Directors are not aware of any relevant audit information of which the company's auditor is unaware.

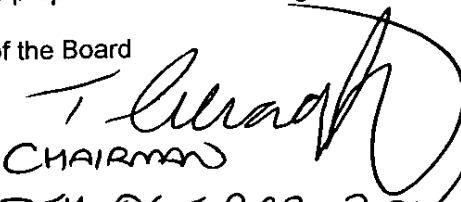
### **Independent Auditors**

- 30 A resolution proposing the continuation of the appointment of the company auditors, Mazars LLP, will be proposed at the Annual general Meeting.

By order of the Board  
Name

Position

Date

  
CHAIRMAN  
27TH OCTOBER 2016

# **Independent auditor's report to the members of Hull Culture and Leisure Ltd**

We have audited the financial statements of Hull Culture and Leisure Ltd for the period ended 31 March 2016 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 Republic of Ireland".

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors 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. This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the period 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.



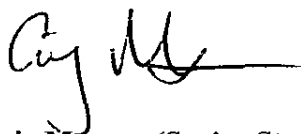
## **Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements

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

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

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



**Craig Manson (Senior Statutory Auditor)**

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor  
Mazars House,  
Gelderd Road,  
Leeds  
LS27 7JN

Date 7 November 2016

# Hull Culture and Leisure Ltd

## Income statement for the period ended 31 March 2016

	Note	Period ending 31 March 2016 £'000
Turnover	2	14,433
Cost of sales		(13,487)
<b>Gross profit</b>		<b>946</b>
Administrative expenses		(3,167)
Other operating income	3	601
<b>Operating loss</b>	4	<b>(1,620)</b>
Interest receivable and similar income	6	1
Other finance costs	7	(207)
<b>Loss on ordinary activities before taxation</b>		<b>(1,826)</b>
Taxation on loss on ordinary activities	8	0
<b>Loss for the financial period</b>		<b>(1,826)</b>

# Hull Culture and Leisure Ltd

## Statement of comprehensive income for the period ended 31 March 2016

	Note	2015/16 £'000
<b>Loss for the financial period</b>		<b>(1,826)</b>
Actuarial losses on defined benefit pension scheme	13	(894)
Taxation in respect of items of other comprehensive income	8	0
<b>Other comprehensive income for the Period</b>		<b>(894)</b>
<b>Total comprehensive income for Period</b>		<b>(2,720)</b>

# Hull Culture and Leisure Ltd

## Statement of Financial Position as at 31 March 2016

	Note	31 March 2016 £'000	31 March 2016 £'000
<b>Fixed assets</b>			
Property, Plant and Equipment	9	25	
			<b>25</b>
<b>Current assets</b>			
Inventories	10	60	
Debtors	11	3,787	
Cash		562	
		<b>4,409</b>	
Creditors amounts falling due within one year	12	(4,769)	
<b>Net current assets</b>		<b>(360)</b>	
<b>Total assets less current liabilities</b>			<b>(335)</b>
<b>Provisions for liabilities</b>			<b>0</b>
<b>Net liability excluding pension liability</b>			<b>(335)</b>
Pension liability	13		(2,385)
<b>Net liability</b>			<b>(2,720)</b>
<b>Capital and reserves</b>			
Members Funds			0
Restricted Reserves			11
Profit and loss account			(2,731)
<b>Total Equity</b>			<b>(2,720)</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 27<sup>th</sup> October 2016

Signed on behalf of the Board of Directors

NAME

Director *AD CHALMAN*

Date

*27<sup>th</sup> OCTOBER 2016*

The notes on pages 13 to 29 form part of these Financial Statements

# Hull Culture and Leisure Ltd

## Statement of changes in equity for the period ended 31 March 2016

	Restricted Reserves £'000	Profit and Loss Account £'000	Total Equity £'000
20 February 2015	0	0	0
Loss for the Period	0	(1,826)	(1,826)
Actuarial losses on pension scheme	0	(894)	(894)
Taxation in respect of other comprehensive income		0	0
<b>Other comprehensive income for the Period</b>	<b>0</b>	<b>(894)</b>	<b>(894)</b>
<b>Total comprehensive income for the Period</b>	<b>0</b>	<b>(2,720)</b>	<b>(2,720)</b>
Transfer to Restricted Reserves	11	(11)	0
<b>31 March 2016</b>	<b>11</b>	<b>(2,731)</b>	<b>(2,720)</b>

# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016

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- 13 Pensions
- 14 Commitments under operating leases
- 15 Controlling Party

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the period ended 31 March 2016

### 1. Accounting Policies

#### Basis of Preparation

Hull Culture and Leisure Limited is a not for profit company limited by guarantee incorporated and domiciled in England. The registered office is Dock Office Chambers, New Cross Street, Hull, HU1 3AR.

The company has a contract with Hull City Council to operate libraries, museums, leisure facilities, commercial catering, parks and open spaces. The company also acts as an agent in managing the City Council's programmes of shows and performances in theatres and halls.

The Financial Statements of Hull Culture and Leisure Limited have been prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102 and the Companies Act 2006. The Financial Statements have been prepared on a going concern basis under the historical cost convention.

These Financial Statements are presented in UK sterling and summarise the Company's transactions for reporting period and position at the period ended 31 March 2016. The company was incorporated on 20<sup>th</sup> February 2015 and commenced trading on 1<sup>st</sup> April 2015, consequently this set of accounts represent a period in excess of one year. This is to align the year end with other entities in the group.

#### Going concern

These financial statements are prepared on a going concern basis, with Directors considering the company's business activities together with the factors likely to affect its future development and position, contractual arrangements with Hull City Council for the payment of its pension liabilities, future cash flows, forecasts and ability to meet liabilities as they fall due.

The parent undertaking, Hull City Council has confirmed, in writing, that working capital loans will be made available, as and when required.

#### Judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires Directors to make judgements, estimations and assumption that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses in the financial Period. The following judgements have had the most significant effects on the amounts recognised in the Financial Statements.

#### Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors that may include the *current credit rating or financial position of the debtor*, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of debtors.

#### Exemptions for qualifying entities under FRS102

The company has taken advantage of the following disclosure exemption, under FRS 102 paragraph 1.12.

- The requirement to prepare a statement of cash flows
- Reduced disclosures in relation to financial instruments
- The non-disclosure of key management personnel compensation in total on the basis that it is a qualifying entity and its ultimate parent, Hull City Council, includes this information in its own Financial Statements

#### Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. The fair value of consideration is net of any discounts or rebates allowed.

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the period ended 31 March 2016

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### Sale of goods

Revenue from the sale of goods is recognised when the company transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the company

### Sale of services

Revenue from the provision of services is recognised when the company can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the company

### Government Grants

Grants are accounted for under the accruals model as permitted by FRS102. Grants related to tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Revenue grants are recognised in the profit and loss in the same period as the related expenditure.

### Employee benefits

Liabilities for employees' entitlements to short term benefits i.e. wages, salaries, annual leave and other employee benefits, including any non-monetary, benefits which are expected to be paid or settled within 12 months of the balance sheet date, are accrued at the wage and salary rates applicable in the accounting Period to the period in which the employee renders the services that increases their entitlement and recognised in the period in which the service is received.

### Defined Benefit Pension scheme

Hull Culture and Leisure employees who transferred under TUPE to the company from Hull City Council retain their membership of the Local Government Pensions Scheme administered by the East Riding of Yorkshire Council. The liability in relation to past pension costs of employees who transferred under TUPE to the company from Hull City Council is retained by the Council.

Employees of the Company are members of The Local Government Pensions Scheme, administered by the East Riding of Yorkshire Council.

The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the East Riding Pension Scheme attributable to the Company are included in the Balance Sheet on an actuarial basis using the projected unit method which makes an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, including assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees. The cost of providing benefits under the plan is estimated based on actuarial advice.

The liability recognised on the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation less the fair value of the plan assets attributable to the company at the reporting date.



# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the period ended 31 March 2016

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The assets of the East Riding Pension Fund attributable to the Company are included in the Balance Sheet at their fair value

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The net change in the liability during the period and any net interest on that liability is recognised as a cost against the profit or loss. The change in the net pensions liability is analysed into the following components

- current service cost – the increase in liabilities as result of Periods of service earned this Period
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to Periods of service earned in earlier Periods

Re-measurements comprising the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) and actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions are recognised in other comprehensive income and expenditure

### Taxation

#### Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable in respect of taxable profit for the period or prior periods. The charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax arises from timing differences between taxable profits and the total comprehensive income shown in the financial statements. Timing differences arise from the inclusion of income and expenses in tax assessments in periods that are different from those in which they are recognised in financial statements.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis, using tax rates and laws that have been enacted or substantively enacted by the period end and are expected to apply to the reversal of the timing difference.

Deferred taxation in respect of the pension liability is not recognised due to uncertainty around the timing of payments, and the availability of future profits to enable the use of the potential deferred tax asset.

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the period ended 31 March 2016

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### Property, Plant and Equipment

#### Recognition

Assets that have physical substance and are held for use in the provision of services or for administrative purpose and are expected to be used during more than one financial period are classified as Property, Plant and Equipment

Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for animals in parks, where with no objective or practical basis for establishing value, as is customary among zoological organisations the animal collection is recorded at a nominal value

Cost includes expenditure on the acquisition, creation or enhancement of tangible fixed assets provided that it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably Where payment is deferred, the cost is represented by the present value of future payments

Assets are reviewed annually for impairment Assets purchased during the period with a value of £500 or more are reviewed for capitalisation

#### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives Depreciation is charged on a straight line basis, based on the final asset balances reflected as at the end of the previous financial period

Depreciation is calculated on the following basis

Long leasehold property	Over the shorter of 50 periods and the remaining lease period
Short leasehold property	over the period of the lease
Plant and machinery	10-15 periods
Equipment	3-8 periods

Repairs, maintenance and inspection costs are expensed as incurred

#### Disposals

Tangible assets are derecognised on disposal, or when no future economic benefits are expected On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit and loss and included in other operating losses/gains

#### Leases

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the period ended 31 March 2016

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### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the lease.

### Financial instruments

#### Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, when the transaction is measured at the present value of future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

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

Cash includes all bank credit balances and overdrafts held by the Company as part of its normal cash management, including all deposit accounts accessible without notice. Bank overdrafts are shown within borrowings in current liabilities.

#### Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at the market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are non-current liabilities.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes the purchase price, including taxes, duties, transportation and handling directly attributable to bringing the inventory to its present location and condition. Inventories are recognised as an expense in the period in which the related revenue is recognised.

At each reporting date, inventories are reviewed for impairment. If inventory is impaired, the carrying amount is reduced and the impairment loss recognised immediately in the profit or loss for the reporting period.

### Events after the end of the reporting period

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts recognised in the statement of accounts are adjusted to reflect this. Where an event occurs after the Balance Sheet date that is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the statement of accounts are not adjusted but are disclosed as a separate note to the accounts.

Events after the end of the reporting period are reflected up to the date when the statement of accounts are authorised for issue.

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the period ended 31 March 2016

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### Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where the Company has a legal or constructive obligation that probably requires settlement by a transfer of economic benefits as the consequence of a past event, but where the timing of the transfer is uncertain and where the amount of the obligation can be estimated reliably

Provisions are charged to the profit or loss in the period that the Company becomes aware of the obligation, based on the best estimate of the likely settlement. Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the obligation is settled.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Company a possible obligation, the existence of which will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Company. Contingent liabilities also arise in circumstances where a provision would otherwise be made but it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised, but are disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Company a possible asset, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Company.

Contingent assets are not recognised, but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

### Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

## Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

### 2 Analysis of Turnover

Period ending  
31 March  
2016  
£'000

Analysis by type of revenue.

Sale of goods	1,108
Rendering of Services	12,740
Grants	585
	<hr/>
	14,433
	<hr/>

### 3 Analysis of Other Operating Income

Period ending  
31 March  
2016  
£'000

Analysis by type of income

Donations from the public and other bodies	601
	<hr/>
	601
	<hr/>

# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

## 4 Operating profit / (loss) before tax

Period ending  
31  
March  
2016  
£'000

This is arrived at after charging/(crediting)

Depreciation of owned assets	0
Auditors' remuneration	13
Taxation compliance services	4
Actuarial Services	3
Operating leases	65
Defined benefit pension cost (see note 13)	2,402

The total Auditors' remuneration amounted to £16,750

This is split £13,000 on Audit Services, and £3,750 on non-audit services

## 5 Employees

Period ending  
31 March  
2016  
£'000

Staff costs consist of

Wages and salaries	9,060
National Insurance costs	488
Cost of defined benefit scheme (see note 13)	2,402

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11,950

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Directors receive no remuneration for their services

The average number of employees during the year was as follows

Number

Sport, Leisure and Parks	218
Heritage	92
Libraries	108
Culture	23
Catering	46
Management and Support	15

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502

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## Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

### 6 Net Interest

Period ending  
31 March  
2016  
£'000

Interest receivable and interest income

Bank interest received

1

### 7 Other finance costs

Period ended  
31 March  
2016  
£'000

Net interest on net defined benefit liability

207

# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

## 8 Taxation on profit on ordinary activities

	Period ended 31 March 2016 £'000
<b>Tax expense included in profit or loss</b>	
Current Tax	
UK Corporation tax on profits for the year	0
Adjustment in respect of prior periods	0
	<hr/>
Total current tax	0
	<hr/>
<b>Tax on loss on ordinary activities</b>	(0)
	<hr/>
<b>Tax income included in other comprehensive income</b>	
Current tax	0
Deferred tax	(0)
	<hr/>
Total tax income included in other comprehensive income	(0)
	<hr/>
<b>Reconciliation of tax charge</b>	
	<hr/>
Loss on activities before tax	(1,826)
	<hr/>
Loss multiplied by the standard rate of tax in the UK of 20%	(365)
Effects of	
Tax on pensions actuarial loss	(179)
Tax on charitable donations unutilised	33
Adjustment to average rate at 20%	51
Adjustment to de-recognise deferred tax asset	460
	<hr/>
<b>Tax charge for the year</b>	(0)
	<hr/>



# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

## 9 Property, Plant and Equipment

Company	Fixtures, fittings, tools and equipment £'000	Total £'000
<u>Cost</u>		
At 20 February 2015	0	0
Additions	25	25
	<hr/>	<hr/>
At 31 March 2016	25	25
	<hr/>	<hr/>
<u>Depreciation</u>		
At 20 February 2015	0	0
Charge for the year	0	0
	<hr/>	<hr/>
At 31 March 2016	0	0
	<hr/>	<hr/>
<u>Net book value</u>		
At 31 March 2016	25	25
	<hr/>	<hr/>
At 20 February 2015	0	0
	<hr/>	<hr/>

## Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

### 10 Inventories

	As at 31 March 2016 £'000
Raw materials and consumables	20
Goods for resale	40
	<hr/>
	60
	<hr/>

Inventories are stated after provisions for impairment of £9,558  
Total inventory purchase, expensed through Profit and Loss amounted to £398,013

### 11 Debtors

	As at 31 March 2016 £'000
Trade debtors	175
Amounts owed by group undertakings	3,457
Prepayments and accrued income	155
	<hr/>
	3,787
	<hr/>

All amounts shown under debtors fall due for payment within one year  
Accrued income includes £50,000 relating to grant funding from the Arts Council

## Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

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**12 Creditors: amounts falling due within one year**

	As at 31 March 2016 £'000
Trade creditors	(151)
Amounts owed to group undertakings	(1,479)
Other tax and social security	(583)
Pension contributions	(128)
Accruals and deferred income	(2,428)
Corporation tax	0
	<hr/>
	<b>(4,769)</b>
	<hr/>

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the period ended 31 March 2016 (continued)

### 13 Pensions

#### Defined benefit pension scheme

The company operates a Defined Benefit scheme with the East Riding Pension Funds, administered by East Riding of Yorkshire Council

Pension benefits depend upon age, length of service and salary level

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2016 by Hymans Robertson LLP. The company's parent, Hull City Council, guarantees to cover the liability resulting from any accumulating deficit on the Scheme, and also contributes for the Past service element of the Current Service cost, paying this directly to East Riding Pension Fund. The company makes contributions to the scheme to cover current service costs for existing scheme participants from 1<sup>st</sup> April 2016. Contributions are based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the Period

Reconciliation of Scheme Assets and Liabilities	Assets £000	Liabilities £000	Net Asset / (Liability) £000
At 20 <sup>th</sup> February 2015	0	0	0
Transfers in	29,470	29,470	0
Actuarial loss – opening liability discount rate change	0	5,656	(5,656)
Current service cost	0	2,402	(2,402)
Interest Income on Plan Assets	998		998
Interest cost on Obligation		1,205	(1,205)
Plan participants' contributions	464	464	0
Employer contributions	1,118	0	1,118
Actuarial gain – changes in financial assumptions		(5,416)	5,416
Return on assets excluding Interest Income	(654)	0	(654)
Benefits paid	0	0	0
Past service costs	0	0	0
At 31 <sup>st</sup> March 2016	31,396	33,781	(2,385)

# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)

## 13 Pensions (*continued*)

Period ended  
31 March  
2016  
£000

Amounts recognised in the profit and loss amount are as follows

Included in cost of sales and administrative expenses

Current service cost

2,402

Past service cost

0

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2,402

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Amounts included in other finance costs

Net interest cost

207

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Analysis of actuarial loss recognised in other comprehensive income

Change in the discount rate of opening value of scheme liabilities

5,656

Actual return less interest income included in net interest income

654

Changes in assumptions underlying the present value of the scheme liabilities

(5,416)

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894

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# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the period ended 31 March 2016 *(continued)*

## 13 Pensions *(continued)*

	%
Composition of plan assets	
Equities	75
Property	12
Bonds	10
Cash	3

	%
Principal actuarial assumptions used at the balance sheet date	
Discount rate	3.6
Future salary increases	3.7
Future pension increases	2.2

	Years
Mortality rates	
- for current Male Pensioners	21.9
- for future Male Pensioners *	24.2
- for current Female Pensioners	24.1
- for future Female Pensioners *	26.7

\* Figures assume members aged 45 as at the last formal valuation date

# **Hull Culture and Leisure Ltd**

**Notes forming part of the Financial Statements  
for the period ended 31 March 2016 (*continued*)**

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## **14 Commitments under operating leases**

The company has an un-cancellable operating lease commitment with Apple Vending and Catering Ltd for beverage machines  
This commitment is until December 2020 at an annual cost of £1,560

## **15 Controlling Party**

The immediate and ultimate parent undertaking is Hull City Council. Hull City Council is the largest group to consolidate these financial statements. Copies of the Hull City Council financial statements may be obtained from Hull City Council, Corporate Finance, City Treasury, Guildhall Road, HU1 2AB

