



Hull Culture and Leisure Ltd

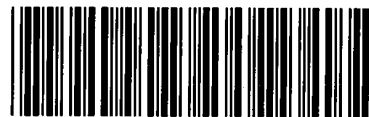
Report and Financial Statements

Period Ended

31 March 2017

Company Number : 0945 1253

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Hull Culture and Leisure Ltd

Report and Financial Statements for the year ended 31 March 2017

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Directors

Terence Geraghty
John Fareham
David Craker
Peter Allen
Marjorie Brabazon
Hester Bridges (appointed October 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 year ended 31 March 2017

Strategic Report for the year ended 31 March 2017

1. The Directors present their strategic report on the company for the year ended 31 March 2017.

Review of the Business

2. Hull Culture and Leisure Limited (HCL) is a wholly owned company of Hull City Council, contracted from April 2015 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. It is worth noting that whilst maintaining service delivery and performance levels, the HCL Board has also reviewed the following key matters to achieve improvements as necessary:
 - Continued with the upgrade of IT systems.
 - Created a joint way of working to prioritise and secure repairs.
 - Determined a savings programme for 2017 and beyond.
 - Determined a programme for the City of Culture 2017.
 - Reviewed all financial issues, income trends, budgets and targets set.
 - Reviewed and introduced a new safeguarding policy.
 - Reviewed and monitored the management of sickness absence and set targets.
 - Reviewed on an on-going basis all performance issues.
 - Reviewed marketing and commerciality issues.

In addition, HCL's activity programme for 2017 shows a significant contribution to the Year of Culture.

4. The results for the year are shown on page 9. The company made a profit of £337k.
5. This profit includes actuarial gains on the pension scheme of £175k, 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 27.

Key Risks and Uncertainties

6. The HCL Board recognises that, against the background of national austerity and ongoing reductions in public sector funding, any budgetary pressures within Hull City Council will have an impact on its future operations. It has not proven possible to foresee the financial future of the Council and therefore its ability to maintain an agreed level of subsidy to HCL and so HCL's operating context is subject to the challenges and risks identified in the HCL business plan that, in all probability, will continue to change over time and in context.
7. The main uncontrollable risks for the company remain as (i) the Council not investing in buildings that, over time, may need to be closed for public safety and operational reasons affecting the company's ability to secure, on behalf of the client, its required financial and service objectives (ii) income levels falling in subsequent years and (iii) unavoidable budget pressures passed on from the Council that may affect the company's ability to deliver the current level of service provision as required.
8. Given this, achieving the required targeted income levels is considered to be the key financial risk going forward and addressing the pressure on income realisation remains the primary focus for HCL. Accordingly, the HCL Board agreed to follow the position of the Council regarding charge increases

while recognising that in some instances flexibility may be necessary to react to changing market circumstances.

9. The HCL Board has also determined a number of savings and various income generating activities which has allowed for the achieving of a balanced budgeted position in the financial year.

General

10. The City of Culture Year 2017 is undoubtedly already proving to be a very significant year for Hull and given this the HCL Board determined that its priorities are to be to:
- Achieve the required service performance targets.
 - Focus its resources and efforts to the successful delivery of its programme of activities as planned as well as providing support to key partners, as required, in delivering their activities.
 - Successfully deliver the required levels of financial savings.
11. Some 91% of HCL's overheads relate to services that are bought back from the Council through Service Level Agreements. The company originally agreed to buy back these Council services at agreed prices for a period of at least 18 months. That period of time has now elapsed and so the HCL Board has now decided to seek savings in this area, and work is ongoing to determine this.
12. HCL are in the final stages of implanting 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.
13. The HCL Board is keen to modernise all communication channels with its customers, to provide more customer focussed self-service and improved online functions and to generally improve the customer experience.

By the order of the Board

Name *TERENCE GERAGHTY*

Position *Chairman*

Date *14/12/17*

Hull Culture and Leisure Ltd

Directors' report for the year ended 31 March 2017

Directors' Report for the year ended 31 March 2017

1. The Directors present their report and the audited financial statements of the company for the year ended 31 March 2017.

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:
 - I. Peter Allen
 - II. Marjorie Brabazon
 - III. Hester Bridges (appointed October 2016)
 - IV. David Craker
 - V. John Fareham
 - VI. Terence Geraghty (Chairman)
 - VII. Mary Glew (resigned April 2016)
 - VIII. Terence Keal
 - IX. 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. Hull City Council has invested significantly in properties from which Hull Culture and Leisure operate. 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 utilisation targets, repair costs and income levels.
8. HCL also continues to meet with the Council and NPS property representatives via the Property Investment Group and have substantially determined the use of £3.5m of Council capital for spending on leisure building. However, a related property issue that has emerged, since HCL was set up, is a growing need to secure investment in aging facilities and equipment in the Council's parks.
9. Modernisation works to the Ferens' Arts Gallery have been substantially completed and in the coming period we anticipate receiving into operation an upgraded Hull Theatre (HNT), refurbished tennis courts at Costello playing fields and a regional standard cycle track at the Ennerdale centre. In addition the Council is now considering a replacement for the existing aging Ice Arena. HCL's staff group have and will continue to be involved in supporting and advising on such developments.

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 to meet its obligations under expected circumstances.

Employee Involvement

18. 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.
19. The re-negotiated and agreed Industrial Relations Framework with the recognised Trade Unions continues to help develop better understanding and relationships. The participation of TU health and safety representatives, in ensuring safe and appropriate working practices, occurs throughout the company and is welcomed.
20. Significant consultations are well under way regards restructuring and changes to the operational practices of both the Parks Ranger service and Hull New Theatre and City Hall.
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 year. 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:
27. Selected suitable accounting policies and apply them consistently;
- I. Made judgements and accounting estimates that are reasonable and prudent;
 - II. Followed applicable United Kingdom Accounting Standards, including FRS 102 subject to any material departures disclosed and explained in the financial statements.
 - III. Notified members in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
 - IV. Prepared the financial statements on the going concern basis.
28. 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

29. 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 themselves aware of any relevant audit information and to establish that the company auditor is aware of that information.
30. The Directors are not aware of any relevant audit information of which the company's auditor is unaware.

Independent Auditors

A resolution proposing the continuation of the appointment of the company auditors, Mazars LLP, will be proposed to the member.

By order of the Board

Name **TERENCE GERAGHTY**
Position **CHAIRMAN**
Date **14/12/17**

Hull Culture and Leisure Ltd

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 year ended 31 March 2017 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.

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 2017 and of its profit 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

 December 2017

Hull Culture and Leisure Ltd

Income statement for the year ended 31 March 2017

	Note	Year ending 31 March 2017 £'000	Period ending 31 March 2016 £'000 *restated
Turnover	3	15,370	14,433
Cost of sales		(12,735)	(12,621)
Gross profit		2,635	1,812
Administrative expenses		(2,975)	(3,116)
Other operating income	4	586	601
Operating profit / (loss)	5	246	(703)
Interest receivable and similar income	7	3	1
Other finance costs	8	(57)	(192)
Profit / (Loss) on ordinary activities before taxation		192	(894)
Taxation on profit on ordinary activities	9	30	0
Profit / (Loss) for the financial period		162	(894)

*See note 2 explaining a restatement due to Past Service Pension contributions.

Hull Culture and Leisure Ltd

Statement of comprehensive income for the year ended 31 March 2017

	Note	2016/17 £'000	2015/16 £'000 *restated
Profit / (Loss) for the financial period		162	(894)
Actuarial gains / (losses) on defined benefit pension scheme	14	175	(1,073)
Taxation in respect of items of other comprehensive income	9	0	0
Other comprehensive income for the Period		175	(1,073)
Total comprehensive income for Period		337	(1,967)

*See note 2 explaining a restatement due to Past Service Pension contributions.

Hull Culture and Leisure Ltd

Statement of Financial Position as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2016 £'000 (restated)
Fixed assets					
Property, Plant and Equipment	10	204		25	
			204		25
Current assets					
Inventories	11	89		60	
Debtors	12	1,075		3,787	
Cash		3,891		562	
		5,055		4,409	
Creditors: amounts falling due within one year	13	(5,436)		(4,769)	
Net current assets		(381)		(360)	
Total assets less current liabilities			(177)		(335)
Provisions for liabilities			0		0
Net liability excluding pension liability			(177)		(335)
Pension liability	14		(1,453)		(1,632)
Net liability			(1,630)		(1,967)
Capital and reserves					
Restricted Reserves			31		11
Profit and loss account			(1,661)		(1,978)
Total Equity			(1,630)		(1,967)

The Financial Statements were approved by the Board of Directors and authorised for issue on 30th November 2017

Signed on behalf of the Board of Directors

NAME: *TERENCE GERAGHTY*

Director

Date:

14/12/17

The notes on pages 13 to 30 form part of these Financial Statements.

Hull Culture and Leisure Ltd

Statement of changes in equity for the year ended 31 March 2017

	Restricted Reserves	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
01 April 2016 (restated – see note 2)	11	(1,978)	(1,967)
Profit for the Period	0	192	192
Actuarial gains on pension scheme	0	175	175
Taxation in respect of other comprehensive income		(30)	(30)
Other comprehensive income for the Period	0	175	175
Total comprehensive income for the Period	0	337	337
Transfer to Restricted Reserves	20	(20)	0
31 March 2017	31	(1,661)	(1,630)

	Restricted Reserves	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
20 February 2015	0	0	0
Loss for the Period	0	(894)	(894)
Actuarial losses on pension scheme	0	(1,073)	(1,073)
Taxation in respect of other comprehensive income		0	0
Other comprehensive income for the Period	0	(1,073)	(1,073)
Total comprehensive income for the Period	0	(1,967)	(1,967)
Transfer to Restricted Reserves	11	(11)	0
31 March 2016 (as restated – see note 2)	11	(1,978)	(1,967)

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2017

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Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2017

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 2017. The company was incorporated on 20th February 2015 and commenced trading on 1st 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 year ended 31 March 2017

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 year ended 31 March 2017

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 year ended 31 March 2017

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 year ended 31 March 2017

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 year ended 31 March 2017

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 year ended 31 March 2017 (continued)

2 Prior period restatement

Figures for 2015/16 have been restated from the published version of that period's financial statements, due to a change in how employer contributions for the past service element of current service costs relating to the Defined Benefit Pension scheme have been reflected.

Amounts reflect a revised actuary report which includes contributions made to the pension fund by Hull City Council, on behalf of Hull Culture and Leisure Ltd.

The revised Actuary report is referred to in Note 14.

Prior year amounts on the Financial Statements have been restated to reflect the impact of the changes to the actuary report, as shown below:

Income Statement

Statement Line	2015/16 audited accounts £'000s	Prior Year Adjustment £'000s	Re-stated £'000s
Turnover	14,433	-	14,433
Cost of sales	(13,487)	866	(12,621)
Administrative expenses	(3,167)	51	(3,116)
Other Operating Income	601	-	601
Operating Profit (Loss)	(1,620)	917	(703)
Interest Receivable	1	-	1
Other finance costs	(207)	15	(192)
Profit (Loss) for the financial period	(1,826)	932	(894)

Statement of Financial Position

Statement Line	2015/16 audited accounts £'000s	Prior Year Adjustment £'000s	Re-stated £'000s
Pension liability	(2,385)	753	(1,632)
Net liability	(2,720)	753	(1,967)
Profit and loss account	(2,731)	753	(1,978)
Total Liability	(2,720)	753	(1,967)

Statement of changes in equity

Statement Line	2015/16 audited accounts £'000s	Prior Year Adjustment £'000s	Re-stated £'000s
(Loss) for the Period	(1,826)	932	(894)
Actuarial (Loss) on Pensions scheme	(894)	(179)	(1,073)
Total comprehensive income for the period	(2,720)	753	(1,967)

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2017 (*continued*)

3 Analysis of Turnover

	Year ending 31 March 2017 £'000	Period ending 31 March 2016 £'000
Analysis by type of revenue:		
Sale of goods	1,018	1,108
Rendering of Services	13,091	12,740
Grants	1,261	585
	<hr/>	<hr/>
	15,370	14,433
	<hr/>	<hr/>

4 Analysis of Other Operating Income

	Year ending 31 March 2017 £'000	Period ending 31 March 2016 £'000
Analysis by type of income:		
Donations from the public and other bodies	586	601
	<hr/>	<hr/>
	586	601
	<hr/>	<hr/>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2017 (continued)

5 Operating profit / (loss) before tax

	Year ending 31 March 2017 £'000	Period ending 31 March 2016 £'000
This is arrived at after charging/(crediting):		
Depreciation of owned assets	5	0
Auditors' remuneration	13	13
Taxation compliance services	4	4
Actuarial Services	1	3
Operating leases	53	65
Defined benefit pension cost (see note 13)	1,964	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.

6 Employees

	Year ending 31 March 2017 £'000	Period ending 31 March 2016 £'000
Staff costs consist of:		
Wages and salaries	8,775	9,060
National Insurance costs	656	488
Cost of defined benefit scheme (see note 13)	1,964	2,402
	<u>11,395</u>	<u>11,950</u>

Directors receive no remuneration for their services.

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

	2016/17 No.	2015/16 No.
Sport, Leisure and Parks	196	218
Heritage	100	92
Libraries	110	108
Culture	22	23
Catering	36	46
Management and Support	16	15
	<u>480</u>	<u>502</u>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2017 (*continued*)

7	Net Interest	Year ending	Period ending
		31 March 2017 £'000	31 March 2016 £'000
	Interest receivable and interest income		
	Bank interest received	3	1
		<hr/>	<hr/>
8	Other finance costs	Year ending	Period ending
		31 March 2017 £'000	31 March 2016 £'000 (Restated)
	Net interest on net defined benefit liability	57	192
		<hr/>	<hr/>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2017 (*continued*)

9 Taxation on profit on ordinary activities

	Year ending 31 March 2017 £'000	Period ending 31 March 2016 £'000
Tax expense included in profit or loss		
Current Tax:		
UK Corporation tax on profits for the year	30	0
Adjustment in respect of prior periods	0	0
Total current tax	30	0
Tax on profit on ordinary activities	30	(0)
Tax income included in other comprehensive income		
Current tax	0	0
Deferred tax	(0)	(0)
Total tax income included in other comprehensive income	(0)	(0)
Reconciliation of tax charge		
Profit on activities before tax	192	(1,826)
Profit multiplied by the standard rate of tax in the UK of 20%	38	(365)
Effects of:		
Adjustment to brought forward values	151	0
Tax on pensions actuarial gain	35	(179)
Tax on charitable donations unutilised	0	33
Adjustment to average rate at 20%	47	51
Adjustment of deferred tax to average rate at 20%	(51)	0
Adjustment to de-recognise deferred tax asset	(190)	460
Tax charge for the year	30	(0)

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2017 (continued)

10 Property, Plant and Equipment

Company	Fixtures, fittings, tools and equipment £'000	Total £'000
<u>Cost</u>		
At 1 April 2016	25	25
Additions	185	185
Disposals	0	0
	<hr/>	<hr/>
At 31 March 2017	210	210
	<hr/>	<hr/>
<u>Depreciation</u>		
At 1 April 2016	0	0
Charge for the year	6	6
	<hr/>	<hr/>
At 31 March 2017	6	6
	<hr/>	<hr/>
<u>Net book value</u>		
At 31 March 2017	204	204
	<hr/>	<hr/>
At 31 March 2016	25	25
	<hr/>	<hr/>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2017 (*continued*)

11 Inventories

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Raw materials and consumables	18	20
Goods for resale	71	40
	<u>89</u>	<u>60</u>

Inventories are stated after provisions for impairment of £12,810
Total inventory purchase, expensed through Profit and Loss amounted to £332,691

12 Debtors

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade debtors	255	175
Amounts owed by group undertakings	329	3,457
Prepayments and accrued income	491	155
	<u>1,075</u>	<u>3,787</u>

All amounts shown under debtors fall due for payment within one year.
Accrued income includes £32,479 relating to grant funding from the Goodwin Development Trust.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2017 (*continued*)

13 Creditors: amounts falling due within one year

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade creditors	(158)	(151)
Amounts owed to group undertakings	(927)	(1,479)
Other tax and social security	(490)	(583)
Pension contributions	(128)	(128)
Accruals and deferred income	(3,703)	(2,428)
Corporation tax	(30)	0
	<hr/>	<hr/>
	(5,436)	(4,769)
	<hr/>	<hr/>

Deferred income includes £802,000 relating to grant funding from the Arts Council..

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2017 (continued)

14 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 2017 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. However, it should be noted that this contribution is reflected in the Employer contributions detailed below. The company makes contributions to the scheme to cover current service costs for existing scheme participants from 1st 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	Liabilities	Net Asset / (Liability)
	£000	£000	£000
At 31 st March 2016	32,149	33,781	(1,632)
Current service cost	0	1,964	(1,964)
Interest Income on Plan Assets	1,194	0	1,194
Interest cost on Obligation	0	1,251	(1,251)
Plan participants' contributions	462	462	0
Employer contributions	2,025	0	2,025
Benefits paid	(394)	(394)	0
Actuarial gain – changes in demographic assumptions	0	(372)	372
Actuarial loss – changes in financial assumptions	0	6,807	(6,807)
Actuarial gain – experience gains on liabilities	0	(1,238)	1,238
Return on assets excluding Interest Income	5,372	0	5,372
Benefits paid	0	0	0
Past service costs	0	0	0
At 31 st March 2017	40,808	42,261	(1,453)

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2017 (*continued*)

14 Pensions (*continued*)

	Period ended 31 March 2017 £000	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	1,964	2,402
Past service cost	0	0
	<u>1,964</u>	<u>2,402</u>
Amounts included in other finance costs		
Net interest cost	<u>57</u>	<u>192</u>
Analysis of actuarial loss / (gain) recognised in other comprehensive income:		
Change in the discount rate of opening value of scheme liabilities	0	5,656
Actual return less interest income included in net interest income	(5,372)	833
Experience gains arising on scheme liabilities	(1,238)	0
Changes in assumptions underlying the present value of the scheme liabilities	6,435	(5,416)
	<u>(175)</u>	<u>1,073</u>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2017 *(continued)*

14 Pensions *(continued)*

	31 March 2017 %	31 March 2016 %
Composition of plan assets		
Equities	75	74
Property	11	11
Bonds	11	11
Cash	3	4
	%	%
Principal actuarial assumptions used at the balance sheet date		
Discount rate	2.7	3.6
Future salary increases	2.6	3.7
Future pension increases	2.4	2.2
	Years	Years
Mortality rates		
- for current Male Pensioners	21.7	21.9
- for future Male Pensioners *	23.7	24.2
- for current Female Pensioners	24.2	24.1
- for future Female Pensioners *	26.4	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 year ended 31 March 2017 *(continued)*

15 Commitments under operating leases

The company has two un-cancellable operating lease commitments with Apple Vending and Catering Ltd for beverage machines.

These commitments are until December 2020 at an annual cost of £1,560, and until October 2021 at an annual cost of £1,713

16 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.