



Hull Culture and Leisure Ltd

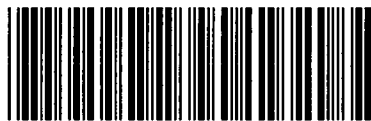
Report and Financial Statements

Year Ended

31 March 2020

Company Number : 0945 1253

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Hull Culture and Leisure Ltd

Report and Financial Statements for the year ended 31 March 2020

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Directors

Marjorie Brabazon (Chair)
Denise Thompson (Deputy)
John Fareham
Hester Bridges
Rosemary Pantelakis
Adam Williams
Rob Dunstan
Alison Thompson
Leanne Fudge (appointed 7th February 2020)

Registered office

Pacific Exchange
40 High Street
Hull
HU1 1PS

Company number

0945 1253

Independent Auditor

Mazars LLP,
5th Floor, 3 Wellington Place, Leeds LS1 4AP

Hull Culture and Leisure Ltd

Strategic report for the year ended 31 March 2020

Strategic Report for the year ended 31 March 2020

1. The Directors present their strategic report on the Company for the year ended 31 March 2020.

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.
 - Delivered a significant programme for the City of Culture 2017.
 - Determined a savings programme for 2018 and beyond.
 - Introduced a new safeguarding policy and audited delivery.
 - Reviewed all financial issues, income trends, budgets and targets set.
 - Reviewed and monitored the management of sickness absence and set increased targets.
 - Reviewed on an on-going basis all performance issues and set targets.
4. The results for the year are shown on page 11. The Company made a total comprehensive loss of £108k. (31 March 2019: £3.097m loss)
5. This loss includes actuarial gains on the pension scheme of £1.8m (2019/20 loss of £2.1m) and adjustment to current service costs of £1.1m (2018/19: £1.1m)
The bulk of this change is as a result of changes in financial and demographic assumptions used by the Pensions Actuary, Hymans Robertson, and also the actual return on fund Assets. These financial assumptions and remeasurements resulted in a decrease in the value of liabilities of £8.7m, offset by a 5% reduction in the returns on fund assets of £6.9m.
These changes in the pension fund 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 30.

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 likely 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 that, in all probability, will continue to change over time and in context.
7. 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. 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.

Hull Culture and Leisure Ltd

Strategic report for the year ended 31 March 2020

8. 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 Hull City Council, 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.
9. The risks that are a consequence of the UK's decision to withdraw from the EU have been considered and are not thought to be significant to the ongoing business of the company. These risks continue to be monitored and addressed as appropriate within the changing environment.

General

10. The HCL Board continues to seek to improve all offers to the public and its paying customers, to generally improve the customer experience by giving practical effect to its vision to "always seek to improve life chances for people by providing high quality, affordable and accessible opportunities for cultural and physical activity, increasing year on year levels of participation and continuously improving satisfaction levels.

Key Performance Indicators

11. The HCL Board takes into account three key elements in measuring the company's performance – finances, performance and people, and taking each in turn:
12. The company aims to continue to deliver contracted services within the budget as was achieved in the 2019/20 financial year.
13. The company's performance is monitored through the levels of participation measured by visitor numbers, against a specific target. The Council in its latest report (July 2019) on this matter states that for the last full year "HCAL has achieved all performance targets required by the Executive Commissioning Committee (within a 10% margin) with the exception of 'in person' and 'virtual' visits to Museums and Galleries. Overall visits to HCAL operated venues have achieved the combined stretched target set by the Council of 3.25m (within the 10% tolerance), reporting a grand total of 3.16m visits, smashing pre 2017 figures. It is further recognised that public satisfaction levels are consistently high across all HCL services areas.
14. Staff attendance is monitored against an annual target rate of 97%. In 2018/19, recorded attendance was 96.79%; this achievement is at a level consistent with the previous year. The Board has determined that the company will sign up to the Time to Change Charter and has, in year, agreed its support for the Dying to Work campaign.

By order of the Board



Marjorie Brabazon
Chair

Date

Hull Culture and Leisure Ltd

Directors' report for the year ended 31 March 2020

Directors' Report for the Year ended 31 March 2020

1. The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2020

Structure, Governance and Management

2. Hull Culture and Leisure Limited (HCL) 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 are:

Marjorie Brabazon (Chair)
Denise Thompson (Deputy)
John Fareham
Hester Bridges
Rosemary Pantelakis
Adam Williams
Rob Dunstan
Alison Thompson
Leanne Fudge (appointed 7th February 2020)

The following Directors served during the year:

Peter Allen (resigned 20th June 2019)
Dave McCobb (resigned 23rd May 2019)
Nadine Fudge

5. The Directors are responsible for the maintenance and integrity of HCL's web site.

Future Developments

6. In the following year it has been agreed to undertake a Value for Money audit of the services HCL delivers and any consequential recommendations for change, that may arise, will be prioritised for consideration and action.

Hull Culture and Leisure Ltd

Directors' report for the year ended 31 March 2020

7. HCL will continue to contribute to the Council's strategies and their successor documents. HCL is already a lead player in the development of (i) the Hull Yorkshire Maritime Programme (ii) a new 10 year library strategy (iii) increasing health focused provision, and (iv) an updated cultural legacy following Hull's year of culture. It is expected that in the coming years these alone will give rise to a significant workload and increased HCL contribution to key city priorities.
8. In addition, the HCL Board has recently reviewed its CSR position and has now adopted a significant number of new outcomes to be achieved. Ranging from seeking operational efficiencies to lowering HCL's environmental impact, to Implementing family friendly policies, to creating more opportunities for volunteering, these are to form part of HCL's rolling business plan moving forward, and are to be pursued as reflected in the Board's key actions plans.
9. HCL continues to meet with the Council and Norfolk Property Services (NPS) to substantially determine the investment on leisure buildings. In addition, the Council has now agreed to invest in the renewal of parks play equipment and HCL will play its role in ensuring the successful delivery of the inherent objectives.

Going Concern

10. These financial statement have been prepared on a going concern basis, considering a period of at least 12 months from the date of signature of these financial statements, and the 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 the 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, and to allow it to meet its liabilities as they fall due, for a period of at least 12 months from the date of the signature of the financial statements.
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.

Hull Culture and Leisure Ltd

Directors' report for the year ended 31 March 2020

Financial Instruments, risks and uncertainties

15. Credit Risk; The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the Statement of Financial Position 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 on a payment in advance basis.
16. Liquidity Risk; The Company seeks to manage financial risk by ensuring sufficient liquidity and funding 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 as they fall due 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 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. The Company has also fully reviewed and updated its training programme.

Disabled Employees

21. 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.
22. 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

23. The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable laws and regulations.
24. 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).

Hull Culture and Leisure Ltd

Directors' report for the year ended 31 March 2020

25. 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.
26. In preparing these financial statements, the Directors are required to:
- I. Select suitable accounting policies for the Company's financial statements and then apply them consistently;
 - II. Make judgements and accounting estimates that are reasonable and prudent;
 - III. State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
 - IV. 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditor

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's 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.
30. The Company is covered by a range of Insurance policies through its parent, Hull City Council, including cover that indemnifies the Company and its Directors against claims from third parties in respect of any financial loss.

Independent Auditor

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

By order of the Board


Marjorie Brabazon (Chair)

Date

Signed by a company director/secretary after approval of the financial statements by the Board of Directors.

Hull Culture and Leisure Ltd

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

Opinion

We have audited the financial statements of Hull Culture and Leisure Ltd (the 'Company') for the year ended 31 March 2020 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material uncertainty relating to valuations of the Company's share of East Riding Pension Fund's unquoted investments.

We draw attention to Note 1 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Company's share of East Riding Pension Fund's investments classified within level 3 of the fair value hierarchy at 31 March 2020. The outbreak of Covid-19 has resulted in additional uncertainty with regard to level 3 investments particularly for property funds. As such, a material valuation uncertainty clause has been included in the valuation reports as a result of the impact of Covid-19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of level 3 investments than would normally be the case. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Hull Culture and Leisure Ltd

Independent auditor's report to the members of Hull Culture and Leisure Ltd (continued)

Other information

The other information comprises the information included in the Strategic Report and Directors Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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.

Responsibilities of Directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Hull Culture and Leisure Ltd

Independent auditor's report to the members of Hull Culture and Leisure Ltd (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance; management bias through judgements and assumptions in significant accounting estimates.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to;

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

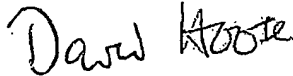
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Hull Culture and Leisure Ltd

Independent auditor's report to the members of Hull Culture and Leisure Ltd (continued)

Use of the audit report

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.



David Hoose (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date 29 January 2021

Hull Culture and Leisure Ltd

Income statement for the year ended 31 March 2020

	Note	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Turnover	2	16,885	16,904
Cost of sales		(15,957)	(15,363)
Gross profit		928	1,541
Administrative expenses		(3,451)	(3,312)
Other operating income	3	737	768
Operating loss	4	(1,786)	(1,003)
Interest receivable and similar income	6	4	2
Other finance costs	7	(127)	(47)
Loss on ordinary activities before taxation		(1,909)	(1,048)
Taxation on loss on ordinary activities	8	36	26
Loss for the financial year		(1,873)	(1,022)

The notes on pages 16 to 33 form part of these financial statements.

Hull Culture and Leisure Ltd

Statement of other comprehensive income for the year ended 31 March 2020

	Note	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Loss for the financial year		(1,873)	(1,022)
Actuarial (losses) / gains on defined benefit pension scheme	13	1,765	(2,075)
Taxation in respect of items of other comprehensive income	8	-	-
Other comprehensive income for the year		1,765	(2,075)
Total comprehensive income for the year		(108)	(3,097)

The notes on pages 16 to 33 form part of these financial statements.

Hull Culture and Leisure Ltd

Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Fixed assets			
Property, Plant and Equipment	9	357	393
		<u>357</u>	<u>393</u>
Current assets			
Inventories	10	91	110
Debtors	11	1,122	1,634
Cash at bank and in hand		5,010	3,898
		<u>6,223</u>	<u>5,642</u>
Creditors: amounts falling due within one year	12	(6,487)	(5,747)
Net current liabilities		<u>(264)</u>	<u>(105)</u>
Total assets less current liabilities		<u>93</u>	<u>288</u>
Net liability excluding pension liability		<u>93</u>	<u>288</u>
Pension liability	13	(4,311)	(4,398)
Net liability		<u>(4,218)</u>	<u>(4,110)</u>
Capital and reserves			
Restricted Reserves	14	280	235
Profit and Loss Account		(4,498)	(4,345)
Total Equity		<u>(4,218)</u>	<u>(4,110)</u>

The Financial Statements were approved by the Board of Directors and authorised for issue on 28th January 2021.

Signed on behalf of the Board of Directors

NAME: *Majorie Brabazon (Chair)*

Director

Date:

M. Brabazon

The notes on pages 16 to 33 form part of these Financial Statements.

Hull Culture and Leisure Ltd

Statement of changes in equity for the year ended 31 March 2020

	Restricted Reserves	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
At 1 April 2019	235	(4,345)	(4,110)
Loss for the year	-	(1,873)	(1,873)
Actuarial gains on defined benefit pension scheme	-	1,765	1,765
Taxation in respect of other comprehensive income	-	(-)	(-)
Other comprehensive income for the year	-	1,765	1,765
Total comprehensive income for the year	-	(108)	(108)
Transfer to Restricted Reserves	45	(45)	-
At 31 March 2020	280	(4,498)	(4,218)

	Restricted Reserves	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
At 1 April 2018	144	(1,157)	(1,013)
Loss for the year	-	(1,022)	(1,022)
Actuarial losses on defined benefit pension scheme	-	(2,075)	(2,075)
Taxation in respect of other comprehensive income	-	-	-
Other comprehensive income for the year	-	(2,075)	(2,075)
Total comprehensive income for the year	-	(3,097)	(3,097)
Transfer to Restricted Reserves	91	(91)	-
At 31 March 2019	235	(4,345)	(4,110)

The notes on pages 16 to 33 form part of these financial statements.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2020

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Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020

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 and Wales. The registered office is Pacific Exchange, 40 High Street, Hull, HU1 1PS, and the registration number is 0945 1253.

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 accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 the reporting period and the position at the year ended 31 March 2020.

Going concern

The Directors consider the Company to be a going concern, and 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 its 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, for a period of at least 12 months from the date of the signature of the financial statements.

Judgements and key sources of estimation uncertainty

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

Defined Benefit Pension scheme

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Company with expert advice about the assumptions to be applied.

The effects on the net pension liability for funded LGPS benefits of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. Increases in life expectancy and salaries will result in increased liabilities, and changes in returns on assets could result in either a reduction or increase in the liability.

The yearly actuarial assessment of the liability takes into account changes in assumptions and the timeframe involved in the payment of the assessed contributions to reduce the liability.

Due to the current Covid-19 pandemic, Actuaries have reported the valuations on the basis of "material valuation uncertainty". The Actuaries advise that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (continued)

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

These reduced disclosure exemptions have been applied on the basis that the Company 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.

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 Income Statement 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 Income Statement 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 Statement of Financial Position date, are accrued at the wage and salary rates applicable in the accounting period in which the employee renders the services that increases their entitlement and recognised in the period in which the service is received.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (continued)

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 pension scheme:

The liabilities of the East Riding Pension Scheme attributable to the Company are included in the Statement of Financial Position 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 Statement of Financial Position 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.

The assets of the East Riding Pension Fund attributable to the Company are included in the Statement of Financial Position at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate of the Actuary, Hymans Robertson.
- 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 in the Income Statement. 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.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (continued)

Taxation

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, 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 year 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 date.

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 Statement of Financial Position 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 date, 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 2020 (continued)

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 year 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 zero 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 original cost of the asset.

Depreciation is calculated on the following basis:

Fixtures, fittings tools and equipment	3-8 years
--	-----------

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 the Income Statement 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 as an Operating Lease, where fulfilment of the arrangement is dependent on the use of specific assets.

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 the Income Statement on a straight-line basis over the term of the lease.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (continued)

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 the Income Statement.

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 the Income Statement.

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 classified as 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 Income Statement for the reporting period.

Events after the end of the reporting period

Where an event occurs after the Statement of Financial Position date, favourable or unfavourable, which provides evidence of conditions that existed at the Statement of Financial Position date, the amounts recognised in the Income Statement are adjusted to reflect this. Where an event occurs after the Statement of Financial Position date that is indicative of conditions that arose after the Statement of Financial Position date, the amounts recognised in the Income Statement are not adjusted but are disclosed as a separate note to the financial statements.

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

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (continued)

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 Income Statement 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 financial statements.

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 Financial Statements 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, as the company has taken advantage of this disclosure exemption, under FRS 102, paragraph 1.12.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2020 (continued)

2 Analysis of Turnover

	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Analysis by type of revenue:		
Sale of goods	1,629	1,699
Rendering of Services	13,973	13,848
Grants	1,283	1,357
	<hr/>	<hr/>
	16,885	16,904
	<hr/>	<hr/>

3 Analysis of Other Operating Income

	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Analysis by type of income:		
Donations from the public and other bodies	733	768
Proceeds from disposal of Assets with nil Net Book Value	4	-
	<hr/>	<hr/>
	737	768
	<hr/>	<hr/>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (continued)

4 Operating (loss) / profit before tax

	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
This is arrived at after charging:		
Depreciation of owned assets	113	81
Auditor's remuneration	16	14
Taxation compliance services	7	4
Actuarial Services	4	1
Operating lease expense	64	65
Defined benefit pension cost (see note 13)	3,987	3,446

The total Auditor's remuneration amounted to £15,500 on Audit Services.

5 Employees

	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Staff costs consist of:		
Wages and salaries	10,213	9,957
Social Security costs	732	700
Cost of defined benefit scheme (see note 13)	3,987	3,446
	14,932	14,103

Directors receive no remuneration for their services.

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

	2019/20 No.	2018/19 No.
Sport, Leisure and Parks	216	234
Heritage	95	105
Libraries	142	122
Culture	36	38
Catering	65	69
Management and Support	18	17
	572	585

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2020 (*continued*)

6 Net Interest

	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Interest receivable and similar income		
Bank interest received	4	2

7 Other finance costs

	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Net interest on net defined benefit pension liability	127	47

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (*continued*)

8 Taxation on profit on ordinary activities

	Year ending 31 March 2020 £'000	Year ending 31 March 2019 £'000
Tax expense included in Income Statement		
Current Tax:		
UK Corporation tax on profits for the year	(37)	20
Adjustment in respect of prior periods	1	(46)
Total current tax	(36)	(26)
Tax on loss on ordinary activities	(36)	(26)
Reconciliation of tax charge		
Loss on ordinary activities before tax	(1,909)	(1,048)
Loss on ordinary activities multiplied by the standard rate of tax in the UK of 19% (2019: 19%)	(363)	(199)
Effects of:		
Permanent differences	1	4
Tax on pensions actuarial (loss)/gain	402	157
Adjusted unprovided opening and closing deferred tax to average rate	(92)	65
Loss utilised	10	-
Deferred tax not recognised	11	3
Enhanced tax relief for exhibition losses	(6)	(10)
Adjustment to tax charge in respect of prior periods	1	(46)
Tax charge for the year	(36)	(26)

The Chancellor of the Exchequer delivered his Budget to Parliament on 11 March 2020 in which he confirmed that the Corporation tax rate would remain at 19% for 2020/21. Although the Finance Bill 2020 is yet to be debated, following the Parliamentary debate that followed the Chancellor's Budget announcement, a Budget resolution has now been passed under the Provisional Collection of Taxes Act 1968 with statutory effect. If the company were recognising deferred tax it would be appropriate for the 19% rate to be used for the purposes of calculating tax balances for accounting purposes in financial statements for accounting periods ended on or after 17 March 2020.

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements
for the year ended 31 March 2020 (*continued*)

9 Property, Plant and Equipment

	Fixtures, fittings, tools and equipment £'000	Total £'000
<u>Cost</u>		
At 1 April 2019	521	521
Additions	77	77
	<hr/>	<hr/>
At 31 March 2020	598	598
	<hr/>	<hr/>
<u>Depreciation</u>		
At 1 April 2019	128	128
Charge for the year	113	113
	<hr/>	<hr/>
At 31 March 2020	241	241
	<hr/>	<hr/>
<u>Net book value</u>		
At 31 March 2020	357	357
	<hr/>	<hr/>
At 31 March 2019	393	393
	<hr/>	<hr/>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (*continued*)

10 Inventories

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Raw materials and consumables	29	40
Goods for resale	62	70
	<u>91</u>	<u>110</u>

Inventories are stated after provisions for impairment of £15,563, (31 March 2019: £20,612)
Total inventory purchase, expensed through the Income Statement amounted to £185,311,
(2018/19: £282,064)

11 Debtors

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Trade debtors	131	176
Amounts owed by group undertakings	510	834
Prepayments and accrued income	481	624
	<u>1,122</u>	<u>1,634</u>

All amounts shown under debtors fall due for payment within one year.
Accrued income includes £228,184 relating to grant funding from Arts Council, HMRC, European
Regional Development Fund and Goodwin Development Trust (31 March 2019: £113,163 grant
funding from Arts Council and Goodwin Development trust)

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (*continued*)

12 Creditors: amounts falling due within one year

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Trade creditors	-	104
Amounts owed to group undertakings	1,859	843
Other tax and social security	594	586
Pension contributions	160	150
Accruals and deferred income	1,515	1,818
Deferred income from group undertakings	2,359	2,246
	<u>6,487</u>	<u>5,747</u>

Deferred income includes £975,992 relating to grant funding from various sources (31 March 2019: £931,559), and £68,900 relating to the cost of Assets purchased with Grant funding (31 March 2019: £75,538)

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 (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 2019 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 2015. 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 year.

Reconciliation of Scheme Assets and Liabilities	Assets	Liabilities	Net Asset / (Liability)
	£000	£000	£000
At 31 st March 2019	50,147	54,545	(4,398)
Current service cost	-	3,812	(3,812)
Past Service Cost (including curtailments)	-	175	(175)
Interest Income on Plan Assets	1,286	-	1,286
Interest cost on Obligation	-	1,413	(1,413)
Plan participants' contributions	547	547	-
Employer contributions	2,436	-	2,436
Benefits paid	(607)	(607)	-
Actuarial gain – changes in demographic assumptions	-	(2,599)	2,599
Actuarial loss – changes in financial assumptions	-	(3,606)	3,606
Actuarial gain – experience gains on liabilities	-	(2,486)	2,486
Return on assets excluding Interest Income	(6,926)	-	(6,926)
At 31 st March 2020	<u>46,883</u>	<u>51,194</u>	<u>(4,311)</u>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 *(continued)*

13 Pensions *(continued)*

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Amounts recognised in the Income Statement are as follows:		
Included in cost of sales and administrative expenses:		
Current service cost	3,812	3,287
Past service cost	175	159
	<u>3,987</u>	<u>3,446</u>
Amounts included in other finance costs		
Net interest cost	<u>127</u>	<u>47</u>
Analysis of actuarial (gain) / loss recognised in other comprehensive income:		
Actual return less interest income included in net interest income	6,926	(1,889)
Changes in assumptions underlying the present value of the scheme liabilities	(8,691)	3,964
	<u>(1,765)</u>	<u>2,075</u>

Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements for the year ended 31 March 2020 *(continued)*

13 Pensions *(continued)*

	31 March 2020 %	31 March 2019 %
Composition of plan assets		
Equities	66	71
Property	16	14
Bonds	13	12
Cash	5	3
	%	%
Principal actuarial assumptions used at the Statement of Financial Position date		
Discount rate	2.3	2.5
Future salary increases	2.7	2.6
Future pension increases	1.8	2.4
Retail Price Index (RPI)	2.6	3.5
Consumer Price Index (CPI) – Pension increase rate	1.8	2.4
	Years	Years
Mortality rates		
- for current Male Pensioners	20.9	21.7
- for future Male Pensioners *	21.8	23.7
- for current Female Pensioners	23.3	24.2
- for future Female Pensioners *	24.8	26.4

* 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 2020 (*continued*)

14 Restricted Reserves

Income is donated to the Company by the public via collection boxes provided at Heritage sites. This income is included in Turnover, but transferred into a restricted reserve for future use, with use determined by the Cultural Services Director and Curators, in line with the conditions attached to public Heritage donations.

15 Commitments under operating leases

The Company has five un-cancellable operating lease commitments with Siemens Financial Services for York Coffee Systems beverage machines.

Future minimum rentals payable under these non-cancellable operating leases are as follows:

	31 March 2020 £000	31 March 2019 £000
Within one year	1	2
In two to five years	4	6
In over five years	-	-
	<hr/> 5	<hr/> 8

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.