



## Hull Culture and Leisure Ltd

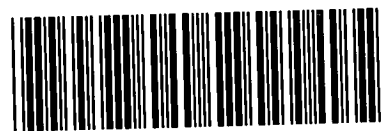
Report and Financial Statements

Year Ended

31 March 2018

Company Number : 0945 1253

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# Hull Culture and Leisure Ltd

## Report and Financial Statements for the year ended 31 March 2018

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### Directors

Marjorie Brabazon  
John Fareham  
Peter Allen  
Hester Bridges  
Rosemary Pantelakis  
Nadine Fudge (appointed 20<sup>th</sup> September 2018)  
Dave McCobb (appointed 17<sup>th</sup> May 2018)  
Denise Thompson (appointed 17<sup>th</sup> May 2018)  
Adams Williams (appointed 17<sup>th</sup> May 2018)

### Secretary and registered office

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

### Company number

0945 1253

### Independent Auditor

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

# Hull Culture and Leisure Ltd

## Strategic report for the year ended 31 March 2018

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### **Strategic Report for the year ended 31 March 2018**

1. The Directors present their strategic report on the Company for the year ended 31 March 2018.

#### **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 Council's 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 pages 9-12. The Company made a total comprehensive profit of £617k. (31 March 2017: £337k)
5. This profit includes actuarial gains on the pension scheme of £1.3m, 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 28.

#### **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.
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.

# Hull Culture and Leisure Ltd

## Strategic report for the year ended 31 March 2018 (continued)

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### General

9. 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

10. The HCL Board takes into account three key elements in measuring the company's performance – finances, performance and people. The company aims to deliver contracted services within the budget; this was achieved in the 2017/18 financial year.
11. The company's performance is monitored through the levels of participation measured by visitor numbers, against a specific target. In 2017/18 3.48 million visitors were recorded against an annual target of 3.24 million. This performance takes into account that 2017 was an extraordinary year due to City of Culture.
12. Staff attendance is monitored against an annual target rate of 97%. In 2017/18, recorded attendance was 96.89%, representing an improvement of 0.39% on the previous year. The Board has determined that the company will sign up to the Time to Change Charter and expresses its support for the Dying to Work campaign.

By the order of the Board

Name

*M. A. Brabazon*  
MARJORIE BRABAZON

Position

CHAIR

Date

22/11/18

# Hull Culture and Leisure Ltd

## Directors' report for the year ended 31 March 2018

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### Directors' Report for the Year ended 31 March 2018

1. The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2018

### 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:

- I. Marjorie Brabazon (Chair)
- II. John Fareham
- III. Peter Allen
- IV. Hester Bridges
- V. Rosemary Pantelakis
- VI. Nadine Fudge (appointed 20<sup>th</sup> September 2018)
- VII. Dave McCobb (appointed 17<sup>th</sup> May 2018)
- VIII. Denise Thompson (appointed 17<sup>th</sup> May 2018)
- IX. Adam Williams (appointed 17<sup>th</sup> May 2018)

The following Directors served during the year:

- I. John Hewitt (resigned 20<sup>th</sup> September 2018)
- II. David Craker (resigned 17<sup>th</sup> May 2018)
- III. Terence Geraghty (resigned 6<sup>th</sup> May 2018)
- IV. Terence Keal (resigned 6<sup>th</sup> May 2018)

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 Norfolk Property Services (NPS) property representatives via the Property Investment Group and have substantially determined the use of £3.7m capital spending on leisure buildings.

# Hull Culture and Leisure Ltd

## Directors' report for the year ended 31 March 2018 (continued)

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9. 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. The Council has agreed to allocate a capital budget of £1.2m over the next three years and discussions are on-going as to its use.

### Going Concern

10. These financial statements 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.

### 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.

# Hull Culture and Leisure Ltd

## Directors' report for the year ended 31 March 2018 (continued)

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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).
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.

# Hull Culture and Leisure Ltd

## Directors' report for the year ended 31 March 2018 (continued)

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- 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 Auditors

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

Name

M. A. Brabazon  
MARJORIE BRABAZON

Position

CHAIR

Date

22/11/18



# Hull Culture and Leisure Ltd

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

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We have audited the financial statements of Hull Culture and Leisure Ltd (the 'Company') for the year ended 31 March 2018 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 2018 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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

# Hull Culture and Leisure Ltd

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

### 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### 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 these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 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.



Ross Preston (Senior Statutory Auditor)

for and on behalf of Mazars LLP  
Mazars House  
Gelderd Road  
Gildersome  
Leeds  
LS27 7JN

Date: 22 November 2018

# Hull Culture and Leisure Ltd

## Income statement for the year ended 31 March 2018

	Note	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
<b>Turnover</b>	2	17,954	15,370
Cost of sales		(15,629)	(12,735)
<b>Gross profit</b>		<b>2,325</b>	<b>2,635</b>
Administrative expenses		(3,479)	(2,975)
Other operating income	3	615	586
<b>Operating (loss) / profit</b>	4	<b>(539)</b>	<b>246</b>
Interest receivable and similar income	6	-	3
Other finance costs	7	(52)	(57)
<b>(Loss) / Profit on ordinary activities before taxation</b>		<b>(591)</b>	<b>192</b>
Taxation on (loss)/profit on ordinary activities	8	(100)	(30)
<b>(Loss) / Profit for the financial year</b>		<b>(691)</b>	<b>162</b>

The notes on pages 14 to 31 form part of these financial statements.

# Hull Culture and Leisure Ltd

## Statement of other comprehensive income for the year ended 31 March 2018

	Note	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
<b>(Loss) / Profit for the financial year</b>		<b>(691)</b>	<b>162</b>
Actuarial gains on defined benefit pension scheme	13	1,308	175
Taxation in respect of items of other comprehensive income	8	-	-
<b>Other comprehensive income for the year</b>		<b>1,308</b>	<b>175</b>
<b>Total comprehensive income for the year</b>		<b>617</b>	<b>337</b>

The notes on pages 14 to 31 form part of these financial statements.

# Hull Culture and Leisure Ltd

## Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
<b>Fixed assets</b>			
Property, Plant and Equipment	9	336	204
		<u>336</u>	<u>204</u>
<b>Current assets</b>			
Inventories	10	107	89
Debtors	11	1,727	1,075
Cash at bank and in hand		3,383	3,890
		<u>5,217</u>	<u>5,055</u>
Creditors: amounts falling due within one year	12	(5,391)	(5,436)
<b>Net current liabilities</b>		<b>(174)</b>	<b>(381)</b>
<b>Total assets less current liabilities</b>		<b>162</b>	<b>(177)</b>
<b>Net liability excluding pension liability</b>		<b>162</b>	<b>(177)</b>
Pension liability	13	(1,175)	(1,453)
<b>Net liability</b>		<b>(1,013)</b>	<b>(1,630)</b>
<b>Capital and reserves</b>			
Restricted Reserves	14	144	31
Profit and Loss Account		(1,157)	(1,661)
<b>Total Equity</b>		<b>(1,013)</b>	<b>(1,630)</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 22<sup>nd</sup> November 2018

Signed on behalf of the Board of Directors

NAME: *M. A. Brabazon*  
*MARJORIE BRABAZON*

Director *+ CHAIR*

Date: *22/11/18*

The notes on pages 14 to 31 form part of these Financial Statements.

# Hull Culture and Leisure Ltd

## Statement of changes in equity for the year ended 31 March 2018

	Restricted Reserves	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
At 1 April 2017	31	(1,661)	(1,630)
Loss for the year	-	(691)	(691)
Actuarial gains on defined benefit pension scheme	-	1,308	1,308
Taxation in respect of other comprehensive income	-	-	-
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>1,308</b>	<b>1,308</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>617</b>	<b>617</b>
Transfer to Restricted Reserves	113	(113)	-
<b>At 31 March 2018</b>	<b>144</b>	<b>(1,157)</b>	<b>(1,013)</b>

	Restricted Reserves	Profit and Loss Account	Total Equity
	£'000	£'000	£'000
At 1 April 2016	11	(1,978)	(1,967)
Profit for the year	-	162	162
Actuarial gains on defined benefit pension scheme	-	175	175
Taxation in respect of other comprehensive income	-	-	-
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>175</b>	<b>175</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>337</b>	<b>337</b>
Transfer to Restricted Reserves	20	(20)	-
<b>At 31 March 2017</b>	<b>31</b>	<b>(1,661)</b>	<b>(1,630)</b>

The notes on pages 14 to 31 form part of these financial statements.

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018

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# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018

### 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 Dock Office Chambers, New Cross Street, Hull, HU1 3AR, 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 2018.

#### 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.



# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (continued)

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### 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 2018 (continued)

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### 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 2018 (continued)

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### 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 2018 (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:

Long leasehold property	Over the shorter of 50 years and the remaining lease period
Short leasehold property	over the period of the lease
Plant and machinery	10-15 years
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 2018 (continued)

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### 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 2018 (continued)

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### Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged to the 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 2018 (*continued*)

### 2 Analysis of Turnover

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Analysis by type of revenue:		
Sale of goods	2,045	1,018
Rendering of Services	13,450	13,091
Grants	2,459	1,261
	<hr/>	<hr/>
	17,954	15,370
	<hr/>	<hr/>

### 3 Analysis of Other Operating Income

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Analysis by type of income:		
Donations from the public and other bodies	610	586
Proceeds from disposal of Assets with nil Net Book Value	5	-
	<hr/>	<hr/>
	615	586
	<hr/>	<hr/>

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (continued)

### 4 Operating (loss) / profit before tax

	Year ending 31 March 2017 £'000	Year ending 31 March 2017 £'000
This is arrived at after charging:		
Depreciation of owned assets	42	5
Auditor's remuneration	13	13
Taxation compliance services	4	4
Actuarial Services	1	1
Operating lease expense	65	53
Defined benefit pension cost (see note 13)	3,142	1,964

The total Auditor's remuneration amounted to £16,500.

This is split £13,000 on Audit Services, and £3,500 on non-audit services.

### 5 Employees

	Year ending 31 March 2017 £'000	Year ending 31 March 2017 £'000
Staff costs consist of:		
Wages and salaries	9,461	8,775
Social Security costs	675	656
Cost of defined benefit scheme (see note 13)	3,142	1,964
	<b>13,278</b>	<b>11,395</b>

Directors receive no remuneration for their services.

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

	2017/18 No.	2016/17 No.
Sport, Leisure and Parks	213	196
Heritage	112	100
Libraries	124	110
Culture	30	22
Catering	66	36
Management and Support	17	16
	<b>562</b>	<b>480</b>



# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the year ended 31 March 2018 *(continued)*

## 6 Net Interest

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Interest receivable and similar income		
Bank interest received	-	3

## 7 Other finance costs

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Net interest on net defined benefit pension liability	52	57

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (continued)

### 8 Taxation on profit on ordinary activities

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
<b>Tax expense included in Income Statement</b>		
Current Tax:		
UK Corporation tax on profits for the year	100	30
Adjustment in respect of prior periods	-	-
<b>Total current tax</b>	<b>100</b>	<b>30</b>
<b>Tax on profit on ordinary activities</b>	<b>100</b>	<b>30</b>
<b>Reconciliation of tax charge</b>		
(Loss) / Profit on ordinary activities before tax	(591)	192
(Loss) / Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	(112)	38
Effects of:		
Fixed Asset differences	5	-
Adjustment to brought forward values	-	151
Tax on pensions actuarial gain	249	35
Adjustment to Exhibition tax losses surrendered to average rate	(2)	-
Adjustment of closing deferred tax to average rate	28	47
Adjustment of opening deferred tax to average rate	(32)	(51)
Adjustment to de-recognise deferred tax asset	(36)	(190)
<b>Tax charge for the year</b>	<b>100</b>	<b>30</b>

In the 2016 budget, the government announced a reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the main rate at 17%.

# Hull Culture and Leisure Ltd

Notes forming part of the Financial Statements  
for the year ended 31 March 2018 *(continued)*

## 9 Property, Plant and Equipment

	Fixtures, fittings, tools and equipment £'000	Total £'000
<u>Cost</u>		
At 1 April 2017	210	210
Additions	186	186
Disposals	(12)	(12)
	<hr/>	<hr/>
At 31 March 2018	<b>384</b>	<b>384</b>
	<hr/>	<hr/>
<u>Depreciation</u>		
At 1 April 2017	6	6
Charge for the year	42	42
	<hr/>	<hr/>
At 31 March 2018	<b>48</b>	<b>48</b>
	<hr/>	<hr/>
<u>Net book value</u>		
At 31 March 2018	<b>336</b>	<b>336</b>
	<hr/>	<hr/>
At 31 March 2017	204	204
	<hr/>	<hr/>

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (continued)

### 10 Inventories

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Raw materials and consumables	37	18
Goods for resale	70	71
	<u>107</u>	<u>89</u>

Inventories are stated after provisions for impairment of £13,037, (31 March 2017: £12,810)  
Total inventory purchase, expensed through the Income Statement amounted to £580,061,  
(2016/17: £332,691)

### 11 Debtors

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade debtors	314	255
Amounts owed by group undertakings	1,028	329
Prepayments and accrued income	385	491
	<u>1,727</u>	<u>1,075</u>

All amounts shown under debtors fall due for payment within one year.

Accrued income includes £219,910 relating to grant funding from Arts Council and European  
Regeneration Development Fund (31 March 2017: £32,479 Grant funding from Goodwin  
Development Trust)

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (*continued*)

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

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade creditors	209	158
Amounts owed to group undertakings	855	927
Other tax and social security	657	490
Pension contributions	141	128
Accruals and deferred income	1,213	1,599
Deferred income from group undertakings	2,216	2,104
Corporation tax	100	30
	<hr/>	<hr/>
	<b>5,391</b>	<b>5,436</b>
	<hr/>	<hr/>

Deferred income includes £600,760 relating to grant funding from various sources, (31 March 2017: £802,000), and £60,021 relating to the cost of Assets purchased with Grant funding.

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (continued)

### 13 Pensions

#### Defined benefit pension scheme

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

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

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

There were no changes to the scheme during the year.

Reconciliation of Scheme Assets and Liabilities	Assets	Liabilities	Net Asset / (Liability)
	£000	£000	£000
At 31 <sup>st</sup> March 2017	40,808	42,261	(1,453)
Current service cost	-	3,132	(3,132)
Past Service Cost (including curtailments)	-	10	(10)
Interest Income on Plan Assets	1,133	-	1,133
Interest cost on Obligation	-	1,185	(1,185)
Plan participants' contributions	488	488	-
Employer contributions	2,164	-	2,164
Benefits paid	(267)	(267)	-
Actuarial gain – changes in demographic assumptions	-	-	-
Actuarial gain – changes in financial assumptions	-	(1,154)	1,154
Actuarial gain – experience gains on liabilities	-	-	-
Return on assets excluding Interest Income	154	-	154
At 31 <sup>st</sup> March 2018	<u>44,480</u>	<u>45,655</u>	<u>(1,175)</u>

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (continued)

### 13 Pensions (continued)

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Amounts recognised in the Income Statement are as follows:		
Included in cost of sales and administrative expenses:		
Current service cost	3,132	1,964
Past service cost	10	-
	<u>3,142</u>	<u>1,964</u>
Amounts included in other finance costs		
Net interest cost	<u>52</u>	<u>57</u>
Analysis of actuarial (gain) / loss recognised in other comprehensive income:		
Actual return less interest income included in net interest income	(154)	(5,372)
Experience gains arising on scheme liabilities	-	(1,238)
Changes in assumptions underlying the present value of the scheme liabilities	(1,154)	6,435
	<u>(1,308)</u>	<u>(175)</u>

# Hull Culture and Leisure Ltd

## Notes forming part of the Financial Statements for the year ended 31 March 2018 (continued)

### 13 Pensions (continued)

	31 March 2018 %	31 March 2017 %
Composition of plan assets		
Equities	71	75
Property	14	11
Bonds	12	11
Cash	3	3
	%	%
Principal actuarial assumptions used at the Statement of Financial Position date		
Discount rate	2.7	2.7
Future salary increases	2.5	2.6
Future pension increases	2.3	2.4
Retail Price Index (RPI)	3.4	3.4
Consumer Price Index (CPI) – Pension increase rate	2.4	2.4
	Years	Years
Mortality rates		
- for current Male Pensioners	21.7	21.7
- for future Male Pensioners *	23.7	23.7
- for current Female Pensioners	24.2	24.2
- for future Female Pensioners *	26.4	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 2018 (*continued*)

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### 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 2018 £000	31 March 2017 £000
Within one year	-	-
In two to five years	7	3
In over five years	-	-
	<hr/> 7	<hr/> 3

### 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.