Grant Thornton

Financial statements Arena and Convention Centre Liverpool Limited

For the year ended 31 March 2011

Company No. 05204033

Company information

Company registration number	05204033
Registered office	Municipal Buildings Dale Street Liverpool L2 2DH
Directors	R J Prattey (Chief Executive) D McDonnell (Chairman) G Andrews J Anderson W Simon G B Fitzgerald P Halsall
Secretary	c/o DWF LLP
Bankers	Barclays Bank Plc 46-50 Lord Street Liverpool L2 1TD
Solicitors	DWF LLP St Paul's Square Old Hall Street Liverpool L3 9AE
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Royal Liver Building Liverpool Merseyside L3 1PS

Contents

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2011

Principal activity and business review

The principal activity of the Company during the year was that of hosting and managing events held at the Arena and Convention Centre Liverpool

The past 12 months have seen the Company build on the success of the previous year, overcoming the difficulties presented by the ongoing poor economic climate The continued downturn in the number of quality touring artists persists to challenge the arena concert market However, the convention centre corporate sector welcomed an upturn in the latter stages of the year and ACC Liverpool's success in this area enabled the Company to achieve its highest turnover yet Turnover in the year increased by 10 9% while gross profit levels were maintained at 73 2% and an improved operating profit of £174k was achieved

During 2010-11, the Convention Centre attracted 95 events and 56,267 delegates The association conference market continues to act as the bedrock upon which the BT Convention Centre's business is based and notable events in the period included annual meetings for the National Union of Teachers, the British Dental Association, the NHS Confederation and the National Cancer Research Institute In September, the venue hosted the Liberal Democrat Autumn Conference, bringing with it huge media profile and economic impact for the city of Liverpool The Company's success within the greatly recovered corporate conference market was emphasised with the important addition of a series of large events from the pharmaceutical and financial sectors An estimated £428m of economic benefit has now been brought to the city since opening, demonstrating the Company's key role in supporting the local economy

The 132 events held in the Echo Arena over the 2010-11 period attracted 594,711 visitors Highlights of the Arena calendar were Usher, Rod Stewart, a twenty two performance run of Mamma Mia, John Bishop, the World Netball Series and the hosting of Channel 4's Famous & Fearless television series October saw the Music of Black Origin (MOBO) Awards held in the Echo Arena for its 15th anniversary, attracting further positive media attention to the Company and the city The diverse range of activity in the Echo Arena continues to drive other revenue streams in the Company including Box Office ticketing, Club Class executive boxes, Car Parking and Commercial Advertising

Over the course of 2010-11, all areas of the Company have collaborated and contributed to formalising a progressive and ambitious five year business plan, concentrating on customer experience, expansion & development and commercial innovation Significant strides have already been made to support these core strategies including the ongoing development of Corporate Social Responsibility initiatives such as the in-house Environmental Task Force, continued commitment to ISO14001 standards and support of local charity Liverpool Unites The launch and promotion of the Company's EchoTwo offering, a popular reduced capacity layout of the venue, has enabled the Echo Arena to enter new markets with existing facilities Similarly, the utilisation of in-house skills and initiative culminated in the first ACC Liverpool promoted events - the Viva Las Xmas Party Nights

The most notable milestone of the Company's expansion & development strategy has been the announcement of plans to build a new state of the art exhibition and events complex, scheduled for opening in September 2014 This development, with the support of the City Council, will enable both the Company and the city of Liverpool to increase its offering of conference and exhibition space and provide access to additional markets and act as a further stimulus to the local economy

The financial year 2011-12 is already looking positive with the Echo Arena calendar boasting events including concerts by Dolly Parton, Katy Perry and George Michael, a five performance run by comedian Peter Kay and the Judo World Cup The BT Convention Centre looks forward to hosting the Royal College of Nursing, Unison and the Labour Party Conference for the first time The BBC Showcase UK has also been secured for 2012 after being held in Brighton for more than 30 years

In summary, 2010-11 has been another hugely successful year for ACC Liverpool The strong performance of both the arena and convention centre in their respective markets combined with the exceptional commitment of the staff and service partners has ensured continued momentum throughout a hugely positive third year of operation

In addition to this performance, a renewed and robust strategic focus through the completion of the Company's five year business plan has provided a solid platform for further development into 2011-12 and beyond

Results and dividends

The profit for the year amounted to £253,981 (2010 Loss £19,323) The directors have not recommended a dividend

Financial risk management objectives and policies

The company uses various financial instruments These include cash and various items, such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to manage working capital for the company's operations

The main risk arising from the company's financial instruments is credit risk The directors review and agree policies for managing this risk and this is summarised below These policies have remained unchanged from previous years

Credit risk

The company's principal financial assets are cash and trade debtors The risk associated with the cash is limited The principal credit risk arises therefore from the company's trade debtors In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references Credit limits are reviewed by the credit controller on a regular basis

Directors

The directors who served the company during the year were as follows

R J Prattey (Chief Executive)
D McDonnell (Chairman)
G Andrews
J Anderson
W Simon
G B Fitzgerald
P Halsall
W J Bradley
R E Corbett
C S Hilton
M J Storey

On 16 September 2010 C S Hilton, W J Bradley, R E Corbett and M J Storey resigned as directors G Andrews, J Anderson and W Simon were appointed on the same date On 8 December 2010 P Halsall was appointed as director On 31 March 2011 G B Fitzgerald was appointed as a director

Prior year adjustment

A prior year adjustment has been processed to recognise the deficit on the defined benefit pension scheme at 31 March 2010, as explained in note 9

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 485 of the Companies Act 2006

ON BEHALF OF THE BOARD

R J Prattey
Chief Executive
30 June 2011

Grant Thornton

Independent auditor's report to the members of Arena and Convention Centre Liverpool Limited

We have audited the financial statements of Arena and Convention Centre Liverpool Limited for the year ended 31 March 2011 which comprise the principal accounting policies, profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Arena and Convention Centre Liverpool Limited (continued)

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Emma Stoddart (Senior Statutory Auditor)
For and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants

Liverpool
30 June 2011

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The principal accounting policies of the company have remained unchanged from the previous year and are set out below, with the exception of the defined benefit pension scheme policy, which has resulted in a prior year adjustment as explained in note 9

Going concern

Notwithstanding the deficit in reserves the financial statements have been prepared on a going concern basis The directors believe the support available from the parent undertaking to be sufficient for this basis to be used

The support from the parent undertaking, Liverpool City Council, is committed under the terms of the management agreement between the company and Liverpool City Council The management agreement states that Liverpool City Council shall pay to the Company (when properly required by the Company) such sums as are necessary to meet expenditure properly incurred in accordance with the relevant budget approved by the Council, in excess of revenue received by the Company from its own account.

Turnover

The revenue streams of the business consist of rental income and additional service charges for the Echo Arena and BT Convention Centre, box office income from ticket sales, car park income and sponsorship income

The income for the rental of the Echo Arena and BT Convention Centre and related additional charges is recognised when the event has been held If the event is held over a number of days the income is only recognised once the event has taken place

The income from box office ticket sales is recognised when the event has been held

The income from the car park is recognised on a daily basis

Sponsorship income is recognised over the period of the agreement

Fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant and Equipment	-	3 to 5 years straight line
Fixtures & Fittings	-	3 to 5 years straight line

Stocks

Stocks of spare parts are valued at cost

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs and other post-retirement benefits

The parent entity of this company, Liverpool City Council operates a defined benefit pension scheme, 'Merseyside Pension Fund' which the employees of this company are eligible to join The assets of the scheme are held separately from those of the company Scheme assets are measured at fair values Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet A net surplus is recognised only to the extent that it is recoverable by the company The current service cost and costs from settlements and curtailments are charged against operating profit Past service costs are spread over the period until the benefit increases vest Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs Actuarial gains and losses are reported in the statement of total recognised gains and losses

Taxation

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised when it is more likely than not that they will be recovered Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantially enacted by the balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities Shares containing such obligations are classified as financial liabilities

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities Dividends and distributions relating to equity instruments are debited directly to reserves

Provisions for liabilities and charges

Provisions (other than provisions for post-retirement benefits and deferred taxation) are recognised when the company has a legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably

Profit and loss account

	Note	2011 £	2010 (restated) £
Turnover	1	**14,498,872**	13,062,789
Cost of sales		**3,879,485**	3,400,367
Gross profit		**10,619,387**	9,662,422
Operating charges in relation to pensions and post-retirement benefits	16	**182,000**	219,000
Other operating charges		**10,262,911**	9,494,203
Total operating charges	2	**10,444,911**	9,713,203
Operating profit/(loss)	3	**174,476**	(50,781)
Other finance income/(costs) in relation to pensions and post-retirement benefits	16	**19,000**	(8,000)
Interest receivable		**51,228**	50,083
Interest receivable and similar income	6	**70,228**	42,083
Interest payable and similar charges	7	**–**	(1,348)
Profit/(loss) on ordinary activities before taxation		**244,704**	(10,046)
Tax on profit/(loss) on ordinary activities	8	**(9,277)**	9,277
Profit/(loss) for the financial year	20	**253,981**	(19,323)

All of the activities of the company are classed as continuing

Balance sheet

	Note	2011 £	2010 *(restated)* £
Fixed assets			
Tangible assets	10	**355,347**	103,140
Current assets			
Stocks	11	**11,867**	–
Debtors	12	**2,107,817**	2,480,480
Cash at bank		**9,431,052**	8,784,693
		11,550,736	11,265,173
Creditors: amounts falling due within one year	13	**11,445,760**	11,439,441
Net current assets/(liabilities)		**104,976**	(174,268)
Total assets less current liabilities		**460,323**	(71,128)
Creditors: amounts falling due after more than one year	14	**567,410**	801,427
Provisions for liabilities			
Other provisions	15	**588,487**	–
Net liabilities excluding pension asset/(liability)		**(695,574)**	(872,555)
Defined benefit pension scheme asset/(liability)	16	**90,000**	(30,000)
Net liabilities including pension asset/(liability)		**(605,574)**	(902,555)
Capital and reserves			
Called-up equity share capital	19	**1**	1
Profit and loss account	20	**(605,575)**	(902,556)
Deficit	21	**(605,574)**	(902,555)

These financial statements were approved by the directors and authorised for issue on 30 June 2011, and are signed on their behalf by

R J Prattey
Chief Executive

Company Registration Number 05204033

Cash flow statement

	Note	2011 £	2010 £
Net cash inflow from operating activities	22	**956,866**	86,510
Returns on investments and servicing of finance			
Interest received		**51,228**	50,083
Interest paid		**–**	(1,348)
Net cash inflow from returns on investments and servicing of finance		**51,228**	48,735
Capital expenditure			
Payments to acquire tangible fixed assets		**(361,735)**	(270,959)
Receipts from sale of fixed assets		**–**	359,660
Net cash (outflow)/inflow from capital expenditure		**(361,735)**	88,701
Increase in cash	22	**646,359**	223,946

Other primary statements

Statement of total recognised gains and losses

	2011	2010 *(restated)*
	£	£
Profit/(loss) for the financial year	**253,981**	(19,323)
Actuarial gain/(loss) in respect of defined benefit pension scheme	**59,000**	334,000
Surplus restriction on defined benefit scheme asset	**(16,000)**	–
Total recognised gains and losses for the year	**296,981**	314,677
Prior year adjustment (see note 9)	**(280,000)**	-
Total gains and losses recognised since the last financial statements	**16,981**	314,677

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below·

	2011	2010
	£	£
United Kingdom	**14,498,872**	13,062,789

2 Other operating charges

	2011	2010 *(restated)*
	£	£
Administrative expenses	**10,444,911**	9,713,203

3 Operating profit/ (loss)

Operating profit/ (loss) is stated after charging/ (crediting)

	2011	2010
	£	£
Depreciation of owned fixed assets	**109,528**	30,037
Profit on disposal of fixed assets	**–**	(14,482)
Auditor's remuneration		
Audit fees	**16,500**	16,500
Accountancy fees	**4,763**	4,613

4 Wages and salaries

The average number of staff employed by the company during the financial year amounted to

	2011	2010
	No	No
Number of management and administrative staff	101	93
Number of sales staff	12	10
	113	103

The aggregate payroll costs of the above were

	2011	2010 (restated)
	£	£
Wages and salaries	3,687,607	3,407,329
Social security costs	361,164	247,687
Other pension costs	159,900	465,813
	4,208,671	4,120,829

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income (see note 6) and amounts recognised in the statement of recognised gains and losses

5 Directors

Remuneration in respect of directors was as follows

	2011	2010
	£	£
Remuneration receivable	351,064	182,557
Value of company pension contributions to defined benefit schemes	28,070	38,600
	379,134	221,157

Remuneration of highest paid director

	2011	2010
	£	£
Total remuneration (excluding pension contributions)	214,209	182,557

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £20,062 (2010 £38,600)

The number of directors who accrued benefits under company pension schemes was as follows

	2011	2010
	No	No
Defined benefit schemes	2	1

Directors' remuneration reflects payment to three directors only No directors' remuneration was paid to the other directors in the year

6 Interest receivable and similar income

	2011	2010 *(restated)*
	£	£
Bank interest receivable	**51,228**	50,083
Net finance income/(expense) in respect of defined benefit pension schemes	**19,000**	(8,000)
	70,228	42,083

7 Interest payable and similar charges

	2011	2010
	£	£
Interest payable on bank borrowing	–	1,348

8 Taxation on loss from ordinary activities

(a) Analysis of charge in the year

	2011	2010
Current tax	£	£
UK Corporation tax based on the results for the year at 21% (2010 - 21%)	-	9,277
Over provision in prior year	**(9,277)**	-
Total current tax	**(9,277)**	9,277

(b) Factors affecting current tax charge

The tax assessed on the profit/ (loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21% (2010 21%)

	2011	2010 *(restated)*
	£	£
Profit/(loss) on ordinary activities before taxation	**244,704**	(10,046)
Profit/(loss) on ordinary activities by rate of tax	**51,388**	(2,110)
Expenses not deductible for tax purposes	**16,516**	26,891
Capital allowances for year in excess of depreciation	**(6,434)**	(15,504)
Income not taxable	**(16,170)**	-
Tax losses carried forward	**(45,300)**	-
Adjustments to tax charge in respect of previous periods	**(9,277)**	-
Total current tax (note 8(a))	**(9,277)**	9,277

(c) Factors that may affect future tax charges

The company has tax losses carried forward of £498,131 (2010 £713,845)

The company has an unprovided deferred tax asset amounting to £151,849 (2010 £175,688), primarily in relation to tax losses carried forward

9 Prior year adjustment

The company has previously been eligible for the multi-employer exemption for the defined benefit pension scheme as previous valuations have been unable to split the scheme assets However, the current triennial valuation to 31 March 2010 has been received this year and as this information is now available we can no longer take advantage of the multi-employer exemption

We consider that the correct treatment would be to use the transitional arrangements in accordance with paragraph 96 of Financial Reporting Standard No 17 so as to recognise a prior year adjustment in accordance with Financial Reporting Standard No 3 as a change in accounting policy

A prior year adjustment has been processed in 2010 to recognise the deficit on the defined benefit pension scheme at 31 March 2010 and a prior year adjustment has been processed in 2009 to recognise the share of the scheme's assets/liabilities brought into the company's 2010 valuation The following table shows the impact of this

	2009		2010		2011	
FRS 17 adjustments.	**Net profit/ (loss) £**	**Net deficit £**	**Net profit/ (loss) £**	**Net deficit £**	**Net profit/ (loss) £**	**Net deficit £**
Current service cost	-	-	(219,000)	(219,000)	(402,000)	(402,000)
Past service cost	-	-	-	-	220,000	220,000
Expected return on scheme assets	-	-	72,000	72,000	206,000	206,000
Interest on scheme liabilities	-	-	(80,000)	(80,000)	(187,000)	(187,000)
Reversal of employer contributions	-	-	113,000	113,000	240,000	240,000
Actuarial gain	-	-	-	334,000	-	59,000
Surplus restriction	-	-	-	-	-	(16,000)
Share of scheme on admission	-	(250,000)	-	-	-	-
Effect of prior year adjustment	-	-	-	(250,000)	-	(30,000)
Total impact of FRS 17	-	(250,000)	(114,000)	(30,000)	77,000	90,000
As originally stated (excluding FRS 17)	(106,226)	(967,232)	94,677	(872,555)	176,981	(695,574)
Including FRS 17 adjustments	(106,226)	(1,217,232)	(19,323)	(902,555)	253,981	(605,574)

10 Tangible fixed assets

	Plant and equipment £	**Fixtures & Fittings £**	**Total £**
Cost			
At 1 April 2010	19,600	133,849	153,449
Additions	272,273	89,462	361,735
At 31 March 2011	291,873	223,311	515,184
Depreciation			
At 1 April 2010	–	50,309	50,309
Charge for the year	61,596	47,932	109,528
At 31 March 2011	61,596	98,241	159,837
Net book value			
At 31 March 2011	**230,277**	**125,070**	**355,347**
At 31 March 2010	19,600	83,540	103,140

11 Stocks

	2011	2010
	£	£
Spare parts	**11,867**	–

12 Debtors

	2011	2010
	£	£
Trade debtors	**798,692**	1,324,551
Other debtors	**99,861**	71,325
Called up share capital not paid	**1**	1
Prepayments and accrued income	**1,209,263**	1,084,603
	2,107,817	2,480,480

13 Creditors: amounts falling due within one year

	2011	2010 *(restated)*
	£	£
Trade creditors	**682,821**	1,733,147
Amounts owed to group undertakings	**2,530,174**	1,405,103
Corporation tax	–	9,277
Other taxation	**752,742**	184,069
Other creditors	**142,486**	96,738
Accruals and deferred income	**7,337,537**	8,011,107
	11,445,760	11,439,441

14 Creditors: amounts falling due after more than one year

	2011	2010 *(restated)*
	£	£
Accruals and deferred income	**567,410**	801,427

15 Other provisions

	2011
	£
Maintenance provision:	
Provided during year in profit and loss account	**588,487**
At 31 March 2011	**588,487**
Total provisions	**588,487**

The maintenance provision is based on the estimated cost of maintaining the premises for wear and tear incurred to date in accordance with the company's management agreement for the premises The provision will be used against future costs incurred in relation to this

16 Pensions and other post-retirement benefits

The company operates a defined benefit pension scheme providing benefits based on employees' number of years service The assets of the scheme are held separately from those of the company

An actuarial valuation for FRS 17 purposes has been performed as at 31 March 2011 The surplus recognised in the balance sheet amounts to £90,000 (2010 Deficit £30,000)

The directors consider the best estimate of contributions to the defined benefit pension scheme for the year ended 31 March 2012 will be £202,000

The amounts recognised in the profit and loss account are as follows

	2011 £	2010 £
Amounts charged to operating profit/(loss)		
Current service cost	**402,000**	219,000
Past service cost	**(220,000)**	–
Total operating charge	**182,000**	219,000
Amounts included in other finance (income)/cost		
Expected return on scheme assets	**(206,000)**	(72,000)
Interest on scheme liabilities	**187,000**	80,000
Other finance (income)/cost	**(19,000)**	8,000

Amounts included in administrative expenses

	2011 £	2010 £
Operating credit	**(240,000)**	(113,000)
Total operating credit	**(240,000)**	(113,000)
Total (credit)/charge to the profit and loss account	**(77,000)**	114,000

Other finance income is included in the profit and loss account within interest receivable and similar income

Actuarial gains of £43,000 (2010 £334,000) have been recognised in the statement of total recognised gains and losses

The amounts recognised in the balance sheet are as follows

	2011 £	2010 £
Present value of funded obligations	**(3,537,000)**	(2,982,000)
Fair value of scheme assets	**3,643,000**	2,952,000
	106,000	(30,000)
Surplus restriction	**(16,000)**	–
Surplus/(deficit) in the scheme after restriction	**90,000**	(30,000)
Net pension asset/(liability)	**90,000**	(30,000)

16 Pensions and other post-retirement benefits (continued)

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

	2011 £	2010 £
Opening defined benefit obligation	**2,982,000**	2,762,000
Current service cost	**402,000**	219,000
Past service cost	**(220,000)**	–
Interest on scheme liabilities	**187,000**	80,000
Actuarial gain	**(10,000)**	(158,000)
Contributions by scheme participants	**171,000**	79,000
Benefits paid	**25,000**	–
Closing defined benefit obligation	**3,537,000**	2,982,000

Changes in the fair value of scheme assets are as follows

	2011 £	2010 £
Opening fair value of scheme assets	**2,952,000**	2,512,000
Expected return on scheme assets	**206,000**	72,000
Contributions by employer	**240,000**	113,000
Contributions by scheme participants	**171,000**	79,000
Actuarial gain	**49,000**	176,000
Benefits paid	**25,000**	–
Closing fair value of scheme assets	**3,643,000**	2,952,000

The fair value of the major categories of scheme assets as a percentage of total scheme assets along with their expected rate of return are as follows

	2011 Fair value %	2011 Expected return %	2010 Fair value %	2010 Expected return %
Equities	**61.00**	**7.5**	64 00	7 5
Government bonds	**11.00**	**4.4**	12 00	4 5
Other bonds	**6.00**	**5.1**	7 00	5 2
Property	**8.00**	**6.5**	6 00	6 5
Cash	**2.00**	**0.5**	3 00	0 5
Other assets	**12.00**	**7.5**	8 00	7 5

The principal actuarial assumptions as at the balance sheet date were

	2011 %	2010 %
Discount rate	**5.50**	5 70
Rate of increase in salaries	**4.50**	4 75
Rate of increase in pensions in payment	**3.00**	3 50
Inflation	**3.50**	3 50

The mortality assumptions adopted at 31 March 2011 imply the following life expectancies

	2011 years	2010 years
Male retiring at age 65 in 2011	**21.4**	20 4
Female retiring at age 65 in 2011	**24.1**	23 2
Male retiring at age 65 in 2031	**22.8**	21 3
Female retiring at age 65 in 2031	**25.7**	24 1

16 Pensions and other post-retirement benefits (continued)

Amounts for the current and previous period are as follows

	2011	2010
	£	£
Defined benefit obligation	(3,537,000)	(2,982,000)
Fair value of scheme assets	3,643,000	2,952,000
Surplus restriction	(16,000)	-
Surplus/(deficit) recognised on balance sheet	90,000	(30,000)

History of experience - gains and losses

	2011	2010
	£	£
Difference between the expected and actual return on scheme assets:		
Amount	49,000	176,000
Percentage of scheme assets	1.3%	6 0%
Experience gains and losses on scheme liabilities:		
Amount	10,000	158,000
Percentage of the present value of the scheme liabilities	0.3%	5 3%
Total amount recognised in statement of total recognised gains and losses.		
Amount	59,000	334,000
Percentage of the present value of the scheme assets/(liabilities)	1.6%	11 3%

17 Contingent liability

The company had no contingent liabilities as at 31 March 2011 or 31 March 2010

18 Related party transactions

The company sold services during the year to Kings Waterfront (Estates) Limited amounting to £1,200, Liverpool Vision amounting to £850 and The Mersey Partnership amounting to £32,088 The companies are related by common directorships

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8 The parent entity consolidates the financial statements of this company

19 Share capital

Authorised share capital

	2011	2010
	£	£
1 Ordinary shares of £1 each	**1**	1

Allotted and called up

	2011		2010	
	No	£	No	£
1 Ordinary shares of £1 each	**1**	**1**	1	1

The amounts of paid up share capital for the following categories of shares differed from the called up share capital stated above due to unpaid calls and were as follows

	2011	2010
	£	£
Ordinary shares	**1**	1

20 Profit and loss account

	2011	2010
	£	£
Balance brought forward as previously reported	**(872,556)**	(967,233)
Prior year adjustment (see note 9)	**(30,000)**	(250,000)
Balance brought forward restated	**(902,556)**	(1,217,233)
Profit/(loss) for the financial year	**253,981**	(19,323)
Defined benefit pension scheme actuarial gain less restriction	**43,000**	334,000
Balance carried forward	**(605,575)**	(902,556)

21 Reconciliation of movements in shareholders' funds

	2011	2010 *(restated)*
	£	£
Profit/(Loss) for the financial year	**253,981**	(19,323)
Actuarial gain/(loss) in respect of defined benefit pension scheme net of restriction	**43,000**	334,000
Net addition to shareholders' deficit	**296,981**	314,677
Opening shareholders' deficit as previously stated	**(872,555)**	(967,232)
Prior year adjustment (see note 9)	**(30,000)**	(250,000)
Closing shareholders' deficit	**(605,574)**	(902,555)

22 Notes to the cash flow statement

Reconciliation of operating profit/ (loss) to net cash inflow/ (outflow) from operating activities

	2011	2010 *(restated)*
	£	£
Operating profit/(loss)	**174,476**	(50,781)
Depreciation	**109,528**	30,037
Profit on disposal of fixed assets	**–**	(14,482)
(Increase)/decrease in stocks	**(11,867)**	38,213
Decrease/(increase) in debtors	**372,663**	(285,863)
(Decrease)/increase in creditors	**(218,421)**	263,386
Increase in provisions	**588,487**	–
Provision for service cost of defined benefit pension scheme	**182,000**	219,000
Defined benefit pension scheme contributions paid	**(240,000)**	(113,000)
Net cash inflow from operating activities	**956,866**	86,510

Reconciliation of net cash flow to movement in net funds

	2011	2010 *(restated)*
	£	£
Increase in cash in the period	**646,359**	223,946
	646,359	223,946
Change in net funds	**646,359**	223,946
Net funds at 1 April 2010	**8,784,693**	8,560,747
Net funds at 31 March 2011	**9,431,052**	8,784,693

Analysis of changes in net funds

	At 1 Apr 2010	Cash flows	At 31 Mar 2011
	£	£	£
Net cash			
Cash in hand and at bank	8,784,693	646,359	9,431,052
Net funds	8,784,693	646,359	9,431,052

23 Capital commitments

The company had no capital commitments as at 31 March 2011 or 31 March 2010

24 Ultimate parent entity

The parent undertaking of this company is Liverpool City Council, an entity based in England and Wales The results of the company are consolidated within the financial statements of its parent undertaking, Liverpool City Council