

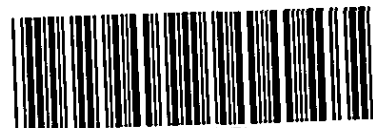
Registered No 3513218

EMIH Limited

Report and Financial Statements

31 January 2012

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COMPANIES HOUSE

Directors

Councillor David W Gemmell OBE - Chairman
John A Parkes CBE - Vice Chairman
Trevor S E Boanas
Professor Graham Chesters
Anthony J Hunt
Professor Carl W I Pistorius
Janet Reuben (appointed 25 November 2011)

Secretary

Neil G Porteus

Auditors

Ernst & Young LLP
Lowgate House
Lowgate
Hull HU1 1JJ

Bankers

National Westminster Bank plc
PO Box 944
34 King Edward Street
Hull HU1 3YN

Solicitors

Rollits LLP
Wilberforce Court
High Street
Hull HU1 1YJ

Registered Office

The Deep
Kingston Upon
Hull HU1 4DP

Registered No 3513218

Directors' and Trustees' report

The directors and the trustees of the charity present their report and financial statements for the year ended 31 January 2012

Charitable objectives

As defined in its governing documents, the objectives of the charity are

- To advance the educational and cultural welfare of the inhabitants of Kingston upon Hull in particular and the community at large, and
- To promote the conservation of marine organisms by establishing in Kingston upon Hull, The Deep aquarium, incorporating an international centre of excellence for education, learning and research of the marine environment

Within the above objectives, the charity's strategy is to maintain reserves at a level sufficient to cover the accounting depreciation, to meet ongoing revenue commitments and to continue to invest in the facilities at The Deep so that it can fulfil its educational, marine research and conservation objectives to the full

Activity during the year

Activity during the year was in line with the company's charitable objectives and its performance exceeded the targets that had been set. The charity's aim is to continue to attract sufficient visitors to The Deep so that it can cover its operational costs and generate sufficient resources so that it can continue to maintain its facilities, consider their ongoing improvement and be able to support conservation and marine research projects. In terms of its targets for the year, the charity performed as follows

- The charity achieved its target of attracting 330,000 visitors and learners to The Deep, generating a net income from operating activities of £367,730 over the course of the year,
- A number of new exhibitions were completed during the year,
- The charity continued to support conservation and marine research projects (both financially and in-kind) to help preserve elements of our marine environment and to learn more about them

Financial performance

In revenue terms, the principal income sources of the group continue to come from the visitors, learners', and business centre tenants

The financial results were as follows

	2012 £	2011 £	Change £
Total incoming resources	5,552,012	5,634,373	(82,361)
Less charitable expenditure and cost of generating funds (excluding depreciation for which capital grant reserves exist)	(5,184,282)	(5,063,803)	(120,479)
Net income from operating activities	367,730	570,570	(202,840)

Directors' and Trustees' report (continued)

Financial performance (continued)

The group reserves of £31,626,453 at 31 January 2012 primarily consist of capital grants received for the construction of The Deep Visitor Attraction and The Deep Business Centre, expenditure on which has been capitalised and which will be amortised over the useful life of the associated assets

As a Charity, the company's Memorandum and Articles of Association do not permit the payment of dividends

Objectives and activities for the public benefit

EMIH Limited is an educational and environmental charity that is based at The Deep Visitor Attraction in Kingston upon Hull, UK. The Deep Visitor Attraction (and the work of the charity more widely) is available to all, without restriction

Whilst there is a need to charge visitors for entry to The Deep Visitor Attraction to cover its running costs and to generate resources for the charity's marine research and conservation work, in an effort to ensure that admission prices are not an obstacle to attendance, the charity sets prices to cover its medium-term operating costs, rather than to maximise income

For the period under review, the admission prices for The Deep were £9.95 for an adult, £7.95 for a child, £8.75 for seniors and students, £32.00 for a family of four people, and £39.00 for a family of five, with children under 3 and essential carers visiting for free. Not only are these prices lower than other similar attractions, more importantly, these prices allow free admission (subject to terms and conditions) for up to 360 days per year which, at the extreme, would equate to an entry cost of 2p per visit. The charity has adopted this pricing structure both to provide excellent 'value for money' to its visitors and to ensure that visitors can visit again and again to help maximise the absorption of its educational and environmental messages

In addition, the charity recognises that it is important that nothing is a barrier to learning and so it specifically encourages engagement with hard-to-reach family learners, adult learners, looked-after children and their carers, at-risk children and those facing financial hardship

Education

The public understanding of Science and scientific education is at the heart of everything the charity does – from educating the public in an informal way by ensuring that exhibition design and delivery is accessible for all, through to a formal education programme that takes place in The Deep's bespoke Learning Centre. The Learning Centre has been operating since 2002 and in 2011/12 taught almost 30,000 formal learners. All workshops for key stages 1, 2 and 3 are taught by the charity's own qualified and experienced teachers. Key Stage 4 students and those studying vocational subjects receive presentations by The Deep's management team who specialise in subjects as varied as Marketing, ICT, Travel and Tourism, animal husbandry and Investigating Science at Work. Groups coming to take part in such sessions enjoy heavily subsidised entry to The Deep with, in effect, the formal education sessions themselves free of charge

Marine Conservation Zones: Netgain

The charity campaigned strongly for the establishment of Marine Conservation Zones (MCZs) around the United Kingdom coast with the Marine Bill being agreed by the UK Parliament in 2010, establishing a basis for identifying the location of MCZs around the coast. The charity was approached by the UK Government and asked if it would help set up the MCZ in its locality. The charity agreed to help and its Chief Executive chaired 'NetGain', the group charged with delivering the project locally. NetGain is the largest of the four UK projects, stretching from Scotland to the River Thames estuary. It is hoped that by involving all stakeholders in the decision-making process that Netgain will be the start of a truly sustainable future for the North Sea. Along with the other MCZs, NetGain has submitted its proposals to the UK Government for consideration

Directors' and Trustees' report (continued)

Objectives and activities for the public benefit (continued)

Breeding

The charity successfully breeds the following species

- **Bluespotted Ribbontail** One of the first captive-bred Bluespotted Ribbontail rays in the world was born at The Deep. The adult group now regularly produce young. Once old enough, the juveniles enter a European Studbook breeding programme and are gifted to aquariums across Europe, including Burgers Zoo aquarium in the Netherlands and Oceanopolis in Brest (France)
- **Blue Poison Arrow frogs** These are reared from spawn laid by adults on display
- **Jellyfish** These delicate animals are very difficult to 'culture', although the charity has successfully accomplished this with five species, with The Deep now a major donator of jellyfish to aquariums around the UK and coordinates the British and Irish Association of Zoos and Aquariums (BIAZA) Jellyfish Focus Group
- **Seahorses** Two species have been successfully reared at The Deep
- **Ballan Wrasse** Ardtoe marine laboratory in Scotland rears Ballan Wrasse from eggs collected in The Deep's North Sea tank, where juvenile Wrasse are being used to 'clean' (eat) the external sea lice from the farmed cod. It is hoped that this will provide fish farms with an excellent method of ethical and sustainable pest control
- In addition, the Deep has been successful in breeding Bull Huss, Bamboo Sharks, Lump Suckers, Shiner Perch, Epauvette sharks, Motoro stingrays and Banggai Cardinals
- A number of terrestrial invertebrate species are displayed and bred at The Deep. This includes a number of challenging species which many others have had little success with. The Deep donates juvenile captive bred animals to other zoo facilities

Charity Support

- The Deep supports a number of other charities such as the Marine Conservation Society, the Yorkshire Wildlife Trust and the Shark Trust. By working together on campaigns and events, The Deep provides a shop window for numerous other conservation efforts

Research and Conservation

The charity has been involved in a number of international research projects

- **Indian Ocean** The Deep supported the Marine Conservation Society's Green Turtle satellite tracking programme by funding a number of electronic tags. Scientists continue to follow the migration patterns of this highly threatened species
- **The Galapagos** The Galapagos Conservation Trust works hard to protect these unique islands from inappropriate tourism. The Deep has supported their work by funding visitor information panels in the visitor centre there
- **Shark Alley** Deep staff went to South Africa to assist with a research project which aimed to determine if shark-cage diving by tourists has an effect on the behaviour of the Great White Shark
- **Great Barrier Reef** The charity's Science Officer worked with James Cook University on Lizard Island Marine Research Station (Australia) investigating the seasonal influx of larval fish into shallow coral reefs

Directors' and Trustees' report (continued)

Objectives and activities for the public benefit (continued)

Research (continued)

- **Washington** The Deep is working with an international consortium of aquariums headed by the Smithsonian Institute to study the effects of environmental enrichment on the Giant Pacific Octopus (*Enteroctopus dofleini*)
- **Amazon** The Deep is sponsoring an Amazon Ranger as part of a British & Irish Association of Zoos and Aquaria (BIAZA) rainforest project. The aim of the project is to save some of the last remaining Atlantic rainforest in Brazil
- **North Sea** In collaboration with the Scottish Association for Marine Science (SAMS) and BP, The Deep developed techniques to collect *Lophelia pertusa* (a cold water, reef-building coral) from North Sea oil platform legs, along with specialised life-support and transportation
- **Red Sea** Under the Darwin Initiative, The Deep along with Hull University and the Egyptian Environmental Affairs Agency, conducted an environmental impact assessment into overfishing of sea cucumbers. The results were alarming and now inform government policy in this region
- **SECOR** The charity worked with this collaborative research and conservation project led by Rotterdam Zoo Aquarium alongside contributors from Europe and North America. The project looked at reducing the pressure placed on wild stocks of hard corals by perfecting the techniques required to reproduce the corals naturally
- **Equip Cousteau** The Deep is the only aquarium in the world to be invited to work with the Cousteau Foundation on a major project to protect marine life in the Red Sea, a region popular for shark diving but one which is also threatened by unregulated shark fishing. Planning to use state of the art technology, the charity is working with Cousteau on a project to electronically tag Giant Manta Rays, allowing their movements to be monitored. Aquarists from the charity will be monitoring a specific population of Manta Rays, of which very little is currently known. The tags themselves will collect an array of data, including sea temperature and depths at which the animals are swimming, transmitting it to monitoring devices on the ocean floor. These monitors will eventually form part of a global network of such devices with data from these used to inform a sustainable management plan for shark and ray populations and help scientists learn more about the movements of them, and other sea creatures, and how best to protect them. The Deep has also agreed to assist the Sudanese Government in the establishment of a small aquarium in Port Sudan in order to gain the support of the local population for the conservation work taking place there
- **Fen Raft Spider Partnership** In conjunction with Natural England, The Wildlife Trusts and BIAZA, The Deep is part of this project working with Europe's largest and most beautiful spider. Found in only three locations in the UK, the population is decreasing as juveniles are struggling to survive their first moults in the wild. This project involves rearing spiderlings in captivity during the summer months for release into their natural habitat each autumn

Animal Husbandry

The Deep constantly develops its animal husbandry, veterinary and welfare practices and, as a result, regularly presents information at relevant conferences. This dissemination of information is an ongoing process which also takes the form of zoo keeper and aquarist training for employees of other organisations. In addition, The Deep deals regularly with enquiries from members of the public, offering advice on matters from fish keeping to career choices.

Students

The Deep has strong links with a number of colleges and universities. Each year, a number of student projects are hosted at The Deep along with summer internships.

Directors' and Trustees' report (continued)

Future performance and activity and going concern

It is important that sufficient visitors continue to be attracted to The Deep so that it can cover its operational costs and generate sufficient resources to maintain the quality of its facilities, and provide for their ongoing improvement, whilst also enabling the charity to continue to support conservation and marine research projects. Attendances in the Deep visitor attraction and occupancy of the Deep Business Centre have been stable for many years now, not least during the recent economic downturn. The charity has continued to invest in its assets and the directors believe that the charity has adequate resources to continue in operational existence for the foreseeable future and so they have continued to adopt the going concern basis in preparing the financial statements.

Structure, governance and administration

The company's Memorandum of Articles of Association and the Joint Venture Agreement between the company, Kingston upon Hull City Council and the University of Hull dated 6 April 1999 set out the method of governance of the company and charity.

Subject to some specific provisions within the Joint Venture Agreement, the Board of Trustees may appoint individuals to fill vacancies during the year as they fall due, but that such appointments would only be until the date of the company's next Annual General Meeting (AGM). Where an appointment is made at an AGM, that appointment would run until terminated by either party.

The Charity is run by a small Board of Trustees, who collectively contribute a balance of skills and experience. Meetings of the trustees are held regularly and attendance rates are high. The trustees have a clear understanding of their role and its fulfilment.

Trustees receive an appropriate, tailored induction and throughout the course of the year, receive external advice on any major issues affecting the charity.

Day-to-day management of the Charity is delegated to Colin Brown (Chief Executive Officer) and Neil Porteus (Finance Director, Company Secretary and Charity Commission Correspondent).

Taxation

The company, as a registered charity, has obtained exemption from corporation tax. Charitable tax exemptions can therefore be claimed to the extent that income and/or gains are applicable and applied for charitable purposes only.

Company status

The company is a private company limited by guarantee, not having a share capital, and is also registered as a charity (number 1073254).

Members

The members of the company are Kingston upon Hull City Council (corporate member), The University of Hull (corporate member), Professor Graham Chesters, Professor Carl W I Pistorius and Ms Janet Reuben.

Political and charitable contributions

As a charity, the company is forbidden from making political donations. The company made charitable donations of £nil (2011 – £nil) during the year.

Directors' and Trustees' report (continued)

Risk review and reserves policy

The directors have discussed the major risks to which the charity is exposed with the officer management team, jointly developing systems to mitigate those risks. Furthermore, a strategic plan has been developed in terms of external risks and internal risks are minimised by the implementation of procedures for the authorisation of all transactions and to ensure consistent quality of delivery for all operational aspects of the charitable company. These procedures are periodically reviewed to ensure that they still meet the needs of the charity.

The trustees monitor the level of reserves closely to ensure that the charity has sufficient funds to sustain its operations and to finance its future development plans. The level of the group and charity's reserves are reviewed by the trustees at each of their monthly trustee meetings. The £31,626,453 of group reserves consists of capital grants received for the construction of The Deep Business Centre and Visitor Attraction, expenditure on which has been capitalised and will be amortised over the useful life of the associated assets. Accordingly, reserves of this level need to be held to cover the amortisation of capitalised fixed assets.

Principal risks and uncertainties

Whilst the group is exposed to price, credit, liquidity and investment risks, these are only minor risks for the company.

Price risk

At the start of each financial year, the group reviews its budget for the coming year and sets its admission prices to cover its forecasted expenditure. Compared to other national attractions, The Deep's current admission charges remain very competitive.

Credit risk

The majority of the group's income is received at the point of sale and so poses no credit risk. The exception to this could be the income from tenants of The Deep Business Centre. All tenants are subject to external credit checks at the outset and are subject to ongoing credit checks. Furthermore, a deposit is taken from all tenants at the outset and rent is required to be paid in advance of the period to which it relates.

Liquidity risk

The group retains sufficient cash to ensure that it has sufficient available funds for operations.

Investment risks

Any surplus cash that the group has available is invested with its bankers through their Treasury Reserve Centre. Such investments include only cash balances earning interest at fixed rates. The company does not use derivative financial instruments, nor does it invest in equities.

Disabled employees

The group 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. The group's procedures have been approved to use the Positive About Disabled People symbol and the group is part of the 'mindful employer' scheme.

Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide training to achieve this aim.

Directors' and Trustees' report (continued)

Employee involvement

The group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the group has been continued through internal communication. Employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas including department issues, specific project and policy planning. Whole-group staff meetings are called at key points of action, change or development as necessary during the year.

The group's Health & Safety Committee includes representatives from each department alongside senior managers and the Competent Person. A key communication tool is also the Crew Brief newsletter which is circulated to all staff every month and includes information such as group performance, customer feedback, policy updates and it responds to specific employee questions when necessary.

Directors

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

Councillor D W Gemmell OBE (Chair)
Trevor S E Boanas
Professor Graham Chesters
Anthony J Hunt
Michael R Killoran (resigned 25 March 2011)
John A Parkes CBE (Vice Chair)
Professor Carl W I Pistorius
Janet Reuben (appointed 25 November 2011)

All directors are also trustees of the charity.

Related parties

Transactions with related parties are disclosed in note 20.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Neil G Porteus
Secretary
19 October 2012

Statement of directors' and trustees' responsibilities

The directors are responsible for preparing the Directors' and Trustees' 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the profit or loss of the group for that period. In preparing these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of EMIH Limited

We have audited the financial statements of EMIH Limited for the year ended 31 January 2012 which comprise the Group statement of Financial Activities, the Group Statement of Total Recognised Gains and Losses, the Group and Charity/(Company) Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 21. 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 trustees and auditor

As explained more fully in the Trustee's Responsibilities Statement set out on page 9, the trustees (who are also the directors of the charitable company for purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' and trustees report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group and parent Company's (charity's) affairs as at 31 January 2012 and of the Group's incoming resources and application of resources, including its income and expenditure 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 Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of EMIH Limited

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



Richard Frostick (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Hull
19 October 2012

Group statement of financial activities

for the year ended 31 January 2012

		<i>Total unrestricted funds</i>	
		<i>2012</i>	<i>2011</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Incoming resources			
Gift Aid membership fees		2,220,879	2,135,709
Activities for generating funds			
Commercial trading operations	3	2,770,060	3,037,283
Other finance income		105,086	431,241
Bank interest		15,105	30,140
Exceptional item.			
Fixed asset revaluation		159,695	–
Rates refund		281,187	–
Total incoming resources		5,552,012	5,634,373
Less cost of generating funds Commercial trading operations		(791,334)	(798,786)
Net incoming resources available for charitable application		4,760,678	4,835,587
Charitable expenditure			
Cost of operating trading subsidiary		(921,631)	(887,446)
Marketing, publicity and events		(179,390)	(173,349)
Management and administration		(4,012,583)	(3,951,136)
Support costs		(1,009,802)	(986,185)
Total charitable expenditure and resources expended	5	(6,123,406)	(5,998,116)
Trading subsidiary corporation tax	7	(61,166)	(79,939)
Net outgoing resources for the year	13	(1,423,894)	(1,242,468)
Total funds brought forward		33,798,448	34,832,356
Actuarial (loss)/gain on pension scheme		(937,000)	264,000
Deferred tax thereon		188,899	(55,440)
Total funds carried forward	16	31,626,453	33,798,448

All amounts relate to continuing activities

Group statement of total recognised gains and losses

for the year ended 31 January 2012

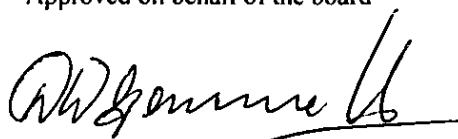
	<i>2012</i>	<i>2011</i>
	<i>£</i>	<i>£</i>
Net outgoing resources for the year	(1,423,894)	(1,242,468)
Actuarial (loss)/gain recognised in the pension scheme	(937,000)	264,000
Deferred tax thereon	188,899	(55,440)
Total recognised gains and losses relating to the year	(2,171,995)	(1,033,908)

Group and Company balance sheet

at 31 January 2012

		2012	Group 2011	2012	Charity 2011
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8	30,044,980	31,607,953	29,989,425	31,533,320
Investments	9	–	–	4	4
		<u>30,044,980</u>	<u>31,607,953</u>	<u>29,989,429</u>	<u>31,533,324</u>
Current assets					
Stock	10	257,805	227,062	–	–
Debtors	11	695,224	326,003	2,297,109	1,799,928
Cash at bank and in hand		<u>1,255,541</u>	<u>1,555,265</u>	<u>876,988</u>	<u>1,348,470</u>
		2,208,570	2,108,330	3,174,097	3,148,398
Creditors: amounts falling due within one year	12	<u>(623,438)</u>	<u>(544,443)</u>	<u>(1,675,201)</u>	<u>(1,598,267)</u>
Net current asset		1,585,132	1,563,887	1,498,896	1,550,131
Total assets less current liabilities		31,630,112	33,171,840	31,488,325	33,083,455
Provisions for liabilities					
Deferred tax	7	<u>(74,859)</u>	<u>(42,522)</u>	–	–
Net asset before pension asset		31,555,253	33,129,318	31,488,325	33,083,455
Pension asset – net of deferred tax	19	<u>71,200</u>	<u>669,130</u>	–	–
Net asset including pension asset		<u>31,626,453</u>	<u>33,798,448</u>	<u>31,488,325</u>	<u>33,083,455</u>
Funds asset					
Unrestricted funds	16	<u>31,626,453</u>	<u>33,798,448</u>	<u>31,488,325</u>	<u>33,083,455</u>
Non-equity members' funds		<u>31,626,453</u>	<u>33,798,448</u>	<u>31,488,325</u>	<u>33,083,455</u>

Approved on behalf of the board


D W Gemmell OBE

Chairman

19 October 2012

Group statement of cash flows

for the year ended 31 January 2012

	Notes	2012 £	2011 £
Net cash outflow from operating activities	13(a)	(291,934)	(128,657)
Taxation		–	–
Capital expenditure			
Purchase of tangible fixed assets		(7,790)	(82,205)
Financing			
Repayment of mortgage loan		–	(228,224)
Repayment of short term loan		–	(2,300,000)
Decrease in cash	13(b)	<u>(299,724)</u>	<u>(2,739,086)</u>

Reconciliation of net cash flow to movement in net funds

	Notes	2012 £	2011 £
Decrease net cash in the year	13(b)	(299,724)	(2,739,086)
Cash outflow from decrease in debt and lease financing		–	2,300,000
Movement in net debt in year		<u>(299,724)</u>	<u>(439,086)</u>
Net funds at 1 February		<u>1,555,265</u>	<u>1,994,351</u>
Net funds at 31 January	13(b)	<u>1,255,541</u>	<u>1,555,265</u>

Notes to the financial statements

at 31 January 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of The Deep Visitor Attraction and Business Centre and in accordance with applicable accounting standards, the Companies Act 2006, and in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005)

Group financial statements

These financial statements consolidate the results of the charity and its wholly-owned subsidiaries Running Deep Limited and Deep Developments Limited on a line by line basis. A separate Statement of Financial Activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005

Commercial trading activities

Income from commercial activities is included in the year in which the group is entitled to receipt

Grants receivable

Grants, including grants for the purchase of fixed assets, are recognised in full in the Statement of Financial Activities in the year in which they are receivable

All grant income receivable is in furtherance of the objectives of the charity. Thus all general funds have been designated as unrestricted funds which are available for use at the discretion of the trustees, albeit that most of the grant income receivable is against expenditure already incurred or committed

Interest receivable

Interest is included when receivable by the charity

Resources expended

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Tangible fixed assets

The company's buildings were revalued at the balance sheet date of 31 January 2012 by Sanderson Weatherall in accordance with the provisions of FRS 15. These assets will be depreciated over a remaining useful life of 20 years

Equipment is depreciated over 3 – 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the financial statements

at 31 January 2012

1. Accounting policies (continued)

Fund accounting

Funds held by the charity are either

- Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees
- Designated funds – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects
- Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pensions

The company/group participates in the Local Government Pension Scheme. Contributions are made to a separately administrated fund. Pension scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond.

The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the operating profit or loss in the year. The full cost of providing amendments to benefits in respect of past service is also charged to the operating surplus or deficit in the year.

The expected return on defined benefit pension scheme assets based on the market value scheme assets at the start of the financial year is included within other finance costs. This also includes a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of recognised gains and losses in the year, together with differences from changes in assumptions. The net surplus/ (deficit) on defined benefit schemes is reported on the balance sheet within the pension asset/ (liability). This is net of related deferred tax.

2. Income and expenditure

Income represents the amount of grants receivable and other income, exclusive of VAT, during the year covered by these financial statements. Income and expenditure are directly attributable to the principal activities of the company and charity.

Notes to the financial statements

at 31 January 2012

3. Incoming resources

	2012	2011
	£	£
Activities for generating funds:		
Commercial trading operations	2,770,060	3,037,283

Commercial trading operations income relates to income generated by Running Deep Limited, which operates The Deep Visitor Attraction and The Deep Business Centre

4. Commercial trading operations and investment in trading subsidiary

The wholly owned trading subsidiary Running Deep Limited is incorporated in the United Kingdom. Running Deep Limited operates the Deep Business Centre and Deep Visitor Attraction. Running Deep Limited is responsible for the day to day running of both the Visitor Attraction and the Business Centre.

The Visitor Attraction does not provide subsidies to the Business Centre.

The charity owns the entire issued share capital of 2 ordinary shares of £1 each. A summary of the trading results is shown below.

Summary profit and loss account

	2012	2011
	£	£
Turnover	6,675,716	6,352,891
Cost of sales	(790,256)	(828,075)
Gross profit	5,885,460	5,524,816
Administrative expenses	(5,760,830)	(5,494,047)
Bank interest receivable	2,772	9,621
Other finance income	105,000	431,000
Profit before taxation	232,402	471,390
Taxation	(61,166)	(79,939)
Profit retained for the financial year	171,236	391,451

Notes to the financial statements

at 31 January 2012

4. Commercial trading operations and investment in trading subsidiary (continued)

The assets and liabilities of the subsidiary were

	2012 £	2011 £
Tangible fixed assets	55,555	74,633
Current assets	2,433,354	2,431,997
Creditors amounts falling due within one year	(2,422,077)	(2,460,863)
Net asset before pension asset	66,832	45,767
Pension asset (net of deferred tax)	71,200	669,130
Net asset including pension asset	138,032	714,897
Aggregate share capital and reserves	138,032	714,897

5. Total resources expended

	2012 £	2011 £
Depreciation	1,730,458	1,733,099
Support costs	1,009,802	986,185
Directors remuneration	–	–
Marketing, publicity and events	179,390	173,349
Staff cost	2,109,017	2,144,060
Auditors' remuneration – audit services	17,000	16,000
– non-audit services	7,250	9,600
Other management and administration costs	148,858	48,377
Cost of operating subsidiary	921,631	887,446
	6,123,406	5,998,116

Staff costs above include those within the subsidiary's administration expenses in note 4

6. Staff costs

	2012 £	2011 £
Salaries	1,777,202	1,770,185
Employer National Insurance contributions	127,297	130,002
Employer Pension contributions	204,518	243,873
	2,109,017	2,144,060

Notes to the financial statements

at 31 January 2012

6. Staff costs (continued)

The number of employees whose emolument as defined for taxation purposes amounted to over £60,000 in the year was as follows

	2012 No	2011 No
£ 60,001 – £ 70,000	1	1
£ 70,001 – £ 80,000	–	–
£ 90,001 – £100,000	–	–
£100,001 – £110,000	1	1
£110,001 – £120,000	–	–

The average number of people employed by the company was as follows

	2012 No	2011 No
Management	7	7
Administration	109	118
	<u>116</u>	<u>125</u>

None of the directors received any emoluments from the company during the current year or previous year

The trustees neither received nor waived any emoluments during the year (2011 – £nil)

Out of pocket expenses were reimbursed to trustees as follows

	2012 No	£	2011 No	£
Travel	2	<u>123</u>	6	<u>53</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2012 £	2011 £
Current tax:		
UK corporation tax on the profit for the year	–	–
Total current tax (note 7(b))	<u>–</u>	<u>–</u>
Deferred tax		
Origination and reversal of timing differences	61,166	79,939
Tax on profit on ordinary activities	<u>61,166</u>	<u>79,939</u>

Notes to the financial statements

at 31 January 2012

7. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20 16% (2011 – 21%) The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	232,402	471,390
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20 16% (2011 – 21%)	46,852	98,992
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,714	4,028
Depreciation in excess of capital allowances	(2,278)	(5,753)
Other timing differences	45,762	(11,156)
Gift aid payment to parent charity following the year end	(92,050)	(86,111)
Current tax for the year (note 7(a))	–	–

(c) Deferred tax

	2012 £	2011 £
Capital allowances in advance of depreciation	(13,190)	(16,222)
Other timing differences	88,049	58,744
Provision for deferred taxation	74,859	42,522
Deferred tax recognised in the pension scheme (note 19)	17,800	177,870
	92,659	220,392

	£
At 1 February 2011	220,392
Profit and loss account movement arising during the year	61,166
Arising in the statement of total recognised gains and losses	(188,899)
At 31 January 2012	92,659

(d) Factors that may affect future tax charges

Finance Act 2011 received Royal Assent on 19 July 2011 and introduced the following changes to the capital allowances regime The rate of the annual writing down allowance for qualifying plant and machinery will reduce by 2% to 18% for items within the main pool and to 8% for items qualifying as integral features with effect from 1 April 2012 This is unlikely to have a material effect on the deferred tax position of the company

Notes to the financial statements

at 31 January 2012

8. Tangible fixed assets

	<i>Visitor attraction and business centre</i>	
	<i>Group</i>	<i>Charity</i>
	<i>£</i>	<i>£</i>
Cost		
At 1 February 2011	35,180,982	34,940,500
Additions	7,790	–
Revaluation	(4,900,000)	(4,900,000)
Disposals	(29,361)	–
At 31 January 2012	<u>30,259,411</u>	<u>30,040,500</u>
Depreciation		
At 1 February 2011	3,573,029	3,407,180
Provided in the year	1,730,458	1,703,590
Revaluation	(5,059,695)	(5,059,695)
Disposals	(29,361)	–
At 31 January 2012	<u>214,431</u>	<u>51,075</u>
Net book value		
At 31 January 2012	<u>30,044,980</u>	<u>29,989,425</u>
At 1 February 2011	<u>31,607,953</u>	<u>31,533,320</u>

The assets of the group were valued by Sanderson Weatheralls at 31 January 2012, on the basis of depreciated replacement cost for The Deep Visitor Attraction (£27,000,000) and on the basis of open market value for The Deep Business Centre (£2,700,000) in accordance with The Appraisal and valuation standards (Fifth edition) ('The Red Book') prepared by the Royal institution of Chartered Surveyors. The assets will be depreciated over a 20 year period. Current year additions are recorded at cost.

Notes to the financial statements

at 31 January 2012

8. Tangible fixed assets (continued)

If these assets had not been revalued they would be held in the balance sheet at

	<i>Group</i> £	<i>Charity</i> £
Cost		
At 1 February 2011	45,465,447	45,224,965
Additions	7,790	–
Disposals	(29,361)	–
At 31 January 2012	<u>45,443,876</u>	<u>45,224,965</u>
Depreciation		
At 1 February 2011	13,773,602	13,607,752
Charge	1,846,172	1,819,305
Disposals	(29,361)	–
At 31 January 2012	<u>15,590,413</u>	<u>15,427,057</u>
Net book value		
At 31 January 2012	<u>29,853,463</u>	<u>29,797,908</u>
At 1 February 2011	<u>31,691,845</u>	<u>31,617,213</u>

In the opinion of the directors, the net book value of the assets of the group and the charity is at least equal to the depreciated replacement cost

9. Investments

Charity

	£
Cost	
At 1 February 2011 and 31 January 2012	<u>4</u>

Investments comprise the wholly owned subsidiary undertakings

<i>Name of company</i>	<i>Shares held</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>			
Running Deep Limited	Ordinary	100%	Tourism
Deep Developments Limited	Ordinary	100%	Dormant

Notes to the financial statements

at 31 January 2012

10. Stocks

	2012	Group 2011	2012	Charity 2011
	£	£	£	£
Finished goods	257,805	227,062	–	–

11. Debtors

	2012	Group 2011	2012	Charity 2011
	£	£	£	£
Trade debtors	343,081	157,153	–	–
Other debtors	44,007	43,063	261,067	–
Prepayments and accrued income	308,136	125,787	269,397	136,942
Amounts owed by group undertakings	–	–	1,766,645	1,662,986
	695,224	326,003	2,297,109	1,799,928

12. Creditors: amounts falling due within one year

	2012	Group 2011	2012	Charity 2011
	£	£	£	£
Trade creditors	203,389	417,208	–	–
Accruals	63,013	(186,624)	48,549	(208,794)
Other creditors	278,055	285,741	–	–
Other taxes and social security	78,981	28,118	(5,586)	(2,020)
Amounts owed to group undertakings	–	–	1,632,238	1,809,081
	623,438	544,443	1,675,201	1,598,267

13. Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2012	2011
	£	£
Net outgoing resources for the year	(1,423,894)	(1,242,468)
Trading subsidiary taxation	61,166	79,939
Increase in stock	(30,743)	(8,198)
(Increase)/decrease in debtors	(369,221)	408,777
Increase/(decrease) in creditors (excluding deferred tax)	78,995	(510,806)
Depreciation	1,730,458	1,733,099
Revaluation of fixed assets	(159,695)	–

Notes to the financial statements

at 31 January 2012

Notes to the statement of cash flows (continued)

(a) Reconciliation of operating loss to net cash outflow from operating activities (continued)

Movement in pension liability arising out of operations	(74,000)	(158,000)
Movement in pension liability arising out of other finance income	(105,000)	(431,000)
Net cash outflow from operating activities	<u>(291,934)</u>	<u>(128,657)</u>

(b) Analysis of net funds

	<i>At</i> <i>1 February</i> <i>2011</i> £	<i>Cash flow</i> £	<i>At</i> <i>31 January</i> <i>2012</i> £
Net funds	<u>1,555,265</u>	<u>(299,724)</u>	<u>1,255,541</u>

15. Members' liability

The company was incorporated as a company limited by guarantee and therefore it has no share capital. The liability of each member in the event of winding-up is limited to £1.

16. Unrestricted funds of the charity

	<i>2012</i> £	<i>Group</i> <i>2011</i> £	<i>2012</i> £	<i>Charity</i> <i>2011</i> £
At 1 February	33,798,448	34,832,356	33,083,455	34,717,375
Net outgoing resources for the year	(1,423,894)	(1,242,468)	(1,595,130)	(1,633,920)
Actuarial loss/(gain) recognised in the pension scheme	(937,000)	264,000	–	–
Deferred tax thereon	188,899	(55,440)	–	–
At 31 January	<u>31,626,453</u>	<u>33,798,448</u>	<u>31,488,325</u>	<u>33,083,455</u>

17. Contingent liability

Cash of £271,372 (2011 – £381,548) included on the balance sheet has been set aside in a special deposit account and is not unconditionally available to the company. This amount is a reserve against a potential liability which may arise.

18. Charitable status

The company is registered with the Charity Commission as number 1073254.

Notes to the financial statements

at 31 January 2012

19. Pensions

EMIH Limited is an admitted body of the East Riding Pension Fund, a Local Government Pension Scheme (LGPS) administered by the East Riding of Yorkshire Council. The Pension Scheme is a defined benefit scheme, with benefits being determined by an employee's length of service and level of remuneration. Membership of the Pension Scheme is open to all employees, with an employee required to make a contribution of between 5.5% and 7.5% of pensionable pay with The Deep augmenting this with an employer contribution of 29.9% of an employee's pensionable pay.

The pension cost for the year was £204,518 (2011 – £243,873), which included past service cost credited of £nil (2010 – £356,000). The estimated employer contributions for 2012 are approximately £187,000.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation as at 31 March 2010 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2012. Scheme assets are stated at their market value at the respective balance sheet dates.

	2012 %	2011 %
Main assumptions		
Rate of increase in salaries	4.8	3.6
Rate of increase in pensions in payment	2.5	2.8
Discount rate	4.8	5.5
Inflation assumption	5.8	7.0
<i>Post retirement mortality</i>	<i>Years</i>	<i>Years</i>
Current pensioners at 65 – male	22.9	22.9
Current pensioners at 65 – female	25.7	25.7
Future pensioners at 65 – male	24.9	24.9
Future pensioners at 65 – female	27.7	27.7

Notes to the financial statements

at 31 January 2012

19. Pensions (continued)

The assets and liabilities of the scheme and the expected rate of return on assets at 31 March are

		2012		2011
	<i>Long-term rate of return expected</i>	<i>Value</i>	<i>Long-term rate of return expected</i>	<i>Value</i>
	%	£000	%	£000
Equities	6.3	3,134	7.5	2,842
Bonds	3.6	357	4.9	364
Properties	4.4	238	5.5	182
Others	3.5	238	4.6	255
Total market value of assets		3,967		3,643
Present value of scheme liabilities		(3,878)		(2,796)
Net pension asset		89		847
Deferred tax thereon		(18)		(178)
Pension asset – net of deferred tax		71		669

An analysis of the defined benefit cost recognised in the profit and loss account for the year ended 31 March is as follows

	2012	2011
	£000	£000
Current service cost	131	112
Past service costs	–	(356)
Total operating charge	131	(244)
Other finance costs Expected return on pension scheme assets	264	228
Other finance costs Interest on pension scheme liabilities	(159)	(153)
Total other finance income	105	75
	2012	2011
	£000	£000
Actual return less expected return on pension scheme assets	(197)	128
Valuation adjustment to pension scheme assets	–	–
Gain arising from changes in assumptions underlying the present value of scheme liabilities	(740)	136
Actuarial gains and losses recognised in the statement of total recognised gains and losses	(937)	264

Notes to the financial statements

at 31 January 2012

19. Pensions (continued)

Analysis of movements in scheme surplus during the year

	2012 £000	2011 £000
At 1 April	847	(6)
Total operating charge	–	244
Current service cost	(131)	–
Total other finance income	105	75
Actuarial gains and losses recognised in the statement of total recognised gains and losses	(937)	264
Contributions	205	270
At 31 March	<u>89</u>	<u>847</u>

Changes in the present value of the defined benefit obligation

	2012 £000	2011 £000
At 1 February	2,796	2,970
Current service cost	131	112
Interest cost	159	153
Contributions by Members	58	60
Actuarial losses/ (Gains)	740	(136)
Past service cost/ (Gains)	–	(356)
Benefits paid	(6)	(7)
At 31 January	<u>3,878</u>	<u>2,796</u>

Changes in the fair value of plan assets

	2012 £000	2011 £000
At 1 February	3,643	2,964
Expected return on Assets	264	228
Contributions by members	58	60
Contributions by employer	205	270
Actuarial gains/ (losses)	(197)	128
Benefits paid	(6)	(7)
At 31 January	<u>3,967</u>	<u>3,643</u>

Notes to the financial statements

at 31 January 2012

19. Pensions (continued)

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Fair value of scheme assets	3,967	3,643	2,964	1,865	2,098
Present value of defined benefit obligation	(3,878)	(2,796)	(2,970)	(1,339)	(1,309)
Net pension asset	89	847	(6)	526	789
Experience adjustments arising on plan liabilities	–	–	–	–	(103)
Experience adjustments arising on plan assets	(197)	128	644	(714)	(177)

The scheme is a multi-employer scheme which has a 31 March year end, which is different to that of the company. However the directors believe that any differences that would have arisen between the year end of the company and the year end of the scheme will not be material, therefore the disclosures above are as at the scheme's 31 March year end and not as at 31 January.

Notes to the financial statements

at 31 January 2012

20. Related party transactions

The company has been set up as a joint venture between the University of Hull and Kingston upon Hull City Council. Various assets, services and funding have been provided by the partners as follows

Kingston Upon Hull City Council

- Councillor DW Gemmell OBE is an elected member of Kingston upon Hull City Council
- As the local authority responsible for the area in which the charity operates, the charity has some transactions with Kingston Upon Hull City Council

University of Hull

- Professor Carl W I Pistorius is the Vice Chancellor of the University of Hull
- The University of Hull rents a laboratory in The Deep Visitor Attraction. Rentals paid to the group during the year were £33,857 (2011 – £32,260)

Bonus Electrical Group

- Trevor S E Boanas is a director of the Bonus Electrical Group
- Total purchases by the group from Bonus Electrical Group in the year were £11,880 (2011- £13,500) and sales of £3,000. At the year-end, the creditors' ledger had £818 outstanding

Visit Hull & East Yorkshire

- During the period of these accounts, Janet Reuben was the Chief Executive of Visit Hull & East Yorkshire
- Total transactions with Visit Hull & East Yorkshire amounted to sales of £94

Sirius Academy

- Neil G Porteus is Chair of the Board of Directors of Sirius Academy

21. Guarantees and financial commitments

The company has entered into a debenture agreement with The Millennium Commission for any indebtedness by the company in favour of The Millennium Commission. The Commission has a charge over all the assets of the company.