

3513218

EMIH Limited

Report and Financial Statements

31 January 2010

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EMIH Limited

Registered No 3513218

Charity No 1073254

Directors

Councillor David W Gemmell OBE - Chairman

John A Parkes CBE - Vice Chairman

Trevor S E Boanas

Professor Graham Chesters

Anthony J Hunt

Michael R Killoran

Professor Carl W I Pistorius

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

Directors' and Trustees' report

The directors and the trustees of the charity present their report and the audited financial statements for the year ended 31 January 2010

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

- 13% more visitors and learners were attracted than had been assumed in the Business Plan,
- A group of new exhibitions, collectively named 'Lost Oceans' 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
- The charity purchased a new building in close proximity to the Deep visitor attraction to be used as a quarantine facility

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

	2010	2009	Change
	£	£	
Total incoming resources	5,331,573	7,229,244	(1,897,651)
Less exceptional fixed asset revaluation	-	(1,783,393)	(1,783,393)
Total operating incoming resources	5,331,573	5,445,851	(114,258)
Less charitable expenditure and cost of generating funds (excluding depreciation)	<u>(4,813,792)</u>	<u>(5,052,207)</u>	<u>238,415</u>
Net income operating activities	<u>517,781</u>	<u>393,644</u>	<u>124,137</u>
Net cash inflow from operating activities	278,277	180,786	97,491

Directors' and Trustees' report

The group reserves of £34,832,356 as at 31 January 2010 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 £8.95 for an adult, £6.95 for a child, £7.50 for seniors and students, £28.50 for a family of four people, and £33.95 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 less than 2p. 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 & their carers, at-risk children, refugees & asylum seekers 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 2009/10 taught over 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 & 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 now chairs the group charged with delivering the project locally. The project has adopted the title 'Netgain' and is the largest of the four UK projects, stretching from Scotland to the River Thames estuary. It is hoped that by involving all users of the sea in the decision-making process that Netgain will be the start of a truly sustainable future for the North Sea

Conservation

Directors' and Trustees' report

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, followed by the first ever twins. The charity has donated the male twin to the Burgers Zoo aquarium in the Netherlands and the female twin to the Oceanopolis in Brest (France) as part of the European Association of Zoos and Aquaria (EAZA) studbook exchange programme
- **Blue Poison Arrow frogs** These are reared from spawn laid in their tank in our Slime display
- **Jellyfish** These delicate animals are very difficult to 'culture', but the charity's aquarists have accomplished this with five species, with The Deep now a major donator of jellyfish to aquariums around the UK and Europe and coordinates the British and Irish Association of Zoos and Aquariums (BIAZA) jellyfish working 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, there 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 and Banggai Cardinals

Research

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
- **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

Directors' and Trustees' report

- **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
- **Offshore Wind Turbines** As part of the SUPERGEN Wind Technology Project, The Deep worked with Lancaster University to measure how flow patterns around the base of wind turbine towers can be controlled to reduce erosion and scour
- **Gravel River Beds** Working with German, Italian and UK researchers, The Deep studied how the orientation of gravel particles on a river bed affects roughness and flow patterns. This is important for computer modelling of river flows
- **Vegetation & River Dynamics** As part of a larger project looking at the Tagliamento River in Northern Italy, The Deep studied the effect of vegetation growth on river channel development during floods
- **Algae in estuaries** Using algae from Budle Bay in Northern England, The Deep worked with Portuguese and Italian researchers to investigate how invasive algae affect tidal flows and waves. This helps predict changes in sediment erosion resulting from sea level rise
- **Renewable Energy** We have worked on several industrial projects to improve the design of devices which generate electricity from river flows, tidal flows and waves
- **SECOR** The charity is working with this collaborative research and conservation project led by Rotterdam Zoo Aquarium alongside contributors from Europe and North America. The project aims to look 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

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

Directors' and Trustees' report

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, then 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. Each trustee is responsible for a portfolio of which they have relevant 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, Michael R Killoran and Professor Carl W I Pistorius

Directors' and Trustees' report

Directors

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

Councillor David W Gemmell OBE

Trevor S E Boanas

John F Brignall MBE (died 24 August 2010)

Professor Graham Chesters

Professor David J Drewry (resigned 31 August 2009)

Anthony J Hunt

Michael R Killoran

John A Parkes CBE

Professor Carl W I Pistorius (appointed 22 January 2010)

All directors are also trustees of the charity

None of the directors held any beneficial interest in the company or any of the group companies

Related parties

Transactions with related parties are disclosed in note 19

Political and charitable contributions

As a charity, the company is forbidden from making political donations. The company made charitable donations of £nil (2009 – £nil) during the year.

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 £34,832,356 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

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.

Directors' and Trustees' report

Principal risks (continued)

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.

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.

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 group'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.

Directors' and Trustees' report

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board

A handwritten signature in black ink, consisting of a stylized 'N' followed by a long horizontal stroke.

Neil G Porteus

Secretary

22 October 2010

Statement of directors' and trustees' responsibilities

The directors are responsible for preparing the annual 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 the 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 judgments 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 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of EMIH Limited

We have audited the financial statements of EMIH Limited for the year ended 31 January 2010 which comprise Group statement of Financial Activities, the Group and Charity (Company) Balance Sheet, the Group Statement of Cash Flows, the Group Statement of Total Recognised Gains and Losses, 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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 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

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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on 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 2010 and of the Group's net outgoing resources 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

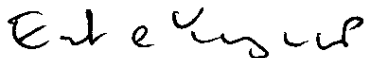
Independent auditors' report

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, 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



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

22 October 2010

Group statement of financial activities

for the year ended 31 January 2010

		<i>Total unrestricted funds 2010 £</i>	<i>Total unrestricted funds 2009 £</i>
	<i>Notes</i>		
Incoming resources			
Grant income	3	6,629	(4,853)
Bank interest		65,166	232,893
Other finance income		43,000	70,753
Gift Aid membership fees		2,182,877	2,120,774
Exceptional fixed asset revaluation		–	1,783,393
Activities for generating funds			
Commercial trading operations	3	3,033,901	3,026,284
Total incoming resources		5,331,573	7,229,244
Less cost of generating funds Commercial trading operations		(766,604)	(895,922)
Net incoming resources available for charitable application		4,564,969	6,333,322
Charitable expenditure			
Cost of operating trading subsidiary		(743,749)	(730,442)
Marketing, publicity and events		(157,501)	(186,170)
Management and administration		(3,931,823)	(4,025,215)
Support costs		(939,958)	(1,043,884)
Total charitable expenditure and resources expended	5	(5,773,031)	(5,985,711)
Trading subsidiary corporation tax	7	(84,992)	(19,705)
Net (outgoing)/incoming resources for the year	14	(1,293,054)	327,906
Total funds brought forward		36,751,880	36,829,244
Actuarial (losses) on pension scheme		(793,000)	(513,000)
Deferred tax thereon		166,530	107,730
Total funds carried forward	16	34,832,356	36,751,880

All incoming resources and resources expended derive from continuing activities

Group statement of total recognised gains and losses

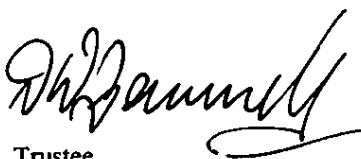
for the year ended 31 January 2010

	2010 £	2009 £
Net (outgoing)/incoming resources for the year	(1,293,054)	327,906
Actuarial (losses) recognised in the pension scheme	(793,000)	(513,000)
Deferred tax thereon	166,530	107,730
Total recognised gains and losses relating to the year	<u>(1,919,524)</u>	<u>(77,364)</u>

Group and charity balance sheets

at 31 January 2010

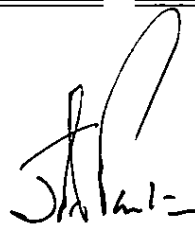
	Group	Group	Charity	Charity	
	Note	2010	2009	2010	2009
		£	£	£	£
Fixed assets					
Tangible assets	8	33,258,847	34,623,923	33,236,910	34,600,000
Investments	9	—	—	4	4
		<u>33,258,847</u>	<u>34,623,923</u>	<u>33,236,914</u>	<u>34,600,004</u>
Current assets					
Stock	10	218,864	250,088	—	—
Debtors	11	734,780	362,724	2,194,423	1,798,595
Cash at bank and in hand		4,294,351	4,376,841	3,940,099	4,012,579
		<u>5,247,995</u>	<u>4,989,653</u>	<u>6,134,522</u>	<u>5,811,174</u>
Creditors amounts falling due within one year	12	3,355,249	3,221,145	4,425,837	4,134,550
Net current assets		<u>1,806,473</u>	<u>1,712,417</u>	<u>1,708,685</u>	<u>1,676,624</u>
Total assets less current liabilities		<u>35,065,320</u>	<u>36,336,340</u>	<u>34,945,599</u>	<u>36,276,628</u>
Creditors amounts falling due after more than one year	13	228,224	—	228,224	—
Provisions for Liabilities					
Deferred Tax	7	86,273	56,091	—	—
Net Assets before pension (liability)/asset		<u>34,837,096</u>	<u>36,336,340</u>	<u>34,717,375</u>	<u>36,276,628</u>
Pension (liability)/asset - net of deferred tax		(4,740)	415,540	—	—
Net assets including pension (liability)/asset		<u>34,832,356</u>	<u>36,751,880</u>	<u>34,717,375</u>	<u>36,276,628</u>
Funds					
Unrestricted funds	16	34,832,356	36,751,880	34,717,375	36,276,628
Non-equity members' funds		<u>34,832,356</u>	<u>36,751,880</u>	<u>34,717,375</u>	<u>36,276,628</u>



Trustee

D W Gemmell OBE

22 October 2010



Trustee

J A Parkes CBE

22 October 2010

Group statement of cash flows

for the year ended 31 January 2010

	Note	2010 £	2009 £
Net cash Inflow from Operating Activities(Note 14)	14(a)	278,277	180,786
Taxation		-	-
Capital expenditure			
Purchase of tangible fixed assets		(360,767)	-
Financing			
Repayment of loan		-	-
Settlement of letter of credit		-	-
(Decrease)/increase in cash	14(b)	(82,490)	180,786

Reconciliation of net cash flow to movement in net funds

	Note	2010 £	2009 £
(Decrease)/increase net cash in the year	14(b)	(82,490)	180,786
Cash outflow from decrease in debt and lease financing		-	-
Movement in net debt in year		(82,490)	180,786
Net funds at 1 February		2,076,841	1,896,055
Net funds at 31 January	14(b)	1,994,351	2,076,841

Notes to the financial statements

at 31 January 2010

1. Accounting policies

Accounting convention

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 and depreciation

The company's buildings were revalued at the Balance Sheet date of 31 January 2009 by Sanderson Weatherall in accordance with the provisions of FRS 15. These assets will be depreciated over their remaining useful lives of 25 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 2010

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

The charge for taxation is based on the profit for the year of the subsidiary undertaking and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax 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 a 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.

Pension

The company/group participates in the Local Government Pension Scheme. Contributions are made to a separately administered 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 or 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 2010

3. Incoming resources

	2010 £	2009 £
Grant income		
Grant Income	6,629	(4,853)
	<u>6,629</u>	<u>(4,853)</u>

The grant income entries above are in relation to the company's work on an international collaborative project about corals

	2010 £	2009 £
Activities for generating funds		
Commercial trading operations	3,033,901	3,026,284
	<u>3,033,901</u>	<u>3,026,284</u>

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.

	2010 £	2009 £
Turnover	6,361,033	6,230,503
Cost of sales	(788,857)	(808,538)
Gross Profit	<u>5,572,176</u>	<u>5,421,965</u>
Administrative expenses	(5,268,069)	(5,419,027)
Bank interest receivable	3,986	14,913
Other finance income	43,000	70,000
Profit before taxation	<u>351,093</u>	<u>87,851</u>
Taxation	(84,992)	(19,705)
Profit retained for the financial year	<u>266,101</u>	<u>68,146</u>

Notes to the financial statements

at 31 January 2010

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

The assets and liabilities of the subsidiary were:

	2010 £	2009 £
Tangible fixed assets	21,936	23,923
Current assets	2,897,890	2,465,693
Creditors amounts falling due within one year	(2,800,200)	(2,429,901)
Net assets before pension asset	119,626	59,715
Pension (liability)/asset (net of deferred tax)	(4,740)	415,540
Net assets including pension liability	114,886	475,255
Aggregate share capital and reserves	114,886	475,255

5. Total resources expended

	2010 £	2009 £
Depreciation	1,725,843	1,829,426
Support costs	939,958	1,111,971
Marketing, publicity and events	157,501	186,170
Staff costs	1,954,698	1,967,841
Auditors' remuneration – audit services	15,450	15,000
– non-audit services	4,400	4,400
Other management and administration costs	231,432	140,461
Cost of operating subsidiary	743,749	730,442
	5,773,031	5,985,711

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

6. Staff costs

	2010 £	2009 £
Salaries	1,567,968	1,589,016
Employer National Insurance contributions	129,638	125,904
Employer Pension contributions	257,092	252,921
	1,954,698	1,967,841

Notes to the financial statements

at 31 January 2010

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

	2010 No	2009 No
£60,001 - £70,000	–	1
£70,001 - £80,000	1	–
£90,001 - £100,000	–	–
£100,001 - £110,000	–	1
£110,001 - £120,000	1	–

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

	2010 No	2009 No
Management	7	7
Administration	125	133
	132	140

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 (2009 – £nil)

Out of pocket expenses were reimbursed to trustees as follows

	No	2010 £	No	2009 £
Travel	10	88	8	70

7. Tax

(a) Tax on profit on ordinary activities of trading subsidiary

	2010 £	2009 £
<i>Current tax</i>		
Corporation tax	–	–
Total current tax (note 7(b))	–	–
<i>Deferred tax</i>		
Origination and reversal of timing differences	84,992	19,705
Tax on profit on ordinary activities	84,992	19,705

Notes to the financial statements

at 31 January 2010

7. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 21% (2009 – 21%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities of trading subsidiary	351,093	87,851
Profit on ordinary activities of trading subsidiary multiplied by the standard rate of corporation tax in the UK of 21% (2009 – 21%)	73,730	18,449
<i>Effects of</i>		
Expenses not deductible for tax purposes	11,263	1,256
Depreciation in excess of capital allowances	5,539	793
Gift aid payment to parent charity following the year end	21,636	(76,529)
Other timing differences	(112,168)	56,031
Total current tax (note 7(a))	–	–

(c) Factors affecting future tax charges

It is currently expected that the small companies rate for corporation tax will reduce to 20% from 1 April 2011

(d) Deferred tax liability

	2010 £	2009 £
Capital allowances in advance of depreciation	(21,975)	(16,436)
Other timing differences	108,248	72,527
Provision for deferred taxation (note 12)	86,273	56,091
Deferred tax recognised in the pension scheme (note 19)	(1,260)	110,460
	85,013	166,551
		£
At 1 February 2009		166,551
Profit and loss account movement arising during the year		84,992
Arising in the statement of total recognised gains and losses		(166,530)
At 31 January 2010		85,013

Notes to the financial statements

at 31 January 2010

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 2009	34,738,010	34,600,000
Additions	360,767	340,500
At 31 January 2010	35,098,777	34,940,500
Depreciation		
At 1 February 2009	114,087	—
Provided in the year	1,725,843	1,703,590
At 31 January 2010	1,839,930	1,703,590
Net book value		
At 31 January 2010	33,258,847	33,236,910
At 1 February 2009	34,623,923	34,600,000

The assets of the group were valued by Sanderson Weatheralls as at 31 January 2009, on the basis of depreciated replacement cost for The Deep Visitor Attraction (£31,500,000) and on the basis of open market value for The Deep Business Centre (£3,100,000) in accordance with The Appraisal and valuation standards (Fifth edition) ('The Red Book') prepared by the Royal Institution of Chartered Surveyors. The assets are being depreciated over a 25 year period. Current year additions are recorded at cost.

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

	<i>Group</i>	<i>Charity</i>
	<i>£</i>	<i>£</i>
Cost		
At 1 February 2009	45,022,475	44,884,465
Additions	360,767	340,500
At 31 January 2010	45,383,242	45,224,965
Depreciation		
At 1 February 2009	10,083,230	9,969,142
Charge	1,841,558	1,819,305
At 31 January 2010	11,924,788	11,788,447
Net book value		
At 31 January 2010	33,458,454	33,436,518
At 1 February 2009	34,939,245	34,915,323

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.

Notes to the financial statements

at 31 January 2010

9. Investments

Charity

Cost

At 1 February 2009 and 31 January 2010

£

4

Investments comprise the wholly owned subsidiary undertakings

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

10. Stocks

	<i>2010</i>	<i>Group 2009</i>	<i>2010</i>	<i>Charity 2009</i>
	£	£	£	£
Finished goods	218,864	250,088	–	–

11. Debtors

	<i>2010</i>	<i>Group 2009</i>	<i>2010</i>	<i>Charity 2009</i>
	£	£	£	£
Trade debtors	86,019	125,518	83	176
Other debtors	53,339	45,237	–	–
Prepayments and accrued income	595,422	191,969	394,969	144,215
Amounts owed by group undertakings	–	–	1,799,371	1,654,204
	734,780	362,724	2,194,423	1,798,595

12. Creditors: amounts falling due within one year

	<i>2010</i>	<i>Group 2009</i>	<i>2010</i>	<i>Charity 2009</i>
	£	£	£	£
Short term loan	2,300,000	2,300,000	2,300,000	2,300,000
Trade creditors	480,146	249,459	28,371	–
Accruals	123,022	241,335	112,322	220,215
Other creditors	415,257	409,995	–	–
Other taxes and social security	36,824	20,356	(1)	(18,675)
Amounts owed to group undertakings	–	–	1,985,145	1,633,010
	3,355,249	3,221,145	4,425,837	4,134,550

Notes to the financial statements

at 31 January 2010

12. Creditors: amounts falling due within one year (continued)

The short term loan relates to a cash flow loan repayable on 31 October 2010. This loan was repaid in full on 20 October 2010.

13. Creditor: amounts falling due after more than one year

	<i>Group</i>		<i>Charity</i>	
	2010	2009	2010	2009
	£	£	£	£
Mortgage on Property	228,244	–	228,224	–
	<u>228,224</u>	<u>–</u>	<u>228,224</u>	<u>–</u>

The mortgage on the property was paid in full on the 9 August 2010.

14. Notes to the statement of Cash Flows

a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>Note</i>	2010 £	2009 £
Net (decrease)/increase in resources for the year		(1,293,054)	327,906
Trading subsidiary taxation		84,992	19,705
(Decrease)/increase in stocks		31,224	(11,644)
(Decrease) in debtors		(372,056)	(46,269)
Increase in creditors(excluding deferred tax)		362,345	95,053
Depreciation		1,725,843	1,829,426
Revaluation of fixed assets		–	(1,783,391)
Movement in pension liability arising out of operations		(218,017)	(204,000)
Movement in pension liability arising out of other finance income		(43,000)	(70,000)
Past service costs		–	24,000
Net cash inflow from Operating Activities		<u>278,277</u>	<u>180,786</u>

b) Analysis of the movement in net debt

	<i>At</i> <i>1 February</i> <i>2009</i> £	<i>Cash</i> <i>flow</i> £	<i>At</i> <i>31 January</i> <i>2010</i> £
Cash at bank and in hand	4,376,841	(82,490)	4,294,351
Loans (note 12)			
Due within one year	(2,300,000)	–	(2,300,000)
Net Funds	<u>2,076,841</u>	<u>(82,490)</u>	<u>1,994,351</u>

Notes to the financial statements

at 31 January 2010

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 each.

16. Unrestricted funds of the charity

	<i>Group</i> <i>2010</i> £	<i>Group</i> <i>2009</i> £	<i>Charity</i> <i>2010</i> £	<i>Charity</i> <i>2009</i> £
At 1 February	36,751,880	36,829,244	36,276,628	36,010,824
Net incoming/(outgoing) resources for the year	(1,293,054)	327,906	(1,559,253)	265,804
Actuarial (losses)/gains recognised in the pension scheme	(793,000)	(513,000)	–	–
Deferred tax thereon	166,530	107,730	–	–
At 31 January	<u>34,832,356</u>	<u>36,751,880</u>	<u>34,717,375</u>	<u>36,276,628</u>

17. Contingent liability

Cash of £3,614,459 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. The special deposit account was released for unconditional use by the company on 14 July 2010.

18. Charitable status

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

19. 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

- Kingston Upon Hull City Council has agreed to provide cash flow loan facilities to the company of £2,900,000 (2009 – £2,900,000), which can be drawn down as required. £2,300,000 (2009 – £2,300,000) was outstanding at the year end, although the loan was repaid in full on 20 October 2010. Interest is charged at base rate plus one per cent on this facility.
- Councillor DW Gemmell OBE is an elected member of Kingston upon Hull City Council.

University of Hull

- During the period of the accounts, Professor D J Drewry was the Vice Chancellor of the University of Hull until 31 August 2009, a role which was then taken by Professor C W I Pistorius.
- On 19 October 2009, the Company purchased a building, in close proximity to The Deep visitor attraction for the use as a quarantine facility. The building was purchased in an arm's length transaction from the Bonus Electrical Directors' Pension Scheme. The building was purchased for a total cost of £340,500 based on an independent surveyor's valuation of the property. Trevor S E Boanas is a trustee of Bonus Electrical Directors' Pension Scheme. In compliance with the Companies Act 2006, the purchase received the prior approval of the Members of the Company at an Extraordinary General Meeting held on 24 July 2009. The Company repaid the loan in full to the Bonus Electrical Directors' Pension Scheme in August 2010.

Notes to the financial statements

at 31 January 2010

20. Pensions commitments

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 of these financial statements was £257,092 (2009 – £275,021), which included past service cost of £nil (2009 – £24,000). The estimated employer contributions for 2011 are approximately £224,000.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation as at 31 March 2007 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 2010. Scheme assets are stated at their market value at the respective balance sheet dates.

	2010 %	2009 %
Main assumptions		
Rate of increase in salaries	3.8	3.1
Rate of increase in pensions in payment	3.8	3.1
Discount rate	5.5	6.9
Inflation assumption	3.8	3.1
Post retirement mortality	Years	Years
Current pensioners at 65 – male	22.7	21.5
Current pensioners at 65 – female	26.1	24.4
Future pensioners at 65 – male	24.8	22.6
Future pensioners at 65 – female	28.3	25.5

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

	2010		2009	
	Long-term rate of return expected %	Value £000	Long-term rate of return expected %	Value £000
Equities	7.8	2,401	7.0	1,436
Bonds	5.0	296	5.4	224
Properties	5.8	119	4.9	93
Others	4.8	148	4.0	112
Total market value of assets		2,964		1,865
Present value of scheme liabilities		(2,970)		(1,339)
Net pension (liabilities)/assets		(6)		526
Deferred tax thereon		1		(110)
Pension (liability)/asset – net of deferred tax		(5)		416

Notes to the financial statements

at 31 January 2010

20. Pensions commitments (continued)

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

	2010 £000	2009 £000
Current service cost	45	62
Past service costs	—	24
Total operating charge	45	86
Other finance costs Expected return on pension scheme assets	139	165
Other finance costs Interest on pension scheme liabilities	(96)	(95)
Total other finance income	43	70
Actual return less expected return on pension scheme assets	644	(714)
Valuation adjustment to pension scheme assets	—	(7)
Gain arising from changes in assumptions underlying the present value of scheme liabilities	(1,437)	208
Actuarial gains and losses recognised in the statement of total recognised gains and losses	(793)	(513)
Analysis of movements in scheme surplus during the year		
At 1 April	526	789
Total operating charge	(45)	(86)
Total other finance income	43	70
Actuarial gains and losses recognised in the statement of total recognised gains and losses	(793)	(513)
Contributions	263	266
At 31 March	(6)	526

Notes to the financial statements

at 31 January 2010

20. Pensions commitments (continued)

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Fair value of scheme assets	2,964	1,865	2,098	1,888	1,527
Present value of defined benefit obligation	(2,970)	(1,339)	(1,309)	(1,416)	(1,343)
Net pension asset/(liability)	(6)	526	789	472	184
Experience adjustments arising on plan liabilities	–	–	(103)	–	182
Experience adjustments arising on plan assets	644	(714)	(177)	13	179

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.

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.