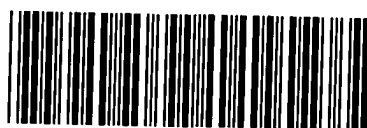


EMIH Limited

Report and Financial Statements

31 January 2017

THURSDAY



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COMPANIES HOUSE

Directors

D W Gemmell OBE
J A Parkes CBE
T S E Boanas
G Chesters
A J Hunt
A W Kirkman
S M Lockwood

Secretary

N G Porteus

Auditors

Ernst & Young LLP
24 Marina Court
Castle Street
Hull HU1 1TJ

Bankers

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

Solicitors

Rollits LLP
Citadel House
58 High Street
Hull HU1 1QE

Registered Office

The Deep
Kingston Upon Hull
HU1 4DP

Company Registered No. 3513218
Charity Registered No. 1073254

Strategic Report

The directors and the trustees of the charity present their strategic report for the year ended 31 January 2017.

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 exceeded its target and was able to attract more than 450,000 visitors and learners to The Deep, generating a net income from operating activities of £76,591 over the course of the year;
- the charity continued to maintain its facilities to a high standard; and
- 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:

	2017	2016	Change
	£	£	£
Total Revenue	6,887,510	6,746,628	2%
Less charitable expenditure, cost of raising funds and reinvestment expenditure (excluding depreciation for which capital grant reserves exist)	(6,810,919)	(6,335,541)	7%
Underlying net Profit for the year	<u>76,591</u>	<u>411,087</u>	<u>(81%)</u>

Whilst visitor numbers were slightly higher in 2017 than 2016, more resources were reinvested in the visitor attraction during 2016/17 (most notably in the refurbishment of the coral lagoon exhibit and electrical infrastructure) which accounts for the lower underlying net profit in 2017.

The group reserves of £30,611,874 (2016 – £33,258,138) at 31 January 2017 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.

Strategic report continued

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

Risk review

The directors have discussed the major risks to which the charity is exposed with the officer management team who have developed systems (and procured insurance) 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.

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 is the income from tenants of The Deep Business Centre. However, all tenants are subject to external credit checks as part of their lease negotiations 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. 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.

By order of the Board



N G Porteus
Secretary

22 September 2017

Registered No. 3513218

Directors' and trustees' report

The directors and the trustees of the charity (EMIH Ltd, Charity no. 1073254) present their report and financial statements for the year ended 31 January 2017.

The company transitioned to FRS102 (effective 1 January 2015) from previously extant UK GAAP as at 1 February 2014 and has prepared its financial statements under FRS102 and the Charities SORP (FRS102) (effective 1 January 2015).

Our purposes 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 £12.00 for an adult; £10.00 for a child; £11.00 for seniors and students; £39.50 for a family of four people; and £47.50 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, equates to an entry cost of c.3p 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 content.

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 2016/17 taught 31,000 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. The Deep operates an after-school science club which aims to engage with hard-to-reach learners – in the last 3 years it has welcomed over 2,000 students from some challenging neighbourhoods within Hull and the surrounding district who have benefited from this free resource. In 2016, The Deep delivered training for youth workers in the delivery of fun, accessible and engaging hands-on science, technology, engineering and maths (STEM) activities – this training was delivered in partnership with The Wellcome Trust and the British Science Association. The Deep spearheaded Hull's first Pint of Science festival in May 2016 which attracted over 700 members of the public – this was done in conjunction with the University of Hull, highlighting the conservation and research work being undertaken by both parties. The Deep offers over 50 work placements each year to Year 10 pupils and those studying marine biology and veterinary science. This year we have widened our programme to include those attending St Anne's Special School.

Marine Conservation Zones

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, establishing 'NetGain', the group charged with delivering the project locally. NetGain was the largest of the four UK projects, stretching from Scotland to the River Thames estuary. The Deep has supported Yorkshire Wildlife Trust's Living Seas campaign to encourage the implementation of marine reserves as provided for in the Marine Bill.

Directors' and trustees' report continued

Our purposes and activities for the public benefit (continued)

Breeding

The charity successfully breeds the following species:

- Bluespotted Ribbontail Rays. 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, Milk frogs and Golden Mantella. These species are reared from spawn laid by adults on display. Golden Mantella are critically endangered.
- Jellyfish. These delicate animals are very difficult to 'culture', although the charity has successfully accomplished this with a number of species. The Deep regularly donates jellyfish to aquariums around the UK.
- 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.
- The Deep holds the European Studbook for two species of sawfish shark.
- In addition, the Deep has been successful in breeding Zebra Sharks, Gentoo penguins, Bull Huss, Bamboo Sharks, Lump Suckers, Shiner Perch, Epaulette sharks, Blue Spot rays, Honeycomb Whiptail rays, Mottled stingrays, Orangespot Ocellate river stingray, Banggai Cardinals and Lake Zacapu Garter Snake.
- A number of terrestrial invertebrate species are displayed and bred at The Deep. This includes a number of challenging species such as Vinegaroons, Ferocious Beetle, Sunburst Diving Beetles, Emperor Scorpion and Mega Mantis which many others have had little success with.
- The Deep has successfully cultivated Tropical Sea Grass.
- The Deep is happy to support other suitable facilities by donating any captive-bred surplus stock.

Charity support

- The Deep supports a number of other charities such as the Marine Conservation Society, the Yorkshire Wildlife Trust, The Galapagos Conservation Trust and the Shark Trust. By working together on campaigns and events, The Deep provides a shop window for numerous other conservation efforts and can fundraise for them. Examples include collecting petitions for Marine Protected Areas (Living Seas Campaign, Your Seas Your Voice campaign, Message in a Bottle campaign and the Marine Reserves Now campaign), anti-finning legislation, running beach cleans on Hessle Foreshore as part of the Marine Conservation Society's Beachwatch Programme, Shark Trust egg case hunts and promoting local sustainable lobster fishers. The Deep has been able to support conservation and research projects in the Galapagos Islands and South Africa through its very successful 'Project Penguin' fundraising activities. Each year, The Deep donates free tickets to other relevant charities and good causes.

Research and conservation

The charity has been involved in a number of international 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. The Deep has supported their work by funding visitor information panels in the visitor centre there. New links are being formed with the Penguin research arm of the Galapagos trust.

Directors' and trustees' report continued

Our purposes activities for the public benefit (continued)

Research and conservation (continued)

- 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 worked 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 sponsored a Ranger for a year in the Atlantic Rainforest of Brazil in conjunction with BIAZA (the British & Irish Association of Zoos and Aquaria) and the World Land Trust. The project conserves and protects land and endangered species, provides employment to the local community to protect the reserve and to support the local community dealing with issues related to the environment and education programmes.
- 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.
- SECORE. The charity works with this collaborative research and conservation project alongside contributors from Europe and North America. The project looks at methods for rearing corals from gametes taken during spawning events with the view to re-seeding reefs in the future. The techniques can also be used to sustainably reproduce corals in captivity. The Deep takes part in field expeditions most years to a variety of locations such as Puerto Rico, Belize, Guam and Curacao.
- CORAL ZOO. An initiative designed to bring together both private sector, zoo and aquarium representatives in furthering the science of keeping reef building corals. Resulted in 2009 with the production of a comprehensive book of protocols in coral husbandry. This document standardises techniques throughout Europe to allow valuable data collected to be compared over institutions globally. The Deep was a key partner in the initiative, which was funded through the European Commission.
- Equip Cousteau. The Deep is the only aquarium in the world working with Equipe Cousteau on a major project to monitor Manta Rays in the Red Sea off the Sudanese coast. Using state of the art technology, the project involves satellite and acoustic tagging of Giant Manta Rays, allowing their movements to be monitored. Aquarists from The Deep have taken part in field work to deploy bottom monitors (as part of a global network) and tag the animals. The data gained will be used to inform a sustainable management plan for shark and ray populations in the area. 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 a 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.

Directors' and trustees' report continued

Our purposes and activities for the public benefit (continued)

Research and conservation (continued)

- Collaborative project with Bangor University, looking at the sustainable collection and rearing of larval fry from pelagic reef fish. This project, funded by the Welsh Government, involves the collection of eggs and fry from the Lagoon display at The Deep and the development of protocols for rearing.
- Sustainable venom extraction. In a joint project with Venomtech, a company specializing in venom extraction from invertebrates and preparing the venoms for use in medical research, The Deep has been helping to develop sustainable, ethical and humane methods to collect venom from Cnidarian animals for addition to Venom Discovery Arrays used to find cures for human and animal diseases.
- Sawfish Swabbing. Working with Manchester University, we have developed a method for the collection of DNA sampling for sawfish in a non-invasive manner without the need for restraint.
- Veterinary research. In conjunction with our contracted vet, The Deep carries out a wide range of novel and investigative veterinary research aimed at enhancing the welfare and health of the animals in its care. The work has involved the application of techniques and treatments from other animal taxa and has frequently involved the use of specialist skills and equipment. This approach is combined with a proactive veterinary regime designed to avoid health problems and enhance animal longevity. Cases where surgery has been required or extensive treatments have been required are recorded in detail, in particular anaesthesia and drug response. This kind of data is of real importance as there is significant species differences and very little data other than mammalian data. The Deep remains committed to furthering veterinary knowledge of marine animals in close collaboration with our contracted vet.
- International Union for Conservation of Nature (IUCN) Red Listing. The Deep has recruited an IUCN Marine Red List Officer to lead the way in a new collaborative project with the Marine Biodiversity Unit of the IUCN. This permanent post will help to achieve the IUCN's goal of assessing 20,000 marine species by 2020 for the Red List of Threatened Species. The Deep also part funds the post of Director of Strategic Partnerships of the Species Survival Commission of the IUCN, a key role facilitating collaborations throughout the world to improve conservation outcomes.
- In-house projects. In addition, The Deep has carried out a large number of in-house projects focusing on a range of topics from diet optimisation, nutrition, ground breaking veterinary care, environmental enhancement and captive reproduction of threatened or endangered species. The nature of these projects is continual proactive development in all aspects of animal health, breeding work, display development and life support systems.

Animal husbandry

The Deep constantly develops its animal husbandry, veterinary and welfare practices and, as a result, regularly publishes information and 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.

Re-homing of Custom seized and RSPCA seized animals. We work in conjunction with ZSL and the UK Border Agency CITES Team to re-home customs seized fish and invertebrates whenever required. We also work closely with the local RSPCA team helping providing advice and assistance with temporary care for animals involved in confiscations or long term assistance with rehoming.

Sustainable Foods. After extensive work with our food suppliers to help them develop a sustainable aquarium food range we now have traceability for the foods we purchase. This includes method of capture, location, season of capture.

Denitrification System. A system has been installed for the removal of nitrate within our main tank. This has been running successfully since January 2015.

Directors' and trustees' report continued

Our purposes for the public benefit (continued)

Students

The Deep has strong links with a number of colleges and universities. Each year, a number of MSc and BSc student projects are hosted at The Deep along with summer internships. During the year the Aquarist department also host around 20 week-long work placements for students over the age of 18.

Aquarium community

The Deep is a member of the British and Irish Association for Zoos and Aquariums (BIAZA) and the World Association of Zoos and Aquariums (WAZA). As members, The Deep is committed to maintaining the highest welfare standards for animals and worthwhile conservation outputs. The Deep has been recognised by BIAZA for its conservation work and breeding successes.

Big Fish Campaign. This BIAZA aquarium-led campaign has been driven by The Deep with the aim of encouraging the public to responsibly select fish for home aquariums. Every year hundreds of pet fish are offered to aquariums having 'out-grown' their tank. Working on an awareness-raising campaign, we aim to encourage the voluntary ban on certain species of fish being sold and to encourage people to research the fish they intend to buy to determine how large it will grow. A number of leading pet shops have joined the campaign along with a number of web based forums. The long term goal is to reduce the demand for certain larger species of fish coming into the pet industry whilst supporting the hobbyist industry with responsible fish keeping advice.

Shark Trust No Limits? Campaign. The Deep has been supporting the Shark Trust's 'No Limits?' campaign since 2014, encouraging the imposition of science-based catch limits.

Tansy Beetle Action Group. Tansy Beetles are only found along the banks of the River Ouse in North Yorkshire and is endangered across its range and is a UK Biodiversity Action Plan priority species. The Deep is a member of the Tansy Beetle Action Group which was set up in 2008 and which has identified the requirements for its survival and is now working together with BugLife, The University of York, the Environment Agency, the National Trust, North Yorkshire County Council and the City of York Council to manage the recovery of these populations.

North Eastern Inshore Fisheries & Conservation Authority (NEIFCA). The Deep has displayed materials for NEIFCA who work to protect the marine environment.

'One Less' campaign. The Deep is supporting the 'One Less' campaign that aims to reduce the use of single use plastic bottles. Four million tonnes of plastic is thought to enter the ocean each year and The Deep has removed single use water bottles from its shelves in favour of recycled cartons of water and refillable drinks bottles. Staff have also been issued with reusable water containers to reduce the use of single use drinks cups on site.

World Aquarium Against Marine Litter. The Deep is supporting the 'Our Ocean' campaign by creating an exhibit full of plastic litter to raise awareness to plastic pollution in the ocean. We are collaborating with more than 60 aquaria worldwide in this initiative.

The Deep has been represented on the BIAZA Council, the BIAZA Aquarium Working Group, the BIAZA Living Collections Committee, the European Union of Aquarium Curators focus group, the BIAZA Terrestrial Invertebrate Working Group, the BIAZA Welfare Auditing group, the BIAZA Nitrate Focus group, the BIAZA Membership & Licensing Committee, the BIAZA Welfare Auditing Group, the BIAZA Research Committee, the BIAZA Records Group and the BIAZA Animal Training Group and runs an EAZA monitoring programme for Epaulette Sharks and is the EAZA Studbook keeper for Sawfish Sharks.

Other

The Deep is committed to purchasing both its aquarium food and catering supplies as sustainably as possible. In addition, catering supplies are purchased locally wherever possible to reduce food miles. The Deep has hosted a sustainable 'Fish Fight' night in its Two Rivers Restaurant which raised awareness of alternative fish species not commonly bought which are in more plentiful supply.

Directors' and trustees' report continued

Our purposes for the public benefit (continued)

Other (Continued)

The Deep recognises that in order to champion sustainability and environmental responsiveness, we must take a lead role. We have made good progress especially where our plastic waste is concerned. A transition to 'vegware' compostable drinking cups and salad containers in our café means that all would be plastic waste is now composted back into the land within 12 weeks.

Our plans for future periods

The charity is committed to maintaining its facilities to a high standard and has committed to the refurbishment of its living coral exhibit which is due to be completed before the end of the 2017 calendar year.

Hull is the "UK City of Culture" in 2017, with The Deep having chosen to be a key partner which it aims to continue through the subsequent 'legacy' period.

The Deep is currently undertaking a detailed engineering review to help prioritise and direct the focus of its capital investment in its plant and machinery over the coming years.

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 (and varied on 23 September 2016) 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. The trustees have regard to the Charity Commission's Guidance for public benefit.

The directors consider the board of directors, who are the Trust's trustees, and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Trust on a day to day basis. All directors give of their time freely and no director received remuneration in the year. Details of directors' expenses and related party transactions are disclosed in notes 6 and 19 to the accounts.

The remuneration of staff is reviewed annually and normally increased for inflation. When a post becomes vacant, an assessment of whether the post needs to be re-filled on the same basis is undertaken; and any new roles are benchmarked against appropriate comparators.

Reserves policy statement

The charity takes a prudent approach in its budget planning, for example, being conservative each year in its income assumptions. Expenditure budgets are established each year that can be accommodated by the conservative income levels set, whilst also allowing for an appropriate level of capital reinvestment expenditure.

At each of their regular meetings, the trustees monitor the income and expenditure of the charity and the level of its reserves to ensure that the charity has sufficient funds to sustain its operations and to finance its

Directors' and trustees' report continued

future development plans. Prompt remedial action would be taken if the trustees were concerned about any aspect of the finances of the charity.

Reserves policy statement (continued)

At any one time, the charity's reserves consist of capital grants received for the construction of The Deep Visitor Attraction and The Deep Business Centre, plus the accumulated operational surpluses of the charity. Expenditure on the construction of The Deep Visitor Attraction and The Deep Business Centre was capitalised and is being amortised over the useful lives of the buildings. The trustees aim to ensure that reserves should be maintained at a level to cover the amortisation of these assets, plus an additional amount to provide working capital for the organisation, with this being an amount that would cover at least the next three months' worth of its forecast expenditure.

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 had been stable for many years, with a significant uplift experienced in 2014/15 following the introduction of a new penguin display. Attendances in 2015/16 were up on the pre-penguin level – as they were in 2016/17 – with the penguin display having had a positive ongoing impact on attendances. Occupancy of The Deep Business Centre has also remained healthy, making a positive contribution of £164,445 to the underlying net profit of the group for the year. 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.

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, Mr Alan W Kirkman and Ms Susan M Lockwood.

Political and charitable contributions

As a charity, the company is forbidden from making political donations. The company made charitable donations (from monies fundraised) of £43,289 (2016 – £22,853) during the year.

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 plus' scheme.

Directors' and trustees' report continued

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 and 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.

Key Management Personnel - Directors

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

D W Gemmell OBE – Chair
J A Parkes CBE – Vice Chair
T S E Boanas
G Chesters
A J Hunt
J Cook (deceased 17 August 2017)
A W Kirkman
S M Lockwood

All directors are also trustees of the charity.

Other key management personnel

Chief Executive – C C Duke (from 14 April 2017) – C C Brown up until 7 April 2017
Deputy Chief Executive, Finance Director & Company Secretary – N G Porteus
Director of Operations & People – J L Kirby
Curator – B Jones
Business Centre & Corporate Manager – F G Cross
Head of Education – S J Hornby
Marketing Manager – R Leach

Related parties

Transactions with related parties are disclosed in note 19.

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.

Directors' and trustees' report continued

Auditors

In accordance with s485 of the Companies Act 2016, 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



N G Porteus
Secretary

22 September 2017

Statement of directors' and trustees' responsibilities

The directors/charity trustees are responsible for preparing the Strategic Report, 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate 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 the 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 2017 which comprise the Group Statement of Financial Activities, the Group Statement of Comprehensive Income, the Group and Charity/(Company) Statement of Changes in Equity, the Group and Charity/Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 20. 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 auditors' 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 Trustees' Responsibilities Statement set out on page 14, the trustees (who are also the directors of the charitable company for the 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 Strategic and Directors' Reports to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Charity/(Company)'s affairs as at 31 January 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

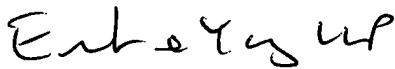
Independent auditors' report continued

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 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 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
22 September 2017

Group Statement of Financial Activities (including group income and expenditure account)

for the year ended 31 January 2017

		<i>Total unrestricted funds</i>	
		<i>2017</i>	<i>2016</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Income from:			
Donations and legacies		4,551	16,810
Charitable Activities			
Admissions and education income		1,298,076	1,293,213
Gift Aid membership fees	3	2,502,658	2,424,771
Other Trading Activities			
Retail		1,022,607	882,053
Catering		800,511	766,996
Other corporate income		526,639	671,742
Rental income and related services		696,104	687,942
Finance Activities			
Net interest income on pension scheme		28,000	(3,000)
Bank interest		8,364	6,101
Total income		<u>6,887,510</u>	<u>6,746,628</u>
Expenditure on:			
Cost of raising funds			
Commercial trading operations		(2,204,615)	(2,081,070)
Expenditure on charitable activities			
Cost of operating visitor attraction		(3,212,445)	(2,897,113)
Depreciation	8	(2,065,795)	(1,960,621)
Marketing, publicity and events		(411,026)	(379,663)
Management and administration		(962,130)	(948,922)
Governance costs	5	(42,577)	(37,848)
Total charitable expenditure		<u>(8,898,588)</u>	<u>(8,305,237)</u>
Trading subsidiary corporation tax	7(a)	21,874	9,075
Net loss for the year		<u>(1,989,204)</u>	<u>(1,549,534)</u>

All amounts relate to continuing activities.

Group statement of comprehensive income

for the year ended 31 January 2017

	2017 £	2016 £
Net loss for the year	(1,989,204)	(1,549,534)
Actuarial expense recognised in the pension scheme	(789,000)	920,000
Deferred tax thereon	131,940	(188,380)
Total comprehensive loss for the year	(2,646,264)	(817,914)

Group Statement of Change in Equity

for the year ended 31 January 2017

	Notes	Called up share capital £	Profit & loss account £	Total equity £
At 31 January 2015	15	-	34,076,052	34,076,052
Loss for the financial year		-	(1,549,534)	(1,549,534)
Other comprehensive income		-	731,620	731,620
Total comprehensive income for the year		-	(817,914)	(817,914)
At 1 February 2016	15	-	33,258,138	33,258,138
Loss for the financial year		-	(1,989,204)	(1,989,204)
Other comprehensive income		-	(657,060)	(657,060)
Total comprehensive income for the year		-	(2,646,264)	(2,646,264)
At 31 January 2017	15	-	30,611,874	30,611,874

Charity/(Company) Statement of Change in Equity

for the year ended 31 January 2017

	Notes	Called up share capital £	Profit & Loss Account £	Total Equity £
At 31 January 2015	15	-	33,712,932	33,712,932
Loss for the financial year		-	(1,705,489)	(1,705,489)
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	(1,705,489)	(1,705,489)
At 1 February 2016	15	-	32,007,443	32,007,443
Loss for the financial year			(1,989,982)	(1,989,982)
Other comprehensive income			-	-
Total comprehensive income for the year			(1,989,982)	(1,989,982)
At 31 January 2017	15		30,017,461	30,017,461

Group statement of financial position

at 31 January 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	8	29,262,318	30,934,386
Investments	9	-	-
		<u>29,262,318</u>	<u>30,934,386</u>
Current assets			
Stocks	10	208,472	202,936
Debtors	11	433,444	739,765
Cash at bank and in hand		<u>1,776,128</u>	<u>2,034,437</u>
		2,418,044	2,977,138
Creditors: amounts falling due within one year	12	<u>(897,421)</u>	<u>(1,081,505)</u>
Net current assets		<u>1,520,623</u>	<u>1,895,633</u>
Total assets less current liabilities		30,782,941	32,830,019
Provisions for liabilities			
Deferred taxation	7(d)	<u>(194,067)</u>	<u>(347,881)</u>
Net assets before pension asset		30,588,874	32,482,138
Pension asset		23,000	776,000
Net assets including pension asset		<u>30,611,874</u>	<u>33,258,138</u>
Funds assets			
Unrestricted income funds	15	<u>30,611,874</u>	<u>33,258,138</u>
Non-equity members' funds		<u>30,611,874</u>	<u>33,258,138</u>

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf by:



D W Gemmell OBE
Chairman
22 September 2017

Charity/(company) statement of financial position

at 31 January 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	8	29,262,318	30,931,846
Investments	9	4	4
		<u>29,262,322</u>	<u>30,931,850</u>
Current assets			
Stocks	10	-	-
Debtors	11	1,975,780	2,617,817
Cash at bank and in hand		<u>1,409,703</u>	<u>1,402,665</u>
		3,385,483	4,020,482
Creditors: amounts falling due within one year	12	<u>(2,630,344)</u>	<u>(2,944,889)</u>
Net current assets		<u>755,139</u>	<u>1,075,593</u>
Total assets less current liabilities		<u>30,017,461</u>	<u>32,007,443</u>
Provisions for liabilities			
Deferred taxation	7(d)	-	-
Net assets before pension asset		<u>30,017,461</u>	<u>32,007,443</u>
Pension asset		-	-
Net assets including pension asset		<u>30,017,461</u>	<u>32,007,443</u>
Funds asset			
Unrestricted income funds	15	<u>30,017,461</u>	<u>32,007,443</u>
Non-equity members' funds		<u>30,017,461</u>	<u>32,007,443</u>



D W Gemmell OBE
Chairman
22 September 2017

Group statement of cash flows

for the year ended 31 January 2017

	Notes	2017 £	2016 £
Net cash inflow from operating activities	13(a)	127,054	253,923
Investing activities			
Purchase of tangible fixed assets		(393,727)	(401,289)
Interest received		8,364	6,101
Financing activities			
Interest paid		-	-
Decrease in cash	13(b)	<u>(258,309)</u>	<u>(141,265)</u>
Total cash and cash equivalents at 1 February		<u>2,034,437</u>	<u>2,175,702</u>
Total cash and cash equivalents at 31 January	13 (b)	<u>1,776,128</u>	<u>2,034,437</u>

Notes to the financial statements

at 31 January 2017

1. Accounting policies

Statement of compliance

EMIH Limited is a limited liability company incorporated in England and a Registered Charity. The Registered Office is The Deep, Kingston upon Hull, HU1 4DP. The Group's financial statements have been prepared in compliance with FRS 102 (effective 1 January 2015) and the Charities SORP (FRS102) (effective 1 January 2015) as it applies to the financial statements of the Group for the year ended 31 January 2017. The Group transitioned from previously extant UK GAAP to FRS 102 as at 1 February 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 21.

Basis of preparation and change in accounting policy

The financial statements of EMIH Limited were authorised for issue by the Board of Directors on 22 September 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The judgements (apart from those involving estimates) that have had the most significant effect on amounts recognised in the financial statements are the actuarial assumptions supporting the valuation of the Group's defined benefit pension scheme.

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 Income Statement, 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, although the income and expenditure of the charity is detailed in note 3 to the accounts.

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.

Tangible fixed assets

All fixed assets are initially recorded at cost.

The company's buildings were revalued at the balance sheet date of 31 January 2015 by Sanderson Weatherall in accordance with the provisions of FRS 102. External revaluations are completed for the company's buildings every 3 years. These assets are being depreciated over a remaining useful life of 17 years from the date of the revaluation.

Equipment is depreciated over 1 - 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 2017

1. Accounting policies (continued)

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.

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 which are differences between taxable profits and total comprehensive income arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis 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 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 comprehensive income in the year, together with differences from changes in assumptions. The net asset/(liability) of the defined benefit scheme is reported on the balance sheet within the pension asset/(liability).

Notes to the financial statements

at 31 January 2017

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.

3. Financial performance of the charity

This is the income and expenditure of the charity, the parent and main entity within the group.

	2017	2016
	£	£
Gift aid membership fees	2,502,658	2,796,851
Gift aid from subsidiary company	1,239,653	1,008,093
Grant Income & Donations	-	-
Other trading activities	127,422	10,416
Rental income	5,905	4,657
Income	3,875,638	3,820,017
Cost of operating visitor attraction	(3,789,103)	(3,556,784)
Depreciation	(2,063,255)	(1,957,791)
Administration	(13,262)	(10,931)
Exceptional item - revaluation	-	-
Net loss	<u>(1,989,982)</u>	<u>(1,705,489)</u>
Charity funds brought forward - unrestricted	<u>32,007,443</u>	<u>33,712,932</u>
Charity funds carried forward - unrestricted	<u>30,017,461</u>	<u>32,007,443</u>

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.

Notes to the financial statements

at 31 January 2017

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

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:

	2017 £	2016 £
Turnover	8,403,221	7,870,845
Cost of sales	(1,030,783)	(1,038,325)
Gross profit	7,372,438	6,832,520
Administrative expenses & depreciation	(7,423,994)	(6,686,129)
Bank interest receivable	2,458	1,624
Other finance expenses	28,000	(3,000)
Loss before taxation	(21,098)	145,015
Tax	21,874	9,075
Profit for the financial year	776	154,090
Profit for the financial year	776	154,090
Remeasurement gain/(loss) recognised on defined benefit pension scheme	(789,000)	920,000
Movement on deferred tax relating to pension scheme	131,940	(188,380)
Total comprehensive loss in the year	(656,284)	885,710

Turnover includes donations of £4,152,155 (2016: £3,924,767) from the Charity EMIH Limited for services provided to the Charity. In addition, £1,239,653 (2016: £1,008,093) was Gift aided to the Charity during the year.

The assets and liabilities of the subsidiary were:

	2017 £	2016 £
Tangible fixed assets	-	2,540
Current assets	3,572,053	4,102,901
Creditors: amounts falling due within one year	(2,806,571)	(3,282,861)
Provisions for liabilities and charges – deferred tax	(194,067)	(347,881)
Net assets before pension asset	571,415	474,699
Pensions asset	23,000	776,000
Net assets including pension asset	594,415	1,250,699
Aggregate share capital and reserves	594,415	1,250,699

Notes to the financial statements

at 31 January 2017

5. Charitable expenditure includes

	2017 £	2016 £
Governance costs:		
Legal costs	13,777	6,098
Auditors' remuneration – audit services	20,000	18,500
Auditors' remuneration – other assurance services	-	5,000
– taxation services	8,800	8,250
	<u>42,577</u>	<u>37,848</u>
Depreciation	2,065,795	1,960,621
Directors remuneration	-	-
Staff costs	<u>3,013,008</u>	<u>2,929,743</u>

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

6. Staff costs

	2017 £	2016 £
Salaries	2,535,966	2,488,517
Employer national insurance contributions	185,531	165,324
Employer pension contributions	291,511	275,902
	<u>3,013,008</u>	<u>2,929,743</u>

An interest-free Assisted Car Purchase Scheme exists for Key Management Personnel. Under HM Revenue & Custom rules, there was an assumed taxable benefit of the interest foregone for the employees that took benefit of this scheme of £338 (2016: £1,026) on which the group paid £47 (2016: £142) of employers national insurance.

The number of employees whose remuneration as defined for taxation purposes amounted to over £60,000 (2016 – £60,000) in the year was as follows:

	2017 No.	2016 No.
£60,001 – £70,000	-	-
£70,001 – £80,000	1	-
£80,001 – £90,000	-	1
£90,001 – £100,000	-	-
£100,001 – £110,000	-	-
£110,001 – £120,000	-	-
£120,001 – £130,000	1	-
£130,001 – £140,000	-	1

Notes to the financial statements

at 31 January 2017

6. Staff costs (continued)

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

	2017	2016
	No.	No.
Management	7	6
Administration	151	143
	<u>158</u>	<u>149</u>

None of the directors received any remuneration from the company during the current year or previous year. The trustees neither received nor waived any remuneration during the year, nor were reimbursed for any out of pocket expenses (2016 – £nil).

7. Tax

(a) Tax on ordinary activities

The tax charge is made up as follows:

	2017	2016
	£	£
Current tax:		
UK corporation tax for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	(420)	(43,033)
Effect of changes in tax rates	<u>(21,454)</u>	<u>33,958</u>
Total deferred tax:	<u>(21,874)</u>	<u>(9,075)</u>
Tax credit on ordinary activities	<u>(21,874)</u>	<u>(9,075)</u>

(b) Tax included in the statement of other comprehensive income

The tax credit is made up as follows:

	2017	2016
	£	£
Deferred tax:		
Actuarial loss on pension scheme	(131,940)	188,380
Total deferred tax:	<u>(131,940)</u>	<u>188,380</u>

(c) Factors affecting total tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2016 – 20%). The differences are explained below:

Notes to the financial statements

at 31 January 2017

7. Tax (continued)

	2017	2016
	£	£
Loss on ordinary activities before tax	(21,098)	145,015
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 – 20%)	(4,220)	29,003
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,800	4,955
Tax rate changes	(21,454)	(43,033)
Total tax credit for the year	(21,874)	(9,075)

Factors that may affect future tax charges - change in Corporation tax rate:

The Finance (No.2) Act 2015 obtained Royal Assent on 18 November 2015 and enacted a reduction in the UK corporation tax rate from 20% to 19% effective 1 April 2017 and a further reduction to 18% effective 1 April 2020.

The Finance Act 2016 obtained Royal Assent on 15 September 2016 and determined that the tax rate effective from 1 April 2020 would, in fact, be 17%.

Deferred tax has therefore been provided at 17% being the rate substantively enacted at the balance sheet date and at which the temporary differences are expected to reverse.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2017	2016
	£	£
Capital allowances in advance of depreciation	(8,795)	(10,900)
Other timing differences	202,862	358,781
Included in provisions for liabilities and charges	194,067	347,881

	£
At 1 February 2016	347,881
Profit and loss account movement for the year	(21,874)
Amount charged to statement of comprehensive income	(131,940)
At 31 January 2017	194,067

Notes to the financial statements

at 31 January 2017

8. Tangible fixed assets

Group

	<i>Visitor attraction and business centre</i> £	<i>Total</i> £
Cost or Valuation		
At 1 February 2016	33,179,937	33,179,937
Transfer	-	-
Additions	393,727	393,727
Revaluation	-	-
Disposals	-	-
At 31 January 2017	<u>33,573,664</u>	<u>33,573,664</u>
Depreciation:		
At 1 February 2016	2,245,551	2,245,551
Provided in the year	2,065,795	2,065,795
Revaluation	-	-
Disposals	-	-
At 31 January 2017	<u>4,311,346</u>	<u>4,311,346</u>
Net book value:	<u>29,262,318</u>	<u>29,262,318</u>
At 31 January 2017	<u>29,262,318</u>	<u>29,262,318</u>
At 1 February 2016	<u>30,934,386</u>	<u>30,934,386</u>

The assets of the group were valued by Sanderson Weatheralls at 31 January 2015, on the basis of depreciated replacement cost for The Deep Visitor Attraction (£30,000,000) and on the basis of open market value for The Deep Business Centre (£2,250,000) 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 remaining useful life of 17 years from the date of the revaluation. Current year additions are recorded at cost.

Notes to the financial statements

at 31 January 2017

8. Tangible fixed assets (continued)

Charity/(Company)

	Visitor attraction and business centre £	Total £
Cost or Valuation		
At 1 February 2016	32,991,789	32,991,789
Transfer	-	-
Additions	393,727	393,727
Revaluation	-	-
Disposals	-	-
At 31 January 2017	33,385,516	33,385,516
Depreciation:		
At 1 February 2016	2,059,943	2,059,943
Provided in the year	2,063,255	2,063,255
Revaluation	-	-
Disposals	-	-
At 31 January 2017	4,123,198	4,123,198
Net book value:	29,262,318	29,262,318
At 31 January 2017	29,262,318	29,262,318
At 1 February 2016	30,931,846	30,931,846

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

	Group £	Charity £
Cost:		
At 1 February 2016	46,371,633	46,183,485
Additions	393,727	393,727
Disposals	-	-
At 31 January 2017	46,765,360	46,577,212
Depreciation:		
At 1 February 2016	23,028,373	22,842,765
Charge	2,009,279	2,006,739
Disposals	-	-
At 31 January 2017	25,037,652	24,849,504

Notes to the financial statements

at 31 January 2017

8. Tangible fixed assets (continued)

	<i>Group</i> £	<i>Charity</i> £
Net book value:		
At 31 January 2017	<u>21,727,708</u>	<u>21,727,708</u>
At 1 February 2016	<u>23,343,260</u>	<u>23,340,720</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 2016 and 31 January 2017	<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>
Subsidiary undertakings			
Running Deep Limited (Registered No. 03606689)	Ordinary	100%	Tourism
Deep Developments Limited (Registered No. 03606659)	Ordinary	100%	Dormant

10. Stocks

	<i>Group</i> 2017 £	<i>Group</i> 2016 £	<i>Charity</i> 2017 £	<i>Charity</i> 2016 £
Finished goods	<u>208,472</u>	<u>202,936</u>	-	-

11. Debtors

	<i>Group</i> 2017 £	<i>Group</i> 2016 £	<i>Charity</i> 2017 £	<i>Charity</i> 2016 £
Trade debtors	109,343	112,476	-	-
Other debtors	182,283	79,812	-	-
Prepayments and accrued income	141,818	547,477	50,505	380,336
Amounts owed by group undertakings	-	-	1,925,275	2,237,481
	<u>433,444</u>	<u>739,765</u>	<u>1,975,780</u>	<u>2,617,817</u>

Notes to the financial statements

at 31 January 2017

12. Creditors: amounts falling due within one year

	2017	Group 2016	2017	Charity 2016
	£	£	£	£
Trade creditors	373,129	442,558	-	-
Accruals	77,666	94,786	16,124	36,125
Other creditors	405,511	426,063	-	-
Other taxes and social security costs	41,115	118,098	-	-
Amounts owed to group undertakings	-	-	2,614,220	2,908,764
	<u>897,421</u>	<u>1,081,505</u>	<u>2,630,344</u>	<u>2,944,889</u>

13. Notes to the statement of cash flows

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

	2017 £	2016 £
Net loss for the year	(1,989,204)	(1,549,534)
Trading subsidiary taxation	(21,874)	(9,075)
Interest paid	(8,364)	(6,101)
Increase in stocks	(5,536)	17,975
Decrease in debtors	306,321	(897,396)
Decrease in creditors (excluding deferred tax)	(184,084)	666,433
Depreciation	2,065,795	1,960,621
Revaluation of fixed assets	-	-
Movement in pension asset/(liability) arising out of operations	(8,000)	68,000
Movement in pension asset/(liability) arising out of other finance income	(28,000)	3,000
Net cash inflow from operating activities	<u>127,054</u>	<u>253,923</u>

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 1 February 2016 £	Cash flow £	At 31 January 2017 £
Group			
Net cash – cash at bank	<u>2,034,437</u>	<u>(258,309)</u>	<u>1,776,128</u>
Charity/Company	At 1 February 2016 £	Cash flow £	At 31 January 2017 £
Net cash – cash at bank	<u>1,402,665</u>	<u>7,038</u>	<u>1,409,703</u>

Notes to the financial statements

at 31 January 2017

14. 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.

15. Unrestricted funds of the charity

	<i>Group</i>		<i>Charity</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 February	33,258,138	34,076,052	32,007,443	33,712,932
Net loss for the year	(1,989,204)	(1,549,534)	(1,989,982))	(1,705,489)
Actuarial gain/(losses) recognised in the pension scheme	(789,000)	920,000	-	-
Deferred tax thereon	131,940	(188,380)	-	-
At 31 January	<u>30,611,874</u>	<u>33,258,138</u>	<u>30,017,461</u>	<u>32,007,443</u>

16. Charitable status

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

17. Pensions

Running Deep 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 12.5% of pensionable pay with The Deep augmenting this with an employer contribution of 22.8% of an employee's pensionable pay.

The pension cost for the year of these financial statements was £289,000 (2016 – £348,000), which included past service cost of £nil (2016 – £nil).

The valuation used for FRS 102 disclosures has been based on the most recent actuarial valuation as at 31 March 2016 and updated by Hymans Robertson to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 March 2017.

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 2017

17. Pensions (continued)

	2017 %	2016 %
Main assumptions:		
Rate of increase in salaries	2.6	3.2
Rate of increase in pensions in payment	2.4	2.2
Discount rate	2.7	3.6
<i>Post retirement mortality</i>	<i>Years</i>	<i>Years</i>
Current pensioners at 65 – male	21.7	21.9
Current pensioners at 65 – female	24.2	24.1
Future pensioners at 65 – male	23.7	24.2
Future pensioners at 65 – female	26.4	26.7

The assets and liabilities of the scheme included in the balance sheet are as follows:

	2017 <i>Value</i> £000	2016 <i>Value</i> £000
Equities	6,275	4,864
Bonds	826	649
Properties	908	778
Others	247	195
Fair value of scheme assets	8,256	6,486
Present value of scheme liabilities	(8,233)	(5,710)
Net pension assets	23	776

Scheme assets are stated at their market value at the respective balance sheet dates.

Notes to the financial statements

at 31 January 2017

17. Pensions (continued)

The amounts recognised in the profit and loss account and in the statement of other comprehensive income for the year are analysed as follows:

Recognised in profit and loss account	2017 £000	2016 £000
Current service cost	289	348
Past service costs	-	-
Total operating costs	289	348
Other finance income: Interest on pension scheme liabilities	28	(3)
Total other finance income	28	(3)

Recognised in other comprehensive income	2017 £000	2016 £000
Return on assets excluding amounts included in net interest	1,165	(135)
Changes in demographic assumptions	129	-
Other experience changes	(394)	46
Changes in financial assumptions	(1,689)	1,009
Re-measurement gains and losses recognised in other comprehensive income	(789)	920

Changes in the present value of the defined benefit obligation:

	2017 £000	2016 £000
At 1 April	5,710	6,135
Current service cost	289	348
Interest cost	212	209
Contributions by members	86	81
Actuarial (gains) and losses	1,954	(1,055)
Benefits paid	(18)	(8)
At 31 March	8,233	5,710

Changes in the fair value of plan assets:

	2017 £000	2016 £000
At 1 April	6,486	6,062
Actual return on plan assets	1,405	71
Contributions by members	86	81
Contributions by employer	297	280
Benefits paid	(18)	(8)
At 31 March	8,256	6,486

Notes to the financial statements

at 31 January 2017

17. Pensions (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumption at 31 March 2016	Approximate % increase to employer liability	Approximate monetary amount
0.5% decrease in real discount rate	14%	£1,145,000
0.5% increase in salary increase rate	3%	£287,000
0.5% increase in the pension increase rate	10%	£835,000

18. Contingent liabilities

Cash of £14,271 (2016 – £36,224) 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.

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:

- Up until May 2014, DW Gemmell OBE was an elected member of Kingston upon Hull City Council
- As the local authority responsible for the area in which the company operates, the company has some transactions with Kingston upon Hull City Council. The total value of non-statutory services purchased from Kingston upon Hull City Council in the year was £16,347.

University of Hull:

- Professor CWI Pistorius was the Vice Chancellor of the University of Hull; Dr J Cook was the Director of Commercial Research of the University of Hull; and Professor G Chesters has links to the University of Hull.
- The University of Hull rents a laboratory in The Deep Visitor Attraction and hires The Deep for corporate functions. £51,038 of goods and services were purchased by the University from The Deep in the year, of which £6 was outstanding at the year-end.

Bonus Electrical Group:

- Trevor S E Boanas is a director of the Bonus Electrical Group. Total transactions with the Bonus Electrical Group amounted to purchases of £75,092, of which £0 was in the creditors' ledger at the year-end.

Freedom Festival Arts Trust:

- Professor G Chesters and Mr N G Porteus are both trustees of the Freedom Festival Arts Trust. During the year, the company purchased £275 of services.

Sirius Academy Multi-Academy Trust

- Mr N G Porteus is a Member, Trustee and Chair of the Sirius Academy Multi-Academy Trust. During the year, Sirius Academy purchased educational services from The Deep to the value of £313.

Notes to the financial statements

at 31 January 2017

20. 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.