REGISTRAR

EMIH Limited

Report and Financial Statements

31 January 2004

ERNST & YOUNG

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COMPANIES HOUSE 27/11/04

Registered No: 3513218

Charity No: 1073254

Directors

Councillor David W Gemmell - Chairman
John A Parkes CBE - Vice Chairman
Trevor S E Boanas (appointed 10 September 2004)
John F Brignall
Professor Graham Chesters
Professor Peter Ekkehard Kopp
Anthony J Hunt
Michael R Killoran

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
Wilberforce Court
High Street
Hull
HU1 1YJ

Registered Office

The Deep
Kingston Upon Hull
HU1 4DP

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Directors' and trustees' report

The directors and the trustees of the charity present their report and the audited accounts for the year ended 31 January 2004.

Principal activities and review of the business

The main objects of the company and charity are the advancement of 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 Hull a submarium and an international centre of excellence for education, learning and research into the marine environment.

Activity during the year was in line with the principal activities of the group and charity.

Results and dividends

During the year, the company received income of £5,833,978 which is reflected in the Statement of Financial Activities. £4,984,921 of expenditure (excluding depreciation of £1,390,820) is also reflected in the Statement of Financial Activities, giving an operational surplus for the year of £849,057. The group reserves of £33,469,705 as at 1 February 2003 consist of primarily capital grants received for the construction of The Deep Visitor Attraction and The Deep Business Centre, expenditure on which has been capitalised and will be amortised over the useful life of the associated assets (ie over 25 years from 1 February 2003). Utilising the operational surplus of £849,057 for the year, the annual depreciation charge of £1,390,820 necessitates using only £541,763 of the reserves and hence the closing reserve levels for the year are higher than was planned at £32,927,942 and the group's financial position is healthy. Accordingly, the Statement of Financial Activities shows a net reduction in funds of £541,763 (2003 - a net increase in funds of £359,787). Also, direct project expenditure of £547,187 has been capitalised (2003 - £5,312,314).

The company's Memorandum and Articles of Association do not permit the payment of dividends.

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 and is also registered as a charity (number 1073254).

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.

Members

The members of the company are Kingston upon Hull City Council (corporate member), The University of Hull (corporate member) and four of the serving directors: Professor Peter Ekkehard Kopp, Professor Graham Chesters, John F Brignall and Michael R Killoran.

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Directors' and trustees' report

Directors and their interests

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

Councillor David W Gemmell
John A Parkes CBE
John F Brignall
Professor Graham Chesters
Professor Peter Ekkehard Kopp
Anthony J Hunt
Michael R Killoran

In addition, Mr Trevor S E Boanas was appointed as director on 10 September 2004.

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 requiring disclosure under the Companies Act 1985.

Related parties

Transactions with related parties are disclosed in note 20.

Political and charitable contributions

The company made charitable donations of £2,811 (2003 - £18,960) 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 £32,927,942 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 (ie 25 years from 1 February 2003). Accordingly, reserves of this level need to be held to cover the amortisation of the initial £34,750,000 of fixed assets that were constructed using the capital grants received.

Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the charity and the surplus or deficit of the charity for that year. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

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Directors' and trustees' report

Statement of directors' responsibilities in respect of the accounts (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity, and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

N G Porteus
Secretary

12 November 2004

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Independent auditors' report

to the members of EMIH Limited

We have audited the group's financial statements for the year ended 31 January 2004 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheets, Statement of Cashflows, Statement of Total Recognised Gains and Losses and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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Independent auditors' report

to the members of EMIH Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charity and of the group as at 31 January 2004 and of its incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Hull

12 November 2004

Consolidated statement of financial activities

for the year ended 31 January 2004

	Notes	Total unrestricted funds 2004 £	Total unrestricted funds 2003 £
Incoming resources			
Grant income	3	251,821	3,195,598
Bank interest		470,913	380,675
Private donations	3	1,620	23,247
Gift Aid donations		-	25,676
Gift Aid membership fees		2,288,537	1,001,919
Activities for generating funds:			
Commercial trading operations	3	2,821,087	4,120,914
Total incoming resources		5,833,978	8,748,029
Less cost of generating funds:			
Commercial trading operations		(896,516)	(1,062,626)
Net incoming resources available for charitable application		4,937,462	7,685,403
Charitable expenditure			
Cost of operating trading subsidiary	5	(779,418)	(459,015)
Marketing, publicity and events	5	(281,566)	(86,656)
Management and administration	5	(3,084,694)	(5,510,883)
Support costs	5	(1,341,601)	(1,272,574)
Total charitable expenditure		(5,487,279)	(7,329,128)
Total resources expended		(5,487,279)	(7,329,128)
Trading subsidiary corporation tax	8	8,054	3,512
Movement in total funds for the year			
Operational surplus		849,057	367,598
Depreciation		(1,390,820)	(7,811)
Net (outgoing)/incoming resources for the year		(541,763)	359,787
Total funds brought forward		33,469,705	33,109,918
Total funds carried forward	17	32,927,942	33,469,705

All incoming resources and resources expended derive from continuing activities.

Statement of total recognised gains and losses

for the year ended 31 January 2004

There are no recognised gains and losses for the year other than the net outgoing resources for the period of £541,763 (2003 – net incoming resources of £359,787).

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Consolidated and charity balance sheets

at 31 January 2004

	Note	Group 2004 £	Group 2003 £	Charity 2004 £	Charity 2003 £
Fixed assets					
Tangible assets	9	33,921,357	34,750,000	33,893,440	34,726,264
Investments	11	-	-	4	4
		33,921,357	34,750,000	33,893,444	34,726,268
Current assets					
Stock	10	217,740	146,569	-	-
Debtors	12	611,135	523,342	1,071,655	647,676
Cash at bank and in hand		13,444,473	13,358,649	13,270,260	11,882,040
		14,273,348	14,028,560	14,341,915	12,529,716
Creditors: amounts falling due within one year	13	966,763	1,008,855	841,351	1,171,230
Net current assets		13,306,585	13,019,705	13,500,564	11,358,486
Creditors: amounts falling due after more than one year	15	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)
Provisions for liabilities and charges	16	(12,000,000)	(12,000,000)	(12,000,000)	(12,000,000)
Net assets		32,927,942	33,469,705	33,094,008	31,784,754
Funds					
Unrestricted funds	17	32,927,942	33,469,705	33,094,008	31,784,754
Total funds		32,927,942	33,469,705	33,094,008	31,784,754

Approved by the trustees on 12 November 2004 and signed on its behalf:

D W Gemmell)
)
)
) Trustees
)
)
J A Parkes CBE)

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Statement of cashflows

for the year ended 31 January 2004

	2004	*2003*
	£	*£*
Net (outgoing)/incoming resources for the period	(541,763)	359,787
Trading subsidiary taxation	(8,054)	(3,512)
Increase in stocks	(71,171)	(146,569)
Increase in debtors	(79,282)	(430,470)
Decrease/(increase) in creditors	57,908	(263,438)
Increase in provisions	-	12,000,000
Impairment loss on valuation	-	4,132,343
Depreciation	1,390,820	7,811
Net cash inflow	748,458	15,655,952
Taxation	(457)	(91)
Capital expenditure		
Direct project expenditure	(562,177)	(5,343,061)
Financing		
Repayment of loan	(100,000)	(300,000)
Cash flow loan facility	-	2,300,000
Increase in cash	85,824	12,312,800

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Statement of changes in resources applied for fixed assets for charity use

for the year ended 31 January 2004

	Total unrestricted funds 2004	*Total unrestricted funds 2003*
	£	*£*
Incoming resources	(541,763)	359,787
Resources used for net acquisitions of fixed assets for charity use	547,187	5,312,314
Net movement in funds available for future activities	(1,088,950)	(4,952,527)

Notes to the financial statements

At 31 January 2004

1. Accounting policies

Accounting convention

The accounts 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 1985, and in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000).

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 230 of the Companies Act 1985 and paragraph 304 of SORP 2000.

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.

Tangible fixed assets and depreciation

Following the completion of the Visitor Attraction in March 2002, the company's buildings have been revalued by Weatherall Green & Smith in accordance with the provisions of FRS 15. These assets will be depreciated over their useful lives of 25 years for the Visitor Attraction and 40 years for the Business Centre.

Equipment is depreciated over 3 – 5 years.

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.

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Notes to the financial statements

At 31 January 2004

1. Accounting policies (continued)

Pension costs

The company operates a defined benefit pension scheme, which requires contributions to be made to separately administered funds. Contributions are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

2. Income and expenditure

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

3. Incoming Resources

	2004	*2003*
	£	*£*
Grant Income		
Millennium Commission	-	1,389,428
ERDF 4.2	243,355	-
Hull Cityventure Ltd – Lighting Scheme	-	30,000
ERDF 4.14	-	1,095,525
ERDF 4.15	216	37,600
Yorkshire Forward	8,250	643,045
	251,821	3,195,598

Grant income as detailed above was received retrospectively against capitalised construction expenditure.

	2004	*2003*
	£	*£*
Private donations		
Other private donations	1,620	23,247
	1,620	23,247

	2004	2003
	£	£
Activities for generating funds:		
Commercial trading operations	2,821,087	4,120,914

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

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Notes to the financial statements

At 31 January 2004

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.

The Visitor Attraction does not provide subsidies to the Business Centre. If the Business Centre were to become a drain on the organisation then it would be disposed of.

Running Deep Limited is responsible for the day to day running of both the Visitor Attraction and the Business Centre. The loss that has arisen this year is due to timing of gift aid donations made to EMIH Limited which is not related to the trading position of the Business Centre, which remains profitable.

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:

	2004	*2003*
	£	*£*
Turnover	5,421,621	4,554,312
Cost of sales	(856,512)	(1,106,801)
Gross profit	4,565,109	3,447,511
Administrative expenses	(6,443,741)	(1,802,630)
Bank interest receivable	19,561	12,490
Profit before taxation	(1,859,071)	1,657,371
Taxation	8,054	3,512
	(1,851,017)	1,660,883

The assets and liabilities of the subsidiary were:

Tangible Fixed Assets	27,917	23,736
Current Assets	1,061,683	2,372,989
Creditors: amounts falling due with one year	1,255,664	711,772
Total net (liabilities)/assets	(166,064)	1,684,953
Aggregate share capital and reserves	(166,064)	1,684,953

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Notes to the financial statements

At 31 January 2004

5. Total Resources Expensed

	2004 £	2003 £
Depreciation	1,390,820	4,132,343
Support costs	1,341,601	1,272,574
Marketing, publicity and events	281,566	86,656
Staff costs	1,588,829	1,294,246
Auditors' remuneration - audit and tax services	7,300	7,500
Insurance	97,745	76,794
Cost of operating subsidiary	779,418	459,015
	5,487,279	7,329,128

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

6. Staff costs

	2004 £	2003 £
Salaries	1,233,676	989,959
Social security costs	286,690	246,365
Pensions	68,463	57,922
	1,588,829	1,294,246

The number of employees whose emolument as defined for taxation purposes amounted to over £50,000 in the year was as follows:

	2004 No.	2003 No.
£50,001 - £60,000	1	-
£70,001 - £80,000	-	1
£90,001 - £100,000	1	-

In addition to the staff employed directly by EMIH Limited, the corporate members provided 0.5 full time equivalent employees on secondment to the company during the year. The average number of people "employed" by the company was as follows:

	Employees No.	Secondees No.	2004 Total No.	2003 Total No.
Management	6	-	6	6
Administration	122	0.5	122.5	118.7
	128	0.5	128.5	124.7

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

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Notes to the financial statements

At 31 January 2004

6. Staff costs (continued)

The trustees neither received nor waived any emoluments during the year (2003 - £Nil).

Out of pocket expenses were reimbursed to trustees as follows:

	2004 No.	*2004 £*	*2003 No.*	*2003 £*
Travel	2	1,069	3	847

7. Direct project expenditure

	2004 £	*2003 £*
Management and works contractors	-	3,424,016
Consultants fees	547,187	1,888,298
	547,187	5,312,314

Direct project expenditure has been capitalised and included in fixed assets in the course of construction.

Financial advice in respect of direct project expenditure of £Nil (2003 - £18,235) was provided by Ernst & Young LLP in addition to their remuneration for audit and tax services (see note 5).

8. Tax

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

	Group 2004 £	*Group 2003 £*
Current tax:		
Corporation tax	452	-
Tax under provided in previous years	-	91
Total current tax (note 8(b))	452	91
Deferred tax:		
Origination and reversal of timing differences	(8,506)	(3,051)
Adjustment in respect of prior periods	-	(552)
Tax on (loss)/profit on ordinary activities	(8,054)	(3,512)

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Notes to the financial statements

At 31 January 2004

8. Tax (Continued)

b) *Factors affecting current tax charge*

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2003 – 30%). The differences are reconciled below:

	Group	
	2004	*2003*
	£	£
Profit on ordinary activities of trading subsidiary	(1,859,071)	1,657,371
Profit on ordinary activities of trading subsidiary multiplied by the standard rate of corporation tax in the UK	(353,223)	497,211
Expenses not deductible for tax purposes	10,131	9,764
Depreciation in excess of capital allowances	8,708	3,051
Adjustment in respect of prior periods	451	91
Gift aid payment to parent charity following the year end	-	(517,526)
Adjustment for prior year gift aid payment	327,766	7,500
Other timing differences	165	-
Unrelieved tax losses	6,454	-
Total current tax (note 8(a))	452	91

c) Deferred tax asset

	2004	*2003*
	£	£
Capital allowances in advance of depreciation	10,990	3,603
Other timing differences	1,119	-
Deferred tax asset	12,109	3,603

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Notes to the financial statements

At 31 January 2004

9. Tangible fixed assets

	Group	*Charity*
	£	£
Cost:		
At 1 February 2003	38,890,154	38,858,607
Additions	562,177	547,187
At 31 January 2004	39,452,331	39,405,794
Depreciation:		
At 1 February 2003	4,140,154	4,132,343
Provided in the year	1,390,820	1,380,011
At 31 January 2004	5,530,974	5,512,354
Net book value:		
At 31 January 2004	33,921,357	33,893,440
At 1 February 2003	34,750,000	34,726,264

The assets of the group were valued by Weatherall Green & Smith as at 31 January 2003, on the basis of depreciated replacement cost for The Deep Visitor Attraction (£31,000,000) and on the basis of open market value for The Deep Business Centre (£3,750,000) 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.

10. Stocks

	Group		*Charity*	
	2004	*2003*	*2004*	*2003*
	£	£	£	£
Finished goods	217,740	146,569	-	-

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Notes to the financial statements

At 31 January 2004

11. Investments

	Charity
	£
Cost:	
At 1 February 2003 and 31 January 2004	4

Investments comprise the wholly owned subsidiary undertakings:

Name of company	*Shares held*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings			
Running Deep Limited	ordinary	100%	Tourism
Deep Developments Limited	ordinary	100%	Dormant

12. Debtors

	Group		*Charity*	
	2004	*2003*	*2004*	*2003*
	£	*£*	*£*	*£*
Trade debtors	141,000	62,659	441	-
Other debtors	71,977	58,474	45,662	13,257
Prepayments and accrued income	386,044	398,606	290,585	348,473
Amounts owed by group undertakings	-	-	734,967	285,946
Deferred taxation	12,109	3,603	-	-
Corporation tax recoverable	5	-	-	-
	611,135	523,342	1,071,655	647,676

13. Creditors: amounts falling due within one year

	Group		*Charity*	
	2004	*2003*	*2004*	*2003*
	£	*£*	*£*	*£*
Trade creditors	266,190	151,504	30,378	-
Accruals	628,970	743,136	415,688	483,029
Other creditors	49,875	14,215	-	-
Other taxes and social security	21,728	-	-	-
Amounts owed to group undertakings	-	-	395,255	588,201
Loans due within one year (note 15)	-	100,000	-	100,000
	966,763	1,008,855	841,321	1,171,230

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Notes to the financial statements

At 31 January 2004

14. Analysis of the movement in net debt

	At 31 January 2003 £	Cash flow £	At 31 January 2004 £
Cash at bank and in hand	13,358,649	85,824	13,444,473
Cash	13,358,649	85,824	13,444,473
Loans (Note 15)			
Due within one year	(100,000)	100,000	-
Due after more than one year	(2,300,000)	-	(2,300,000)
	10,958,649	185,824	11,144,473

15. Loans

	Group 2004 £	Group 2003 £	Charity 2004 £	Charity 2003 £
Wholly repayable within five years:				
Loan from Kingston upon Hull City Council, repayable on year after The Deep Visitor Attraction has opened to the public. No interest is charged until repayment date, after which interest will be charged at 4% above base rate.	-	100,000	-	100,000
Kingston upon Hull City Council cash flow loan facility, repayable on 30 April 2007. Interest is charged at LIBOR + 1/16%	2,300,000	2,300,000	2,300,000	2,300,000
	2,300,000	2,400,000	2,300,000	2,400,00
Amounts repayable:				
In one year or less on demand	-	100,000	-	100,000
In more than two years but not more than five years	2,300,000	2,300,000	2,300,000	2,300,000
	2,300,000	2,400,000	2,300,000	2,400,000

The £100,000 loan from Kingston upon Hull City Council was repaid in full on 31 March 2003.

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Notes to the financial statements

At 31 January 2004

16. Provisions for liabilities and charges

	Group	*Charity*
	£	*£*
At 1 February 2003 and 31 January 2004	12,000,000	12,000,000

The above amount is a provision in respect of a letter of credit.

17. 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.

18. Unrestricted funds of the charity

	Group 2004	*Group 2003*	*Charity 2004*	*Charity 2003*
	£	*£*	*£*	*£*
At 1 February	33,469,705	33,109,918	31,784,754	33,086,782
Net (outgoing)/incoming resources for the period	(541,763)	359,787	1,309,254	(1,302,028)
At 31 January	32,927,942	33,469,705	33,094,008	31,784,754

19. Charitable status

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

20. Related party transactions

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

Kingston Upon Hull City Council

- Secondment of 1.0 full-time equivalent staff, at 50% of cost (2003: 1.0 - £nil)
- Kingston Upon Hull City Council has agreed to provide cash flow loan facilities to the company of £2,900,000 (2003 - £2,900,000), which can be drawn down as required. £2,300,000 (2003 - £2,300,000) was outstanding at the year end. Interest is charged at LIBOR + 1/16 per cent on this facility.

University of Hull

- No transactions requiring disclosure.

Mr John A Parkes CBE is a Director of EMIH Limited and a Member of the Council of the University of Hull. Professors Peter Ekkehard Kopp and Graham Chesters are both Directors of EMIH Limited and Senior Officers of The University of Hull. Professor Graham Chesters is also a Director of Hull Cityventure Limited. Councillor David W Gemmell is a Director of EMIH Limited and an elected member of Kingston upon Hull City Council.

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Notes to the financial statements

At 31 January 2004

21. 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 during their last 12 months of employment. Membership of the Pension Scheme is open to all employees, with an employee required to make a contribution of 6% of pensionable pay with The Deep augmenting this with an employer contribution of 12.9% of an employee's pensionable pay.

Following an actuarial valuation of the East Riding Pension Fund by Hymans Robertson as at 31March 2001, The Deep has been informed that the employee contribution rate will remain at 6% of pensionable pay, but that the employer contribution rate will be 15.0% from 1 April 2004. The next scheduled actuarial valuation of the Fund as at 31 March 2004 is underway. The valuation will make recommendations for the employers rates for the next three years based on the assets and liabilities of the Fund.

The pension cost for the period of these accounts was £68,463 (2003 - £37,923).

Therefore, the Pension Scheme is a multi-employer plan with contributions set entirely with reference to the pensionable pay included in these accounts. In these circumstances, FRS17 allows defined benefit plans to be accounted for on defined contribution basis as it is not possible to identify its share of the underlying assets and liabilities.

22. 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.

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