

## Regulatory Announcement

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**Company** Deep-Sea Leisure PLC  
**TIDM** DSL  
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News Release  
18 January 2007

### **New attractions enhance visitor experience**

Deep Sea Leisure PLC, the leisure company which runs two aquariums in the UK featuring marine life, announces its preliminary results for the year ended 31 October 2006.

#### **Highlights**

- Pre-tax profit for the year ended 31 October 2006 was £1.417 million (2005 - £1.650 million) on turnover of £6.473 million (2005 - £6.566 million)
- Investment in new attractions has enhanced visitor experience. Deep Sea World, in Edinburgh, ran highly successful temporary exhibitions and Blue Planet, in Chester, opened Reef Magic submerging visitors into a live Coral Reef.
- New attractions and additional revenue streams will be unveiled during the coming year to extend the aquariums appeal.
- Deep Sea Leisure was the winner of the Leisure Reports Tourism, Attractions and Entertainments Operator of the Year 2006

For further information please contact:-

Sue Elaiho, Finance Director  
Deep Sea Leisure plc

0151 357 8804

Roland Cross, Director  
Broadgate

020 7726 6111

**18 January 2007**

**Chairman's Statement**

The year under review has proved exacting with results affected by the unseasonably warm weather, pressure on consumer spending and the impact of sharp rises in energy costs.

In spite of these factors the business made a healthy pre-tax profit of £1.417 million for the year ended 31 October 2006 (£1.650 million 31 October 2005), on turnover of £6.473 million (£6.566 million – 31 October 2005). The Board is not recommending a final dividend.

We continually strive to enhance the visitor experience and the past year has been no exception. For the first time, Deep Sea World ran temporary exhibitions as part of the normal entrance price to great success attracting over 66% of visitors. Blue Planet opened Reef Magic submerging visitors into a live Coral Reef enabling them to experience the beauty of this unseen world. Further enhancements are planned for the coming year.

Whilst the aquariums are seen as 'rainy day' in-door attractions, the board is conscious of the need to develop other revenue streams which are not weather dependent. This includes diving, education and corporate revenue. Blue Planet became the only aquarium in the world to be awarded the National Geographic Dive Centre Status and both aquariums became full members of the British and Irish Association of Zoos and Aquariums ("BIAZA"). Membership of BIAZA is only granted after consideration once the aquariums comply with excellent standards of animal welfare, education and conservation work.

Reflecting the contribution of all staff to the business, Deep Sea Leisure was winner of the Leisure Reports Tourism, Attractions and Entertainments Operator of the Year 2006 and I would like to thank staff for their contribution in making customers' visit so rewarding and memorable.

**A Barrachina**  
*Chairman*

## **OPERATIONAL AND FINANCIAL REVIEW**

Deep Sea Leisure owns and operates two public aquarium visitor attractions. Deep Sea World located in Fife, close to Edinburgh opened in 1983 and Blue Planet Aquarium located in Ellesmere Port near Chester opened in 1998.

The company is majority owned by the Aspro Group which was created in 1991 with the aim of becoming the leading European leisure and entertainment consortium and is currently regarded as one of the top three operators. Predominantly Spanish owned, the Group operates across several European countries operating across a wide range of parks including aquariums, water parks, zoological parks, marine zoos, botanical parks and bird sanctuaries.

## **CUSTOMER BASE**

The customer base for both aquariums include families, education groups, individuals interested in marine life and the environment, corporate clients and, uniquely in the UK, qualified and unqualified divers who participate in our range of dive experiences.

The majority of visitors to both aquariums live within a two hour drive time and this allows us to draw on significant domestic populations in the North West of around 6.8 million and in Scotland of 5.1 million.

## **REGULATORY ENVIRONMENT**

In addition to the usual regulations governing a business we are also required to have a Zoo Licence and to comply with the Zoo Licensing Act 1981 (amended). Zoo inspectors are required to assess compliance in accordance with the Secretary of States Standards of Modern Zoo Practice. The Standards are designed to ensure that the welfare of animals in zoos is protected, that zoos are safe places for the public to visit and that zoos participate in appropriate conservation and public education measures.

Both aquariums fully comply with the standards. Deep Sea World passed its interim inspection in June of 2006 and Blue Planet Aquarium passed its full inspection in January 2007.

## **MANAGING THE BUSINESS**

The strategy is straightforward. We are focused on growing the business by constantly improving the quality of our visitor experience whilst simultaneously seeking to influence customer behaviour to persuade visitors to become advocates of living sustainably by connecting with them on an intellectual and emotional level.

The Oceans comprise over 70% of the total surface of this great planet of ours and provides approximately 70% of the net oxygen we breathe. And yet the Oceans remain largely unexplored and mysterious. We know more about the moon than we do about the sea floor.

Deep Sea Leisure believes it is at the front line of promoting greater understanding of this magical and mysterious world. We seek to offer a glimpse into the wonders of our magical oceans' made possible by our enthusiastic and informed team, through presentations, interpretation and exhibits that captivate and inspire visitors to protect our oceans: the greatest challenge of future generations.

Our mission is

*"To offer fun in parks which are safe and environmentally friendly and guarantee a high quality of service with customers served by a motivated team, to ensure they are satisfied and want to return"*

This mission statement is embodied in our strategy, which looks for opportunities to acquire well-established parks offering a diverse range of services in key areas, and a potential for further optimisation of operations that is at all times firmly supported by Management Excellence. We continue to improve and develop our existing premises and facilities, assess and implement new

attractions and seek full optimisation of technical and human resources.

### **MARKET OPPORTUNITY**

The growth area in the domestic market in which we operate is in day trips and short breaks often themed around shopping, culture, heritage or attractions. This market is characterised by visitors wanting to “do” and be active and proactive. (*Tomorrow's Tourism Today – Executive Summary Department Culture, Media and Sport*).

There is an increasing awareness of all things green from re-cycling to global warming. The green agenda surrounds us. As climate change is being accepted as “best science” individuals are changing their behaviour to less damaging forms of consumption and lifestyle. As we become more affluent demand is shifting towards wanting a real experience.

Both our aquariums are perfectly positioned to offers visitors a captivating experience and investment decisions are taken with this demand in mind.

### **INVESTING IN THE FUTURE**

Expenditure during 2006 saw an extension of the business at Deep Sea World. For the first time the aquarium has run temporary exhibitions in a new temporary structure. The exhibitions were included in the normal entrance price and over 66% of our visitors attended the exhibitions. The first ran over the busy Easter period entitled “Sharks – Myths and Reality”. The second a BBC exhibition entitled “Sea Monsters” ran over the summer season.

Further investment at Deep Sea World has been made improving the general visitor environment which has included new signage and interpretation and new flooring.

At Blue Planet Aquarium we opened Reef Magic – a live coral exhibit which includes as its centre piece a 360 degree acrylic tank housing over 200 captive bred clown fish. Coral reefs are often called rain forests of the Ocean because they are amongst the richest marine eco systems in species, productivity, bio mass, structural complexity and beauty. Reefs are highly complex and contain an amazing diversity of marine life. Sadly human behaviour is upsetting the delicate balance of coral reefs around the world and the impact on the environment is only now becoming apparent.

Reef Magic submerges the visitor into a live Coral Reef and provides our visitors with a real opportunity to experience the normally unseen beauty of this underwater world.

Other investments at Blue Planet Aquarium have been directed to ensuring compliance with the Disability Discrimination Act and in providing a better working environment for our staff.

We have also made a substantial investment in new hardware and software in the front of house electronic points of sale (EPOS). As well as ensuring the safety and security of our front of house financial operations it has also improved customer service through speed and ease of operation. The system went live in February 2006.

The new EPOS is a fully integrated system and has made collation and reporting of key management information easier. Work is continuing in this area to improve internal controls in areas such as stock control and scheduling of resources. Further benefit is therefore expected to accrue in the year ahead.

The new EPOS also allowed the business to introduce e-ticketing i.e. tickets that can be purchased online. Websites for both aquariums were redesigned and investment in this area is now an ongoing and integral part of the businesses marketing and communication strategy.

### **RESOURCES**

#### **OUR PEOPLE**

As stated in our mission we want to deliver excellent customer service and have a motivated team to do this. The board would like to thank all management and staff for their contribution to the business and the entertainment and education of our visitors. It is testament to the dedication and commitment of our staff that we were winners of Leisure Reports Tourism, Attractions and Entertainments Operator of the Year 2006.

Blue Planet Aquarium also received recognition of their commitment to access for all in an award from the North West Development Agency for positive action.

Staff turnover is traditionally high in the leisure industry but I am pleased to report that staff turnover has reduced significantly on last years levels.

	2006	2005
Total Staff Turnover	28.9%	41.1%

These results have been achieved as a result of the implementation of a range of Human Resource policies including:-

- Competency based recruitment.
- Ongoing learning and development through the company's All Aboard program actively promoting both vocational and academic learning. Managers have been afforded the opportunity to attend a management training course and sharing of best practice across the business is now common place and includes members of the team visiting other attractions across the group supported by our parent company.
- Involvement of staff in the business through consultative committees.
- Promotion of an inclusive culture and valuing of diversity in our business.

## THE FISH

The company follows a prudent approach in its accounting treatment of fish stocks and believes that such costs should be written off as they are incurred. Though not valued in the balance sheet our biological assets - predominantly fish are a key business resource.

	<i>Blue Planet Aquarium</i>		<i>Deep Sea World</i>	
	2006	2005	2006	2005
Actual No.	2,453	2,293	3,439	3,604
No. of Species	310	291	202	212

Deep Sea Leisure has in place animal welfare policies which include an acquisition policy. This has been reviewed by the Ethical Review Committee established in 2005 in accordance with the Secretary of States Standards of Modern Zoo Practice.

In August 2006 both aquariums became full members of BIAZA. BIAZA (British and Irish Association of Zoos and Aquariums) represents the best zoos and aquariums in Britain and Ireland. Membership may be granted after careful consideration of the aquariums conduct and compliance with excellent standards of animal welfare, education and conservation work.

Deep Sea World also works with the Scottish SPCA who are Scotland's leading animal welfare organisation. Their objectives are to prevent cruelty to animals and promote kindness and humanity in their treatment.

Blue Planet Aquarium has good links with the Marine Conservation Society a UK charity dedicated to caring for our seas, shores and wildlife. A number of events have run at the aquarium during the year in support of the society.

Blue Planet Aquarium is also proud of joining the NWDA's (North West Regional Development Agency) regional action plan on Climate Change and has introduced environmental policies on waste

management, sustainable use and re-cycling.

Both aquariums will continue to take part in community initiatives in their respective locations.

### **PRINCIPAL RISKS**

As a business serving the domestic market, our business has a high seasonality with most of our visits taking place around the major holiday periods of Easter, Bank Holidays, Summer school holidays and half terms.

It is imperative, therefore, that we manage our business with this in mind and staffing and stock levels are monitored accordingly.

The weather also impacts on our visitor numbers. The perception that the aquariums are in-door attractions means that when the weather is wet and cool visitor numbers increase and the converse is true during bouts of hot sunny weather particularly when they occur at the key holiday periods.

To counter this uncertainty we continue to develop other non-weather dependent aspects of our business such as diving experiences, education and corporate revenue streams. We have also added outdoor attractions to each aquarium to counter the perception that we are an indoor only attraction.

#### ***Exposure to Price, credit, liquidity and cash flow risk***

##### ***Price Risk***

Price risk may occur where the admission prices for competitor visitor attractions are discounted compared to the aquariums admission prices. Admission prices for a wide range of local and national competitors are reviewed annually as part of the company's budgeting process and thereafter competitor prices are monitored on a monthly basis.

##### ***Credit risk***

The nature of the company's business means that credit is granted to a very small number of corporate customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

##### ***Liquidity Risk***

The business mitigates liquidity risk by cash generation from its operations. The business has overdraft facilities amounting to £500,000 in place with Natwest Bank.

##### ***Cashflow Risk***

The company has a strong cash balance and finances its operations through a mixture of retained profits and bank borrowings. The Company has a bank loan from Natwest Bank at a floating rate of interest based on the Bank of England base rate.

### **FUTURE DEVELOPMENTS**

As both of our aquariums draw on their local communities for customers it is important to encourage repeat visitation by building ongoing sustainable relationships.

The new EPOS solution phase two includes the implementation of a customer relationship management system. This together with our commitment to using our websites to communicate with customers will ensure that we remain in the hearts and minds of the community.

We will continue the use of temporary exhibitions at Deep Sea World and will use targeted website promotions across both aquariums to promote visitation. We will also use an ongoing events calendar.

In improving the education product we are working with other education providers to ensure that the education experiences are aligned to the national curriculum and we will continue to add value to the experience to benefit both teachers and children.

We will continue to build upon our successful range of diving experiences by introducing new

courses and we intend to make it even easier for customers to purchase our diving products by selling dive vouchers online through a dedicated diving website.

In the retail and catering business we will be working with our parent organisation to reduce costs and will also exploit the management information provided by EPOS to better inform our purchasing decisions and stockholdings.

## FINANCIAL REVIEW

### RESULTS FOR THE YEAR

The financial year covers the 12 months to 31 October 2006. Results for the year are reported under UK GAAP and there have been no changes in accounting policy.

<i>£000</i>	<i>2006</i>	<i>2005</i>
Turnover	6,473	6,566
Gross Profit	5,642	5,751
Admin Expenses	(4,241)	(4,073)
Operating Profit	1,401	1,678
Net Interest	16	(28)
Profit before Taxation	1,417	1,650
Tax	(450)	(528)
Profit returned for financial year	967	1,122
Earnings per share	5.03p	5.84p

### PROFIT BEFORE TAX - 2003-2006

This year under review has been a challenging one for the business. Recovery in consumer spending has been slow and this along with other factors such as high levels of household debt, rising energy costs and moderate wage increases have impacted on visitor numbers and spending power of those visitors.

The steady rise in unemployment has also curbed aggregate consumer spending growth which is a key driver of the hospitality and leisure business in which Deep Sea Leisure operates.

With base rates rising, unemployment continuing to rise and the continued high level of consumer debt the outlook remains challenging.

Turnover is driven by visitor numbers and this year in addition to consumer spending they have also been affected by the sustained period of hot and dry weather spell in June and July. Over the year under review, visitor numbers fell by 6.4% and 3.4% at Blue Planet and Deep Sea World respectively.

Summer 2006 was one of the warmest on record for the UK with average temperatures 1.5 degrees C above the expected average. July in particular saw record breaking hot days. Also important for the aquariums the summer season was also dry with only 82% of the average rainfall. As aquariums are perceived as being somewhere to visit on rainy cool days this adversely affected visitor numbers.

### SOURCES OF TURNOVER AND GROSS PROFIT

	<i>Blue Planet Aquarium</i>		<i>Deep Sea World</i>	
	<i>Turnover £000</i>	<i>Variance to Prior Year</i>	<i>Turnover £000</i>	<i>Variance to Prior Year</i>
Entrance	2,565	(2.1%)	1,401	(0.7%)
Retail	523	(6.7%)	371	(1.3%)
Catering	560	1.6%	376	(1.8%)
Other	432	1.3%	245	10.2%

Total	4,080	(2.3%)	2,393	(0.1%)
Gross Profit	3,605	(2.0%)	2,037	1.7%

**REVENUE PER VISITOR (RPV)**

	<i>Blue Planet Aquarium</i>		<i>Deep Sea World</i>	
	<i>RPV</i>	<i>Variance to</i>	<i>RPV</i>	<i>Variance to</i>
	<i>£</i>	<i>Prior Year</i>	<i>£</i>	<i>Prior Year</i>
Entrance	7.61	4.6%	6.56	2.9%
Retail	1.55	(0.3%)	1.74	2.3%
Catering	1.66	5.1%	1.76	1.7%
Other	1.28	7.6%	1.15	13.9%
Total	12.10	4.4%	11.21	3.6%

We have however managed to mitigate the visitor number performance through managing the revenue per visitor. Modest entrance price increases were implemented prior to the main summer season. In catering we have seen the benefit at Blue Planet Aquarium of the investment made in 2005 in new kitchen and restaurant facilities. This combined with an improvement in the quality of product and speed of service minimised the loss of revenue due to the downturn in visitor numbers.

The growth in other revenue stems from our diving experiences which have delivered the fifth consecutive year of growth, this year achieving a 9.6% growth on 2005. Both aquariums work with PADI (professional association of dive instructors) who offer the most widely recognised diving certification in the world. Blue Planet Aquarium recently won an award for Excellence from PADI in relation to the in-house designed Shark Awareness experience and the Aquarium was also awarded National Geographic Dive Centre Status during the year, the only aquarium in the world to achieve such a status.

In payroll costs the increases in the national minimum wage has adversely affected the business due to the number of staff paid on or around minimum wage. However through control of staff numbers compared to visitor numbers actual increases in these costs have been limited to just 3%.

Increases in utilities of around 10%, in particular electricity, have hit the expenditure in the business.

**FINANCING AND CASHFLOW**

Capital repayments of £945k were paid on the company's development loan which leaves a balance of £945k due to be repaid in May 2007 (£315k) and October 2007 (£630k).

The company has a strong cash position with a year end cash balance of £3,527k. This is a positive cash inflow of £391k during the year. Interest is charged on the loan at 1% above Natwest base rates. Interest is receivable at a rate of Natwest base rates minus 1%.

**GRANTS**

During the year £223k of grant income has been released to the profit and loss account. Blue Planet Aquarium received the final grant from the Church Commissioners (£87k after expenses) concerning the construction of the access road into the aquarium. Also £112k of funding received previously from Scottish Enterprise Fife relating to redevelopment at Deep Sea World has been released to the profit and loss account with the balance of £26k to be released in 2007.

**TAXATION**

The business utilised its remaining corporation tax losses during 2005 and therefore all profits are now subject to corporation tax.

***CORPORATE***

During the year Net-Ein the majority shareholder in Deep Sea Leisure increased its shareholding by 14.5% to hold 18,883,321 shares representing 98.35% of the company's equity share capital.

Sue Elaiho, Finance Director

## Profit and loss account

For the year ended 31 October 2006

	<i>Note</i>	<i>2006</i>	<i>2005</i>
		<i>£000</i>	<i>£000</i>
<b>Turnover</b>		6,473	6,566
Cost of sales		(831)	(815)
		<hr/>	<hr/>
<b>Gross profit</b>	5,642	5,751	
Administrative expenses	(4,241)	(4,073)	
		<hr/>	<hr/>
<b>Operating profit</b>		1,401	1,678
Interest receivable and similar income	121	120	
Interest payable and similar charges	(105)	(148)	
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	1,417	1,650	
Tax charge on profit on ordinary activities	(450)	(528)	
		<hr/>	<hr/>
<b>Profit retained for the financial year</b>	967	1,122	
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per ordinary share (basic and diluted)</b>		5.03p	5.84p
		<hr/> <hr/>	<hr/> <hr/>

Turnover and operating profits arise wholly from continuing operations.

## Statement of Total Recognised Gains and Losses

For the year ended 31 October 2006

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Profit retained for the financial year and total recognised gains and losses relating to the year	967	1,122
Prior year adjustment	-	(171)
	<hr/>	<hr/>
Total recognised gains and losses since last Annual Report	967	951
	<hr/> <hr/>	<hr/> <hr/>

## Balance sheet

As at 31 October 2006

	31 October 2006		31 October 2005	
	£000	£000	£000	£000
<b>Fixed assets</b>				
Tangible fixed assets		15,664		16,245
<b>Current assets</b>				
Stock	151		123	
Debtors	85		107	
Cash at bank and in hand	3,527		3,136	
		3,763		3,366
<b>Creditors: amounts falling due within one year</b>		(2,317)		(2,333)
<b>Net current assets</b>		1,446		
1,033				
<b>Total assets less current liabilities</b>		17,110		17,278
<b>Creditors: amounts falling due after more than one year</b>		-		(1,083)
<b>Provisions for liabilities and charges</b>		(2,220)		(2,274)
<b>Deferred income</b>		(2,581)		(2,579)
<b>Net assets</b>		12,309		11,342
<b>Capital and reserves</b>				
Called up share capital		960		960
Share premium account		5,902		5,902
Capital redemption reserve		1,003		1,003
Profit and loss account		4,444		
3,477				
<b>Shareholders' funds – equity</b>		12,309		
11,342				

S J Elaiho  
Director

## Cash flow statement

For the year ended 31 October 2006

	2006 £000	2005 £000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating Profit	1401	1,678
Depreciation charges	880	802
(Increase)/decrease in stocks	(28)	(13)
(Increase)/decrease in debtors	22	(26)
Increase in creditors	(4)	64
Decrease in deferred income	(223)	(111)
Sundry adjustments	16	-
<b>Net cash inflow from operating activities</b>	<b>2,064</b>	<b>2,394</b>

### Cash flow statement

Net cash inflow from operating activities	2,064	2,394
Returns on investments and servicing of finance	20	(28)
Tax paid	(495)	(247)
Capital expenditure	(340)	(468)
<b>Cash inflow before financing</b>	<b>1,249</b>	<b>1,651</b>
Financing	(945)	(945)
Church Commissioners grant	87	-
<b>Increase in cash</b>	<b>391</b>	<b>706</b>

### Reconciliation of net cash flow to movement in net funds/(debt)

Increase in cash	391	706
Cash outflow from movement in net debt	945	945
Non cash outflows	138	-
<b>Change in net (debt)/funds resulting from cash flows</b>	<b>1,474</b>	<b>1,651</b>
<b>Movement in net (debt)/funds in the year</b>	<b>1,474</b>	<b>1,651</b>
Net debt at beginning of year	(1,108)	(543)
<b>Net funds/(debt) at end of year</b>	<b>2,582</b>	<b>1,108</b>

#### Notes

- The board is not recommending a payment of a final dividend.
- The financial information set out on the previous pages does not constitute the Company's Statutory Accounts for the year ended 31 October 2006 or year ended 31 October 2005 but is derived from these accounts. Statutory Accounts for the previous financial period ended 31 October 2005 have been delivered to the Registrar of Companies and those for the financial year ended 31 October 2006 will be delivered following the Company's Annual General Meeting which will be held at Blue Planet Aquarium, Cheshire Oaks, Ellesmere Port, Cheshire, CH65 9LF on 21 February 2007 at 12.00 noon. The Auditors have reported on those accounts: the reports were unqualified and did not contain any statements under section 237(2) or (3) of the Companies Act 1985.
- Copies of the annual report and accounts will be posted to shareholders on 18 January 2007 and will be available for inspection at The Blue Planet Aquarium, Cheshire Oaks, Ellesmere Port, Cheshire, CH65 9LF from the same date.

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