

# **Running Deep Limited**

## **Report and Financial Statements**

31 January 2020

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COMPANIES HOUSE

**Company Registration Number: 03606689**

**Directors**

D W Gemmell OBE  
J A Parkes CBE  
G Chesters  
C C Duke  
A J Hunt  
A W Kirkman  
S M Lockwood  
R Pantelakis (appointed 1 July 2019)  
A I Ward (appointed 22 November 2019)

**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 Business Centre  
Kingston upon Hull HU1 4BG

**Company Registration Number: 03606689**

## Strategic report

Company Registration Number 03606689

The directors present their strategic report and the financial statements for the year ended 31 January 2020.

### Principal activity and review of the business

The company's principal activity during the year continued to be to operate The Deep Visitor Attraction (an aquarium) and The Deep Business Centre (a serviced business centre), both in Hull, on behalf of its parent EMIH Limited.

The key financial and other performance indicators during the year were as follows:

	2020	2019	Change
	£	£	£
Turnover	8,668,585	8,396,860	271,725
Gross Profit	7,667,442	7,417,330	250,112
Operating Profit	982,534	1,321,456	(338,922)
Profit for the financial year	1,028,041	1,358,528	(330,487)
Average number of employees	148	155	(7)

Attendances to the Deep visitor attraction had been stable for many years.

Occupancy of The Deep Business Centre has also remained healthy.

The profit for the financial year generated by the company over the year was £1,028,041 (2019 – £1,358,528), being only one component of the financial statements of the EMIH Limited group of companies. During the year gift aid donations amounting to £1,534,235 (2019 – £1,574,034) have been made by the company to its parent, EMIH Limited. Full details of the performance of the group are set out the EMIH Limited's financial statements.

### Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk. These are only minor risks for the company.

#### Price risk

As the start of each financial year, the company reviews its budget for the coming year, sets its expectations of visitor numbers 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 company'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 company retains sufficient cash to ensure it has available funds for operations. During the financial year ending 31 January 2020, the company did not have any external loans or overdrafts. The company entered into a Coronavirus Business Interruption Loan Agreement with its bankers in August 2020 for a maximum facility of £700,000. As at the date of signing these accounts, none of the loan has been utilised.

## Strategic report

### Principal risks and uncertainties (continued)

#### Interest risks

Any surplus cash that the company 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.

#### Covid-19

With regard to the current situation with the Covid-19 pandemic or public health crisis in general, we refer to the going concern and post balance sheet events information included in the Directors' report.

By order of the Board



N G Porteus  
Company Secretary  
25 November 2020

Company Registration Number: 03606689

## Directors' report

The directors present their report and financial statements for the year ended 31 January 2020.

### Results and dividends

The profit for the year after taxation amounted to £1,028,041 (2019 – profit of £1,358,528). The directors do not recommend a final dividend (2019 – £nil). No interim dividends were paid in the year (2019 – £nil).

### Research and development

Full details of the Deep's research and development activities are set out in the EMIH Limited financial statements.

### Future developments

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 their ongoing improvement. With regard to the current situation with the Covid-19 pandemic or public health crisis in general, we refer to the going concern and post balance sheet events information included in the Directors' report.

### Financial instruments

Details of financial instruments are included in the Strategic Report.

### 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 company to continue to support conservation and marine research projects. Attendances to The Deep visitor attraction had been stable for many years, with a significant uplift experienced in the UK city of culture year 2017/18 and from the introduction of a new penguin display in 2014/15 which has had a continued positive benefit on visitor numbers. Visitor numbers in 2019/20 remained strong and were above the 2018/19 level. Occupancy of The Deep Business Centre has also remained healthy, making a positive contribution to the underlying net profit of the company for the year.

However, like many other visitor attractions, The Deep has been significantly impacted by Covid-19 and by the restrictions imposed by Government on opening and social distancing requirements. For parts of the current year, The Deep has been closed to visitors and has had to significantly reduce the numbers that the attraction can permit in the building at one time. Educational, Retail and Catering activities are also impacted by these falls in visitors. Although a good level of visitor numbers was attracted over the summer, until visitor numbers return to the normal levels included in its business plans the company will remain under financial pressures.

To ensure that The Deep maintains sufficient working capital for the foreseeable future it has taken a number of steps, in particular

- Reduced discretionary expenditure on its assets
- Taken advantage of the Governments Coronavirus Job Retention Scheme to receive financial support for employees that have been furloughed
- Taken advantage of VAT deferral and reduction of VAT to 5% on ticket sales for the period to 31 March 2021.
- Drawn down £700,000 Coronavirus Business Interruption Loan, which is repayable at £12k per month from November 2021
- Implemented a redundancy programme and reduced some working hours

## Directors' report

- Prepares and keeps under review financial projections and cashflow forecasts for both the management and the Board, setting out the potential impacts of Covid-19 on financial performance and the company's ability to continue as a going concern
- The company has cash reserves – at the year end, the company had a cash balance of £1 million and had no external loans or overdrafts.
- The company has received donations from local businesses and individuals

The directors have prepared cash flow forecasts for the period to 31 January 2022, the key assumption of which is visitor numbers. Although accurately predicting visitor numbers is not currently possible as uncertainty remains over future Government restrictions and represents a material uncertainty to future company revenue and cash forecasts which may cast significant doubt on the group and company's ability to continue as a going concern, the directors believe, having taken the actions noted above, that the company 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. These financial statements do not include any adjustments to the balance sheet value of assets and their recoverable amounts or to provide for further liabilities which may arise if the going concern basis of preparation is inappropriate.

### Post balance sheet events

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. The business is currently being impacted as a result of restrictions imposed by Government on opening and from social distancing requirements and has responded as further described in note 1. Whilst current performance does not indicate a significant adverse effect in the long term, this will have a detrimental impact on the business's revenues, profits and cash flows in the current year.

Given the complexity of the situation and its continuing evolution, and notwithstanding the impact already described above, it is not practicable as of the date of approval of these financial statements to reliably make a quantified estimate of its potential impact on the Company, and specifically the impact on future cash flows or the carrying value of assets.

### Directors

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

D W Gemmell OBE – Chair  
J A Parkes CBE – Vice Chair  
G Chesters  
C C Duke  
A J Hunt  
A W Kirkman  
S M Lockwood  
R Pantelakis (appointed 1 July 2019)  
A I Ward (appointed 22 November 2019)

### Disabled employees

The company is accredited as a Disability Confident Employer and carries this branding on its employment literature throughout the employee journey. The company 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, and reasonable adjustments will be sought. Links exist with organisations such as This-Ability which supports disabled people and employers

## Directors' report

during the application and recruitment period, and promotes the company's vacancies to its clients. Opportunities, equal to those of their colleagues, are available to disabled employees for training, career development and promotion. To support employee health and wellbeing, the company is part of the 'Mindful Employer Plus' scheme; has signed the 'Time to Change' pledge making a public commitment to supporting employee mental health; and is a member of Working Voices (NHS Hull). Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide training and a comprehensive consideration of reasonable adjustments to achieve this aim. The company's detailed Access Statement is produced in line with Visit England's guidelines and is available on-line to all – this would help to inform any individual needs assessment and promotes the company's commitment to accessibility.

### Employee involvement

The company 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 company'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 company performance, customer feedback, policy updates and responses to specific employee questions when necessary.

### Disclosure of information to the auditors

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

### Auditors

In accordance with s487(2) of the Companies Act 2006, following a resolution by the Members of the Company on 28 July 2000 to dispense with the obligation to appoint auditors annually, Ernst & Young LLP shall remain the appointed auditors until the Members of the Company resolve otherwise.

By order of the Board



N G Porteus  
Company Secretary  
25 November 2020

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Independent auditors' report

to the members of Running Deep Limited

## Opinion

We have audited the financial statements of Running Deep Limited for the year ended 31 January 2020 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2020 and of its profit 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty relating to going concern

We draw your attention to note 1 of the financial statements. This describes that, whilst the current trading projections for visitor numbers and revenues indicate that at the time of signing these financial statements the company will continue to meet its liabilities as they fall due, there remains a continued risk, as a result of the Covid-19 pandemic restrictions imposed by Government, to visitor numbers and revenues that is outside management's control. As stated in note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# **Independent auditors' report**

**to the members of Running Deep Limited**

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

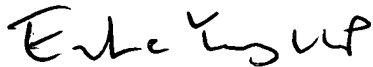
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# **Independent auditors' report**

**to the members of Running Deep Limited**

## **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



Richard Frostick (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Hull  
25 November 2020

## Income statement

for the year ended 31 January 2020

	Notes	2020 £	2019 £
<b>Turnover</b>	2	8,668,585	8,396,860
Cost of sales		<u>(1,001,143)</u>	<u>(979,530)</u>
<b>Gross Profit</b>		7,667,442	7,417,330
Administrative expenses		<u>(6,684,908)</u>	<u>(6,095,874)</u>
<b>Operating profit</b>	3	982,534	1,321,456
Interest receivable and similar income	6	3,709	651
Other finance (expense)/income	7	<u>(17,000)</u>	<u>2,000</u>
<b>Profit on ordinary activities before taxation</b>		969,243	1,324,107
Taxation charge on (loss)/profit	8	<u>(192,485)</u>	<u>(257,084)</u>
Tax relief in respect of gift aid	8	<u>251,283</u>	<u>291,505</u>
Tax credit for the year		<u>58,798</u>	<u>34,421</u>
<b>Profit for the financial year</b>		<u>1,028,041</u>	<u>1,358,528</u>

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 January 2020

	Notes	2020 £	2019 £
Profit for the financial year		1,028,041	1,358,528
Remeasurement loss recognised on defined benefit pension scheme	14	<u>(3,000)</u>	<u>(414,000)</u>
Movement on deferred tax asset relating to pension scheme	8	<u>510</u>	<u>70,380</u>
<b>Total comprehensive income for the year</b>		<u>1,025,551</u>	<u>1,014,908</u>

## Statement of changes in equity

for the year ended 31 January 2020

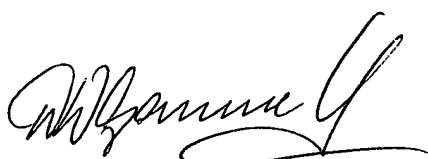
	<i>Notes</i>	<i>Called up share capital £</i>	<i>Profit &amp; loss account £</i>	<i>Total equity £</i>
At 1 February 2018	2	1,280,296		1,280,298
Profit for the financial year	–	1,358,528		1,358,528
Payment to parent charity made under gift aid scheme	–	(1,574,034)		(1,574,034)
Other comprehensive expense	–	(343,620)		(343,620)
At 1 February 2019	2	721,170		721,172
Profit for the financial year	-	969,243		(564,992)
Payment to parent charity made under gift aid scheme	-	(1,028,041)		(1,028,041)
Other comprehensive expense	-	(2,490)		(2,490)
At 31 January 2020	2	212,486		212,488

# Statement of financial position

at 31 January 2020

	Notes	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	9	61,867	33,309
<b>Current assets</b>			
Stocks	10	188,550	186,398
Debtors	11	3,011,162	3,280,851
Cash at bank and in hand		1,013,734	791,741
		4,213,446	4,258,990
<b>Creditors: amounts falling due within one year</b>	12	(3,206,825)	(3,080,127)
<b>Net current assets</b>		1,006,621	1,178,863
<b>Total assets less current liabilities</b>		1,068,488	1,212,172
<b>Provisions for liabilities</b>			
Deferred taxation	8(c)	-	-
<b>Net assets excluding pension asset</b>		1,068,488	1,212,172
Pension (liability)/asset	14	(856,000)	(491,000)
<b>Net assets</b>		212,488	721,172
<b>Capital and reserves</b>			
Called up share capital	13	2	2
Profit and loss account		212,486	721,170
<b>Shareholders' funds</b>		212,488	721,172

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



D W Gemmell OBE  
Director  
25 November 2020

## Notes to the financial statements

at 31 January 2020

### 1. Accounting policies

#### *Statement of compliance*

Running Deep Limited is a limited liability company incorporated in England. The Registered Office is The Deep Business Centre, Kingston upon Hull, HU1 4BG. The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 January 2020.

#### *Basis of preparation and change in accounting policy*

The financial statements of Running Deep Limited were authorised for issue by the Board of Directors on 20 November 2020. 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.

#### *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 company to continue to support conservation and marine research projects. Attendances to The Deep visitor attraction had been stable for many years, with a significant uplift experienced in the UK city of culture year 2017/18 and from the introduction of a new penguin display in 2014/15 which has had a continued positive benefit on visitor numbers. Visitor numbers in 2019/20 remained strong and were above the 2018/19 level. Occupancy of The Deep Business Centre has also remained healthy, making a positive contribution to the underlying net profit of the company for the year.

However, like many other visitor attractions businesses, The Deep has been significantly impacted by Covid-19 and by the restrictions imposed by the Government on opening and social distancing requirements. For parts of the current year The Deep has been closed to visitors and has had to significantly reduce the numbers that the attraction can permit in the building at one time. Educational, Retail and Catering activities are also impacted by these falls in visitors. Although a good level of visitors was attracted over the summer, until visitor numbers return to the normal levels included in its business plans, the company will remain under financial pressures.

To ensure that The Deep maintains sufficient working capital for the foreseeable future it has taken a number of steps, in particular

- Reduced discretionary expenditure on its assets
- Taken advantage of the Governments Coronavirus Job Retention Scheme to receive financial support for employees that have been furloughed
- Taken advantage of VAT deferral and reduction of VAT to 5% on ticket sales for the period to 31 March 2021.
- Drawn down £700,000 Coronavirus Business Interruption Loan, which is repayable at £12k per month from November 2021
- Implemented a redundancy programme and reduced some working hours
- Prepares and keeps under review financial projections and cashflow forecasts for both the management and the Board, setting out the potential impacts of Covid-19 on financial performance and the charity's ability to continue as a going concern
- The company has cash reserves – at the year end, the company had a cash balance of £1 million and had no external loans or overdrafts.
- The company has received donations from local businesses and individuals

## Notes to the financial statements

at 31 January 2020

The directors have prepared cash flow forecasts for the period to 31 January 2022, the key assumption of which is visitor numbers. Although accurately predicting visitor numbers is not currently possible as uncertainty remains over future Government restrictions and represents a material uncertainty to future company revenue and cash forecasts which may cast significant doubt on the group and company's ability to continue as a going concern,, the directors believe, having taken the actions noted above, that the company 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. These financial statements do not include any adjustments to the balance sheet value of assets and their recoverable amounts or to provide for further liabilities which may arise if the going concern basis of preparation is inappropriate.

### ***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 Company's defined benefit pension scheme.

### ***Statement of cash flows***

The directors have taken advantage of the exemption from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements.

### ***Tangible fixed assets***

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Equipment                      –              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.

### ***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.

### ***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.



# Notes to the financial statements

at 31 January 2020

## 1. Accounting policies (continued)

### *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).

### *Gift aid payment to parent charity*

The company pays all its taxable profits for the reporting period to its parent charity under the gift aid scheme. These gift aid payments are recognised as distributions to owners in equity within retained earnings.

The company does not have a legal obligation in place at the reporting date to make the payment of its taxable profits to the parent charity under the gift aid scheme. Therefore, gift aid payments are only recognised in the reporting period that the payments are made. The gift aid payment for the current reporting period is expected to be made within 9 months of the reporting date.

The company previously recognised the related tax relief in equity within retained earnings in the year that the gift aid payment was made to the parent charity. On application of the triennial review amendments the subsidiary has applied paragraph 29.14A and 29.22A of FRS 102. This has resulted in a change in accounting policy. Tax relief is now recognised in the reporting period in which the profits arise and is also recognised in the income statement and not in equity.

## 2. Turnover

Turnover, which is stated net of value added tax, arises from the one continuing activity of the company in the United Kingdom and represents the fair value of consideration received for the provision of goods and services to third parties, rental income from the business centre and amounts invoiced for services provided to the charity, its parent, EMIH Limited. Revenue is recognised in the period in which a sale is made.

An analysis of turnover by area of activity is as follows:

	2020	2019
	£	£
Trading revenue from sales of goods and services	3,921,158	3,903,047
Rental income & related services	631,175	609,927
Services provided to EMIH Limited	4,116,252	3,883,886
	<u>8,668,585</u>	<u>8,396,860</u>

## Notes to the financial statements

at 31 January 2020

### 3. Operating (Loss)/Profit

This is stated after charging:

	2020	2019
	£	£
Auditors' remuneration – audit services	15,750	12,500
– non-audit services, taxation compliance	9,350	9,075
	<u>21,725</u>	<u>21,575</u>
Depreciation of owned fixed assets		
	<u>21,725</u>	<u>21,575</u>

### 4. Directors' remuneration

	2020	2019
	£	£
Remuneration	<u>100,305</u>	<u>81,490</u>

	2020	2019
	£	£
Out of pocket expenses	<u>119</u>	<u>398</u>

### 5. Staff costs

	2020	2019
	£	£
Wages and salaries	2,565,701	2,469,908
Social security costs	196,422	205,999
Other pension costs	483,555	467,972
	<u>3,245,678</u>	<u>3,143,879</u>

The average monthly number of employees during the year was made up as follows:

	No.	No.
Administrative	141	148
Management	7	7
	<u>148</u>	<u>155</u>

### 6. Interest receivable and similar income

	2020	2019
	£	£
Bank interest receivable	<u>3,709</u>	<u>651</u>

## Notes to the financial statements

at 31 January 2020

### 7. Other finance income/(cost)

	2020	2019
	£	£
Pension scheme interest/(cost)	<u>(17,000)</u>	<u>2,000</u>

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge/(credit) is made up as follows:

	2020	2019
	£	£
<b>Current tax:</b>		
UK corporation tax for the year	251,283	291,505
Total current tax	<u>251,283</u>	<u>291,505</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(65,716)	(38,471)
Effect of changes in tax rates	6,918	4,050
Total deferred tax:	<u>(58,798)</u>	<u>(34,421)</u>
Tax charge on ordinary activities	<u>192,485</u>	<u>257,084</u>

Tax included in the statement of other comprehensive income

The tax claim is made up as follows:

	2020	2019
	£	£
<b>Deferred tax:</b>		
Actuarial loss on pension scheme	(510)	(70,380)
Total deferred tax	<u>(510)</u>	<u>(70,380)</u>

## Notes to the financial statements

at 31 January 2020

### 8. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	969,243	1,324,107
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	184,156	251,580
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,411	1,454
Tax rate changes	6,918	4,050
Total tax charge for the year	192,485	257,084

Paragraph 29.14A of FRS102 has been applied allowing the tax relief on gift aid payments to be recognised in the period to which it relates. This exception is only applicable as long as it is probable that the gift aid payment will be made to the parent charity within 9 months of the reporting date.

## Notes to the financial statements

at 31 January 2020

### 8. Tax (continued)

#### (c) Deferred tax

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

	2020	2019
	£	£
Capital allowances in advance of depreciation	3,579	(251)
Other timing differences	<u>(152,950)</u>	<u>(89,812)</u>
Included in debtors/provisions for liabilities and charges	<u>(149,371)</u>	<u>(90,063)</u>
		£
At 1 February 2019 – liability		(90,063)
Profit and loss account movement for the year		(58,798)
Amount charged to statement of comprehensive income		<u>(510)</u>
At 31 January 2020 – included in debtors		<u>(149,371)</u>

#### (d) Factors that may affect future tax charge

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. Accordingly, these rates are applicable in the measurement of deferred tax assets and liabilities at 31 January 2020. Deferred tax has been provided at 17% being the rate at which temporary differences are expected to reverse. However, the Budget, which took place on 11 March 2020, confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution and enacted on 22 July 2020. Had the 19% rate been substantively enacted at the balance sheet date the impact on the closing deferred tax balances at 31 January 2020 would be £17,573.

### 9. Tangible fixed assets

	<i>Equipment</i>
	£
Cost:	
At 1 February 2019	226,249
Additions	50,283
Disposals	–
At 31 January 2020	<u>276,532</u>
Depreciation:	
At 1 February 2019	(192,940)
Provided during the year	(21,725)
Disposals	–
At 31 January 2020	<u>(214,665)</u>
Net book value:	
At 1 February 2019	<u>33,309</u>
At 31 January 2020	<u>61,867</u>

## Notes to the financial statements

at 31 January 2020

### 10. Stocks

	2020	2019
	£	£
Finished goods	<u>188,550</u>	<u>186,398</u>

### 11. Debtors

	2020	2019
	£	£
Trade debtors	70,835	60,025
Amounts owed by group undertakings	2,558,461	2,973,879
Other debtors	64,227	44,383
Prepayments and accrued income	168,268	112,501
Deferred taxation	149,371	90,063
	<u>3,011,162</u>	<u>3,280,851</u>

### 12. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	162,815	251,561
Amounts owed to group undertakings	2,514,328	2,348,174
VAT, other taxes, national insurance and pension costs	226,650	216,510
Other creditors	214,921	199,866
Accruals and deferred income	88,111	64,016
	<u>3,206,825</u>	<u>3,080,127</u>

### 13. Issued share capital

	2020		2019	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	2	<u>2</u>	2	<u>2</u>

### 14. 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 24.5% of an employee's pensionable pay.

The pension cost for the year of these financial statements was £830,000 (2019 – £742,000), which included past service cost of £nil (2019 – £nil).

## Notes to the financial statements

at 31 January 2020

### 14. Pensions (continued)

The valuation used for FRS 102 disclosures has been based on the most recent actuarial valuation as at 31 March 2019 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 2020.

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.

	2020 %	2019 %
Main assumptions:		
Rate of increase in salaries	2.7	2.6
Rate of increase in pensions in payment	1.8	2.4
Discount rate	2.3	2.5
<i>Post retirement mortality</i>	<i>Years</i>	<i>Years</i>
Current pensioners at 65 – male	20.9	21.7
Current pensioners at 65 – female	23.3	24.2
Future pensioners at 65 – male	21.8	23.7
Future pensioners at 65 – female	24.8	26.4

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

	2020 £000	Value 2019 £000
Equities	6,253	7,406
Bonds	1,611	1,460
Properties	1,326	1,147
Cash	284	417
Fair value of scheme assets	9,474	10,430
Present value of scheme liabilities	(10,330)	(10,921)
Net pension liability	(856)	(491)

## Notes to the financial statements

at 31 January 2020

### 14. Pensions (continued)

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

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

<i>Recognised in profit and loss account</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Current service cost	830	742
Past service costs		–
Total operating costs	<u>830</u>	<u>742</u>
Other finance income: Pension scheme interest/(cost)	<u>(17)</u>	<u>2</u>
Total other finance (cost)/income	<u>(17)</u>	<u>2</u>

<i>Recognised in other comprehensive income</i>	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Return on assets excluding amounts included in net interest	(1,700)	554
Changes in demographic assumptions	513	–
Other experience changes	350	–
Changes in financial assumptions	<u>834</u>	<u>(968)</u>
Re-measurement loss recognised in other comprehensive income	<u>(3)</u>	<u>(414)</u>

Changes in the present value of the defined benefit obligation:

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
At 1 April	10,921	8,857
Current service cost	830	742
Interest cost	284	250
Contributions by members	127	131
Actuarial (gains) and losses	(1,697)	968
Benefits paid	<u>(135)</u>	<u>(27)</u>
At 31 March	<u>10,330</u>	<u>10,921</u>

Changes in the fair value of plan assets:

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
At 1 April	10,430	9,027
Actual return on plan assets	(1,433)	806
Contributions by members	127	131
Contributions by employer	485	493
Benefits paid	<u>(135)</u>	<u>(27)</u>
At 31 March	<u>9,474</u>	<u>10,430</u>



## Notes to the financial statements

at 31 January 2020

### 14. Pensions (continued)

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

<i>Changes in assumption at 31 March 2020</i>	<i>Approximate % increase to employer liability</i>	<i>Approximate monetary amount (£000)</i>
0.5% decrease in real discount rate	14%	1,443
0.5% increase in the salary increase rate	2%	212
0.5% increase in the pension increase rate	12%	1,213

### 15. Related party transactions

Advantage has been taken of exemptions available under FRS102 from disclosing transactions with other group companies.

On 7 December 2016, an interest free loan of £34,000 was made to Mr N G Porteus (Deputy Chief Executive, Finance Director & Company Secretary). The maximum amount outstanding during the year of these financial statements was £9,999 (2019 – £9,999) and the amount outstanding at 31 January 2020 was £9,977 (2019 – £9,999). At appropriate times, P11Ds have been issued and therefore Mr N G Porteus has paid the relevant amount of tax on the interest benefit of this loan personally.

On 2 February 2019, an interest free loan of £35,000 was made to Mrs C C Duke (Chief Executive). The maximum amount outstanding during the year of these financial statements was £35,000 (2019 – £2,566) and the amount outstanding at 31 January 2020 was £28,000 (2019 – £nil). At appropriate times, P11Ds have been issued and therefore Mrs C C Duke has paid the relevant amount of tax on the interest benefit of this loan personally.

#### Kingston upon Hull City Council:

- Up until May 2014, Hon Alderman DW Gemmell OBE was an elected member of Kingston upon Hull City Council
- Professor G Chesters is an Honorary Burgess 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 £13,263, none of which was outstanding at the year-end.

#### University of Hull:

- Dr A I Ward is an employee of the University of Hull and Professor G Chesters is an Emeritus Professor of the University of Hull.
- The University of Hull rents a laboratory in The Deep Visitor Attraction and hires The Deep for corporate functions. £50,878 for rent, goods and services was paid to The Deep by the University over the course of the year, of which £230 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 £33,473, of which £875 was in the creditors' ledger at the year-end.

## Notes to the financial statements

at 31 January 2020

### **The British & Irish Association of Zoos and Aquariums (BIAZA):**

- Mrs C C Duke is a director of BIAZA. During the year, Running Deep Limited made purchases of £5,022 from BIAZA (none of which was outstanding at the year-end) and provided services of £672 to BIAZA (all of which was outstanding at the year-end).

### **Freedom Festival Arts Trust:**

- Professor G Chesters was a trustee of the Freedom Festival Arts Trust until 10 June 2019 and Mr N G Porteus was a trustee of the Trust during the whole period of these accounts. Offices within The Deep's Business Centre were made available to the Freedom Festival Arts Trust for meetings during the course of the year.

### **The Constellation Trust (a Multi-Academy Trust comprising of Hull schools)**

- Mr N G Porteus is a Member, Trustee and Chair of the Constellation Trust. During the year, some of the schools within the Trust visited The Deep on formal educational visits. Mr Porteus was not involved in any of the decisions of any of the Trust schools to visit The Deep as these decisions are taken by the Local Governing Body of the school and not the Trust.

## **16. Post balance sheet events**

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. The business is currently being impacted as a result of restrictions imposed by Government on opening and from social distancing requirements and has responded as further described in note 1. Whilst current performance does not indicate a significant adverse effect in the long term, this will have a detrimental impact on the business's revenues, profits and cash flows in the current year.

Given the complexity of the situation and its continuing evolution, and notwithstanding the impact already described above, it is not practicable as of the date of approval of these financial statements to reliably make a quantified estimate of its potential impact on the Company, and specifically the impact on future cash flows or the carrying value of assets.

## **17. Ultimate parent undertaking and controlling party**

The company's ultimate parent undertaking and controlling party is EMIH Limited. It has included the company in its group financial statements, copies of which are available from its registered office: The Deep, Kingston upon Hull HU1 4DP.