

Science (UK) Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 03426602



Science (UK) Limited

Company Information

Directors	D S Hirst J Beard
Registered number	03426602
Registered office	Eighth Floor 6 New Street Square New Fetter Lane London EC4A 3AQ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Science (UK) Limited

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Science (UK) Limited

Strategic report For the Year Ended 31 December 2019

Business review

The Company provides goods and services to the parent company, Science Limited. The Company makes the art which is sold onto Science Limited, and also provides services which are charged on through a management charge fee. The Company's activity is therefore linked to the Science Group. The profitability of the Company is dependent on the level of activity and the services provided during the year. The directors are satisfied with this level of profitability and the ability to continue to provide these services in future years.

Future developments

The Company is funded by working capital from the parent company and the future development the Company is dependent on the health of the international contemporary art market. The continued growth year on year of the international contemporary art market shows no signs of abating and the general market consensus is that the market will continue to grow in the coming years. This will allow the Company to continue to expand its services to the other group companies whose principal activities remain within this field.

Financial risk management objectives and policies

Foreign currency fluctuation is the main financial risk for the Company as currency movements can impact on expenditure as certain costs are in Euros and Dollars.

There are minimal cash flow risks to the Company as it is funded by its parent who is its major customer. The Company's parent has agreed to continue to support the Company for a period of at least one year from the date of signing these accounts. The Company is also exposed to risk of certain commodity prices that it uses in the production of contemporary art. These include bronze, gold and silver.

Financial key performance indicators

As the Company has one principal customer, its parent company, the Company directors are of the opinion that any analysis using Key Performance Indicators of the business is not necessary for the understanding of the development performance and operation of the business.

This report was approved by the board on 25.05.2021 and signed on its behalf.



D Hirst
Director

Science (UK) Limited

Directors' report For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company during the year was that of the provision of management services and production of artworks. The Company also fabricates and sells prints and books, and receives income from restaurant sales.

Results and dividends

The profit for the year, after taxation, amounted to £3,888,480 (2018 - £1,705,005).

No dividends were paid or proposed in the current or prior year.

Directors

The directors who served during the year were:

D S Hirst
J Beard

Going concern

Science UK Limited operations is mainly to manufacture artworks to be sold to Science Limited, its parent company, and to manage the operations of the whole Science Limited and its subsidiaries, this have put the company in as a cost based company with limited ability to generate third party revenue and cash flows independently. Together, the company is a party to cross guarantee on the loan facilities of its parent company and therefore the company's ability to continue as a going concern is reliant on the ability of its parent company and the Science Limited Group as whole to generate cash and operate within its available credit facilities to be able to continue as a going concern.

At the outbreak of COVID-19 and lockdown measures in the UK which commenced in March 2020, our initial focus was around the preservation of cash and managing our cash outflows. We have since then applied and utilised the government job retention scheme to preserve cash and manage costs, and agreed with the bank the increase in credit facilities to continue to finance our cash flow requirements.

At the same time many of the galleries and art exhibitions has closed down and events have been cancelled in 2020, resulting to loss of revenue for the group. Management anticipate that the pandemic will affect the revenue of the group for at least until June 2022. Management has prepared a forecast on the basis that the operations of the group and revenue levels through to at least June 2022 will be much lower than before the pandemic commenced. Management has formulated plans and actions to manage costs and has incorporated the business plan in their cash flow forecast which reflects the lower level of operations of the group as a whole resulting in lower forecasted sales and costs until at least June 2022.

The group has arranged with the bank an increased revolving credit facility to support the cash flow requirements of the group until which will expire on June 2021. On October 2020, the group obtained another loan of £15 million for 3 years under the "Coronavirus Large Business Interruption Loan Scheme" backed by the government to increase its credit facilities. The combined bank facilities and business plan of the group, including cost cutting measures planned, has provided the group with enough facilities to meet the groups cash flow requirements at least 12 months from the approval of this financial statements.

Future developments

The Company's future developments and business review are shown in the Strategic report.

Science (UK) Limited

Directors' report (continued) For the Year Ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

The uncertainty as to the future impact on the Group of the recent COVID-19 outbreak has been separately considered as part of the directors consideration of the going concern basis of preparation. Thus far, the Group has experienced a material impact in trading performance due to COVID-19, with many but not all customers closed throughout the UK and overseas.

Whilst it is difficult to predict the overall outcome and impact of COVID-19, the directors, together with the management have performed an initial assessment on the recoverability of trade receivables and inventory. For trade receivables, although certain customers are experiencing cash flow pressure, at this stage we do not expect any material bad debt charges. In relation to inventory, the directors are confident that although galleries and art exhibitions are currently closed, cancelled, or operating on limited capacity, delivery of artwork to customers will still occur at some point and no additional provisions are anticipated due to the nature of the stocks and that value of such items may not actually be affected by the pandemic.

Should any adjustments arise due to the impact of COVID-19, they will be non-adjusting post balance sheet events. The management and the directors will continuously monitor and evaluate the art market for any indication of impact on the values of the stocks held by the group.

This report was approved by the board on 25.05.2021 and signed on its behalf.



D Hirst
Director

Science (UK) Limited

Directors' responsibilities statement For the Year Ended 31 December 2019

The directors are responsible for preparing the Strategic report, the Directors' 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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.

Science (UK) Limited

Independent auditor's report to the members of Science (UK) Limited

Opinion

We have audited the financial statements of Science UK Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the notes to the financial statements, 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, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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. 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Science (UK) Limited

Independent auditor's report to the members of Science (UK) Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 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 this other information; we are required to report that fact.

We have nothing to report in this regard.

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 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 and Director's 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.

Science (UK) Limited

Independent auditor's report to the members of Science (UK) Limited (continued)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:

Sophia Michael

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Sophia Michael (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 25 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Science (UK) Limited

Statement of comprehensive income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	14,642,484	20,345,118
Cost of sales		(9,894,315)	(18,002,882)
Gross profit		4,748,169	2,342,236
Administrative expenses		(20,163,231)	(23,368,211)
Other income	5	21,644,124	23,475,907
Operating profit	6	6,229,062	2,449,932
Interest payable and expenses	10	(875,173)	(8,959)
Profit before tax		5,353,889	2,440,973
Tax on profit	11	(1,465,409)	(735,968)
Profit for the financial year		3,888,480	1,705,005

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 13 to 27 form part of these financial statements.

Science (UK) Limited
Registered number:03426602

Statement of financial position
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	12	59,657,038	63,421,654
Investment property	13	10,209,482	2,880,206
		<u>69,866,520</u>	<u>66,301,860</u>
Current assets			
Stocks	14	42,836,977	38,978,277
Debtors	15	7,804,027	4,915,880
Cash at bank and in hand	16	918,463	990,597
		<u>51,559,467</u>	<u>44,884,754</u>
Creditors: amounts falling due within one year	17	(111,834,606)	(105,749,854)
Net current liabilities		<u>(60,275,139)</u>	<u>(60,865,100)</u>
Total assets less current liabilities		<u>9,591,381</u>	<u>5,436,760</u>
Deferred tax		(496,205)	(230,064)
Net assets		<u><u>9,095,176</u></u>	<u><u>5,206,696</u></u>
Capital and reserves			
Called up share capital	20	50,000	50,000
Profit and loss account	21	9,045,176	5,156,696
		<u><u>9,095,176</u></u>	<u><u>5,206,696</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



D S Hirst
Director

25.05.2021

The notes on pages 13 to 27 form part of these financial statements.

Science (UK) Limited

Statement of changes in equity For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	50,000	5,156,696	5,206,696
Comprehensive income for the year			
Profit for the year	-	3,888,480	3,888,480
Total comprehensive income for the year	-	3,888,480	3,888,480
At 31 December 2019	50,000	9,045,176	9,095,176

Statement of changes in equity For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	50,000	3,451,691	3,501,691
Comprehensive income for the year			
Profit for the year	-	1,705,005	1,705,005
Total comprehensive income for the year	-	1,705,005	1,705,005
At 31 December 2018	50,000	5,156,696	5,206,696

The notes on pages 13 to 27 form part of these financial statements.

Science (UK) Limited

Statement of cash flows For the Year Ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	3,888,480	1,705,005
Adjustments for:		
Depreciation of tangible assets	1,238,644	1,015,796
Onerous lease provisions	1,280,000	-
Net fair value losses recognised in P&L	455,206	-
Profit on sale of investment property	(10,000)	-
Loss on disposal of tangible assets	17,773	266
Interest paid	875,173	8,959
Taxation charge	1,465,409	735,968
(Increase) in stocks	(3,858,700)	(8,223,812)
(Increase)/decrease in debtors	(1,497,503)	5,456,011
(Increase) in amounts owed by groups	(1,371,644)	(2,331,480)
(Decrease)/increase in creditors	(3,009,436)	1,153,820
Increase in amounts owed to groups	6,977,762	16,667,050
Corporation tax (paid)	(376,268)	(1,050,363)
Net cash generated from operating activities	6,074,896	15,137,220
Cash flows from investing activities		
Purchase of tangible fixed assets	(5,701,284)	(43,041,236)
Sale of tangible fixed assets	-	20,885
Sale of investment properties	435,000	-
Net cash from investing activities	(5,266,284)	(43,020,351)

Science (UK) Limited

Statement of cash flows (continued) For the Year Ended 31 December 2019

	2019 £	2018 £
Cash flows from financing activities		
Loan from parent company	-	28,350,000
Interest paid	(875,173)	(8,959)
Net cash used in financing activities	<u>(875,173)</u>	<u>28,341,041</u>
Net (decrease)/increase in cash and cash equivalents	<u>(66,561)</u>	<u>457,910</u>
Cash and cash equivalents at beginning of year	984,427	526,517
Cash and cash equivalents at the end of year	<u><u>917,866</u></u>	<u><u>984,427</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	918,463	990,597
Bank overdrafts	(597)	(6,170)
	<u><u>917,866</u></u>	<u><u>984,427</u></u>

The notes on pages 13 to 27 form part of these financial statements.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

1. General information

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Science (UK) Limited is a private company incorporated in England and Wales under the Companies Act 2006. It is a company limited by shares. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the Directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

Science UK Limited operations is mainly to manufacture artworks to be sold to Science Limited, its parent company, and to manage the operations of the whole Science Limited and its subsidiaries, this have put the company in as a cost based company with limited ability to generate third party revenue and cash flows independently. Together, the company is a party to cross guarantee on the loan facilities of its parent company and therefore the company's ability to continue as a going concern is reliant on the ability of its parent company and the Science Limited Group as whole to generate cash and operate within its available credit facilities to be able to continue as a going concern.

The directors and the management have prepared forecasts covering the period to June 2022, built with the updated business plan of the group considering the impact of COVID-19. The forecasts include a number of assumptions in relation to sales volume, cost savings, agreed credit facilities and support from the shareholder. Whilst the Company and group's trading and cash flow forecasts have been prepared using trading assumptions on a decreased level, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. Excluding the potential impact of COVID-19 which is considered below, these risks include, but are not limited to, achieving forecast levels of sales, the impact on customer confidence as a result of general economic conditions, and the directors and management's ability to implement cost saving initiatives, where required.

In preparing this analysis, revenue and business operations has forecast to decreased significantly for at least until June 2022. The analysis includes mitigating actions within the control of management, including reductions in areas of discretionary spend, increased credit facilities and shareholder support. It is difficult to predict the overall outcome and impact of COVID-19 at this stage and the duration of disruption to sales activity could be longer than anticipated, although the directors and management believe the cash flow forecast are prudent. The group has arranged with the bank an increased revolving credit facility to support the cash flow requirements of the group until which will expire on June 2021. On October 2020, the group obtained another loan of £15 million for 3 years under the "Coronavirus Large Business Interruption Loan Scheme" backed by the government to increase its credit facilities. The combined bank facilities and business plan of the group, including cost cutting measures planned, has provided the group with enough facilities to meet the groups cash flow requirements at least 12 months from the approval of this financial statements. Under cash flow forecast modelled, the Group has sufficient cash and credit facilities to meet its liabilities as they fall due and consequently, the directors believe that the Group has sufficient financial strength to withstand the current disruption to its activities. Based on the above indications the directors believe

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.2 Going concern (continued)

that it remains appropriate to prepare the financial statements on a going concern basis.

2.3 Turnover

Revenue from sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. These criteria are met when the goods are delivered to the buyer.

Management fees comprise of cost charged to the parent company during the year for the running of the business, such as professional fees and indirect costs related to the fabrication of artworks which are sold through the parent company, exclusive of Value Added Tax.

2.4 Borrowing costs

All borrowing costs are recognised in Statement of comprehensive income in the year in which they are incurred.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as shown below.

Depreciation is provided on the following bases:

Freehold property - buildings	- 50 years straight line
Leasehold improvements	- Over the period of the lease
Motor vehicles	- 25% straight line
Other fixed assets	- 10% to 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in Statement of comprehensive income.

2.6 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in Statement of comprehensive income.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase, and includes labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its net realisable value. The impairment loss is recognised immediately in the Statement of comprehensive income.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.10 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.10 Financial Instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.13 Foreign currency translation (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within administrative expenses. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'administrative expenses'

2.14 Finance costs

Finance costs are charged to Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the period of the lease.

2.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in Statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.17 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether leases entered into by the Company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are any indicators of impairment in the Company's stocks. Factors taken into consideration in reaching such a decision include the past and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 12)

Tangible fixed assets are depreciated over their useful lives, taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

- Investments (see note 13)

Where indicators of impairment exist, impairment reviews consider the current value of the investment's assets and liabilities along with its future performance and timing of the expected return on the investment.

4. Turnover

The whole of the turnover is attributable to the principal activity.

All turnover arose within the United Kingdom.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

5. Other operating income

	2019 £	2018 £
Management fees	21,160,463	23,049,092
Rental recharges/income	483,661	426,815
	<u>21,644,124</u>	<u>23,475,907</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2019 £	2018 £
Loss on revaluation	455,206	-
Depreciation of tangible fixed assets	1,238,644	1,015,796
Profit on disposal of tangible fixed assets	(10,605)	-
Exchange differences	121,324	17,554
Other operating lease rentals	1,845,875	1,921,813
Defined contribution pension cost	192,252	251,425
	<u>1,992,622</u>	<u>2,206,688</u>

7. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	54,000	54,000
Fees payable to the Company's auditor in respect of:		
All other services	<u>8,400</u>	<u>9,700</u>

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	6,881,543	10,156,509
Social security costs	651,137	919,405
Cost of defined contribution scheme	192,252	251,425
	<u>7,724,932</u>	<u>11,327,339</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Employees	<u>175</u>	<u>252</u>

9. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	509,558	865,561
Company contributions to defined contribution pension schemes	8,406	13,362
	<u>517,964</u>	<u>878,923</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £236,268 (2018 - £236,470).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018 - £2,620).

10. Interest payable and similar expenses

	2019 £	2018 £
Interest payable	<u>875,173</u>	<u>8,959</u>

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	1,022,894	565,510
Adjustments in respect of previous periods	176,374	(59,606)
Total current tax	1,199,268	505,904
Deferred tax		
Origination and reversal of timing differences	255,402	230,064
Adjustments in respect of prior periods	10,739	-
Total deferred tax	266,141	230,064
Taxation on profit on ordinary activities	1,465,409	735,968

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	5,353,889	2,440,973
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,017,239	463,785
Effects of:		
Fixed asset differences	176,082	83,218
Expenses not deductible for tax purposes	155,229	95,001
Adjustments to tax charge in respect of prior periods	176,374	(59,606)
Adjustments to tax charge in respect of previous periods - deferred tax	10,739	-
Adjust closing deferred tax to average rate of 19%	(62,589)	(3,992)
Adjust opening deferred tax to average rate of 19%	28,310	(4,060)
Deferred tax not recognised	(35,975)	161,622
Total tax charge for the year	1,465,409	735,968

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

12. Tangible fixed assets

	Freehold property £	Leasehold improvements £	Motor vehicles £	Other fixed assets £	Total £
Cost or valuation					
At 1 January 2019	19,822,336	43,179,604	256,041	5,888,494	69,146,475
Additions	807,019	4,789,909	30	104,325	5,701,283
Transfers to investment property	-	(8,209,482)	-	-	(8,209,482)
Disposals	-	-	(15,420)	(2,353)	(17,773)
At 31 December 2019	<u>20,629,355</u>	<u>39,760,031</u>	<u>240,651</u>	<u>5,990,466</u>	<u>66,620,503</u>
Depreciation					
At 1 January 2019	1,836,262	432,118	222,911	3,233,530	5,724,821
Charge for the year on owned assets	617,402	-	3,139	618,103	1,238,644
At 31 December 2019	<u>2,453,664</u>	<u>432,118</u>	<u>226,050</u>	<u>3,851,633</u>	<u>6,963,465</u>
Net book value					
At 31 December 2019	<u>18,175,691</u>	<u>39,327,913</u>	<u>14,601</u>	<u>2,138,833</u>	<u>59,657,038</u>
At 31 December 2018	<u>17,986,074</u>	<u>42,747,486</u>	<u>33,130</u>	<u>2,654,964</u>	<u>63,421,654</u>

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Freehold	18,175,691	17,986,074
Long leasehold	39,327,913	42,747,486
	<u>57,503,604</u>	<u>60,733,560</u>

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

13. Investment property

	Freehold investment property £
Valuation	
At 1 January 2019	2,880,206
Disposals	(425,000)
Loss on revaluation	(455,206)
Transfers from property, plant and equipment	8,209,482
At 31 December 2019	10,209,482

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £	2018 £
Historical cost	2,959,104	3,384,104
Accumulated depreciation and impairments	(464,916)	(464,916)
	2,494,188	2,919,188

£2,560,000 of the above valuation is based on valuations completed by an Independent expert in 2018 and 2019 sales prices.

The cross guarantee as disclosed in note 22 is secured against freehold and investment properties and sales price.

14. Stocks

	2019 £	2018 £
Raw materials and consumables	128,466	131,132
Work in progress (goods to be sold)	42,708,511	38,847,145
	42,836,977	38,978,277

During the year, a reversal of impairment of £725,798 (2018: impairment of £1,244,889) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

15. Debtors

	2019 £	2018 £
Trade debtors	52,290	121,591
Amounts owed by group undertakings	4,013,593	2,458,767
Other debtors	2,362,901	1,081,833
Tax recoverable	-	164,182
Prepayments and accrued income	1,375,243	1,089,507
	<u>7,804,027</u>	<u>4,915,880</u>

16. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	918,463	990,597
Less: bank overdrafts	(597)	(6,170)
	<u>917,866</u>	<u>984,427</u>

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	597	6,170
Trade creditors	819,760	925,838
Amounts owed to group undertakings	105,674,922	98,513,978
Corporation tax	661,036	-
Other taxation and social security	-	1,590,015
Onerous lease provisions	1,280,000	-
Other creditors	54,628	31,871
Accruals and deferred income	3,343,663	4,681,982
	<u>111,834,606</u>	<u>105,749,854</u>

The parent undertaking, Science Limited, has confirmed to the Company that the intercompany balance will only be called upon should the Company have sufficient funds available to make such repayment.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

18. Financial Instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	918,463	990,597
Financial assets that are debt instruments measured at amortised cost	6,428,784	3,691,510
	<u>7,347,247</u>	<u>4,682,107</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(109,893,570)	(104,159,839)

Financial assets that are debt instruments measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, other creditors and amounts owed to group undertakings.

19. Deferred taxation

	2019 £
At beginning of year	(230,064)
Charged to profit or loss	(266,141)
At end of year	<u>(496,205)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	(496,205)	(234,819)
Short term timing differences	-	4,755
	<u>(496,205)</u>	<u>(230,064)</u>

At the reporting date, the Company had an unrecognised deferred tax asset of £196,131 (2018: £196,131) in respect of unutilised losses in Arcane Restaurants Limited.

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

21. Reserves

The Company has the following reserves:

Profit & loss account

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

22. Contingent liabilities

The Company is party to a cross guarantee with other companies in the group, in relation to the bank loan of Science Limited. At the year end the maximum exposure under this cross guarantee was £36,225,000 (2018: £27,725,000).

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £192,252 (2018: £251,425). Contributions totalling £28,980 (2018: £21,156) were payable to the fund at the reporting date and are included in creditors.

24. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2019 £	2018 £
Not later than 1 year	1,557,294	1,910,093
Later than 1 year and not later than 5 years	2,391,281	2,377,446
Later than 5 years	123,350	144,275
	4,071,925	4,431,814

Science (UK) Limited

Notes to the financial statements For the Year Ended 31 December 2019

25. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 102 s.33.1A and not disclosed transactions with other group companies as the Company was a wholly owned subsidiary of Science Limited at the year end.

26. Post balance sheet events

The uncertainty as to the future impact on the Group of the recent COVID-19 outbreak has been separately considered as part of the directors consideration of the going concern basis of preparation. Thus far, the Group has experienced a material impact in trading performance due to COVID-19, with many but not all customers closed throughout the UK and overseas.

Whilst it is difficult to predict the overall outcome and impact of COVID-19, the directors, together with the management have performed an initial assessment on the recoverability of trade receivables and inventory. For trade receivables, although certain customers are experiencing cash flow pressure, at this stage we do not expect any material bad debt charges. In relation to inventory, the directors are confident that although galleries and art exhibitions are currently closed, cancelled, or operating on limited capacity, delivery of artwork to customers will still occur at some point and no additional provisions are anticipated due to the nature of the stocks and that value of such items may not actually be affected by the pandemic.

Should any adjustments arise due to the impact of COVID-19, they will be non-adjusting post balance sheet events. The management and the directors will continuously monitor and evaluate the art market for any indication of impact on the values of the stocks held by the group.

27. Controlling party

The immediate controlling party is Science Limited and is incorporated in Jersey.

The ultimate controlling party is D S Hirst.