

Company Registration No. 02280277

NATIONAL GALLERY COMPANY LIMITED

Annual Report and Financial Statements

Year ended 31 March 2021

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NATIONAL GALLERY COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2021

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NATIONAL GALLERY COMPANY LIMITED

REPORTS AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr Rune Gustafson	(Chairman)	
Ms Julie Molloy	(Managing Director)	
Mr Douglas Gurr		(Resigned 30 November 2020)
Mr Nick Moore		
Mr Nigel Richards		
Dr Gabriele Finaldi		
Mr Peter Male		
Mr Douglas Gilmore		(Resigned 17 June 2020)
Ms Judith Mather		
Mr Simon Emeny		
Mr Paul Gray		
Ms Polly Powell		(Resigned 30 July 2020)

SECRETARY

Mr Peter Male

REGISTERED OFFICE

St Vincent House
30 Orange Street
London
WC2H 7HH

BANKERS

Coutts & Co
Commercial Banking
440 Strand
London
WC2R 0QS

SOLICITORS

Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

INDEPENDENT AUDITOR

Price Bailey
24 Old Bond Street
London
W1S 4AP

NATIONAL GALLERY COMPANY LIMITED

STRATEGIC REPORT

National Gallery Company Limited (NGC) was owned by The National Gallery Trust (NGT) as at 31st March 2021 and is now owned by the National Gallery (NG). On the 1st April 2021 the National Gallery Trust gifted 800,100 of National Gallery Company's (NGC) ordinary shares to the National Gallery (NG) giving it 100% ownership of the company. The Company's purpose is to generate income for the National Gallery and the Trust. The Company's main business is to produce a range of commercial products, publications and services to enhance the experience of visitors to the Gallery and reach audiences and new markets beyond the Gallery to extend the commercial brand.

NGC's income comes from the following sources:

- Retail in the Gallery
- Venue Hire and Location Filming
- Brand Licensing
- Catering commission
- Digital sales (e-commerce and the National Gallery Picture Library)
- Via the distribution of NGC's books worldwide by Yale University Press

Store revenue this year totalled £0.6m (19/20 £6.8m). Additional sales of £2.8m (19/20 £3.2m) were generated from other activities.

FINANCIAL KEY PERFORMANCE INDICATORS

KPIs	2020/21	2019/20
Customer Conversion Rate (Visitors to Store Customers)	20.4%	9.7%
Store Spend per Customer (exVAT)	£13.30	£12.76
Store Spend per Visitor (exVAT)	£2.11	£1.24
Store Gross Profit per Visitor	£2.21	£0.74
Retail Gross Margin	53.7%	57.9%

As a result of the pandemic, the National Gallery managed long term closures in this financial year and was only open for 138 (19/20 361) days, welcoming 234k (19/20 5,478k) visitors. Total store revenue during opening was £635k (19/20 £6,784k). Store conversion reached 20% (19/20 10%) and our ATV was £13.30 (19/20 £12.76). During the year, over a third of our store revenue came from the *Titian* and *Artemisia* exhibitions.

Income from our e-commerce platform hit record highs (20/21 £831k, 19/20 £382k) and we serviced 27k (19/20 12k) orders, 132% more than prior year.

Our external publishing sales benefitted from high returns from our distribution partners Yale UP worldwide, most notably from the exhibition titles produced for *Titian* and *Artemisia*. In addition, we received valuable licensing income from the now published *Dürer* catalogue, royalties from sales of the exhibition catalogue produced to support the Japan Tour and a new book licensing agreement in China. Brand licensing income continued to grow, largely due to merchandise royalties received from the Japan Tour (20/21 £272k, 19/20 £nil) and from our licensing partner in China.

In December, the NGC Board took the decision to terminate the contract with our catering partners Sodexo, and a commercial settlement was agreed with the assets passing to NGC. Food and beverage consultants have been engaged to redefine the Gallery's on-site offer and source a new long-term catering partner.

The Company made full use of the Government Furlough Scheme. This is included in the revenue summary and was significantly higher than expected at £738k (19/20 £20k), due to the continued extension of the scheme.

The team made some significant changes to reduce all overhead lines in year, including the surrendering of the lease on our offices and a reduction in headcount.

NATIONAL GALLERY COMPANY LIMITED

STRATEGIC REPORT

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 March 2021 are set out on pages 10 to 21. The company made a loss of £547k (2019/20: profit of £13k), after making rent and royalty payments to the National Gallery of £nil (2019/20: £1,464k). Gift Aid amounts paid and payable to the Trust were £nil (2019/20: £13k).

The directors do not recommend the payment of a dividend (2019/20: £nil).

FUTURE ACTIVITIES

NGC has a new three-year strategic plan to deliver a revised business model to develop a seamless customer experience to increase customer value and a return to profitability by 2022/23. We recognise that the 2021/22 year will be challenging, given the anticipated low visitor numbers onsite and the uncertainty around in-bound tourism.

Our focus will be to optimise sales opportunities on-site for the significantly reduced visitor numbers and building external revenue opportunities and new products and services e.g. in digital and licensing. We will also focus on new systems, improved processes and the operating structure and resources required to deliver the new model.

It is our intention to continue to pursue trading activities for the purposes of generating funds for the National Gallery.

RISKS & UNCERTAINTIES

- The Gallery re-opened on May 17th, 2021 and our onsite visitor number assumptions for the 2021/22 financial year are 20% of what they were before the pandemic. There is a risk in 2021/22 that cases of COVID-19 accelerate again in Q3 and result in further onsite closures bringing further pressure to onsite revenue and resources (e.g. Retail and Venue Hire). We will mitigate this impact by optimising new income streams from planned investment in digital products and delivering our international growth plans.
- The appointment of a new long-term catering partner (planned for Q3) is essential for our customers and for our income and there is a risk around these plans, particularly if there are further lockdowns in-year. We will be agile in our approach, working with short-term solutions, if required, to respond to customer demands as we have done over the past 17 months.
- The ongoing uncertainty surrounding Brexit and its possible impact on visitors over the next years.
- Significant inventory commitments which could impact on profitability, given the level of sales expected over the next 12 months. The Board of Directors will review and monitor this regularly and an inventory led approach will be central to our new operating model.

**Approved by the Board of Directors
and signed on behalf of the Board**



**Mr Peter Male
Company Secretary**

**30 July 2021
St Vincent House
30 Orange Street
London
WC2H 7HH**

NATIONAL GALLERY COMPANY LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the affairs of the Company, together with the financial statements and independent auditor's report for the year ended 31 March 2021.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 3. The financial position of the Company, its cash flows and liquidity position are also described in that review. In addition, note 1 to the financial statements includes the Company's policies and processes for managing its capital.

The Board is currently of the opinion that the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company is able to operate within its current borrowing facilities. No matters have been drawn to the Company's attention to suggest that these facilities will be withdrawn in the foreseeable future.

The Board is satisfied that the Company has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events since the balance sheet date are contained in note 17 to the financial statements.

RESEARCH AND DEVELOPMENT

There were no significant research and development projects during the year.

DIRECTORS

The Directors who served during the year and to the date of this report are listed on page 1.

DIRECTOR'S INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

POLITICAL CONTRIBUTIONS

No political donations were made during the year.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. Foreign currency balances and transactions are limited and interest bearing liabilities are held at a fixed rate, so the cash flow risk from these activities is not significant.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

NATIONAL GALLERY COMPANY LIMITED

DIRECTORS' REPORT

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the Company.

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Approved by the Board of Directors
and signed on behalf of the Board**



**Mr Peter Male
Company Secretary**

30 July 2021

St Vincent House
30 Orange Street
London
WC2H 7HH

NATIONAL GALLERY COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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) including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland". 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 accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE NATIONAL GALLERY COMPANY LIMITED

Opinion

We have audited the financial statements of National Gallery Company Limited (the 'company') for the year ended 31st March 2021 which comprise the Statement of Income and retained earnings, balance sheet, statement of changes in equity and notes to the financial statements, including 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 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE NATIONAL GALLERY COMPANY LIMITED

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 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 the 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 our 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 the 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 6, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE NATIONAL GALLERY COMPANY LIMITED

We gained an understanding of the legal and regulatory framework applicable to the Company and the sector in which it operates and considered the risk of the Company not complying with the applicable laws and regulations including fraud in particular those that could have a material impact on the financial statements. This included those regulations directly related to the financial statements, including financial reporting which could have a material impact on the financial statements. In relation to the operations of the Company this included compliance with the Companies Act 2006, GDPR, employment law and health & safety legislation.

The risks were discussed with the audit team and we remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included the following:

Management override: To address the risk of management override of controls, we carried out testing of journal entries and other adjustments for appropriateness. We reviewed systems and procedures to identify potential areas of management override risk. In particular, we carried out testing of journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions to identify large or unusual transactions. We reviewed key authorisation procedures and decision making processes for any unusual or one-off transactions. We also assessed management bias in relation to the accounting policies adopted and in determining significant accounting estimates.

Reviewing minutes of Board meetings, any correspondence with HMRC, agreeing the financial statement disclosures to underlying supporting documentation, enquiries of management and officers of the Company.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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.

 J Wilkinson

Helena Wilkinson FCA
Senior Statutory Auditor
For and on behalf of Price Bailey LLP
Statutory Auditors
Price Bailey,
24 Old Bond Street
London
W1S 4AP

Date:

22 October 2021

NATIONAL GALLERY COMPANY LIMITED

Statement of income and retained earnings For the Year ended 31 March 2021

	Notes	2021 £	2020 £
TURNOVER	2	2,723,133	9,911,422
Cost of sales		(864,767)	(4,433,902)
GROSS PROFIT		1,858,366	5,477,520
Distribution costs		(49,426)	(762,109)
Administrative expenses		(3,096,319)	(4,722,962)
Other operating Income	15	740,431	19,702
OPERATING (LOSS)/PROFIT		(546,948)	12,151
Interest payable and similar charges	5	-	(1,893)
Interest receivable and similar income	6	103	2,972
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(546,845)	13,230
Tax on profit on ordinary activities	7	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(546,845)	13,230
RETAINED EARNINGS AT 1 APRIL		118,954	118,954
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(546,845)	13,230
Payments under deed of covenant to the National Gallery Trust		-	(13,230)
RETAINED EARNINGS AT 31 MARCH		(427,891)	118,954

The statement of income and retained earnings contains all the gains and losses recognised in the year and in the prior year.

All results derive from continuing operations.

The notes on pages 13 to 21 form an integral part of these financial statements.

NATIONAL GALLERY COMPANY LIMITED

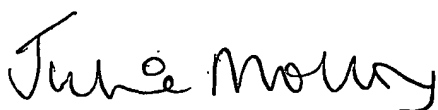
BALANCE SHEET

At year ended 31 March 2021

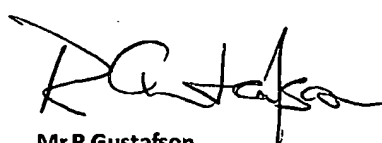
	Notes	2021 £	2020 £
FIXED ASSETS			
Intangible assets	8	57,885	79,403
Tangible assets	9	678,895	302,584
		<u>736,780</u>	<u>381,987</u>
CURRENT ASSETS			
Stocks	10	667,328	1,006,468
Debtors	11	485,538	746,509
Cash at bank and in hand		564,908	645,454
		<u>1,717,774</u>	<u>2,398,431</u>
CREDITORS: amounts falling due within one year	12	<u>(2,082,345)</u>	<u>(2,161,364)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(364,571)</u>	<u>237,067</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>372,209</u>	<u>619,054</u>
CREDITORS: amounts falling due after more than one year		-	-
NET ASSETS		<u>372,209</u>	<u>619,054</u>
CAPITAL AND RESERVES			
Called up share capital	14	800,100	500,100
Retained earnings		(427,891)	118,954
SHAREHOLDERS' FUNDS		<u>372,209</u>	<u>619,054</u>

These financial statements of National Gallery Company Limited, registered No. 02280277, were approved by the Board of Directors and authorised for issue on 30 July 2021.

Signed on behalf of the Board of Directors



Ms J Molloy
Managing Director



Mr R Gustafson
Chairman

The notes on pages 13 to 21 form an integral part of these financial statements.

NATIONAL GALLERY COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
At year ended 31 March 2021

	Called-up share capital £	Profit and loss account £	Total £
At 1 April 2020	<u>500,100</u>	<u>118,954</u>	<u>619,054</u>
Comprehensive income for the year			
Loss for the year	-	(546,845)	(546,845)
	<u> </u>	<u> </u>	<u> </u>
Contributions by and distributions to owners:			
Issue of Share Capital	300,000	-	300,000
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2021	<u>800,100</u>	<u>(427,891)</u>	<u>372,209</u>

	Called-up share capital £	Profit and loss account £	Total £
At 1 April 2019	<u>500,100</u>	<u>118,954</u>	<u>619,054</u>
Comprehensive income for the year			
Profit for the year	-	13,230	13,230
	<u> </u>	<u> </u>	<u> </u>
Contributions by and distributions to owners:			
Payment under deed of covenant to parent company	-	(13,230)	(13,230)
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2020	<u>500,100</u>	<u>118,954</u>	<u>619,054</u>

The notes on pages 13 to 21 form an integral part of these financial statements.

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

1. ACCOUNTING POLICIES

National Gallery Company Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of National Gallery Company Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

National Gallery Company Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going Concern

Following the World Health Organisation's declaration of COVID-19 as an international pandemic in March 2020 and the subsequent restrictions imposed by the UK government, National Gallery Company Limited has been affected in a number of ways:

- The Gallery was closed from 19th March 2020 until the 4th July 2020; 5th November 2020 until 2nd December 2020 and 21st December 2020 until 17th May 2021. The retail shops were also closed, and catering operations ceased. The Gallery re-opened in accordance with the Government's two metre social distancing guidelines as well as additional measures including ticket-only access and reduced opening hours. These actions are limiting maximum daily visitor numbers and income generation.
- Bookings for venue hire, events and filming in the Gallery were postponed or cancelled during the closures.

The company has considered the going concern assumption through revised cash flows and forecasts that have been reviewed and agreed by the NGC board which met with increased frequency during the closure period. The following measures have been taken to date:

- There is a currently unused loan facility with NGT of £2.00m.
- Contract variations have been discussed with the Gallery permitting rent and commission free periods if required for the year ended 31 March 2022
- Staff levels have been evaluated which has resulted in redundancies. Business activity will be monitored closely with options to look at further redundancies if necessary
- A consultant has been engaged to review NGCS's logistic operations to identify whether further savings can be made through changes to the warehousing and fulfilment processes
- Review and cessation of unessential overhead expenditure

In order to assess the appropriateness of the going concern assumption basis, the Directors have considered the company's financial position, reserves, cash flows and NGT loan and revised forecasts to 30 July 2022. They have considered the assumptions underlying these forecasts and the impact of the potential risks affecting them, including COVID-19 as highlighted above. Having made those enquiries, the Directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of signing this report.

Intangible fixed assets

Computer software is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is between three and five years.

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

ACCOUNTING POLICIES (continued)

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Provision is made for depreciation at rates designed to write off the cost of fixed assets less estimated residual value on a reducing basis over their estimated useful lives. The Company depreciates assets over their remaining lives from the date of acquisition.

Fixtures, fittings and equipment	20% - 33%
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Stocks

Stock is stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis; in the case of book production, costs includes all direct expenditure in bringing books to their present location and condition. Overhead expenses are not included as, in the directors' opinion, the amount to be included would not be material. Net realisable value is the directors' estimate of the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Stock is regularly reviewed and provision ranging from 1% to 100% of cost is made for obsolete, slow-moving or defective items where appropriate. General provision is made against merchandise (2.5% of cost), NGC titles (5.0% of cost) and non NGC titles (1.0% of cost)

Pensions

The company operates a Group Personal Pension Plan (defined contribution). The amount charged to the statement of income and earnings in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end. All exchange differences are included in the statement of income and earnings.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

ACCOUNTING POLICIES (continued)

Redundancy

Redundancy and termination costs are recognised as an expense in the Profit and Loss account and a liability on the Balance Sheet immediately at the point the company is demonstrably committed to either:

- Terminate the employment of an employee or group of employees before normal retirement date; or
- Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The company is considered to be demonstrably committed only when it has a detailed formal plan for the termination and is without realistic possibility of withdrawal from the plan.

Leases

The rentals payable under operating leases are charged to the statement of income and retained earnings on a straight line basis over the lease term even if the payments are not made on such a basis.

Deed of Covenant Gift Aid Payment and tax relief thereon

A deed of covenant was signed in the year ending March 2019, resulting in payments due to the Trust being reflected in the year ending March 2020.

Government Grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

2. TURNOVER

Turnover represents the amounts of goods or services sold or invoiced to customers net of trade discounts and VAT when recognised.

The analysis of turnover by geographical destination is as follows:

	2021 £	2020 £
United Kingdom	2,041,970	9,382,240
Overseas	681,163	529,182
	<u>2,723,133</u>	<u>9,911,422</u>

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	2021 £	2020 £
Operating lease rentals – Land and buildings	2,018	171,850
Depreciation - owned	78,364	69,974
Amortisation of assets - owned	26,519	37,524
Loss/(Profit) on foreign exchange	3,478	(20,158)
Loss on disposal of tangible fixed assets	12,793	18,352
Auditor's remuneration - fees payable to the company's auditor in respect of the audit of the annual accounts	<u>10,650</u>	<u>9,825</u>

4. STAFF COSTS (INCLUDING DIRECTORS)

	2021 £	2020 £
Employment costs:		
Wages and salaries	2,151,037	2,565,484
Social security costs	196,665	246,548
Pension costs	95,605	112,540
	<u>2,443,307</u>	<u>2,924,572</u>

The above includes redundancy costs of £91,471 (19/20 £Nil).

	No.	No.
Average number of persons employed by the company:		
Retail	28	47
Publishing & Logistics	11	10
Business Development & Merchandise	6	16
Central	13	15
Venue Hire	5	7
	<u>63</u>	<u>95</u>
Total full time or full time equivalent		

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

	2021 £	2020 £
Directors' remuneration:		
Emoluments	300,038	347,444
Pension contributions (defined contribution scheme)	15,351	18,884
	<u>315,389</u>	<u>366,328</u>

The highest paid director's remuneration for the year was £100,813 (2020 £111,201). Pension contributions paid in respect of the highest paid director were £5,547 (2020: £5,792).

Four directors were members of the defined contribution pension scheme in both 2021 and 2020.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £	2020 £
Interest payable on the loan from The National Gallery Trust	-	1,893
	<u>-</u>	<u>1,893</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £	2020 £
Other finance income	103	2,972
	<u>103</u>	<u>2,972</u>

This comprises interest on bank deposits.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2021 £	2020 £
(Loss)/ profit on ordinary activities before tax	<u>(546,845)</u>	<u>13,230</u>
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 19%	(103,900)	2,514
Effects of:		
Expenses not deductible for tax purposes	322	1,370
Accelerated capital allowances	(68,144)	(1,370)
Gift aid payments made under deed of covenant	-	(2,514)
Unrelieved tax losses carried forward	171,723	-
Current tax charge for period	<u>-</u>	<u>-</u>

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

A deferred tax liability has not been recognised in respect of short term differences of capital allowance in excess of depreciation. The amount of the liability not recognised is £49,940 (2020: £8,045), as there was insufficient evidence that the liability will crystallise. The liability would be crystallised if the timing differences were to reverse in the future. The company has losses of £546,845 (2020 £nil) available for carry forward against future trading profits. A deferred tax asset has not been recognised due to the uncertainty of future profits to offset these losses.

8. INTANGIBLE FIXED ASSETS

	Computer Software £
Cost	
At 1 April 2020	376,174
Additions	5,000
Disposals	-
At 31 March 2021	<u>381,174</u>
Accumulated depreciation	
At 1 April 2020	296,771
Charge for the year	26,518
Eliminated on disposal	-
At 31 March 2021	<u>323,289</u>
Net book value	
At 31 March 2021	<u>57,885</u>
At 31 March 2020	<u>79,403</u>

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2021

9. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £
Cost	
At 1 April 2020	1,016,425
Additions	467,895
Disposals	(90,591)
	<u>1,393,729</u>
At 31 March 2021	
Accumulated depreciation	
At 1 April 2020	713,841
Charge for the year	78,361
Eliminated on disposal	(77,368)
	<u>714,834</u>
At 31 March 2021	
Net book value	
At 31 March 2021	<u>678,895</u>
At 31 March 2020	<u>302,584</u>

10. STOCKS

	2021 £	2020 £
Work in progress	73,781	97,400
Finished goods and stocks held for resale	593,547	909,068
	<u>667,328</u>	<u>1,006,468</u>

11. DEBTORS

	2021 £	2020 £
Trade debtors	189,645	371,338
Amounts due from National Gallery	86,071	31,968
Other debtors	153	9,286
Prepayments and accrued income	209,669	333,917
	<u>485,538</u>	<u>746,509</u>

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade creditors	511,292	657,461
Amounts due to National Gallery	836,216	793,264
Amounts due to National Gallery Trust	-	13,230
Other taxation and social security	154,702	187,727
Other creditors	122,088	51,977
Accruals	88,899	147,694
Deferred income	369,148	310,011
	<u>2,082,345</u>	<u>2,161,364</u>

At the balance sheet date there was commitment to purchase stock at a cost of £130,367 (2020: £208,493).

13. OPERATING LEASES

As at the balance sheet date the total future minimum lease payments under non-cancellable operating leases are as follows:

	2021 Land and Buildings £	2021 Other £	2020 Land and Buildings £	2020 Other
Within one year	333	11,000	83,500	11,000
Within one and two years	-	8,250	-	11,000
Withing two to five years	-	-	-	8,250
	<u>333</u>	<u>19,250</u>	<u>83,500</u>	<u>30,250</u>

14. CALLED UP SHARE CAPITAL AND RESERVES

	2021 £	2020 £
Called up, allotted and fully paid		
800,100 ordinary shares of £1 each	800,100	500,100

On 31st March 2021 300,000 ordinary shares were issued and purchased by National Gallery Trust for a consideration of £300,000.

15. OPERATING INCOME

	2021 £	2020 £
Job retention scheme income	737,931	19,702
Government funding for training income	2,500	-
	<u>740,431</u>	<u>19,702</u>

The government grant for the job retention scheme and government funding for training was recognised as revenue on an accrual basis. There are no unfulfilled conditions or contingencies in relation to this grant.

NATIONAL GALLERY COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2021

16. RELATED PARTIES AND ULTIMATE CONTROLLING PARTY

The company has taken advantage of the exemption available under FRS102 and have not disclosed transactions with other fully owned subsidiaries of National Gallery Trust. The directors regard The National Gallery Trust, a charity registered with the Charity Commission (no. 299509) as the ultimate controlling party and which is the parent of the only group of which the Company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from St Vincent House, 30 Orange Street, London, WC2H 7HH.

17. EVENTS AFTER THE BALANCE SHEET DATE

On the 1st April 2021 the National Gallery Trust gifted 800,100 of National Gallery Company's (NGC) ordinary shares to the National Gallery (NG) giving it 100% ownership of the company.

On the 1st April 2021 there was a TUPE transfer of eleven NGC staff to NG who in future will be providing shared service functions (HR, IT, Finance and Marketing) to NGC in accordance with signed service level agreements. There was also a TUPE transfer of eight NG staff to NGC to provide new commercial services support for NGC.

The impact of the COVID-19 pandemic on NGC's ability to generate on-site retail revenue continues. However, NGC are cautiously optimistic about the 2021/22 financial year. NGC has started to implement the strategic growth plans for the National Gallery bicentennial in 2024 and has seen positive retail results so far. NGC expects to return to a profitable position in 2022/23 due to a very strong and commercial exhibition programme. NGC has surplus cash reserves and available loan facilities and is expecting to regrow the business, with manageable losses at worst before the recovery fully kicks in and does not anticipate any issues in being able to weather this current period.