

**SCMG Enterprises Limited**  
**(Company Number: 02196149)**

**Annual Report and Accounts**

**Year ended 31 March 2020**



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## **Company Information**

SCMG Enterprises Limited (the company) is a wholly owned subsidiary of the Science Museum Group (the group), a non-departmental public body, sponsored by the Department for Digital, Culture, Media and Sport (DCMS). The company's registered office is Science Museum, Exhibition Road, South Kensington, London SW7 2DD and it is incorporated in England.

**Registered number**  
02196149

### **Directors**

Sir Ian Blatchford  
Jane Ellis (resigned 1 May 2019)  
Shri Mukundagiri (from 1 March 2020)  
Jonathan Newby

### **Registered Office**

Science Museum  
Exhibition Road  
South Kensington  
London  
SW7 2DD

### **Auditor**

PKF Littlejohn  
15 Westferry Circus  
Canary Wharf  
London  
E14 4HD

### **Bankers**

Barclays Bank plc  
London Service Centre  
PO Box 69961  
1 Churchill Place  
London  
E14 1NP

### **Solicitors**

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

## **Strategic Report**

### **Foreword**

The directors present their audited financial statements for the year ended 31 March 2020.

#### Developments in 2019-20

The end of the financial year 2019-20 was overshadowed by the Covid-19 coronavirus pandemic and the associated efforts of Government and the public to contain the spread of the infection. The group's museums were closed to the public in mid-March and though social distancing measures are being gradually lifted at the time of writing, the future remains uncertain. Like many parts of the UK economy, the company has been affected by the lockdown and the forced closure of its operations. The directors consider the future of the company to be secure, though it is likely that performance will be significantly adverse to expectations for 2020-21 and perhaps beyond.

Until the lockdown, 2019-20 was a positive year for the company, with a very successful first full year of operation for Illuminate, our dedicated corporate events venue in the Science Museum, a refurbishment and expansion of our main store on the South Kensington site, and a number of supporting initiatives, including launching a new e-commerce site, bringing the cinema operations in Bradford back into direct management, and bringing events and conference activity in Manchester in-house. We commenced the operation of a new road train in York and began the refurbishment of the IMAX cinema in London, which will see the installation of a laser projector alongside the existing film screen.

Turnover rose by 20% as a result of these changes, though profits in our core activities slipped by 11% to £2.3m, as temporary closures or changes to operations in London retail, e-commerce, York corporate events and our licensing business took place. Profits were also adversely affected by the Covid-19 cancellations or deferrals of a number of our cultural and commercial partnerships activities.

### **Strategic Management**

#### Strategy, objectives and business model

The company's principal activities, which occur across the five museums in the group, are:

- general retailing (through both on site and online channels),
- the operation of cinemas and interactive simulators,
- catering,
- corporate hire,
- brand licensing, image sales, publishing, and
- sponsorship of commercial exhibitions.

The group has seven strategic priorities to 2030, and the company particularly supports the objective to increase sustainable unrestricted income from a baseline year of 2015-16. To do this, the company's strategy is:

- to integrate all commercial activity into the museums' offer,
- to focus on the core activities for income generation,
- to identify opportunities for growth,
- to maintain a strong brand, and
- to consolidate effort in profitable areas.

### Performance against strategic objectives

Performance against the group's strategic objective to increase sustainable, unrestricted income from the 2015-16 baseline is summarised in the table below:

	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover (£k)	17,106	16,190	15,936	15,310	18,395
Operating profit, excluding sponsorship and consultancy (£k)	3,122	3,252	3,352	2,555	2,269
Margin (%)	18.3%	20.1%	21.0%	16.7%	12.3%

The increased turnover figure in 2019-20 was largely due to a significant increase in corporate events income in London to nearly £5.0m. Bringing the Bradford cinema and Manchester events operations back in-house further increase revenue by £0.8m, though these did not immediately improve underlying profitability. Profit increased by £0.7m in London's corporate events, but declined in a number of areas where future profitability is expected after recent investment, including cultural and commercial partnerships, London retail, e-commerce and brand licensing.

### Principal risks and uncertainties

#### *General trading risks*

The company's principal standing risks are financial risks associated with running a trading business, namely liquidity and credit risk:

- Liquidity risks are managed by ensuring that sufficient liquidity is available to meet foreseeable needs, as forecast for the coming financial year. The company ensures it has sufficient working capital by monitoring income and expenditure and the timing of payments of distributed profits to its parent.
- The company's credit risk is principally associated with its trade debtors. The risk is managed by management control of credit accounts and regular review of all outstanding debts by both finance and non-finance staff.

#### *Investment risk*

The company has been investing and plans over the coming financial years to continue to invest in income-generating opportunities, such as *Illuminate*, the main Science Museum store and the IMAX projector. Where these investments are made on the company's behalf by the group, the costs are recharged to the company over the useful lives of the assets. There is a risk that such investments do not yield the forecast returns in terms of visitor numbers or financial income, if, for example, the attractiveness of these commercial offers is less than expected, and that the company's profit would be reduced. To manage these risks, the company ensures that business cases are robust and subject to appropriate scrutiny, that projects are managed effectively in line with the group's best practice and that benefits are measured after implementation. Where benefits are not in line with forecast, mitigating actions are taken under the guidance of the group's income advisory group, income advisory board and Finance Committee.

#### *Brexit*

An additional risk during the year related to the UK's departure from the European Union ('Brexit'). This was managed as part of the group's wider contingency planning for Brexit and the actions taken included reviewing significant exposure to overseas suppliers in the event of disruption to international shipping, considering data storage provisions in computer applications, and modelling the effect of falls in visitor numbers from the EU. With the December 2019 general election result, some of the uncertainty around a 'No Deal' exit was deferred, though the company continues to monitor developments over 2020 as we approach the current deadline for a trade agreement with the European Union.

*Covid-19 and the wider business environment*

Over the last weeks of 2019-20, the company's operations were significantly affected by the Covid-19 pandemic and the associated actions of Government and the public to stem the spread of the virus. These measures included closing all the group's museums to public and staff, which prevented any on-site revenue generating activities. This disruption continued into the first few months of 2020-21 and the future forecasts for visitor numbers and the wider economy as we emerge from the lockdown are profoundly uncertain. The company has performed modelling and scenario planning to identify the most significant elements of its operating model and continues to seek greater certainty where the expectations for these elements are currently unknown. This scenario planning includes a variety of assumptions around social distancing measures that could be applied in our museums and around future periods of lockdown in the event of a recurrence of the virus. Advantage is being taken of Government support measures in place for business in the hospitality and leisure sectors and we are performing monthly reforecasts of profitability and cash flow to manage the uncertainty as well as possible. This monitoring will continue until the long-term shape of society and the economy becomes clear again.

## **Business Environment**

### Trends and factors

On site activities are dependent on visitor numbers and these were down across the group by 202,000 (4%) compared to last year. This overall figure includes falls of 113,000 (17%) at the Science and Industry Museum, 84,000 (11%) at the National Railway Museum, as both sites saw significant construction and development work on site. All sites were affected by the closures in mid-March resulting from the Covid-19 pandemic.

Visitors to the group's largest site at the Science Museum in London were down by 7,000 (less than 1%) on the previous year, though visitor numbers to the group's main temporary exhibition, *The Sun: Living with Our Star*, were below forecast, with a knock-on effect on sales in the exhibition shop. On this site, the main store was closed for redevelopment over spring 2019 and the IMAX cinema was closed for refurbishment in February 2020. Event hire was boosted significantly in the year with first full year of operation of *Illuminate*, the new dedicated conference and events venue.

## **Business Performance**

2019-20 saw a 20% rise (2018-19: 4% fall) in turnover. The £3.1m increase this represents was driven primarily by corporate events in *Illuminate* at the Science Museum. Bringing the cinema in Bradford and corporate events in Manchester back in-house also boosted revenue, though with a less significant impact on profit. Top line income was forfeited with the closure of the Science Museum store in 2019 and IMAX in 2020, while brand licensing had a challenging year compared to 2018-19.

Gross profit increased 9% from £10,392k to £11,363k, with gross margin falling from 68% to 62%. This reflected the higher proportion of lower-margin activities such as corporate events and the Picture Library, where commissions are recorded under cost of sales.

Excluding sponsorship, which is addressed separately below, and the associated costs, operating profit was down 11% against 2018-19 and operating profit margin fell from 17% to 12%. This was partly attributable to Covid-19 shutdowns at the end of the financial year, which affected both on-site activities and partnership arrangements, but also to increased staff costs resulting from a move towards the National Real Living Wage and to continuing investments in income-generating activities as outlined above.

Sponsorship and consultancy income of £4,878k (2018-19: £1,668k) was recognised in the current financial year. Since the recognition of sponsorship income is dependent on the progress of activities principally conducted in the museums and the only costs in the company are those associated with fundraising, the effect on operating profit fluctuates significantly from year to year. This year's balance includes a contribution to the development of the *Medicine Galleries* at the Science Museum and amounts relating to the group's new Academy of Science Engagement, as well as continuing sponsorship arrangements for the Manchester Science Festival, the National Railway Museum's *Future Engineers* programme, and the Science Museum's exhibition programme. Last year's figure included income relating to *Illuminate* and learning projects across the group. Including these sponsorship balances, operating profit finished 74% higher than last year. The company is grateful to all sponsors of the group's activities.

### Key performance indicators (KPIs)

The company's three major KPIs remain unchanged, being turnover, visitor-related spend per head and net profit margin.

*(i) Turnover*

Metric	2019-20	2018-19	Variance	Commentary
Turnover	£18.4m	£15.3m	£3.1m	See commentary above.

*(ii) Visitor-related spend per head*

Museum	2019-20	2018-19	Variance	Commentary
Science Museum	£3.98	£4.15	(£0.17)	The decrease was driven largely by the closures of the main shop in spring 2019 and of the IMAX in February 2020.
National Railway Museum	£5.72	£5.23	£0.49	The increase was driven by the return of the road train during the year.
National Science & Media Museum	£2.17	£1.33	£0.84	The increase is mainly due to the change in operating model for the cinema, so ticket income is now presented gross, whereas previously it was net of commission received from the third-party operator.
Science and Industry Museum	£3.08	£2.70	£0.38	Spend per head returned to previous levels, though on reduced visitor numbers. This reflected an increased commercial offer on the site.
Locomotion	£1.91	£2.57	(£0.59)	Visits in 2018-19 were driven by the display of the <i>Soyuz</i> capsule on site, with associated increases in spend.

*(iii) Net profit margin<sup>1</sup>*

Metric	2019-20	2018-19	Variance	Commentary
Net profit margin	12%	17%	(5%)	Net profit margin fell due to Covid-19 closures in March 2020, an increase in salary costs as a result of the group's commitment to bridge the gap to the National Real Living Wage, and downtime in the operation of the Science Museum's main store and cinema during the year.

<sup>1</sup> Excluding sponsorship and consultancy income.

*Summary by site*

- Science Museum**  
 The Museum saw a year on year reduction in visitors of under 1%. Income was 34% higher and net profit 12% higher. As mentioned above, corporate events benefited significantly from the opening of *Illuminate*, though this was offset by periods of closure for the main store in spring 2019 and then the IMAX cinema in early 2020.
- National Railway Museum**  
 Visitor numbers declined by 11% in the year, and income and profit fell by 4% and 15% respectively, with a lower proportion of income generated than in the past from the relatively high-margin activities of car parking and sales of guidebooks.
- National Science & Media Museum**  
 Visitor numbers were down by 7% at the site. The transfer to in-house operation of the cinemas resulted in a doubling of income. However, underlying trading increased the net loss at the site by £100k.

- **Science & Industry Museum**  
Visitors to the Science and Industry Museum decreased by 17% in the year after the closure of the Power Hall and the Air & Space Hall. Income increased by 48% after bringing the corporate events business in-house, but net profit increased by only 2%.
- **Locomotion**  
Despite a significant increase of 24% in visitor numbers, there was a significant fall in the site's income as the limited edition models business released fewer models in the year than in 2018-19 and was subsequently transferred to the oversight of the National Railway Museum in York.

#### **Comprehensive income and distributions**

Total comprehensive income for the year was £6,538k (2018-19: £6,460k).

This 2018-19 figure included a £2,700k upwards revaluation in the value of the company's freehold interest in the Concrete Works site in York, as detailed in note 9. On 24 April 2017 the company disposed of this property to Homes England (HE), for an initial sum of £4 million. The disposal and payment remain subject to different buy-back options entitling both the company and HE to require the repayment of the monies and transfer back of the Concrete Works. At 31 March 2020 the buy-back options remained in place and the risks and rewards of ownership of the Concrete Works were deemed to remain with the company, which continued to occupy and use the property for car parking and storage. The asset therefore remains in the company's Statement of Financial Position. In light of the uncertainty resulting from the COVID-19 pandemic, the valuation of this property remained unchanged at 31 March 2020.

Further to a deed of covenant being in place for the year ended 31 March 2020, there was a legal obligation as at that date to make a distribution of taxable profits to the parent charity, The Board of Trustees of the Science Museum, of £6,544k, which has been shown as a distribution through equity in line with United Kingdom Generally Accepted Accounting Practice. Distribution of taxable profits for the year ended 31 March 2019 of £3,752k was made to the parent charity, The Board of Trustees of the Science Museum, in the year ended 31 March 2020.



Shri Mukundagiri  
Director  
13 October 2020

## **Directors' Report**

### **Principal activities**

The company's principal activities continued to be general retailing (through both on site and online channels), the operation of cinemas and interactive simulators, catering, corporate hire, brand licensing, image sales, publishing, and sponsorship of commercial exhibitions at the five museums within the Science Museum Group (the group), namely the Science Museum in London, the National Railway Museum in York, the National Science and Media Museum in Bradford, the Science and Industry Museum in Manchester and Locomotion in Shildon.

### **Structure, governance and management**

The following people served as directors during the year:

Sir Ian Blatchford  
Jane Ellis (resigned 1 May 2019)  
Shri Mukundagiri (from 1 March 2020)  
Jonathan Newby

### **Company policies**

#### Equality and diversity

It is the company's policy that all eligible people should have equal opportunity for employment and advancement on the basis of their ability, qualifications and fitness for work. There should be no discrimination based on gender, race, religion, age, physical disability or sexual orientation against any eligible person whether in recruitment, training, promotion or in any other way. With the introduction of online applications, all our roles are specified to attract a broad candidate pool and enable a diverse intake.

We have continued to work with a range of occupational health specialist providers and a range of other specialist advisers to make reasonable adjustments to the workplace for employees and potential recruits with disabilities.

#### Staff communications

The company has several ways of communicating effectively with colleagues. Regular employee briefings from the group director, the directors of museums and other senior people on strategic and topical issues are supplemented by group-wide and museum-specific announcements and news on the group intranet and by email. The group-wide annual meeting is used to deliver communications about future strategy.

The group operates a performance development process that enables personal objectives to be articulated and fully aligned to wider business goals. The process looks at how results are achieved as well as the results themselves and provides an opportunity to look at the development and support that employees require to deliver their objectives.

We focus on supporting managers and employees in dealing with change and career transition. We continue to invest in leadership and management development focusing on senior teams and the business and organisation changes they are required to make.

#### **Future plans**

In the coming year, the company will continue to manage the uncertainty around the return to normal life following the Covid-19 pandemic. It will focus on delivering a safe and financially sustainable core offering to support the group's activities. The refurbishment of the Science Museum's cinema and the purchase of a laser projector are expected to be completed. The e-commerce platform will also move to full operation.

#### **Going Concern**

After reviewing the company's forecasts and projections and despite the wider uncertainty resulting from the Covid-19 pandemic, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the financial statements. Further detail is provided in note 1.

#### **Dividend**

The directors do not recommend payment of a dividend.

## **Directors' Responsibilities Statement**

The directors are responsible for preparing the Strategic Report and 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 laws, including FRS 102 "The Financial Reporting Standard applicable in the UK and 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 and 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 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;
- 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 confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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.

This report was approved and signed on behalf of the board on 13 October 2020.



**Shri Mukundagiri**  
Director

**Independent auditor's report  
to the members of SCMG Enterprises Limited**

**Opinion**

We have audited the financial statements of SCMG Enterprises Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and 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).

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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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.

**Emphasis of matter**

We draw attention to note 9 of the financial statements, which describes the uncertainty around the freehold land valuation at 31 March 2020, included in the financial statements at £4.2m, as a result of COVID-19.

Our opinion is not modified in respect of this matter.

**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.

### **Other information**

The other information comprises the information included in the Directors' Report and the Strategic Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 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 the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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**

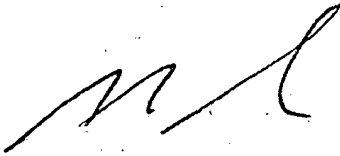
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation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

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

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

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

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



**Alastair Duke (Senior Statutory Auditor)**  
For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

Date: 24 November 2020

15 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income  
for the year ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
Turnover	4	18,395	15,310
Cost of sales		(7,032)	(4,918)
<b>Gross profit</b>		<b>11,363</b>	<b>10,392</b>
Administrative expenses		(35,888)	(31,119)
Other operating income		31,057	24,489
<b>Operating profit</b>	5	<b>6,532</b>	<b>3,762</b>
Interest income	17	28	20
Interest expense	7.17	(22)	(22)
<b>Profit on ordinary activities before taxation</b>		<b>6,538</b>	<b>3,760</b>
Tax credit/(charge) on profit on ordinary activities	8	-	-
<b>Profit for the financial year</b>		<b>6,538</b>	<b>3,760</b>
Revaluation gain	9	-	2,700
<b>Total other comprehensive income</b>		<b>-</b>	<b>2,700</b>
<b>Total comprehensive income for the year</b>		<b>6,538</b>	<b>6,460</b>

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two financial years.

There were no recognised gains and losses for 2019-20 or 2018-19 other than those included in the statement of comprehensive income.

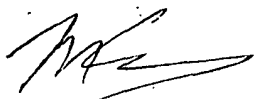
The notes on pages 18 to 28 form part of these financial statements.

**Statement of Financial Position  
as at 31 March 2020**

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	4,221	4,307
<b>Current assets</b>			
Stocks	10	1,889	1,268
Debtors	11	4,331	4,478
Cash at bank and in hand		5,422	7,491
		<u>11,642</u>	<u>13,237</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(11,190)</u>	<u>(13,058)</u>
<b>Net current assets</b>		<u>452</u>	<u>179</u>
<b>Total assets less current liabilities</b>		<b>4,673</b>	<b>4,486</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(1,593)</b>	<b>(1,293)</b>
Deferred grant income	14	-	(107)
<b>Net assets</b>		<u><b>3,080</b></u>	<u><b>3,086</b></u>
<b>Capital and reserves</b>			
Share capital	15	-	-
Revaluation reserve	16	2,957	2,957
Profit and loss account	16	123	129
<b>Shareholder's funds</b>		<u><b>3,080</b></u>	<u><b>3,086</b></u>

The notes on pages 18 to 28 form part of these financial statements.

Approved and signed on behalf of the Board on 13 October 2020.



Shri Mukundagiri  
Director

**Statement of Changes in Equity  
as at 31 March 2020**

	Notes	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
<b>At 1 April 2018</b>		-	257	121	378
Profit for the year		-	-	3,760	3,760
Other comprehensive income		-	2,700	-	2,700
Total comprehensive income for the year		-	2,700	3,760	6,460
Payment to parent under Deed of Covenant in respect of the year	8	-	-	(3,752)	(3,752)
<b>At 31 March 2019</b>		-	2,957	129	3,086
Profit for the year		-	-	6,538	6,538
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	6,538	6,538
Payment to parent under Deed of Covenant in respect of the year	8	-	-	(6,544)	(6,544)
<b>At 31 March 2020</b>		-	2,957	123	3,080

The notes on pages 18 to 28 form part of these financial statements.

## SCMG Enterprises Limited

Company Number: 2196149

Annual Report and Accounts 2019-20

### Notes to the accounts for the year ended 31 March 2020

#### 1. Company information and basis of preparation

SCMG Enterprises Limited (the company) is a wholly owned subsidiary of The Board of Trustees of the Science Museum (the Science Museum Group, the group), a non-departmental public body, sponsored by the Department for Digital, Culture, Media and Sport (DCMS). The company's registered office is Science Museum, Exhibition Road, London SW7 2DD and it is incorporated in England.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including *Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* ('FRS 102'), and with the Companies Act 2006 ('the Act'). The financial statements have been prepared on the historical cost basis, except for the revaluation basis applied to land and buildings, as specified below.

The financial statements are prepared in Sterling which is the company's functional currency and rounded to the nearest £'000.

The company is a wholly-owned subsidiary of the Science Museum Group, which produces consolidated accounts in accordance with the Act. Consequently the company has taken advantage of the exemption permitted by section 400 of the Act from producing consolidated accounts. These accounts therefore present information about the company and not about its group.

The company has also taken advantage of disclosure exemptions available under the Act and FRS 102 and has not presented a statement of cash flows and related notes or financial instrument disclosures owing to its size and status as subsidiary of a group.

#### Going concern

Despite the current uncertainty around the long-term effects of the Covid-19 pandemic and the effect of social distancing measures on visitor numbers and the wider economy, the directors have reviewed a range of possible scenarios, forecasts and projections and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company's operations are fundamentally profitable and there is a reasonable expectation of continued income and cash generation when the current restrictions are lifted. In support of this conclusion, the directors have had regard to the successful application for grant payments for staff furloughed under the Government's Coronavirus Job Retention Scheme and the possible reduction in costs recharged from the Group resulting from the standing down of the Group's estates and back-office functions. The directors also anticipate completing the sale of land in York over the coming financial years; this is expected to result in a gain on sale that will support core trading operations.

The directors do not believe that there is a material uncertainty around the Company's ability to continue as a going concern. The directors therefore continue to adopt the going concern basis in preparing the financial statements.

**Notes to the accounts  
for the year ended 31 March 2020**

**2. Principal accounting policies**

The following policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Revenue recognition

Revenue (or turnover) is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other income

All other income is accounted for on a receivable or accrued basis. Events income is recognised in the year the event takes place. Sponsorship income is recognised where the contractual conditions for receipt have been met.

Exhibition income and costs

Income received for an exhibition taking place in a future period is treated as deferred exhibition income and included in creditors on the Statement of Financial Position. Costs incurred for exhibitions taking place in a future period are treated as deferred exhibition costs and included in prepayments on the Statement of Financial Position. The deferred balances are recognised in the Statement of Comprehensive Income in the year(s) in which the exhibition takes place.

Property, plant and equipment

Fixed assets are defined as those assets costing £5,000 or more with a useful life greater than one year. Since 2009, fixed assets have usually been capitalised by the company's parent, the Science Museum Group, and the depreciation cost charged back to the company as equipment rental.

Freehold land and buildings are subject to quinquennial valuations in accordance with the RICS Appraisal and Valuation Manual. These revaluations are supplemented by independent valuations in the third year of the five-year cycle.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life, as follows:

Freehold buildings	50 years
Fixtures, fittings, tools and equipment	2 to 20 years

Stock

Stock is valued at the lower of cost, using the weighted average method, and net realisable value.

Deferred taxation

No provision is made for deferred taxation as all taxable profits are donated by Gift Aid to the parent charity, The Board of Trustees of the Science Museum.

**Notes to the accounts  
for the year ended 31 March 2020**

**Foreign currencies**

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Statement of Comprehensive Income.

**Deferred grant**

Assets financed by capital grants are capitalised in the balance sheet and depreciated over their useful lives. The corresponding grant is deferred and treated in the balance sheet as a liability. The grant is released to the profit and loss in line with the depreciation charge on the asset.

**Cash and cash equivalents**

Cash and cash equivalents on the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less.

**Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

**Pensions and post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions are recognised in the Statement of Comprehensive Income in the period in which they become payable in accordance with the rules of the scheme.

**Payment to parent charity under Gift Aid**

The company has adopted a policy of paying all its taxable profits to its parent charity, The Board of Trustees of the Science Museum, under a deed of covenant. These payments are recognised as distributions through equity.

**Notes to the accounts  
for the year ended 31 March 2020**

**3. Significant judgements and estimates**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The judgements (apart from those involving estimates) that have had the most significant effect on amounts recognised in the financial statements related to fixed asset valuation and the deferral of sponsorship income.

*Valuation of tangible fixed assets*

On 24 April 2017 the Company completed an agreement to dispose of surplus land in York to the Homes and Communities Agency (now Homes England), but there are conditions attached to the agreement which enable either party to exercise different buy-back options under which the land and buildings would be transferred back to the Company and the consideration returned. Legal title has passed to Homes England, but the transaction will not complete until the conditions attached to buy-back provisions, under which the transaction can be reversed by either party, have been met. At this point the final transaction value will be determined. £4.0m of consideration was received in the financial year 2017-18. These amounts are shown in current liabilities.

The fair value of the York land is considered to be the market value of the right to receive the proceeds of the land sale, including subsequent payments to which the Company will be entitled once buy-back options are released and a development partner identified for the land.

At 31 March 2019 and 2020, the valuation was prepared by an external valuer, Montagu Evans LLP, a regulated firm of chartered surveyors, in accordance with the RICS Definition of Market Value. In 2018-19 this resulted in an upwards revaluation of £2.7m. At 31 March 2020, there was a material uncertainty around the valuation of the property and an indicative range, after adjustments for COVID-19 falls in property values in March, was £3.8m to £4.3m. Management has chosen to continue to hold the property at £4.2m in the accounts.

*Recognition of sponsorship income*

Sponsorship income is deferred in accordance with the interpretation of the sponsorship agreements. For instance, income may be deferred to match expenditure on an educational programme over multiple years or until a gallery has been opened. At 31 March 2020, £0.7m (31 March 2019: £1.1m) had been accrued in relation to exhibitions and galleries already open and £0.7m (31 March 2019: £2.6m) deferred in relation to exhibitions and galleries yet to open.

**Notes to the accounts  
 for the year ended 31 March 2020**

**4. Analysis of turnover**

Turnover, analysed by category, was as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Visitor-related activity	<b>10,254</b>	10,551
Non-visitor related activity	<b>8,141</b>	4,759
	<b><u>18,395</u></b>	<b><u>15,310</u></b>

All (2018-19: all) turnover was earned in the UK. Non-visitor related turnover comprised online, licensing and events activities.

**5. Operating profit**

The profit on ordinary activities before taxation is stated after (crediting)/charging:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Rental income	<b>(117)</b>	(74)
Sponsorship and consultancy income	<b>(4,878)</b>	(1,668)
Salary recharge	<b>(25,339)</b>	(22,360)
Depreciation of fixed assets	<b>86</b>	86
Foreign exchange losses	<b>27</b>	6
Auditor's remuneration for audit services	<b><u>26</u></b>	<b><u>26</u></b>

**Notes to the accounts  
for the year ended 31 March 2020**

**6. Directors and employees**

Staff costs during the year were as follows:

	2020 £'000	2019 £'000
Wages and salaries	25,800	23,231
Social security costs	2,358	2,017
Other pension costs	1,094	665
Agency costs	37	40
Recharged staff costs	2,318	1,819
Redundancy and severance costs	189	33
	<u>31,796</u>	<u>27,805</u>

The company operates a group personal pension scheme for the benefit of employees and directors. The assets of the scheme are administered by an independent pension provider. Employees not opting to join the scheme are auto-enrolled in a stakeholder pension scheme.

Recharged staff costs represent amounts recharged by the parent, the Science Museum Group, for services provided by its staff.

The average number of employees (full-time equivalent) of the company during the year was:

	2020	2019
Administration and support	127	116
Development and delivery	723	677
	<u>850</u>	<u>793</u>

Of the figures shown above, 726 (2018-19: 684) FTEs were recharged to the Science Museum Group for activities delivered by the Group, as shown in note 5 above.

*Directors*

Two directors (2018-19: one director) received remuneration from the company for services to the Science Museum Group.

Remuneration in respect of the highest paid director was as follows and was recharged to the Science Museum Group:

	2020 £'000	2019 £'000
Emoluments	158	157
Pension contributions to defined contribution scheme	10	10
	<u>168</u>	<u>167</u>

During the year two directors (2018-19: one director) participated in the defined contribution pension scheme.

**Notes to the accounts  
for the year ended 31 March 2020**

*Key management personnel*

During the years 2018-19 and 2019-20, the key management personnel of the company were the directors of the company, the Commercial Director and, after the departure of the Commercial Director in September 2019, the Associate Commercial Director.

The aggregate total key management personnel compensation for services provided to the company for the year ended 31 March 2020 was £108,156 (2018-19: £108,140). Of this amount, £14,622 (2018-19: £14,127) relates to recharges from the Science Museum Group.

	2020 £	2019 £
<i>Key management personnel</i>		
<i>Employed by the Company:</i>		
- Remuneration received by key management personnel	271,038	259,955
- Recharged to Science Museum Group	<u>(177,504)</u>	<u>(165,259)</u>
<i>Employed by the Group:</i>	93,534	94,696
- Recharges from Science Museum Group	<u>14,622</u>	<u>14,127</u>
	<u>108,156</u>	<u>108,140</u>

**7. Interest payable**

	2020 £'000	2019 £'000
Other loans	<u>22</u>	<u>22</u>
	<u>22</u>	<u>22</u>

**8. Taxation**

The tax (credit)/charge is based on the profit for the year:

	2020 £'000	2019 £'000
Tax (credit)/charge on ordinary activities	<u>-</u>	<u>-</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2018-19: 19%).

The differences are explained as follows:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	<u>6,538</u>	<u>3,760</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018-19: 19%)	1,242	714
Expenses not deductible for tax purposes	6	4
Capital allowances for the period in excess of depreciation	(4)	(6)
Tax credit for donations to qualifying UK charities	<u>(1,244)</u>	<u>(712)</u>
Current tax (credit)/charge for the period	<u>-</u>	<u>-</u>

**Notes to the accounts  
for the year ended 31 March 2020**

**9. Tangible fixed assets**

	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or Valuation</b>			
At 1 April 2019	4,200	2,022	6,222
Disposals	-	(269)	(269)
Revaluation	-	-	-
At 31 March 2020	<u>4,200</u>	<u>1,753</u>	<u>5,953</u>
<b>Depreciation</b>			
At 1 April 2019	-	1,915	1,915
Charge for the year	-	86	86
Disposals	-	(269)	(269)
At 31 March 2020	<u>-</u>	<u>1,732</u>	<u>1,732</u>
<b>Net book value</b>			
At 31 March 2020	<u>4,200</u>	<u>21</u>	<u>4,221</u>
At 31 March 2019	<u>4,200</u>	<u>107</u>	<u>4,307</u>

Included within the category of land and buildings are the following amounts:

	2020 £'000	2019 £'000
<b>Freehold land and buildings</b>		
- Historical cost	1,293	1,293
- Revaluation	<u>2,907</u>	<u>2,907</u>
	<u>4,200</u>	<u>4,200</u>

Fixtures and fittings with a carrying value of £21k (2018-19: £107k) relates to an 'IMAX' cinema projector in the Science Museum, London, the funding of which is further detailed in note 14.

**Freehold land and buildings**

The category of 'Land and buildings' comprises a property in York known as the 'Concrete Works'. On 24 April 2017 the company disposed of the Concrete Works in York to Homes England (HE), for an initial sum of £4 million. The disposal and payment remain subject to different buy-back options entitling both the company and HE to require the repayment of the monies and transfer back of the Concrete Works. Provided the buy-back options are not exercised, the company may be entitled to two further overage payments, subject to the successful resale and development of the Concrete Works by the HE. The property was revalued at 31 March 2019, the valuation reflecting market value at that date as assessed by third party surveyors. At 31 March 2020 and as a result of the COVID-19 pandemic and its disruption to the U.K. property market, there existed a material uncertainty over the value of the land, which was estimated within a range from £3.8m to £4.3m. The property is classified as land only, as the current structures on the site are not material to the market valuation of the land.

At 31 March 2020 the buy-back options remained in place and the risks and rewards of ownership of the Concrete Works are deemed to remain with the company. The asset therefore remains in the company's Statement of Financial Position.

**Notes to the accounts  
for the year ended 31 March 2020**

**10. Stocks**

	2020 £'000	2019 £'000
Finished goods and goods for resale	<u>1,889</u>	<u>1,268</u>

The difference between purchase price of stocks and their replacement cost is not material.

**11. Debtors**

	2020 £'000	2019 £'000
Trade debtors	3,202	2,830
Other debtors	263	328
Accrued sponsorship income	720	1,070
Prepayments and accrued income	<u>146</u>	<u>250</u>
	<u>4,331</u>	<u>4,478</u>

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

	2020 £'000	2019 £'000
Trade creditors	185	104
Amounts owed to the Science Museum Group	4,105	2,598
Other taxes and social security costs	817	2,017
Other creditors	4,261	4,179
Deferred sponsorship income	395	2,580
Accruals and other deferred income	<u>1,427</u>	<u>1,580</u>
	<u>11,190</u>	<u>13,058</u>

Included in other creditors is £4 million (2018-19: £4 million) payable to the Homes England (HE) as detailed in note 9.

Deferred income balances comprise income received in advance for events and limited-edition models, and sponsorship for exhibitions or galleries not yet open. The table below summarises the movement in the year.

	Sponsorship		Other income	
	2020 £'000	2019 £'000	2019 £'000	2019 £'000
Opening balance	2,580	1,776	998	560
Additions	395	1,280	783	998
Reclassified (Note 14)	-	-	106	-
Released to income	<u>(2,580)</u>	<u>(476)</u>	<u>(1,072)</u>	<u>(560)</u>
Total deferred income	<u>395</u>	<u>2,580</u>	<u>815</u>	<u>998</u>

**Notes to the accounts  
for the year ended 31 March 2020**

**13. Creditors: amount falling due after one year**

*Loan*

The amount falling due after one year of £1,293k (2018-19: £1,293k) is a loan owed to the Science Museum Group (the group) relating to the purchase of the Concrete Works property in York (as detailed in note 9).

This loan bears interest at 1% above the Bank of England Base Rate and is repayable on demand subject to a three month notice period. The group has confirmed that it will not call the loan for repayment until at the earliest 30 September 2021 and then subject to the ability of the subsidiary to make repayments.

The group holds a fixed and floating charge over the company and all of its property and assets.

*Deferred sponsorship income*

£300k of sponsorship income received in advance is expected to be recognised in 2021-22, when the related temporary exhibition opens.

**14. Deferred grant income**

	2020 £'000	2019 £'000
Brought forward balance	107	192
Released to profit and loss account in year	(85)	(85)
Transferred to current liabilities	(22)	
At 31 March	<u>-</u>	<u>107</u>

The company's outstanding balance of £22k, which is now shown in current liabilities, relates to grant funding of £1,708k received in 2000 for the installation of the IMAX projector in the Science Museum, London, which is recognised in equal instalments over the twenty-year anticipated life of the asset (until June 2020).

**15. Share capital**

	2020 £	2019 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

The company's share capital consists of one (2018-19: one) allotted, called up and fully paid share with a nominal value of £1, owned by the Science Museum Group.

**Notes to the accounts  
for the year ended 31 March 2020**

**16. Reserves**

The revaluation reserve of £2,957k (2018-19: £2,957k) arose on the revaluation of property detailed in note 9.

The profit and loss reserve of £123k (2018-19: £129k) includes all current and prior period retained profits and losses.

**17. Financing**

	2020 £'000	2019 £'000
Interest received	28	20
Interest paid	(22)	(22)
	<u>6</u>	<u>(2)</u>

**18. Other financial commitments**

The company has a commitment to pay an annual rental fee of £952,132 (2018-19: £862,545) to the Science Museum Group in respect of its use of assets that belong to the Group. As at the year end, the company has no other annual commitments under non-cancellable operating leases.

**19. Ultimate controlling party and related parties**

The company is a wholly owned subsidiary of The Board of Trustees of the Science Museum (the group), a non-departmental public body established under the National Heritage Act 1983.

Gift Aid donations are recognised as distributions through equity to the group.

The amount owed by the company to the group is included under 'Amounts owed to the Science Museum Group' in 'Creditors: amounts falling due within one year'.

The group's consolidated accounts are available from The Stationery Office or online at [www.sciencemuseum.org.uk](http://www.sciencemuseum.org.uk).