

SCMG Enterprises Limited
(Company Number: 02196149)

Annual Report and Accounts

Year ended 31 March 2022



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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
Shri Mukundagiri
Jonathan Newby (resigned 12 October 2021)

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Strategic Report

Foreword

The directors present their report and audited financial statements for the year ended 31 March 2022.

Developments in 2021-22

From a financial perspective, 2021-22 saw a stronger than forecast recovery from the COVID-19 pandemic and the shutdown of the group's museums over the majority of the previous year. In the U.K., lockdowns ended in mid-May 2021 and the group's museums were open thereafter, albeit at a reduced capacity. Visitor numbers of 2021-22 were 46% (2020-21: 7%) of the 2019-20 figures; visitor-related income over the periods responded proportionately.

The company continued its efforts to protect its financial position by limiting discretionary spend, accessing Government support, including the Coronavirus Job Retention Scheme, and opening to the public for only five days a week.

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 2016-17. 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 over the last five years is summarised in the table below:

	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover (£k)	15,936	15,310	18,395	2,529	11,743
Operating profit, excluding sponsorship and consultancy (£k)	3,352	2,555	2,269	314	500
Margin (%)	21.0%	16.7%	12.3%	12.4%	4.3%

Turnover recovered in 2021-22, with £6.7m (2020-21: £0.9m) resulting from visitor-facing activities and £5.0m (2020-21: £1.7m) from other activities, such as e-commerce, licensing and corporate events. Visitors were up by 546% on the levels achieved in 2020-21 and corporate events returned. Excluding sponsorship and consultancy related to museum activities, the company recorded an operating profit of £500k in the year, compared to a profit of £314k in 2020-21.

Principal risks and uncertainties

Covid-19 and the wider business environment

Over 2020-21, 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. Though 2021-22 saw less disruption and a recovery in visitor numbers and willingness to spend, there remains uncertainty around the longer-term impacts on the wider economy, particularly from the current increased levels of inflation, higher interest rates and lower forecast growth. This could reduce visitors' willingness to spend and increase the Company's costs, putting downward pressure on margins.

The company performed modelling and scenario planning throughout the pandemic to identify the most significant elements of its operating model and continues to refine this model through the post-pandemic period.

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. 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 seeks to ensure 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.

Business Environment

Trends and factors

The major factor on performance over 2021-22 was the recovery from the Covid-19 pandemic which saw museum sites open for the majority of the year after the end of lockdowns in May 2021.

On site activities are dependent on visitor numbers and these were up six-fold on 2020-21. Corporate events were also permitted on site through the financial year.

Business Performance

2021-22 saw a 365% rise (2020-21: 86% fall) in turnover. As discussed above, visitor numbers were up six-fold and visitor-related income up eight-fold, as visitors showed a greater propensity to spend. Non-visitor related income, which includes corporate events, increased by 200%.

Gross profit increased by 394% from £1,514k to £7,472k, with gross margin rising from 60% to 64%, in line with pre-pandemic levels.

Excluding sponsorship, which is addressed separately below, and the associated costs, the operating result recovered from a profit of £314k to £500k, though this remains below historical levels. This result includes grant income received under the Government's Coronavirus Job Retention Scheme ('furlough').

Sponsorship and consultancy income of £2,065K (2020-21: £876k) 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 included support for the *Our Future Planet*, *Cancer*, *Amazonia* and *Top Secret* exhibitions, for the Bradford Science Festival and the Science Museum Group Academy, and for further digitisation of the *Daily Herald* archive. Last year's balance included support for the planned *Trans-Siberian Railway* and *Cancer* exhibitions, the Science Museum Group Academy, the Bradford and Manchester Science Festivals and the digitisation of the *Daily Herald* archive. The company is grateful to all sponsors for their continued support in a difficult year. Including these sponsorship balances, operating profit of £2,070k was recorded.

Key performance indicators (KPIs)

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

- Turnover increased from £2.5m to £11.7m, as described above.
- Visitor-related spend per head increased from £2.37 to £2.89.
- Net profit margin, excluding sponsorship and consultancy, fell from 12% to 4%.

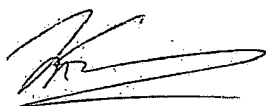
The company will continue to monitor these KPIs against historical results through 2022-23.

Comprehensive income and distributions

Total comprehensive income for the year was £1,980k (2020-21: £1,681k).

The 2020-21 figure included a £1,200k 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 were 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 2022 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. The asset therefore remains in the company's Statement of Financial Position.

Further to a deed of covenant being in place for the year ended 31 March 2022, 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 £1,723k, 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 2021 of £455k was made to the parent charity, The Board of Trustees of the Science Museum, in the year ended 31 March 2022.



Shri Mukundagiri
Director
25 November 2022

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
Shri Mukundagiri
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 age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex 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.

Over the last financial year, the company has adapted to remote working where required, making use of virtual meeting technology and planning for a hybrid workspace of the future.

Future plans

In the coming year, the company will continue to build on the progress made over 2021-22 in returning to a more normal operating environment after the COVID-19 pandemic. Amongst other things, there are exciting plans for the development of a more permanent *Power Up!* offer. The company will also seek to progress plans for commercial offers in support of the Masterplan activities taking place at several of its sites, including York, Manchester and Shildon.

Going Concern

After reviewing the company's forecasts and projections and despite the uncertainty associated with the recovery 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.

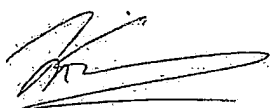
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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 25 November 2022.



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 2022 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 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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. 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 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.

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 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.

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:

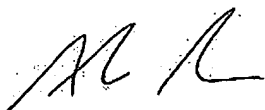
- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, Financial Reporting Standard 102, and relevant employee legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the valuation of tangible fixed assets. We addressed this through review of the valuation report prepared by management's expert, testing the reasonableness of inputs to their calculation, and challenging assumptions applied in the valuations for example by agreement to third party metrics.
- We also identified potential for management bias in the judgements made around recoverability of debtors. We addressed this through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management.
- We also identified potential for management bias in the timing of recognition of income from sponsorship, events and exhibitions. We addressed this through specific cut-off testing including review of a sample of sponsorship agreements to determine which financial period the income should be recognised in, testing of receipts around the year end and testing of events income using the events diary as the source.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Use of our report

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



Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
Date: 15 December 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

**Statement of Comprehensive Income
for the year ended 31 March 2022**

	Notes	2022 £'000	2021 £'000
Turnover	4	11,743	2,529
Cost of sales		(4,271)	(1,015)
Gross profit		7,472	1,514
Administrative expenses		(32,911)	(31,437)
Other operating income		27,509	30,417
Operating profit	5	2,070	494
Interest income	17	1	1
Interest expense	7,17	(16)	(14)
Profit on ordinary activities before taxation		2,055	481
Tax charge on profit on ordinary activities	8	(75)	-
Profit for the financial year		1,980	481
Revaluation gain	9	-	1,200
Total other comprehensive income		-	1,200
Total comprehensive income for the year		1,980	1,681

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 2021-22 other than those included in the statement of comprehensive income.

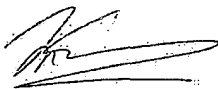
The notes on pages [17] to [30] form part of these financial statements.

**Statement of Financial Position
for the year ended 31 March 2022**

	Notes	2022 £'000	Restated (Note 20) 2021 £'000
Fixed assets			
Tangible fixed assets	9	5,400	5,400
Current assets			
Stocks	10	1,402	1,338
Debtors	11	1,970	1,347
Cash at bank and in hand		7,655	6,177
		<u>11,027</u>	<u>8,862</u>
Creditors: amounts falling due within one year	12	<u>(10,377)</u>	<u>(8,869)</u>
Net current assets		650	(7)
Total assets less current liabilities		6,050	5,393
Creditors: amounts falling due after more than one year	13	<u>(600)</u>	<u>(1,493)</u>
Net assets		<u>5,450</u>	<u>3,900</u>
Capital and reserves			
Share capital	15	-	-
Share premium	16	1,293	-
Revaluation reserve	17	4,157	4,157
Profit and loss account	17	-	(257)
Shareholder's funds		<u>5,450</u>	<u>3,900</u>

The notes on pages [17] to [30] form part of these financial statements.

Approved and signed on behalf of the Board on 25 November 2022



Shri Mukundagiri
Director

**Statement of Changes in Equity
for the year ended 31 March 2022**

	Share capital	Share premium	Revaluation reserve	Profit and loss account	Total
	£'000	£'000	£'000	Restated (Note 20) £'000	Restated (Note 20) £'000
At 1 April 2020	-	-	2,957	(283)	2,674
Profit for the year	-	-	-	481	481
Other comprehensive income	-	-	1,200	-	1,200
Total comprehensive income for the year	-	-	1,200	481	1,681
Payment to parent under Deed of Covenant in respect of the year	-	-	-	(455)	(455)
At 31 March 2021	-	-	4,157	(257)	3,900
Profit for the year	-	-	-	1,980	1,980
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,980	1,980
Payment to parent under Deed of Covenant in respect of the year	-	-	-	(1,723)	(1,723)
New equity	-	1,293	-	-	1,293
At 31 March 2022	-	1,293	4,157	-	5,450

The notes on pages [17] to [30] form part of these financial statements.

**Notes to the accounts
for the year ended 31 March 2022**

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.

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 uncertainty around the long-term effects of the Covid-19 pandemic on the wider economy and the potential for future periods of social restrictions, 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 in future.

In support of this conclusion, the directors have had regard to the profitable result over the past financial year and the company's statement of financial position at the date of the financial statements. The directors also anticipate completing the sale of land in York in the coming financial year; 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 2022**

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 company 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.

Furlough grant income

Amounts recoverable in relation to the United Kingdom Government's Coronavirus Job Retention Scheme are recognised during the related period of employment and accounted for as grant income within other operating income.

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 regular valuations in accordance with the RICS Appraisal and Valuation Manual.

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:

Fixtures, fittings, tools and equipment	2 to 20 years
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**Notes to the accounts
for the year ended 31 March 2022**

Stock

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

Deferred taxation

Deferred taxation is recognised in respect of timing differences at the statement of financial position date to the extent that it is probable that it will be recovered against future taxable profits. All surplus taxable profits are distributed to the parent charity, The Board of Trustees of the Science Museum.

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 statement of comprehensive income 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 2022**

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 statement of financial position 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 2021, a 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. At that date, the property was valued at £5.4m, and this resulted in a £1.2m revaluation gain in that year. At 31 March 2022, the valuation was unchanged.

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 2022, £1.2m (31 March 2021: £1.3m) of sponsorship had been deferred in relation to exhibitions and galleries yet to open, while sponsorship income of £0.1m (31 March 2021: nil) had been accrued in relation to exhibitions and galleries already open.

**Notes to the accounts
for the year ended 31 March 2022**

4. Analysis of turnover

Turnover, analysed by category, was as follows:

	2022	2021
	£'000	£'000
Visitor-related activity	6,717	853
Non-visitor related activity	5,026	1,676
	<u>11,743</u>	<u>2,529</u>

All (2020-21: 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:

	2022	2021
	£'000	£'000
Rental income	(12)	(52)
Sponsorship and consultancy income	(2,065)	(876)
Coronavirus Job Retention Scheme receipts	(338)	(5,043)
Salary recharge	(24,917)	(24,372)
Depreciation of fixed assets	-	21
Foreign exchange losses	8	2
Auditor's remuneration for audit services	27	27

All amounts shown above exclude VAT where applicable.

6. Directors and employees

Staff costs during the year were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	24,486	24,585
Social security costs	2,247	2,297
Other pension costs	1,191	1,123
Agency costs	-	(4)
Recharged staff costs	1,258	1,217
Redundancy and severance costs	166	360
	<u>29,348</u>	<u>29,578</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.

**Notes to the accounts
for the year ended 31 March 2022**

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

	2022	2021
Administration and support	136	127
Development and delivery	625	664
	<u>761</u>	<u>791</u>

Of the figures shown above, 670 (2020-21: 675) FTEs were recharged to the Science Museum Group for activities delivered by the group, as shown in note 5 above.

Directors

Two directors (2020-21: two) received remuneration from the company for services to the group.

Remuneration in respect of the highest paid director was as follows and was recharged to the group:

	2022 £'000	2021 £'000
Emoluments	124	137
Pension contributions to defined contribution scheme	3	10
	<u>127</u>	<u>147</u>

During the year two directors (2020-21: two) participated in the defined contribution pension scheme.

Key management personnel

During the year 2021-22, the key management personnel of the company were the directors of the company and the Associate Commercial Director. During the year 2020-21, 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 May 2020, the Associate Commercial Director.

The aggregate total key management personnel compensation for services provided to the company for the year ended 31 March 2022 was £92,869 (2020-21: £110,815). Of this amount, £4,705 (2020-21: £12,786) relates to recharges from the Science Museum Group (the group).

	2022 £	2021 £
Key management personnel		
<i>Employed by the company:</i>		
- Remuneration received by key management personnel	319,172	358,270
- Recharged to Science Museum Group	(231,008)	(260,241)
<i>Employed by the group:</i>	88,164	98,029
- Recharges from Science Museum Group	4,705	12,786
	<u>92,869</u>	<u>110,815</u>

**Notes to the accounts
for the year ended 31 March 2022**

7. Interest payable

	2022 £'000	2021 £'000
Other loans	16	14
	<u>16</u>	<u>14</u>

8. Taxation

The tax charge is based on the profit for the year:

	2022 £'000	2021 £'000
Tax charge on ordinary activities	<u>75</u>	<u>-</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2020-21: 19%).

The differences are explained as follows:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	<u>2,055</u>	<u>481</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020-21: 19%)	391	91
Expenses not deductible for tax purposes	15	-
Capital allowances for the period in excess of depreciation	(4)	(4)
Tax credit for donations to qualifying UK charities	<u>(327)</u>	<u>(87)</u>
Current tax (credit)/charge for the period	<u>75</u>	<u>-</u>

**Notes to the accounts
for the year ended 31 March 2022**

9. Tangible fixed assets

	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost or Valuation			
At 1 April 2021	5,400	1,753	7,153
Disposals	-	(46)	(46)
Revaluation	-	-	-
At 31 March 2022	<u>5,400</u>	<u>1,707</u>	<u>7,107</u>
Depreciation			
At 1 April 2021	-	1,753	1,753
Charge for the year	-	(46)	(46)
Disposals	-	-	-
At 31 March 2022	<u>-</u>	<u>1,707</u>	<u>1,707</u>
Net book value			
At 31 March 2022	<u>5,400</u>	<u>-</u>	<u>5,400</u>
At 31 March 2021	<u>5,400</u>	<u>-</u>	<u>5,400</u>

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

	2022 £'000	2021 £'000
Freehold land and buildings		
- Historical cost	1,293	1,293
- Revaluation	4,107	4,107
	<u>5,400</u>	<u>5,400</u>

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 were 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 2021, the valuation reflecting market value at that date as assessed by third party surveyors, Montagu Evans LLP. This resulted in a gain of £1.2m shown in the statement of comprehensive income.

The property is classified as land only, as the current structures on the site are not material to the market valuation of the land. See Note 3 for more details.

At 31 March 2022 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. The asset therefore remains in the company's Statement of Financial Position.

**Notes to the accounts
for the year ended 31 March 2022**

10. Stocks

	2022	2021
	£'000	£'000
Finished goods and goods for resale	<u>1,402</u>	<u>1,338</u>

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

11. Debtors

	2022	2021
	£'000	Restated £'000
Trade debtors	1,287	805
Other debtors	162	449
Accrued sponsorship income	91	-
Prepayments and accrued income	430	93
	<u>1,970</u>	<u>1,347</u>

12. Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	237	58
Amounts owed to the Science Museum Group	2,272	1,797
Corporation tax payable	481	406
Other taxes and social security costs	973	625
Other creditors	4,532	4,226
Deferred sponsorship income	587	1,119
Accruals and other deferred income	1,295	638
	<u>10,377</u>	<u>8,869</u>

Included in other creditors is £4 million (2020-21: £4 million) payable to the Homes England (HE) as detailed in note 9.

**Notes to the accounts
for the year ended 31 March 2022**

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Opening balance	1,119	395	495	815
Additions	378	865	2,202	486
Reclassified from non-current	200	100	-	-
Transferred to other creditors	(328)	-	-	-
Released to income	(782)	(241)	(1,833)	(806)
Total deferred income	587	1,119	864	495

13. Creditors: amount falling due after one year

Deferred sponsorship income

	Sponsorship	
	2022 £'000	2021 £'000
Opening balance	200	300
Additions	600	-
Reclassified to current	(200)	(100)
Total deferred income	600	200

Loan

The amount falling due after one year of £1,293k at 31 March 2021 was 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).

During the year no repayments were made against the outstanding loan balance.

On 30 March 2022 the Company and the group agreed to the settlement of the outstanding liability through an issue of equity. The Company issued 1 ordinary share with a nominal value of £1 to the group. As a wholly owned subsidiary the fair value of the equity at the date of the transaction was deemed to be equal to the fair value of the outstanding loan and as such a further £1,293k of share premium has been recognised within equity (see Note 15).

**Notes to the accounts
for the year ended 31 March 2022**

14. Contingent liability

As described in Notes 3 and 9, in 2017-18, the company disposed of the Concrete Works land in York to Homes England to support York City Council's York Central development project and the group's Vision 2025 programme.

Legal advice received in August 2022 determined that SCMG Enterprises Limited ought to have declared the disposal as a gain on its 2017/18 corporation tax return. As described in Note [20], the opening balance sheet as at 1 April 2020 has been restated for the best estimate of tax and interest charges due.

The group, on behalf of the company, has notified HMRC of this error and, in conjunction with expert tax advisors, is finalising what tax payment is due. It may be that as a result of this error HMRC seeks to levy penalties against the company. The company is currently unable to estimate the value of such penalties.

15. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>2</u>	<u>1</u>

The company's share capital consists of two allotted, called up and fully paid shares (2020-21: one share) with a nominal value of £1, owned by the Science Museum Group.

16. Share premium

	2022 £'000	2021 £'000
Share premium account	<u>1,293</u>	<u>-</u>

17. Reserves

The revaluation reserve of £4,157k (2020-21: £4,157k) arose on the revaluation of property detailed in note 9.

The profit and loss reserve of nil (2020-21: £149k) includes all current and prior period retained profits and losses.

**Notes to the accounts
for the year ended 31 March 2022**

18. Financing

	2022 £'000	2021 £'000
Interest received	1	1
Interest paid	(16)	(14)
	<u>(15)</u>	<u>(13)</u>

19. Other financial commitments

The company has a commitment to pay an annual rental fee of £955,773 (2020-21: £905,312) 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.

20. Correction of error

During 2022, as described in Note 14, the company discovered that corporation tax was due in relation to the transfer in April 2017 of beneficial interest in the Concrete Works land in York. As a consequence, tax expense in 2017-18 was understated and tax payable on the balance sheet was understated. The error has been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the company's financial statements.

Statement of financial position

	<i>Impact of correction of error</i>		
	As previously reported £'000	Adjustments £'000	As restated £'000
1 April 2020			
Fixed assets	4,221	-	4,221
Current assets	11,642	-	11,642
Creditors: amounts falling due within one year	(11,190)	(406)	(11,596)
Net current assets	452	(406)	46
Total assets less current liabilities	4,673	(406)	4,267
Creditors: amounts falling due after one year	(1,593)	-	(1,593)
Net assets	3,080	(406)	2,674
Revaluation reserve	2,957	-	2,957
Profit and loss account	123	(406)	(283)
Shareholder's funds	3,080	(406)	2,674

SCMG Enterprises Limited

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Notes to the accounts for the year ended 31 March 2022

31 March 2021	<i>Impact of correction of error</i>		
	As previously reported £'000	Adjustments £'000	As restated £'000
Fixed assets	5,400	-	5,400
Current assets	8,862	-	8,862
Creditors: amounts falling due within one year	(8,463)	(406)	(8,869)
Net current assets	399	(406)	(7)
Total assets less current liabilities	5,799	(406)	5,393
Creditors: amounts falling due after one year	(1,493)	-	(1,493)
Net assets	4,306	(406)	3,900
Revaluation reserve	4,157	-	4,157
Profit and loss account	149	(406)	(257)
Shareholder's funds	4,306	(406)	3,900

Statement of changes in equity

	<i>Impact of correction of error</i>				
	As previously reported		Adjustments	As Adjusted	
	Profit and loss account £'000	Total £'000	£'000	Profit and loss account £'000	Total £'000
At 1 April 2020	123	3,080	(406)	(283)	(2,674)
Profit for the year	481	481	-	481	481
Other comprehensive income	-	1,200	-	-	1,200
Total comprehensive income	481	1,681	-	481	1,681
Payment to parent under Deed of Covenant	(455)	(455)	-	(455)	(455)
At 31 March 2021	149	4,306	(406)	(257)	3,900

21. 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'.

**Notes to the accounts
for the year ended 31 March 2022**

The group's consolidated accounts are available from The Stationery Office or online at www.sciencemuseum.org.uk.

22. Events after the end of the reporting period

In April 2022 a Stage 2 valuation of the Company's Concrete Works site referred to in Notes 3 and 9 was agreed with Homes England and in May 2022 the conditionality was removed from the sale agreement, at which point the sale of land was recognised.