

SCMG Enterprises Limited
(Company Number: 02196149)

Annual Report and Accounts

Year ended 31 March 2021

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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

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Sir Ian Blatchford
Shri Mukundagiri
Jonathan Newby

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Strategic Report

Foreword

The directors present their report and audited financial statements for the year ended 31 March 2021.

Developments in 2020-21

From a financial perspective, 2020–21 was dominated by the global COVID-19 pandemic and the shutdown of the Group's museums for the majority of the year. In the U.K. a series of national and regional lockdowns were enacted to counter the spread of the virus which meant the museums at which the company operates were closed for most of the financial year. Visitor numbers of 2020-21 were 7% of the previous year's figures and visitor-related income fell by over 90%.

The company took efforts to protect its financial position by cutting discretionary spend, accessing Government support, including the Coronavirus Job Retention Scheme, and delivering a targeted change programme to reduce headcount.

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 from the 2016-17 baseline is summarised in the table below:

	2016-17	2017-18	2018-19	2019-20	2020-21
Turnover (£k)	16,190	15,936	15,310	18,395	2,529
Operating profit (loss), excluding sponsorship and consultancy (£k)	3,252	3,352	2,555	2,269	314
Margin (%)	20.1%	21.0%	16.7%	12.3%	12.4%

Turnover fell significantly in 2020-21, with £0.9m (2019-20: £10.3m) resulting from visitor-facing activities and £1.7m (2019-20: £8.1m) from other activities, such as e-commerce, licensing and corporate events. Visitors were at 7% of the levels achieved in 2019-20 and the capacity for events was also significantly reduced. Excluding sponsorship and consultancy related to museum activities, the company recorded an operating profit of £314k in the year, compared to a profit of £2.3m in 2019-20.

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.

As we emerge from the recent lockdown, the future forecasts for visitor numbers and the wider economy 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.

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.

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. While the nature of customs and shipping requirements is becoming clearer, the company continues to monitor the effect on its supply chains of new requirements, particularly as economic activity resumes after the pandemic.

Business Environment

Trends and factors

The major factor on performance over 2020 was the Covid-19 pandemic which necessitated the closure of museum sites as part of the series of regional and national lockdowns.

On site activities are dependent on visitor numbers and these were down across the group by 4.6 million (93%) compared to last year. All sites were affected by the closures in mid-March 2020 and then through the subsequent summer and winter resulting from the Covid-19 pandemic. Visitor levels were between 3% (at the National Science and Media Museum in Bradford) and 13% (at the National Railway Museum in York) of pre-pandemic levels.

Business Performance

2020-21 saw an 86% fall (2019-20: 20% rise) in turnover. As discussed above, visitor numbers were down by 93% and visitor-related income as 92% lower. Non-visitor related income, which includes corporate events, fell by 79%.

Gross profit decreased 87% from £11,363k to £1,514k, with gross margin falling from 62% to 60%, after slight increases in stock provisions.

Excluding sponsorship, which is addressed separately below, and the associated costs, the operating result deteriorated from a profit of £2,269k to £314k. This result includes grant income received under the Government's Coronavirus Job Retention Scheme ('furlough') and the cost of a change programme conducted in the year which saw staff numbers reduced by 7% year-on-year.

Sponsorship and consultancy income of £876k (2019-20: £4,878k) 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 support for the *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. Last year's balance included a contribution to the development of the *Medicine Galleries* at the Science Museum and amounts relating to the Academy, Science Festivals, and exhibition programme, and the National Railway Museum's *Future Engineers* programme. The company is grateful to all sponsors for their continued support in a difficult year. Including these sponsorship balances, operating profit of £481k 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 fell from £18.4m to £2.5m, as described above.
- Visitor-related spend per head increased from £2.05 to £2.37, albeit on much reduced visitor numbers.
- Net profit margin, excluding sponsorship and consultancy, remained consistent at 12%.

The company will continue to monitor these KPIs as the museums re-open over summer 2021.

Comprehensive income and distributions

Total comprehensive income for the year was £1,681k (2019-20: £6,538k).

This figure includes 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 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 2021 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 2021, 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 £455k, 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 2020 of £6,544k was made to the parent charity, The Board of Trustees of the Science Museum, in the year ended 31 March 2021.



Shri Mukundagiri
Director
12 October 2021

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 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.

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 12 October 2021.



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 2021 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 2021 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: 11 November 2021

15 Westferry Circus
Canary Wharf
London E14 4HD

**Statement of Comprehensive Income
for the year ended 31 March 2021**

	Notes	2021 £'000	2020 £'000
Turnover	4	2,529	18,395
Cost of sales		(1,015)	(7,032)
Gross profit		<u>1,514</u>	<u>11,363</u>
Administrative expenses		(31,437)	(35,888)
Other operating income		30,417	31,057
Operating profit	5	<u>494</u>	<u>6,532</u>
Interest income	17	1	28
Interest expense	7,17	(14)	(22)
Profit on ordinary activities before taxation		<u>481</u>	<u>6,538</u>
Tax credit/(charge) on profit on ordinary activities	8	-	-
Profit for the financial year		<u>481</u>	<u>6,538</u>
Revaluation gain	9	1,200	-
Total other comprehensive income		<u>1,200</u>	<u>-</u>
Total comprehensive income for the year		<u>1,681</u>	<u>6,538</u>

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 2020-21 other than those included in the statement of comprehensive income.

The notes on pages 16 to 26 form part of these financial statements.

**Statement of Financial Position
as at 31 March 2021**

	Notes	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	9	5,400	4,221
Current assets			
Stocks	10	1,338	1,889
Debtors	11	1,347	4,331
Cash at bank and in hand		6,177	5,422
		<u>8,862</u>	<u>11,642</u>
Creditors: amounts falling due within one year	12	<u>(8,463)</u>	<u>(11,190)</u>
Net current assets		399	452
Total assets less current liabilities		5,799	4,673
Creditors: amounts falling due after more than one year	13	(1,493)	(1,593)
Net assets		<u>4,306</u>	<u>3,080</u>
Capital and reserves			
Share capital	15	-	-
Revaluation reserve	16	4,157	2,957
Profit and loss account	16	149	123
Shareholder's funds		<u>4,306</u>	<u>3,080</u>

The notes on pages 16 to 26 form part of these financial statements.

Approved and signed on behalf of the Board on 12 October 2021



Shri Mukundagiri
Director

**Statement of Changes in Equity
as at 31 March 2021**

	Share capital	Revaluation reserve	Profit and loss account	Total
Notes	£'000	£'000	£'000	£'000
At 1 April 2019	-	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	-	-	(6,544)	(6,544)
At 31 March 2020	-	2,957	123	3,080
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	149	4,306

The notes on pages 16 to 26 form part of these financial statements.

**Notes to the accounts
for the year ended 31 March 2021**

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 impact of social distancing measures on visitor numbers, 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 as the restrictions of the past year are lifted.

In support of this conclusion, the directors have had regard to the breakeven 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 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 2021**

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 2021**

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 2021**

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 2020 and 2021, 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. 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 chose to continue to hold the property at £4.2m in the accounts. At 31 March 2021, the property was valued at £5.4m, and this has resulted in a £1.2m revaluation gain the year to that date.

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 2021, £1.3m (31 March 2020: £0.7m) of sponsorship had been deferred in relation to exhibitions and galleries yet to open. No sponsorship (31 March 2020: £0.7m) had been accrued in relation to exhibitions and galleries already open.

**Notes to the accounts
for the year ended 31 March 2021**

4. Analysis of turnover

Turnover, analysed by category, was as follows:

	2021	2020
	£'000	£'000
Visitor-related activity	853	10,254
Non-visitor related activity	1,676	8,141
	<u>2,529</u>	<u>18,395</u>

All (2019-20: 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:

	2021	2020
	£'000	£'000
Rental income	(52)	(117)
Sponsorship and consultancy income	(876)	(4,878)
Coronavirus Job Retention Scheme receipts	(5,043)	(57)
Salary recharge	(24,372)	(25,339)
Depreciation of fixed assets	21	86
Foreign exchange losses	2	27
Auditor's remuneration for audit services	<u>27</u>	<u>26</u>

All amounts shown above exclude VAT where applicable.

6. Directors and employees

Staff costs during the year were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	24,585	25,800
Social security costs	2,297	2,358
Other pension costs	1,123	1,094
Agency costs	(4)	37
Recharged staff costs	1,217	2,318
Redundancy and severance costs	360	189
	<u>29,578</u>	<u>31,796</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 2021**

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

	2021	2020
Administration and support	127	127
Development and delivery	664	723
	<u>791</u>	<u>850</u>

Of the figures shown above, 675 (2019-20: 726) FTEs were recharged to the Science Museum Group for activities delivered by the Group, as shown in note 5 above.

Directors

Two directors (2019-20: two) 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:

	2021 £'000	2020 £'000
Emoluments	137	158
Pension contributions to defined contribution scheme	10	10
	<u>147</u>	<u>168</u>

During the year two directors (2019-20: two) participated in the defined contribution pension scheme.

Key management personnel

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. During the year 2019-20, the key management personnel 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 2021 was £110,815 (2019-20: £108,156). Of this amount, £12,786 (2019-20: £14,622) relates to recharges from the Science Museum Group.

	2021 £	2020 £
Key management personnel		
<i>Employed by the Company:</i>		
- Remuneration received by key management personnel	358,270	271,038
- Recharged to Science Museum Group	(260,241)	(177,504)
<i>Employed by the Group:</i>	98,029	93,534
- Recharges from Science Museum Group	12,786	14,622
	<u>110,815</u>	<u>108,156</u>

**Notes to the accounts
for the year ended 31 March 2021**

7. Interest payable

	2021 £'000	2020 £'000
Other loans	<u>14</u>	<u>22</u>
	<u>14</u>	<u>22</u>

8. Taxation

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

	2021 £'000	2020 £'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% (2019-20: 19%).

The differences are explained as follows:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	<u>481</u>	<u>6,538</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019-20: 19%)	91	1,242
Expenses not deductible for tax purposes	-	6
Capital allowances for the period in excess of depreciation	(4)	(4)
Tax credit for donations to qualifying UK charities	(87)	(1,244)
Current tax (credit)/charge for the period	<u>-</u>	<u>-</u>

**Notes to the accounts
for the year ended 31 March 2021**

9. Tangible fixed assets

	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost or Valuation			
At 1 April 2020	4,200	1,753	5,953
Disposals	-	-	-
Revaluation	1,200	-	1,200
At 31 March 2021	<u>5,400</u>	<u>1,753</u>	<u>7,153</u>
Depreciation			
At 1 April 2020	-	1,732	1,732
Charge for the year	-	21	21
Disposals	-	-	-
At 31 March 2021	<u>-</u>	<u>1,753</u>	<u>1,753</u>
Net book value			
At 31 March 2021	<u>5,400</u>	<u>-</u>	<u>5,400</u>
At 31 March 2020	<u>4,200</u>	<u>21</u>	<u>4,221</u>

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

	2021 £'000	2020 £'000
Freehold land and buildings		
- Historical cost	1,293	1,293
- Revaluation	4,107	2,907
	<u>5,400</u>	<u>4,200</u>

Fixtures and fittings with a carrying value in 2019-20 of £21k (2020-21: nil) related 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 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. 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 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.

**Notes to the accounts
for the year ended 31 March 2021**

At 31 March 2021 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.

10. Stocks

	2021	2020
	£'000	£'000
Finished goods and goods for resale	<u>1,338</u>	<u>1,889</u>

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

11. Debtors

	2021	2020
	£'000	£'000
Trade debtors	805	3,202
Other debtors	449	263
Accrued sponsorship income	-	720
Prepayments and accrued income	93	146
	<u>1,347</u>	<u>4,331</u>

12. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	58	185
Amounts owed to the Science Museum Group	1,797	4,105
Other taxes and social security costs	625	817
Other creditors	4,226	4,261
Deferred sponsorship income	1,119	395
Accruals and other deferred income	638	1,427
	<u>8,463</u>	<u>11,190</u>

Included in other creditors is £4 million (2019-20: £4 million) payable to the Homes England (HE) as detailed in note 9.

**Notes to the accounts
for the year ended 31 March 2021**

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Opening balance	395	2,580	815	998
Additions	865	395	486	783
Reclassified (Note 14)	-	-	-	106
Reclassified from non-current	100	-	-	-
Released to income	(241)	(2,580)	(806)	(1,072)
Total deferred income	1,119	395	495	815

13. Creditors: amount falling due after one year

Deferred sponsorship income

	Sponsorship	
	2021 £'000	2020 £'000
Opening balance	300	-
Additions	-	300
Reclassified to current	(100)	-
Total deferred income	200	300

Loan

The amount falling due after one year of £1,293k (2019-20: £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 31 October 2022 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.

**Notes to the accounts
for the year ended 31 March 2021**

14. Deferred grant income

	2021 £'000	2020 £'000
Brought forward balance	-	107
Released to profit and loss account in year	-	(85)
Transferred to current liabilities	-	(22)
At 31 March	<u>-</u>	<u>-</u>

Deferred grant income related to funding of £1,708k received in 2000 for the installation of the IMAX projector in the Science Museum, London, which was recognised in equal instalments over the twenty-year anticipated life of the asset (until June 2020).

15. Share capital

	2021 £	2020 £
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 (2019-20: one) allotted, called up and fully paid share with a nominal value of £1, owned by the Science Museum Group.

16. Reserves

The revaluation reserve of £4,157k (2019-20: £2,957k) arose on the revaluation of property detailed in note 9.

The profit and loss reserve of £149k (2019-20: £123k) includes all current and prior period retained profits and losses.

17. Financing

	2021 £'000	2020 £'000
Interest received	1	28
Interest paid	<u>(14)</u>	<u>(22)</u>
	<u>(13)</u>	<u>6</u>

18. Other financial commitments

The company has a commitment to pay an annual rental fee of [£905,312] (2019-20: £952,132) 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.

**Notes to the accounts
for the year ended 31 March 2021**

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.

20. Post balance sheet events

In September 2021, the Secretary of State for Transport approved a Stopping Up Order for a section of Leeman Road in York adjacent to the Company's Concrete Works site subject to the sale agreement with Homes England referred to in Notes 3 and 9.