

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2011**

Company Registration No. 1511481

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

COMPANY DETAILS

DIRECTORS

Air Chief Marshal Sir John Day, KCB, OBE
Lord Evans of Watford
J. Field
P Dye OBE
K. Ifould, CBE, AFC, FRAeS, MIL, (RAF ret'd)
J. Kitchen, MA, Mst
Air Vice-Marshal David Crwys-Williams DB FCIPD FIMgt RAF (Retd)

COMPANY NUMBER

1511481 (England and Wales)

REGISTERED OFFICE

The Royal Air Force Museum,
Grahame Park Way,
Hendon,
London,
NW9 5LL

AUDITORS

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

DIRECTORS' REPORT

The Directors submit their report and the financial statements of Royal Air Force Museum Enterprises Limited for the year ended 31st March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was conducting trading operations for the Royal Air Force Museum at Hendon and at Cosford.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Board reports that the profit for the year was £194,232. The overall performance of the business remains very encouraging. The income from retail sales has been maintained against a background of a slight fall in visitor numbers and, although the corporate events sector remains difficult during the recession, income levels from the simulators have been sustained and the alternative marketing programme is now realising a significant return.

Retail

It has been another good year for retail sales. Overall expenditure was below budget, gross margin on budget, and total retail sales income just over budget, again at £1.3 (London and Cosford combined, including on-line sales). In 2011/12 one of the principal objectives will be to increase the volume of on-line sales through the new website.

Conference & Corporate Hire

The sector remains difficult and the 2010/11 sales targets were not achieved in both London and at Cosford. In the coming year there will be additional focus on selling the venues and the transfer of the Museum's marketing function to the trading company will underpin this intention with the necessary professional support. The Museum's encouragement in the form of greater flexibility and a greater willingness to embrace commercial opportunities will also assist the process.

Simulators

The application of dedicated resources has proved beneficial and simulator incomes have been sustained at just under £200,000 (London and Cosford combined). Towards the end of the financial year the 4-D Theatre was opened at the London site and an additional income in excess of £50,000 is anticipated for the coming year.

Alternative Marketing

The income from the programme has increased significantly and was over £150,000 by the year -end. (This contrasts with the 2009/10 figure of just over £50,000).

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

DIRECTORS' REPORT

- continued -

RESULTS AND DIVIDENDS

The trading profit for the year was £194,232 (2010: £ 217,115). The profits chargeable to corporation tax were covenanted to the parent undertaking, a registered charity.

DIRECTORS

The following Directors have held office since 1st April 2010.

Air Chief Marshal Sir John Day, KCB, OBE
Lord Evans of Watford
J Field
P Dye OBE
K. Ifould CBE, AFC, FRAeS, MIL, RAF (ret'd)
J Kitchen, MA, Mst
Air Vice-Marshal David Crwys-Williams DB FCIPD FIMgt RAF (Retd)

No Director held any beneficial interest in the shares of the Company at any time during the year.

CHARITABLE CONTRIBUTIONS

During the year the company made charitable contributions totalling 2011: £233,042 (2010: £247,595).

DIRECTORS' RESPONSIBILITIES IN PREPARATION OF THE FINANCIAL STATEMENTS

Statement of disclosure to auditor

- (a) so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they 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 auditors are aware of that information

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

DIRECTORS' REPORT

- continued -

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of 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.

This report has been prepared in accordance with the special provision of Part 15 of the Companies Act 2006 relating to small companies.

BY ORDER OF THE BOARD



Air Chief Marshal Sir John Day
Director

Date: 11 July 2011



John Kitchen
Director

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAF MUSEUM ENTERPRISES LIMITED

I have audited the financial statements of RAF Museum Enterprises Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

Respective responsibilities of directors and auditor

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. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In my opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

Matters on which I am required to report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in my opinion:

- adequate accounting records have not been kept; 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
- I have not received all the information and explanations we require for my audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.



Amanda Measures

Date 14 July 2011

for and on behalf of the
Comptroller and Auditor General (Statutory Auditor)

157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Company Registration No 1511481

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		£	£
TURNOVER	2	1,987,843	1,936,615
Cost of sales		<u>(672,386)</u>	<u>(680,861)</u>
		1,315,457	1,255,754
Other operating expenses (net)	3	<u>(1,118,736)</u>	<u>(1,034,641)</u>
OPERATING PROFIT		196,721	221,113
Investment income	4	111	113
Interest payable and similar charges	5	(2,600)	(4,111)
		<u>194,232</u>	<u>217,115</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		194,232	217,115
Taxation	8	-	-
		<u>194,232</u>	<u>217,115</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		194,232	217,115
Covenanted payments to the RAF Museum		<u>(233,042)</u>	<u>(247,595)</u>
LOSS FOR THE YEAR	15	<u>(38,810)</u>	<u>(30,480)</u>

Statement of Recognised Gains in the Year:

Impact on reserves following the reliving of the Simulator	68,266	-
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*All income is derived from continuing activities.
The notes on pages 9 to 13 form part of these accounts*

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2011

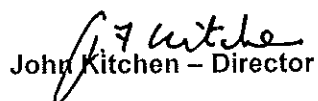
	<u>Notes</u>	<u>2011</u>		<u>2010</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		106,653		87,747
CURRENT ASSETS					
Stocks	10	152,260		176,885	
Debtors	11	145,631		115,213	
Cash at bank and in hand		90,413		109,551	
		388,304		401,649	
CREDITORS: Amounts falling due within one year	12		(450,726)		(431,303)
NET CURRENT LIABILITIES/ASSETS			(62,422)		(29,654)
TOTAL ASSETS LESS CURRENT LIABILITIES			44,231		58,093
CREDITORS: Amounts falling due after more than one year	13		(43,319)		(86,637)
			912		(28,544)
CAPITAL AND RESERVES					
Called up share capital	14		100,000		100,000
Profit and loss account	15		(99,088)		(128,544)
SHAREHOLDERS' FUNDS	16		912		(28,544)

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board on 11 July 2011



Air Chief Marshal Sir John Day – Director



John Kitchen – Director

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

1. ACCOUNTING POLICIES.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, which assumes the continued support of the Trustees of the RAF Museum; in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008); and on a going concern basis.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Flight simulators	15 years straight line basis
Furniture, fixtures and fittings	5 years straight line basis
Motor vehicles	4 years straight line basis
Office & Computer equipment	3 to 5 years straight line basis

During the year the life of the Simulator was revised from 5 years to 15 years. This has resulted in a credit to the profit and loss reserve of £68,266.

STOCKS

Stocks are valued on bases which are consistent from one year to another. Stocks of goods purchased for resale and consumable stores are valued at the lower of cost and net realisable value.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

All Fixed Assets financed by lease have been fully depreciated by 31st December 2011.

RECHARGE OF COSTS

The Royal Air Force Museum, the Company's ultimate parent undertaking, has since 1st January, 1997, charged the Company at cost, for all services provided to it. The Company has raised a charge on the Museum on a similar basis. This has resulted in a net charge of £318,732 for the year to 31st March, 2011. The net charge for the year end 31st March, 2010 was £241,123

2. TURNOVER

The Company's turnover was derived from its principal activity. Sales were made in the United Kingdom only.

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011 - Continued -

	<u>2011</u> £	<u>2010</u> £
3. OTHER OPERATING EXPENSES (NET)		
Administration expenses	1,118,736	1,034,641
	<u>1,118,736</u>	<u>1,034,641</u>
4. INVESTMENT INCOME		
Bank interest received	<u>111</u>	<u>113</u>
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Finance lease interest	-	376
Other interest paid	-	285
Bank loan interest	2,600	3,450
	<u>2,600</u>	<u>4,111</u>
6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging:		
Profit on disposal of fixed assets	-	9,152
Depreciation and amounts written off tangible fixed assets:		
Charge for the period:		
owned assets	57,913	56,297
leased assets	-	9,484
Auditors' remuneration	6,000	5,750
EMPLOYEES		
The average number of persons employed by the Company (including part-time) was:		
	No.	No.
Directors	6	6
Retailing	26	27
Conference	6	6
Business Development	1	1
	<u>39</u>	<u>40</u>
Staff costs for the above persons:		
	£	£
Wages and salaries	512,084	535,837
Social security costs	42,486	46,486
	<u>554,570</u>	<u>582,323</u>

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011 - continued -

7. **EMPLOYEES** - continued

DIRECTORS' REMUNERATION

No Director received remuneration during the year (2010: £Nil)

8. **TAXATION**

The Company is party to a deed of covenant under which all taxable profits are paid over to the parent undertaking, which is a registered charity. Therefore no liability to corporation tax arises in this Company's results.

9. **TANGIBLE FIXED ASSETS**

	<u>Flight Simulators</u>	<u>Office and Computer Equipment</u>	<u>Furniture, Fixtures and Fittings</u>	<u>Total</u>
	£	£	£	£
Cost or valuation:				
1 st April, 2010	253,542	220,709	393,029	867,280
Additions	-	8,554	-	8,554
Disposals	-	-	-	-
	<u>253,542</u>	<u>229,263</u>	<u>393,029</u>	<u>875,834</u>
Depreciation:				
1 st April 2010	253,542	219,631	306,361	779,534
Charged in year	8,533	2,893	46,487	57,913
Disposals	-	-	-	-
Adjustment to revision of useful life*	(68,266)	-	-	(68,266)
	<u>193,809</u>	<u>222,524</u>	<u>352,848</u>	<u>769,181</u>
Net book value: 31st March 2011	59,733	6,739	40,181	106,653
Net book value: 31st March 2010	0	1,079	86,668	87,747

The Net Book Value and Depreciation related to Tangible Assets held by the Company under Finance Leases are NBV £ 0 and Depreciation £ 0

*During the year the useful life of simulator was reviewed which created a back charge to depreciation.

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011 - Continued -

		<u>2011</u> £	<u>2010</u> £
10.	STOCKS		
	Goods for resale	<u>152,260</u>	<u>176,885</u>
11.	DEBTORS		
	Trade debtors	100,636	55,487
	Prepayments and accrued income	<u>44,995</u>	<u>59,726</u>
		<u>145,631</u>	<u>115,213</u>
12.	CREDITORS: Amounts falling due within one year		
	Trade creditors	31,008	49,541
	Other taxation and social security costs	14,342	11,026
	Bank Loan	43,207	42,866
	Amounts owed to parent undertaking	69,827	49,085
	Covenanted payment due to parent undertaking	183,042	197,595
	Other creditors incl VAT	45,828	23,205
	Accruals and deferred income	<u>63,472</u>	<u>57,985</u>
		<u>450,726</u>	<u>431,303</u>
13.	CREDITORS: Amounts falling due after more than one year		
	Bank loan	<u>43,319</u>	<u>86,637</u>
		<u>43,319</u>	<u>86,637</u>
14.	SHARE CAPITAL		
	Authorised:		
	100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	Allotted, issued and fully paid:		
	100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011

- continued -

	<u>2011</u>	<u>2010</u>
	£	£
15. PROFIT AND LOSS ACCOUNT		
At 1 st April 2010	(128,544)	(98,064)
Loss for the financial year after covenanted payment	<u>(38,810)</u>	<u>(30,480)</u>
At 31 st March 2011	(167,354)	(128,544)
Adjustment to P&L Reserves*	<u>68,266</u>	<u>-</u>
Profit and Loss Account	(99,088)	(128,544)
 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Opening shareholders funds	(28,544)	1,936
(Loss)/Profit for the year	(38,810)	(30,480)
Adjustment to P&L Reserves*	<u>68,266</u>	<u>-</u>
Closing shareholders funds	<u>912</u>	<u>(28,544)</u>

**Details of the adjustment are explained in Note 1 and 9 – Fixed Assets*

In 2009-10 the company had negative shareholders' funds of £ (28,544) as a result of the deed of covenant whereby all the company's taxable profits are transferred across to the RAF Museum for the benefit of the charity. These are different to accounting profits, primarily due to the impact of capital allowances, and over the years these transfers have led to negative shareholders' funds, despite the consistent profits generated by the company. The position has been corrected for 2010-11 and management remain committed to address the effect of the current relationship between RAF Museum Enterprises Ltd and the Museum in the future years to ensure that shareholders' funds in the balance sheet remain positive.

17. ULTIMATE CONTROLLING PARTY

The parent body is the RAF Museum. The ultimate controlling party are the Trustees of the RAF Museum.

18. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirements to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent undertaking.