

**ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012**

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Company Registration No. 1511481

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## 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

### 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

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## DIRECTORS' REPORT

The Directors submit their report and the financial statements of Royal Air Force Museum Enterprises Limited for the year ended 31st March 2012.

### 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 only a small profit for the year of £506 before tax. This reduction in comparison with last year is mainly due to the transfer of marketing activities (and the associated costs) from the parent organisation to the trading company. The overall performance of the business remains satisfactory in the present economic climate. The income from retail sales has been almost maintained against a background of slightly lower visitor numbers and, although corporate events remains a difficult sector in which to operate, income levels from the simulators have been sustained and the alternative marketing programme is continuing to realise a significant return.

The technical insolvency represented as negative shareholders' funds does not reflect underlying unprofitability. It is the accumulated result of historical implementation of the Deed of Covenant whereby all the company's taxable profits were transferred across to the RAF Museum for the benefit of the Charity. These frequently exceeded the accounting profits, primarily due to the impact of capital allowances and the application of a particular depreciation policy within the company.

In order to avoid similar effect of the Deed of Covenant on the profits in future years, the Deed was terminated and replaced in 2011/12 by Gift Aid to allow better control of the level of profit transfers, and to improve cash-flow flexibility. The Management will also undertake a revision of the depreciation policy in the next financial year.

The Directors of the RAF Museum Enterprise Limited have assessed that the subsidiary is a going concern and they are content, therefore, that the investment in the subsidiary retains its value.

#### Retail

The retail gross margin was above budget despite the reduced level of retail sales income which was under the budget by £163,209 (London and Cosford combined, including on-line sales). In 2012/13 one of the principal objectives will be to continue to increase the volume of on-line sales through the new website.

#### Conference & Corporate Hire

The sector remains difficult and the 2011/12 sales targets were not achieved in both London and at Cosford. A non-executive director with a corporate events background will join the Board in June 2012 and she will work with management to strengthen performance.

#### Simulators

The application of dedicated resources has proved beneficial and simulator incomes have been sustained at £235,398 (London and Cosford combined).

#### Alternative Marketing

The income from the programme was less than in 2010/11 at £143,950 but this was over double the target set.

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## DIRECTORS' REPORT

- continued -

### RESULTS AND DIVIDENDS

The trading profit for the year was £506 (2011: £194,232). The loss for the year after taxation was £5,793.

### DIRECTORS

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 no charitable contribution. (2011: £233,042).

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### DIRECTORS' RESPONSIBILITIES IN PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the 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 law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## DIRECTORS' REPORT

- continued -

### 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

### AUDITORS

The audit is carried out by the National Audit Office acting on behalf of the Comptroller and Auditor General. The Comptroller and Auditor General has indicated his willingness to be reappointed for another term. The auditors performed no non-audit work in the year (2010-11: none).

### BASIS OF PREPARATION

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: 9<sup>th</sup> July 2012



John Kitchen  
Director

Date: 9<sup>th</sup> July 2012

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF RAF MUSEUM ENTERPRISES LIMITED

I have audited the financial statements of RAF Museum Enterprises Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, 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 Statement of Directors' Responsibilities, 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 2012 and of its loss 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

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### 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.



Matthew Kay

Date 12 JULY 2012

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 31<sup>ST</sup> MARCH 2012

	Notes	<u>2012</u>	<u>2011</u>
		£	£
TURNOVER	2	1,992,131	1,987,843
Cost of sales		<u>(693,042)</u>	<u>(672,386)</u>
		1,299,089	1,315,457
Other operating expenses	3	<u>(1,297,045)</u>	<u>(1,118,736)</u>
<b>OPERATING PROFIT</b>		2,044	196,721
Investment income	4	68	111
Interest payable and similar charges	5	<u>(1,606)</u>	<u>(2,600)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION ON ORDINARY ACTIVITIES</b>		506	194,232
Covenanted payments to the RAF Museum		<u>-</u>	<u>(233,042)</u>
<b>PROFIT BEFORE TAXATION</b>		506	(38,810)
Taxation	8	<u>(6,299)</u>	<u>-</u>
<b>PROFIT / (LOSS) FOR THE YEAR AFTER TAXATION</b>	15	<u>(5,793)</u>	<u>(38,810)</u>

### Statement of Recognised Gains and Losses in the Year:

Impact on reserves following the revaluation 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 31<sup>ST</sup> MARCH 2012

	<u>Notes</u>	<u>2012</u>		<u>2011</u>	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	9		67,366		106,653
<b>CURRENT ASSETS</b>					
Stocks	10	159,824		152,260	
Debtors	11	180,301		145,631	
Cash at bank and in hand		70,457		90,413	
			410,582		388,304
<b>CREDITORS: Amounts falling due within one year</b>	12		(482,829)		(450,726)
<b>NET CURRENT LIABILITIES/ASSETS</b>			(72,247)		(62,422)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(4,881)		44,231
<b>CREDITORS: Amounts falling due after more than one year</b>	13		-		(43,319)
			(4,881)		912
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		100,000		100,000
Profit and loss account	15		(104,881)		(99,088)
<b>SHAREHOLDERS' FUNDS</b>	16		(4,881)		912

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



**Air Chief Marshal Sir John Day – Director**

**John Kitchen – Director**

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

### 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 less accumulated depreciation. 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

#### 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 31<sup>st</sup> December 2012.

#### RECHARGE OF COSTS

The Royal Air Force Museum, the Company's ultimate parent undertaking, has since 1<sup>st</sup> 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 from the Museum to the Company of £325,336 for the year to 31<sup>st</sup> March, 2012. The net charge for the year end 31<sup>st</sup> March, 2011 was £318,732.

Additionally the Company charged the Museum with £135,000 representing a share of the cost of all marketing activities which would in time benefit both parties within the organisation.

### 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 31<sup>ST</sup> MARCH 2012 - Continued -

	<u>2012</u>	<u>2011</u>
	£	£
<b>3. OTHER OPERATING EXPENSES</b>		
Administration expenses	1,297,045	1,118,736
	<u>1,297,045</u>	<u>1,118,736</u>
<b>4. INVESTMENT INCOME</b>		
Bank interest received	<u>68</u>	<u>111</u>
<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Bank loan interest	<u>1,606</u>	<u>2,600</u>
	<u>1,606</u>	<u>2,600</u>
<b>6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets, Charge for the period (owned assets)	48,659	57,913
Auditors' remuneration	6,000	6,000
<b>EMPLOYEES</b>		
The number of persons employed by the Company as at 31.03.2012 (including part-time) was:	No.	No.
Directors	3	3
Retailing	26	26
Conference	6	6
Business Development	1	1
	<u>36</u>	<u>36</u>
Staff costs for the above persons:	£	£
Wages and salaries	575,639	512,084
Social security costs	35,325	42,486
	<u>610,964</u>	<u>554,570</u>

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 - continued -

7. **EMPLOYEES** - continued

**DIRECTORS' REMUNERATION**

No Director received remuneration during the year (2011:£Nil). Directors' remuneration is provided by the Museum.

8. **TAXATION**

The Board of the Company resolved (in year) to terminate the arrangement whereby profits were transferred under Deed of Covenant to the Royal Air Force Museum.

9. **TANGIBLE FIXED ASSETS**

	<u>Flight Simulators</u>	<u>Office and Computer Equipment</u>	<u>Furniture, Fixtures and Fittings</u>	<u>Total</u>
	£	£	£	£
<b>Cost or valuation:</b>				
1 <sup>st</sup> April, 2011	253,542	229,263	393,029	875,834
Additions	-	5,714	3,658	9,372
Disposals	-	-	-	-
	<u>253,542</u>	<u>234,977</u>	<u>396,687</u>	<u>885,206</u>
31 <sup>st</sup> March 2012	<u>253,542</u>	<u>234,977</u>	<u>396,687</u>	<u>885,206</u>
<b>Depreciation:</b>				
1 <sup>st</sup> April 2011	193,809	222,524	352,848	769,181
Charged in year	8,532	3,523	36,604	48,659
Disposals	-	-	-	-
	<u>202,341</u>	<u>226,047</u>	<u>389,452</u>	<u>817,840</u>
31 <sup>st</sup> March 2012	<u>202,341</u>	<u>226,047</u>	<u>389,452</u>	<u>817,840</u>
<b>Net book value:</b>				
31 <sup>st</sup> March 2012	<u>51,201</u>	<u>8,930</u>	<u>7,235</u>	<u>67,366</u>
Net book value: 31st March 2011	<u>59,733</u>	<u>6,739</u>	<u>40,181</u>	<u>106,653</u>

The Company no longer holds any Tangible Assets under Finance Leases, all assets are owned.

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012 - Continued -

		<u>2012</u>	<u>2011</u>
		£	£
10.	<b>STOCKS</b>		
	Goods for resale	<u>159,824</u>	<u>152,260</u>
11.	<b>DEBTORS</b>		
	Trade debtors	106,349	100,636
	Prepayments and accrued income	<u>73,952</u>	<u>44,995</u>
		<u>180,301</u>	<u>145,631</u>
12.	<b>CREDITORS: Amounts falling due within one year</b>		
	Trade creditors	69,750	31,008
	Other taxation and social security costs	11,762	14,342
	Bank Loan	42,552	43,207
	Amounts owed to parent undertaking	226,859	69,827
	Covenanted payment due to parent undertaking	-	183,042
	Corporation Tax	6,299	-
	Other creditors incl VAT	35,487	45,828
	Accruals and deferred income	45,120	63,472
	Provision for VAT Disclosure	45,000	-
		<u>482,829</u>	<u>450,726</u>
13.	<b>CREDITORS: Amounts falling due after more than one year</b>		
	Bank loan	<u>-</u>	<u>43,319</u>
		<u>-</u>	<u>43,319</u>
14.	<b>SHARE CAPITAL</b>		
	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 31<sup>ST</sup> MARCH 2012

- Continued -

	<u>2012</u>	<u>2011</u>
	£	£
<b>15. PROFIT AND LOSS ACCOUNT</b>		
At 1 <sup>st</sup> April 2011	(99,088)	(128,544)
Loss for the financial year	<u>(5,793)</u>	<u>(38,810)</u>
At 31 <sup>st</sup> March 2012	(104,881)	(167,354)
Adjustment to P&L Reserves*	<u>-</u>	<u>68,266</u>
Profit and Loss Account	(104,881)	(99,088)

\*In the Year Ended 31.03.2011 the life of simulator was revised from 5 years to 15 years. This has resulted in a credit to the Profit and Loss Reserve of £68,266.

### 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Opening shareholders funds	912	(28,544)
(Loss)/Profit for the year	(5,793)	(38,810)
Adjustment to P&L Reserves* (see note 15)	<u>-</u>	<u>68,266</u>
Closing shareholders' funds	<u>(4,881)</u>	<u>912</u>

### 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.

There are no other related parties.