

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2006**

Company Registration No. 1511481

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

COMPANY DETAILS

DIRECTORS

Air Chief Marshal Sir Richard Johns GCB, CBE, LVO, FRAeS
Lord Evans of Watford
Dr. M. A. Fopp, MA, FMA, FRAeS
J. Francis
S. Gornall
K. Ifould CBE, AFC, FRAeS, MIL, (RAF ret'd)
J. Kitchen, MA, Mst

SECRETARY

S. Garman, FCIS

COMPANY NUMBER

1511481 (England and Wales)

REGISTERED OFFICE

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

AUDITORS

Hillier Hopkins LLP,
Chartered Accountants,
St. Martin's House,
31-35, Clarendon Road,
Watford,
Herts. WD17 1JF

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 2006.

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 £38,557 (2005: £165,331). The trading performance of the Company has reduced over 2005 as a result of a reduction in visitors at both sites. The Company continues to act as a conduit for a number of RAF initiatives which do not always generate a good margin. The Board accepts that whilst the company may not show a profit on such ventures, they are conducted with the best interests of the Service in mind and would generate additional publicity which may otherwise have been lost.

During the year, the Board decided to change the location of the retail shop at Cosford. The new shop will be situated at the exit of the new exhibition hall and will be completed before the end of the next financial year, to coincide with the opening of the exhibition hall itself. Arrangements are being made to place this investment on a medium term loan.

Retail

The number of visitors to both sites has fallen from 456,654 to 408,089. This fact, and the knowledge that there is a high proportion of repeat visitors, inevitably has affected the ability to increase turnover and the Net Profit has fallen from £156,746 to £132,483.

Conference & Corporate Hire

As the Board warned last year, this part of the Company has found trading difficult as turnover reduced from £509,107 to £443,163. The construction of the new exhibition hall at Cosford has meant that large parts of the Museum have been unavailable for hire for much of the year. Overheads have been reduced and thus the net profit has only fallen from £133,852 to £124,061.

Simulators

As it is reported above, visitor numbers to the sites have fallen and a large proportion of visitors have attended the site before. These two factors have both had a detrimental effect upon the attractiveness of this activity and turnover has reduced from £133,971 to £107,541, and Net Profit fallen from £59,893 to £42,007.

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

DIRECTORS' REPORT

- continued -

Alternative Marketing

The Company continues to be heavily involved in the promotion of the Royal Air Force. Some of these activities have not been profitable but merely served to create worthwhile PR for the service. The licensing agreement has generated a great deal of interest in a range of retail sectors, but the advance royalty received last year has not yet been fully recouped by the agent, although income is expected during the next financial year.

The Company was heavily involved with the Air League in the Battle of Britain 65th Celebrations at which a number of St Petersburg, RAF Collections, were sold. Although this part of the Company bore a large proportion of the expense, the Museum has, since the end of the year, received a large donation as a direct result of the event.

RESULTS AND DIVIDENDS

The trading profit for the year was £38,557 (2005: £165,331). 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 2005.

Air Chief Marshal Sir Richard Johns GCB CBE LVO FRAeS
Lord Evans of Watford
Dr. M.A. Fopp, MA, FMA, FRAeS
J. Francis
S. Gornall
K. Ifould CBE, AFC, FRAeS, MIL, RAF (ret'd)
J Kitchen, MA, Mst

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 £ 73,062 (2005: £199,702).

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 1985. 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 VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD

S. Garman
Secretary

Date: 18 September 2006

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

We have audited the financial statements of Royal Air Force Museum Enterprises Limited for the year ended 31 March 2006 set out on pages 7 to 13. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities on page 2 the company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 16 to the financial statements.

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

- continued -

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hillier Hopkins LLP,
Chartered Accountants
and Registered Auditor
St. Martin's House,
31-35, Clarendon Road, Watford, Herts. WD17 1JF

Date: 8 January 2007

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		£	£
TURNOVER	2	1,632,876	1,873,564
Cost of sales		<u>(696,924)</u>	<u>(769,111)</u>
		935,952	1,104,453
Other operating expenses (net)	3	<u>(901,464)</u>	<u>(936,973)</u>
OPERATING PROFIT		34,488	167,480
Investment income	4	8,194	6,221
Interest payable and similar charges	5	<u>(4,125)</u>	<u>(8,370)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	38,557	165,331
Taxation	8	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>38,557</u>	<u>165,331</u>
Covenanted payments to the RAF Museum		<u>(73,062)</u>	<u>(199,702)</u>
PROFIT FOR THE YEAR	15	<u>(34,505)</u>	<u>(34,371)</u>

The notes on pages 9 to 13 form part of these accounts

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		£	£
FIXED ASSETS			
Tangible assets	9	114,555	151,481
CURRENT ASSETS			
Stocks	10	104,027	121,510
Debtors	11	69,645	188,576
Cash at bank and in hand		226,214	254,756
		399,886	564,842
CREDITORS: Amounts falling due within one year	12	(420,247)	(564,955)
NET CURRENT ASSETS/(LIABILITIES)		(20,361)	(113)
TOTAL ASSETS LESS CURRENT LIABILITIES		94,194	151,368
CREDITORS: Amounts falling due after more than one year	13	-	(22,669)
		94,194	128,699
CAPITAL AND RESERVES			
Called up share capital	14	100,000	100,000
Profit and loss account	15	(5,806)	28,699
SHAREHOLDERS' FUNDS		94,194	128,699

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Approved by the Board on 18 September 2006.

Sir Richard Johns - Director

Dr M. A. Fopp - Director

The notes on pages 9 to 13 form part of these accounts.

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

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, and have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

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	5 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.

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 £251,015 for the year to 31st March, 2006. The net charge for the year end 31st March, 2005 was £252,989.

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 2006

- continued -

	<u>2006</u>	<u>2005</u>
	£	£
3. OTHER OPERATING EXPENSES (NET)		
Administration expenses	901,464	936,973
	901,464	936,973
	901,464	936,973
4. INVESTMENT INCOME		
Bank interest received	8,194	6,221
	8,194	6,221
	8,194	6,221
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Finance lease interest	4,125	8,370
Other interest paid	-	-
	4,125	8,370
	4,125	8,370
6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging:		
Profit on disposal of fixed assets	-	-
Depreciation and amounts written off tangible fixed assets:		
Charge for the period:		
owned assets	20,402	22,837
leased assets	48,353	53,695
Auditors' remuneration	6,250	5,750
	75,005	82,282
	75,005	82,282
7. EMPLOYEES		
The number of persons at the year end (including Directors) employed by the Company was:	No.	No.
Directors	7	7
Retailing	26	27
Conference	5	7
Alternative Marketing	1	-
	39	41
	39	41
Staff costs for the above persons:	£	£
Wages and salaries	420,076	424,759
Social security costs	31,331	36,712
	451,407	461,471
	451,407	461,471

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

- continued -

7. **EMPLOYEES** - continued

DIRECTORS' REMUNERATION

No Director received remuneration during the year (2005: £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>Assets Under Construction</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£	£	£
Cost or valuation:						
1 st April, 2005	253,542	179,849	160,598	-	44,072	638,061
Additions	-	9,106	-	20,133	11,514	40,753
Disposals	-	-	-	-	(14,772)	(14,772)
	-----	-----	-----	-----	-----	-----
At 31 st March 2006	253,542	188,955	160,598	20,133	40,814	664,042
	=====	=====	=====	=====	=====	=====
Depreciation:						
1 st April 2005	175,119	160,706	136,988	-	13,767	486,580
Charged in year	26,358	14,091	17,694	-	10,612	68,755
Disposals	-	-	-	-	(5,848)	(5,848)
	-----	-----	-----	-----	-----	-----
At 31 st March 2006	201,477	174,797	154,682	-	18,531	549,487
	=====	=====	=====	=====	=====	=====
Net book value: 31 st March 2006	52,065	14,158	5,916	20,133	22,283	114,555
	=====	=====	=====	=====	=====	=====
Net book value: 31st March 2005	78,423	19,143	23,610	-	30,305	151,481
	=====	=====	=====	=====	=====	=====

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

- continued -

		<u>2006</u>	<u>2005</u>
		£	£
10.	STOCKS		
	Goods for resale	104,027	121,510
		<u>104,027</u>	<u>121,510</u>
11.	DEBTORS		
	Trade debtors	41,753	174,667
	Prepayments and accrued income	27,087	13,909
	Other debtors (incl social security)	805	-
		<u>69,645</u>	<u>188,576</u>
12.	CREDITORS: Amounts falling due within one year		
	Trade creditors	60,448	77,442
	Other taxation and social security costs	7,695	10,688
	Amounts owed to parent undertaking	147,087	112,944
	Covenanted payment due to parent undertaking	73,062	199,702
	Other creditors incl VAT	11,085	28,344
	Net obligations under hire purchase contracts	22,669	58,860
	Accruals and deferred income	98,201	76,975
		<u>420,247</u>	<u>564,955</u>
13.	CREDITORS: Amounts falling due after more than one year		
	Net obligations under hire purchase contracts	-	22,669
		<u>-</u>	<u>22,669</u>
14.	SHARE CAPITAL		
	Authorised:		
	100,000 Ordinary shares of £1 each	100,000	100,000
		<u>100,000</u>	<u>100,000</u>
	Allotted, issued and fully paid:		
	100,000 Ordinary shares of £1 each	100,000	100,000
		<u>100,000</u>	<u>100,000</u>

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2006

- continued -

	<u>2006</u>	<u>2005</u>
	£	£
15. PROFIT AND LOSS ACCOUNT		
At 1 st April 2005	28,699	63,070
Profit for the financial year after covenanted payment	<u>(34,505)</u>	<u>(34,371)</u>
At 31 st March 2006	<u>(5,806)</u>	<u>28,699</u>
16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit/(Loss) for the year	(34,505)	(34,371)
Opening shareholders funds	<u>128,699</u>	<u>163,070</u>
Closing shareholders funds	<u>94,194</u>	<u>128,699</u>
17. ULTIMATE CONTROLLING PARTY		
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.		
19. AUDITORS' ETHICAL STANDARDS		
The relevant circumstances requiring disclosure in accordance with the requirements of APB Ethical Standard - Provisions Available for Small Entities are:		
In common with many businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and to provide payroll services. In common with many other businesses of our size and nature we use our auditors to provide tax advice and to represent us, as necessary, at tax tribunals		