

**ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007**

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 Richard Johns, GCB, CBE, LVO, FRAeS (retired 06.12.06)  
Air Chief Marshal Sir John Day, KCB, OBE (appointed 06.12.06)  
Lord Evans of Watford  
Dr. M. A. Fopp, MA, FMA, FRAeS  
J. Francis (retired 23.09.06)  
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

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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 2007.

### 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 £79,020 (2006: £38,557). The performance of the individual parts of the business has been mixed, but by careful monitoring and management of overheads the net return is greater than last year.

During the year, the move of the retail shop at Cosford to the National Cold War Exhibition was completed in time for the opening in February 2007. The costs totalling £211,497 will be placed on a medium term loan during the next financial year. The board also decided to invest in new point of sale hardware and upgrade its accounting system to improve customer service and efficiency.

The resulting additional charges to finance, and corresponding increase in depreciation, will affect the results in the short term.

#### Retail

The number of visitors to the Museum has increased since last year from 400,753 to 455,141 the majority of which has occurred since the opening of the National Cold War Exhibition at Cosford in February 2007. The sales at Cosford have risen in the last two months and are expected to continue to rise in the next financial year. Although the margins have reduced since last year, because of the increase in turnover, the shops have increased their net profit.

#### Conference & Corporate Hire

The increase in turnover and corresponding net profit at London has more than compensated for the decrease in this area of the business at Cosford. As the Board reported last year, trading at Cosford has been difficult because the construction of the National Cold War Exhibition affected the level of clients that could be attracted to the site.

#### Simulators

The number of visitors using three simulators has risen during the year and as the finance lease at Cosford has ended, the level of net profit was proportionately higher.

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## DIRECTORS' REPORT

- continued -

### Alternative Marketing

The Company continues to be heavily involved in the promotion of the Royal Air Force. The Board is still positive about the future of this part of the business, but by the nature of its activities, the investment will take time to show a return. During the year, the Royal Air Force Clothing Collection was launched to favourable comment and the Board expects further royalty income next year.

### RESULTS AND DIVIDENDS

The trading profit for the year was £79,020 (2006: £38,557). The profits chargeable to corporation tax were covenanted to the parent undertaking, a registered charity.

### DIRECTORS

The following Directors have held office since 1<sup>st</sup> April 2006.

Air Chief Marshal Sir Richard Johns, GCB, CBE, LVO, FRAeS (retired 06.12.06)  
Air Chief Marshal Sir John Day, KCB, OBE (appointed 06.12.06)  
Lord Evans of Watford  
Dr. M.A. Fopp, MA, FMA, FRAeS  
J. Francis (retired 23.09.06)  
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 £74,289 (2006: £73,062).

### 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

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## DIRECTORS' REPORT

- continued -

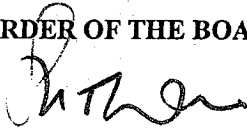
Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- (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: 24<sup>th</sup> August 2007

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## 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 2007 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

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## 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 2007 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: 5 November 2007

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		£	£
<b>TURNOVER</b>	2	1,469,266	1,632,876
Cost of sales		(552,946)	(696,924)
		-----	-----
		916,320	935,952
Other operating expenses (net)	3	(842,829)	(901,464)
<b>OPERATING PROFIT</b>		-----	-----
		73,491	34,488
Investment income	4	6,566	8,194
Interest payable and similar charges	5	(1,037)	(4,125)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-----	-----
	6	79,020	38,557
Taxation	8	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		-----	-----
		79,020	38,557
Covenanted payments to the RAF Museum		(74,289)	(73,062)
<b>PROFIT FOR THE YEAR</b>	15	-----	-----
		4,731	(34,505)
		=====	=====

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 2007

	<u>Notes</u>	<u>2007</u>		<u>2006</u>	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	9		307,898		114,555
<b>CURRENT ASSETS</b>					
Stocks	10	115,762		104,027	
Debtors	11	132,151		69,645	
Cash at bank and in hand		103,026		226,214	
		350,939		399,886	
<b>CREDITORS: Amounts falling due within one year</b>	12		(539,406)		(420,247)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			(188,467)		(20,361)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			119,431		94,194
<b>CREDITORS: Amounts falling due after more than one year</b>	13		(20,506)		-
			98,925		94,194
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		100,000		100,000
Profit and loss account	15		(1,075)		(5,806)
<b>SHAREHOLDERS' FUNDS</b>			98,925		94,194

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 24<sup>th</sup> August 2007

Sir John Day - Director

  
Dr M. A. Fopp - Director

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

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

### 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 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 of £215,060 for the year to 31<sup>st</sup> March, 2007. The net charge for the year end 31<sup>st</sup> March, 2006 was £251,015.

### 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 2007

- continued -

	<u>2007</u>	<u>2006</u>
	£	£
<b>3. OTHER OPERATING EXPENSES (NET)</b>		
Administration expenses	842,829	901,464
	<u>842,829</u>	<u>901,464</u>
<b>4. INVESTMENT INCOME</b>		
Bank interest received	<u>6,566</u>	<u>8,194</u>
<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Finance lease interest	1,037	4,125
Other interest paid	-	-
	<u>1,037</u>	<u>4,125</u>
<b>6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit on ordinary activities before taxation is stated after charging:		
Profit on disposal of fixed assets	5,305	-
Depreciation and amounts written off tangible fixed assets:		
Charge for the period:		
owned assets	61,383	20,402
leased assets	862	48,353
Auditors' remuneration	<u>6,500</u>	<u>6,250</u>
<b>7. EMPLOYEES</b>		
The number of persons at the year end (including Directors) employed by the Company was:	No.	No.
Directors	6	7
Retailing	27	26
Conference	5	5
Alternative Marketing	1	1
Finance	1	-
	<u>40</u>	<u>39</u>
Staff costs for the above persons:	£	£
Wages and salaries	417,552	420,076
Social security costs	29,473	31,331
	<u>447,025</u>	<u>451,407</u>

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

- continued -

7. **EMPLOYEES - continued**

**DIRECTORS' REMUNERATION**

No Director received remuneration during the year (2006: £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**

	Flight Simulators	Office and Computer Equipment	Furniture, Fixtures and Fittings	Assets Under Construction	Motor Vehicles	Total
	£	£	£	£	£	£
Cost or valuation:						
1 <sup>st</sup> April, 2006	253,542	188,955	160,598	20,133	40,814	664,042
Additions	-	28,329	211,497	(20,133)	41,389	261,082
Disposals	-	-	-	-	(29,300)	(29,300)
	<u>253,542</u>	<u>217,284</u>	<u>372,095</u>	<u>-</u>	<u>52,903</u>	<u>895,824</u>
31 <sup>st</sup> March 2007	<u>253,542</u>	<u>217,284</u>	<u>372,095</u>	<u>-</u>	<u>52,903</u>	<u>895,824</u>
Depreciation:						
1 <sup>st</sup> April 2006	201,477	174,797	154,682	-	18,531	549,487
Charged in year	27,762	11,345	12,683	-	10,455	62,245
Disposals	-	-	-	-	(23,806)	(23,806)
	<u>229,239</u>	<u>186,142</u>	<u>167,365</u>	<u>-</u>	<u>5,180</u>	<u>587,926</u>
At 31 <sup>st</sup> March 2007	<u>229,239</u>	<u>186,142</u>	<u>167,365</u>	<u>-</u>	<u>5,180</u>	<u>587,926</u>
Net book value:						
31 <sup>st</sup> March 2007	<u>24,303</u>	<u>31,142</u>	<u>204,730</u>	<u>-</u>	<u>47,723</u>	<u>307,898</u>
Net book value:						
31 <sup>st</sup> March 2006	<u>52,065</u>	<u>14,158</u>	<u>5,916</u>	<u>20,133</u>	<u>22,283</u>	<u>114,555</u>

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

- continued -

		<u>2007</u>	<u>2006</u>
		£	£
10.	<b>STOCKS</b>		
	Goods for resale	115,762	104,027
		<u>          </u>	<u>          </u>
11.	<b>DEBTORS</b>		
	Trade debtors	74,779	41,753
	Prepayments and accrued income	57,372	27,087
	Other debtors (incl' social security & Management Charges)	-	805
		<u>          </u>	<u>          </u>
		132,151	69,645
		<u>          </u>	<u>          </u>
12.	<b>CREDITORS: Amounts falling due within one year</b>		
	Trade creditors	30,900	60,448
	Other taxation and social security costs	9,210	7,695
	Bank Loan	172,626	-
	Amounts owed to parent undertaking	111,097	147,087
	Covenanted payment due to parent undertaking	74,289	73,062
	Other creditors incl' VAT	17,522	11,085
	Net obligations under hire purchase contracts	9,613	22,669
	Accruals and deferred income	114,149	98,201
		<u>          </u>	<u>          </u>
		539,406	420,247
		<u>          </u>	<u>          </u>
13.	<b>CREDITORS: Amounts falling due after more than one year</b>		
	Net obligations under hire purchase contracts	20,506	-
		<u>          </u>	<u>          </u>
14.	<b>SHARE CAPITAL</b>		
	Authorised:		
	100,000 Ordinary shares of £1 each	100,000	100,000
		<u>          </u>	<u>          </u>
	Allotted, issued and fully paid:		
	100,000 Ordinary shares of £1 each	100,000	100,000
		<u>          </u>	<u>          </u>

# ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

- continued -

	<u>2007</u>	<u>2006</u>
	£	£
<b>15. PROFIT AND LOSS ACCOUNT</b>		
At 1 <sup>st</sup> April 2005	(5,806)	28,699
Profit for the financial year after covenanted payment	4,731	(34,505)
	<u>          </u>	<u>          </u>
At 31 <sup>st</sup> March 2007	<u>(1,075)</u>	<u>(5,806)</u>
<b>16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>		
Profit/(Loss) for the year	4,731	(34,505)
Opening shareholders funds	94,194	128,699
	<u>          </u>	<u>          </u>
Closing shareholders funds	<u>98,925</u>	<u>94,194</u>
<b>17. ULTIMATE CONTROLLING PARTY</b>		
The ultimate controlling party are the Trustees of the RAF Museum.		
<b>18. RELATED PARTY TRANSACTIONS</b>		
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.		
<b>19. AUDITORS' ETHICAL STANDARDS</b>		
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		