

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017**

Company Registration No. 1511481

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

COMPANY DETAILS

DIRECTORS

M. Schindler
P. Walsh
M. Appleton MBE
J. Field
A. Kampel
R. Holman
Lord Evans of Watford
C. Kempson

COMPANY NUMBER

1511481 (England and Wales)

REGISTERED OFFICE

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

AUDITORS

Hillier Hopkins LLP
Radius House
51 Clarendon Road
Watford, Hertfordshire
WD17 1HP

BANKERS

Barclays Bank Plc
PO Box 12820
Whetstone
London
N20 0WE

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

DIRECTORS' REPORT

The Directors submit their report and the financial statements of the Royal Air Force Museum Enterprises Limited for the year ended 31st March 2017.

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 a profit for the year of £120,228 before tax and Gift Aid settlement. Results are down considerably from prior year primarily as a result of a decrease in visitor numbers common across London museums and galleries in 2016/17. In addition, the significant capital work undertaken at the London site ahead of the RAF's Centenary in 2018 has limited the scope for corporate event bookings.

The Directors recognise the challenges faced this year but will look for performance to improve once the benefits of the site redevelopment can be realised.

The Directors of the Royal Air Force Museum Enterprises Limited have assessed that the company is a going concern.

Retail

Retail performance was down against budget and prior year at both sites due to the reasons mentioned above. In 2017/18 one of the principal objectives will be to continue to increase the volume of on-line sales through the new website which was launched towards the end of 2016/17.

Conference & Corporate Hire

After a strong start for the year, results at London were down on budget and prior year as a result of construction work limiting potential bookings. Cosford outperformed budget and prior year by £43,384 and £14,425 respectively.

Simulators and 4D Theatre

Income from simulators has fallen, whilst 4D sales have remained relatively stable in the face of falling visitor numbers, something attributable to the new "Red Arrows" film shown at both sites.

Commercial Development

Commercial Development saw significant investment of £52,549 in 2016/17 and is an area identified for growth in 2017/18 through branding and licencing opportunities.

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RESULTS AND DIVIDENDS

The trading profit before taxation for the year was £120,797 (2016: £358,173). After the distribution of gift aid to the RAF Museum, the profit retained in the Company was £nil (2016: £73,502).

DIRECTORS

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

CHARITABLE CONTRIBUTIONS

Other than those made to the parent charity, during the year the company made no charitable contributions.

DIRECTORS

The Directors who served during the year are:

- M. Schindler
- J. Field
- A. Kampel
- P. Walsh
- M. Appleton
- R. Holman
- Lord Evans of Watford
- C. Kempson

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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

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the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITORS

The auditor, Hillier Hopkins LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

BASIS OF PREPARATION

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

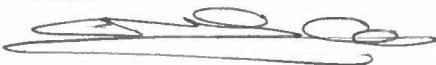
BY ORDER OF THE BOARD

M. Appleton
Director



Date: 19 June 2017

M. Schindler
Chair



Date: 19 June 2017

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS 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 2017, set out on pages 7 to 15. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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, we read all the financial and non financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 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.

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Opinion on other matter 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 Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters where 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; 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 and take advantage of the small companies' exemption from the requirement to prepare a Strategic report.



Alexander Bottom ACA (Senior Statutory Auditor)

For and on behalf of:

*Hillier Hopkins LLP
Chartered Accountants,
Statutory Auditor,
Radius House
51, Clarendon Road,
Watford,
Herts,
WD17 1HP*

Date: *26th June 2017*

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ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2017

	Notes	<u>2017</u>	<u>2016 Restated</u>
		£	£
TURNOVER	2	2,339,882	2,591,801
Cost of sales		<u>(912,378)</u>	<u>(1,006,107)</u>
		1,427,504	1,585,694
Other operating expenses		<u>(1,306,803)</u>	<u>(1,227,711)</u>
OPERATING PROFIT		120,701	357,983
Interest receivable and similar income	3	96	190
		<u> </u>	<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION ON ORDINARY ACTIVITIES		120,797	358,173
Repayment of historic excess gift aid from the RAF Museum	15	-	73,502
		<u> </u>	<u> </u>
PROFIT BEFORE TAXATION		120,797	431,675
Taxation		<u>(569)</u>	<u>(209)</u>
PROFIT FOR THE YEAR AFTER TAXATION		<u>120,228</u>	<u>431,466</u>

There was no other comprehensive income for 2017 (2016: £nil).

All income is derived from continuing activities.

The notes on pages 10 to 15 form part of these accounts.

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BALANCE SHEET AS AT 31ST MARCH 2017

	<u>Notes</u>	<u>2017</u>		<u>2016</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		-		52,678
CURRENT ASSETS					
Stocks	7	159,354		138,291	
Debtors	8	109,877		252,874	
Cash at bank and in hand	10	613,433		449,624	
		882,664		840,789	
CREDITORS: Amounts falling due within one year	9	(782,664)		(793,467)	
NET CURRENT ASSETS /(LIABILITIES)			100,000		47,322
NET ASSETS / (LIABILITIES)			100,000		100,000
CAPITAL AND RESERVES					
Called up share capital			100,000		100,000
Profit and loss account			-		-
SHAREHOLDERS' FUNDS			100,000		100,000

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



M. Appleton - Director



M. Schindler - Chair

19 June 2017

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ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2017

	Called up share capital	Profit and Loss Account	Total Equity
At 1 April 2015	100,000	(73,502)	26,498
Profit for the year	-	431,466	431,466
Gift aid payments	-	(357,964)	(357,964)
Balance as at 31 March 2016	100,000	-	100,000
Profit for the year	-	120,228	120,228
Gift aid payments	-	(120,228)	(120,228)
Balance as at 31 March 2017	100,000	-	100,000

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2017

1. ACCOUNTING POLICIES.

1.1 GENERAL INFORMATION

Royal Air Force Museum Enterprises Limited is a private limited company incorporated in England, United Kingdom. It is a wholly owned subsidiary of the Royal Air Force Museum. The company's registered office is:

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

1.2 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

1.2 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period

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- can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably

1.3 TANGIBLE FIXED ASSETS

On 1 April 2017, ownership of Royal Air Force Museum Enterprises Limited's assets passed to the Royal Air Force Museum. The Company therefore does not hold any fixed assets, but pays the RAF Museum a fee for the use of its assets.

Prior to the transfer, fixed assets were stated at historical cost less accumulated depreciation. Assets with a cost of less than £1,000 were not capitalised. Depreciation was 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
Office & Computer equipment	3 to 5 years straight line basis

Certain exceptional assets (such as simulators) were categorised as appropriate, but the expected useful life was set depend on the unique nature of the asset.

1.4 STOCK

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.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.5 DEBTORS

Short term debtors are measured at transaction price, less any impairment.

1.6 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

1.7 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non puttable ordinary shares

1.8 CREDITORS

Short term creditors are measured at the transaction price.

1.9 DEFINED CONTRIBUTION PENSION PLAN

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

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The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.10 HOLIDAY PAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance sheet date.

1.11 INTEREST INCOME

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

1.12 TAXATION

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income

1.13 RECHARGE OF COSTS

The Royal Air Force Museum, the Company's ultimate parent undertaking, charges the Company at cost, for all services provided to it. The Company raises a charge on the Museum on a similar basis. This has resulted in a net charge from the Museum to the Company of £348,452 for the year to 31st March 2017. The 2016 charge totalled £355,146.

Additionally the Museum has responsibility for marketing activities and charged the Company with £67,449 representing a share of the cost of all marketing activities which would in time benefit both parties within the organisation. The 2016 charge totalled £64,028.

2. TURNOVER

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

	<u>2017</u> £	<u>2016</u> £
3. INVESTMENT INCOME		
Bank interest received	96	190

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4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>2017</u>	<u>2016</u>
	£	£
Depreciation and amounts written off tangible fixed assets, Charge for the period (owned assets)	-	19,167
Auditors' remuneration	7,600	7,250
Pensions	4,925	4,497

5. EMPLOYEES

	<u>2017</u>	<u>2016</u>
	No.	No.
The number of persons employed by the Company as at 31 st March 2017 (including part-time) was:		
Retailing	28	30
Corporate Events	4	4
Commercial Development	1	0
	33	34

	<u>2017</u>	<u>2016</u>
	£	£
Staff costs for the above persons:		
Wages and salaries	606,318	561,693
Social security costs	39,331	30,710
Pensions	4,925	4,497
	650,574	596,900

DIRECTORS' REMUNERATION

No remuneration was paid to any directors (2016: £nil).

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6. FIXED ASSETS

	<u>Flight Simulators</u>	<u>Office and Computer Equipment</u>	<u>Furniture, Fixtures and Fittings</u>	<u>Assets under construction</u>	<u>Total</u>
Cost or valuation:					
1 April, 2016	255,537	265,427	414,575	7,820	943,359
Additions	-	-	22,689	7,820	30,509
Transfers	-	-	-	-	-
Intra group transfers	(255,537)	(265,427)	(437,264)	(15,640)	(973,868)
31 March 2017	-	-	-	-	-
Depreciation					
1 April, 2016	237,688	248,678	404,315	-	890,681
Intra group transfers	(237,688)	(248,678)	(404,315)	-	(890,681)
31 March 2017	-	-	-	-	-
Net book value					
31 March 2017	-	-	-	-	-
31 March 2016	17,849	16,749	10,260	7,820	52,678

	<u>2017</u> £	<u>2016</u> £
7. STOCKS		
Goods for resale	159,354	138,291
8. DEBTORS		
Trade debtors	36,333	161,901
Amounts owed by parent undertaking	-	73,502
Prepayments and accrued income	57,327	17,471
VAT	16,217	-
	<u>109,877</u>	<u>252,874</u>
9. CREDITORS: Amounts falling due within one year		
Trade creditors	91,012	120,811
Other taxation and social security costs	14,011	8,207
Amounts owed to parent undertaking	465,027	457,963
Gift Aid owed to parent undertaking	120,228	107,964
Corporation tax	-	209
Other creditors incl. VAT	342	17,765
Accruals and deferred income	92,044	80,547
	<u>782,664</u>	<u>793,467</u>

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10. FINANCIAL INSTRUMENTS

	<u>2017</u> £	<u>2016</u> £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>613,433</u>	<u>449,625</u>

Financial assets measured at fair value through profit and loss comprise cash at bank and in hand.

11. ULTIMATE CONTROLLING PARTY

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

12. PENSION COMMITMENT

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The contributions made during the year totalled £4,925 (2016: £4,497). At the balance sheet date £557 (2016: £1,067) was due to the pension scheme.

13. REPAYMENT OF HISTORIC EXCESS GIFT AID FROM THE RAF MUSEUM

In 2015/16, due to a change in Charity Commission guidance around the payment of Gift Aid from trading subsidiaries to parent charities, £73,502 of historic excess gift aid was repaid by the RAF Museum. Under ICAEW technical release 16/14BL, this repaid amount was not subject to corporation tax in Royal Air Force Museum Enterprises Limited.

14. RESTATEMENT OF 2015/16 STATEMENT OF COMPREHENSIVE INCOME

The 2015/16 Statement of Comprehensive Income has been restated to reflect ICAEW guidance that the gift aid contribution the company makes to the RAF Museum should now be shown as a distribution of equity.

15. FIRST TIME ADOPTION OF FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.