

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019**

Company Registration No. 1511481

ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

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ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

COMPANY DETAILS

DIRECTORS

Non-executive

Lord David Evans of Watford
Jonathan Field
Richard Holman
Amanda Kampel
Catriona Lougher
Michael Schindler (Chair)

Executive

Maggie Appleton

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 2019.

PRINCIPAL ACTIVITIES

Royal Air Force Museum Enterprises Ltd has been established as a wholly owned trading subsidiary of the Royal Air Force Museum. The company (no. 1511481) is registered in England and Wales and manages the commercial (non-primary purpose trading) activities associated with the Royal Air Force Museum, a registered charity in England and Wales (no. 0244708).

Royal Air Force Museum Enterprises Ltd manages its commercial activities for the benefit of the charity and all profits will be gift-aided to the Royal Air Force Museum on an annual basis, as agreed in a Deed of Covenant between the parties. The principal activities of the Company during the period were conducting trading operations (including retail, corporate and public events, catering, and hire of conferencing facilities and meeting-rooms) at the London and Cosford sites, and the provision of exhibition management services for the Royal Air Force Museum.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Royal Air Force Museum Enterprises Ltd reports a profit for the year of £358,927 before tax and gift aid settlement. Results are up significantly from prior year (2018: £114,608) and have been positively impacted by the growth in total visitor numbers to 989,593 (2018: 712,991) across both sites, and completion of the capital Centenary Development Programme at the London site. The Directors of the Royal Air Force Museum Enterprises Limited have assessed that the company is a going concern.

Turnover of £3,153,514 is reported for the year (2018: £6,759,005) with the reduction on prior year (and corresponding reduction in Cost of Sales) due to the provision of exhibition management services for the Royal Air Force Museum in relation to three permanent exhibitions and an online exhibition as part of the Centenary Development Programme during 2017/18.

Visitor numbers are up 59% for London (1% under target) and 20% for Cosford (12% above target). Catering and commercial events bookings at the London site have been strong, outperforming both budget and prior year results as the benefits of a fully open site combined with new event spaces have been realised. Catering and commercial events at Cosford also exceeded prior year but did not meet budgeted targets. Public events also performed strongly, holding two large scale events at the Cosford site; the Food Festival saw record sales surpass both budget and prior year, whilst the Vintage Festival met its budgeted break event target, an achievement for an event in its first year.

Retail performance at both sites was relatively disappointing in the context of increased visitor numbers and a refreshed product range, with conversion rates and net profitability below target. Addressing these conversion issues will be a key focus for management in 2019/20. Similar conversion issues were also apparent in the commercial experiences side of the business, although it is hoped that a refreshed offer in the form of the new Dambusters virtual reality and Spitfire 360 experiences in London and Cosford respectively will boost sales next year. Retail online had a strong year and saw a return to profit, aided by trade in RAF100 merchandise. The challenge in 19/20 will be to maintain this momentum and encourage return customers. Total gross profit of £65,776 related to sales of RAF100 merchandise during 2018/19 (either online or through the Museum shops) will, in addition to £86,610 of commission fees on RAF100 Appeal related product sold by commercial partners, be transferred to the Royal Air Force Museum through the annual gift aid settlement, with the

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Royal Air Force Museum making a corresponding donation to the RAF 100 Appeal joint venture.

RESULTS AND DIVIDENDS

The profit after taxation for the year was £358,927 (2018: £114,608). After the distribution of gift aid to the RAF Museum, the profit retained in the Company was £nil (2018: £nil).

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' 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 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.

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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



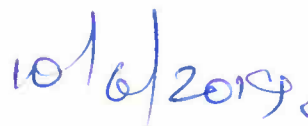
Maggie Appleton
Director



Date:



Michael Schindler
Chair



Date:

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 (the 'Company') for the year ended 31 March 2019, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

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we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters 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 the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 in relation to which 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' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

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Use of our report

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.

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:

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ROYAL AIR FORCE MUSEUM ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	<u>2019</u>	<u>2018</u>
		£	£
TURNOVER	2	3,153,514	6,759,005
Cost of sales		(1,252,230)	(5,545,946)
		<u>1,901,284</u>	<u>1,213,059</u>
Other operating expenses		(1,543,349)	(1,418,640)
OPERATING PROFIT/(LOSS)		357,935	(205,581)
Interest receivable and similar income	3	992	212
		<u>358,927</u>	<u>(205,369)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION ON ORDINARY ACTIVITIES		358,927	(205,369)
PROFIT BEFORE TAXATION		358,927	(205,369)
Taxation		-	319,977
PROFIT FOR THE YEAR AFTER TAXATION		358,927	114,608

There was no other comprehensive income for 2019 (2018: £nil).

All income is derived from continuing activities.

The notes on pages 11 to 14 form part of these accounts.

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BALANCE SHEET AS AT 31ST MARCH 2019

	Notes	2019	2018
		£	£
CURRENT ASSETS			
Stocks		212,267	162,659
Debtors	6	506,324	509,861
Cash at bank and in hand	8	855,221	546,885
		<u>1,573,812</u>	<u>1,219,405</u>
CREDITORS: Amounts falling due within one year	7	<u>(1,473,812)</u>	<u>(1,119,405)</u>
NET CURRENT ASSETS /(LIABILITIES)		100,000	100,000
NET ASSETS / (LIABILITIES)		<u>100,000</u>	<u>100,000</u>
CAPITAL AND RESERVES			
Called up share capital		100,000	100,000
Profit and loss account		-	-
SHAREHOLDERS' FUNDS		<u>100,000</u>	<u>100,000</u>

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



Maggie Appleton - Director



Michael Schindler - Chair

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2019

	Called up share capital	Profit and Loss Account	Total Equity
At 1 April 2017	100,000	-	100,000
Profit for the year	-	114,608	114,608
Gift aid payments	-	(114,608)	(114,608)
Balance as at 31 March 2018	100,000	-	100,000
Profit for the year	-	358,927	358,927
Gift aid payments	-	(358,927)	(358,927)
Balance as at 31 March 2019	100,000	-	100,000

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2019

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

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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.

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.

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.

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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 £480,162 for the year to 31st March 2019 [2018: £415,901].

2. TURNOVER

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

3. INVESTMENT INCOME

	<u>2019</u> £	<u>2018</u> £
Bank interest received	922	212

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>2019</u> £	<u>2018</u> £
Auditors' remuneration	8,100	7,850
Pensions	19,502	11,126

5. EMPLOYEES

	<u>2019</u> No.	<u>2018</u> No.
The number of persons employed by the Company as at 31 st March (including part-time) was:		

Retailing	33	31
Corporate Events	4	5
	<u>37</u>	<u>36</u>

	<u>2019</u> £	<u>2018</u> £
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Staff costs for the above persons:		
Wages and salaries	723,994	663,132
Social security costs	49,559	47,859
Pensions	19,502	11,126
	<u>793,055</u>	<u>722,117</u>

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DIRECTORS' REMUNERATION

No remuneration was paid to any directors (2018: £nil).

6. DEBTORS

Trade debtors	95,809	72,922
Corporation tax	320,000	319,977
Prepayments and accrued income	90,515	116,962
	<u>506,324</u>	<u>509,861</u>

7. CREDITORS: Amounts falling due within one year

Trade creditors	96,524	82,084
Other taxation and social security costs	45,416	47,396
Amounts owed to parent undertaking	800,847	703,712
Gift Aid owed to parent undertaking	358,927	114,608
Other creditors	2,238	449
Accruals and deferred income	169,860	171,156
	<u>1,473,812</u>	<u>1,119,405</u>

8. FINANCIAL INSTRUMENTS

	<u>2019</u> £	<u>2018</u> £
Financial assets		
Financial assets measured at fair value through profit or loss	855,221	546,885
Financial assets measured at fair value through profit and loss comprise cash at bank and in hand.		

9. ULTIMATE CONTROLLING PARTY

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

10. 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 £19,502 (2018: £11,126). At the balance sheet date £2,709 (2018: £905) was due to the pension scheme.