

Royal Air Force Charitable Trust Enterprises Limited

Directors' Report and Financial Statements

for the Year Ended 29 February 2008

Registration number: 02190393

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Royal Air Force Charitable Trust Enterprises Limited

Contents Page

Officers and advisers	1
Directors' report	2 to 4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 to 16

The following pages do not form part of the statutory financial statements:

Detailed profit and loss account	17 to 18
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Royal Air Force Charitable Trust Enterprises Limited
Officers and Advisers

Directors	F W Crawley CBE FCIB FRAeS (Chairman) A F Smith T G A Prince D L Bywater D J Higham Mrs C Rogers
Secretary	C A Murray OBE (appointed 14 December 2007)
Registered office	Douglas Bader House Horcott Hill Fairford Gloucestershire GL7 4RB
Solicitors	Charles Russell 8-10 New Fetter Lane London EC4A 1RS
Bankers	Barclays Bank PLC 18 Southgate Street Gloucester GL1 2DH
Auditors	RSM Bentley Jennison Chartered Accountants & Registered Auditors Chapel House Westmead Drive Westlea Swindon SN5 7UN

Royal Air Force Charitable Trust Enterprises Limited

Directors' Report for the Year Ended 29 February 2008

The directors present their report and the audited financial statements for the year ended 29 February 2008.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity

The principal activity of the company is the organisation of the Royal International Air Tattoo (RIAT), the provision of corporate hospitality, the organisation of an RAF Bands UK concert tours and the publication and sale of periodicals and the sale of gifts & memorabilia.

Royal Air Force Charitable Trust Enterprises Limited

Directors' Report for the Year Ended 29 February 2008

..... continued

Business review

In the year to 29 February 2008 the company achieved a gross profit of £2,301,259 (2007: £2,003,384). This followed an increase in turnover of 7.3% to £7,455,838 (2007: an increase of 4% to £6,948,196) and of 30.9% (2007: 28.8%) in gross profit margin.

After increasing the donation made to the Royal Air Force Charitable Trust to £495,000 (2007: £300,000), the company's operating profit amounted to £115,479 (2007: £164,223).

Profit on ordinary activities, before taxation, amounted to £149,451 (2007: £170,495). Return on capital employed amounted to 8.3% (2007: 9.8%). After tax adjustments for the financial year 2008, there is a retained profit of £115,783 (2007: £136,427) – which again has exceeded previous Business Plan projections. The Board is satisfied that continued, excellent progress is being made in securing a strong financial base for the company's future.

As well as undertaking the main European celebration in honour of 60 years of independence for the United States Air Force, the Royal International Air Tattoo's 2007 operational theme of Agile, Adaptable and Capable Air Power, as requested by the Royal Air Force and which included a highly effective RAF Role Demonstration, was extremely successful. Public attendance was over 6% up on the previous year and some 320 aircraft from 38 international air arms representing 24 countries took part. Once again, the Board of Directors is delighted to report that all elements of this year's RIAT have resulted in positive feedback from spectators, our corporate sponsors, and the Royal Air Force, as well as the UK and international media. The Board again extends its gratitude to the thousands of dedicated volunteers and Air Cadets who proved extremely agile, capable and adaptable in carrying out their essential role of supporting the running of the Royal International Air Tattoo.

In difficult trading conditions, sales of aviation related gifts and memorabilia and publications through the company's direct mail order catalogue, outside events, website and other outlets, fell by 5% compared with the previous year. Once again the company enjoyed a successful RAF Bands Concert Tour across the UK and, in partnership with the RAF, also contributed a unique 'RIAT experience' package as one of the prizes auctioned through the BBC's Radio 2 Children in Need appeal. Aviation consultancy services were again provided for the Eastbourne International Air Show in August.

The Board acknowledges the company's exposure as it hosts a major outside event in an adversely changing environment – both climatic as well as economic. Every effort is being made to address these areas through effective counter measures and strict cost control.

Unfortunately, owing to the extreme adverse weather conditions experienced in the week prior to RIAT 2008, the event had to be cancelled for reasons of public and operational safety. Nevertheless the Board is pleased to report that the company effectively addressed the ensuing impact on its business and, with the help of its insurers, remains financially sound and is already well advanced in planning for 2009.

Results and dividend

The results for the company are set out in the financial statements.

The directors do not recommend the payment of a dividend.

Charitable donations

During the year the company made charitable donations of £495,000.

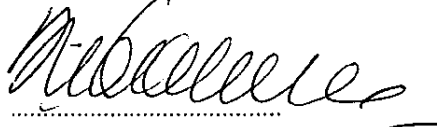
Auditors

The auditors, RSM Bentley Jennison, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

Royal Air Force Charitable Trust Enterprises Limited
Directors' Report for the Year Ended 29 February 2008

..... *continued*

Approved by the Board and signed on its behalf by:



F W Crawley CBE FCIB FRAeS (Chairman)
Director

Date: 4/12/08

Independent Auditors' Report to the Members of Royal Air Force Charitable Trust Enterprises Limited

We have audited the financial statements of Royal Air Force Charitable Trust Enterprises Limited for the year ended 29 February 2008 set out on pages 6 to 16. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, 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 audit opinion

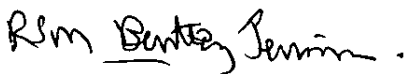
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 February 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


RSM Bentley Jennison
Chartered Accountants & Registered Auditors
Date: 9/2/08

Chapel House
Westmead Drive
Westlea
Swindon
SN5 7UN

Royal Air Force Charitable Trust Enterprises Limited
Profit and Loss Account for the Year Ended 29 February 2008

	Note	2008	2007
		£ 000	£ 000
Turnover		7,456	6,948
Cost of sales		(5,155)	(4,945)
Gross profit		<u>2,301</u>	<u>2,003</u>
Administrative expenses - donation		(495)	(300)
Administrative expenses - other		(1,715)	(1,562)
Total administrative expenses		<u>(2,210)</u>	<u>(1,862)</u>
Other operating income	2	24	23
Operating profit	3	<u>115</u>	<u>164</u>
Other interest receivable and similar income		94	68
Interest payable and similar charges	6	(60)	(62)
Profit on ordinary activities before taxation		<u>149</u>	<u>171</u>
Tax on profit on ordinary activities	7	(34)	(34)
Profit for the financial year	16	<u><u>116</u></u>	<u><u>136</u></u>

Turnover and operating profit derive wholly from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

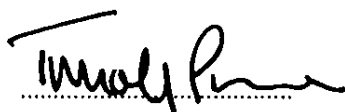
The notes on pages 9 to 16 form an integral part of these financial statements.

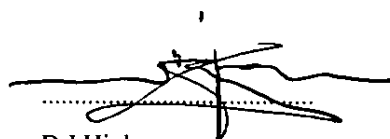
Royal Air Force Charitable Trust Enterprises Limited

Balance Sheet as at 29 February 2008

		2008		2007	
	Note	£ 000	£ 000	£ 000	£ 000
Fixed assets					
Tangible assets	8		1,495		1,510
Current assets					
Stocks	9	87		104	
Debtors	10	193		343	
Cash at bank and in hand		<u>1,669</u>		<u>985</u>	
		1,948		1,432	
Creditors: Amounts falling due within one year	11	<u>(1,645)</u>		<u>(1,212)</u>	
Net current assets			<u>303</u>		<u>220</u>
Total assets less current liabilities			1,798		1,730
Creditors: Amounts falling due after more than one year	12		<u>(1,436)</u>		<u>(1,483)</u>
Net assets			<u><u>363</u></u>		<u><u>247</u></u>
Capital and reserves					
Profit and loss reserve	16		<u>363</u>		<u>247</u>
	17		<u><u>363</u></u>		<u><u>247</u></u>

Approved by the Board on 4/2/08 and signed on its behalf by:


T G A Prince
Director


D J Higham
Director

The notes on pages 9 to 16 form an integral part of these financial statements.

Royal Air Force Charitable Trust Enterprises Limited
Cash Flow Statement for the Year Ended 29 February 2008

		2008	2007
	Note	£ 000	£ 000
Net cash flow from operating activities	19	745	132
Returns on investment and servicing of finance	20	34	6
Taxation paid		(33)	(35)
Capital expenditure and financial investment	20	(18)	-
Cash inflow before management of liquid resources and financing		728	103
Financing	20	(44)	(44)
Net cash flow		<u>683</u>	<u>60</u>

Reconciliation of net cash flow to movement in net debt

		2008	2007
	Note	£ 000	£ 000
Increase in cash in the year	21	683	60
Cash outflow from decrease in debt		44	44
Change in net debt resulting from cash flows		<u>727</u>	<u>104</u>
Net debt at the start of the year	21	(543)	(647)
Net funds/(debt) at the end of the year	21	<u>184</u>	<u>(543)</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents amounts invoiced, net of value added tax, in respect of the sale of goods and services to customers.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Freehold buildings	over 50 years
Office equipment	over 3-5 years
Motor vehicles	over 4 years

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

The company also operates a defined benefit scheme. The scheme is administered by The Royal Air Force Benevolent Fund and is fully funded. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme and represent current service cost only.

2 Other operating income

	2008 £ 000	2007 £ 000
Commissions receivable	<u>24</u>	<u>23</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2008 £ 000	2007 £ 000
The audit of the company's annual accounts	12	13
Profit on sale of tangible fixed assets	(3)	-
Depreciation of owned tangible fixed assets	<u>35</u>	<u>42</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

..... *continued*

4 Particulars of employees

The average number of persons employed by the company (including directors) during the year was as follows:

	2008 No.	2007 No.
Organisation of air shows and related activities	44	44

The aggregate payroll costs of these persons were as follows:

	2008 £ 000	2007 £ 000
Wages and salaries	1,315	1,290
Social security	112	102
Other pension costs	43	40
	<u>1,469</u>	<u>1,432</u>

5 Directors' emoluments

The directors' emoluments for the year are as follows:

	2008 £ 000	2007 £ 000
Directors' emoluments (including benefits in kind)	281	260
Directors' pension contributions	21	21
	<u>302</u>	<u>281</u>

During the year non-executive directors' remuneration was £nil (2007 - £nil).

During the year the number of directors who were accruing benefits under company pension schemes was as follows:

	2008 No.	2007 No.
Defined benefit	2	2

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £124,616 (2007 - £115,682).

6 Interest payable and similar charges

	2008 £ 000	2007 £ 000
Other interest	-	1
Loan interest	60	61
	<u>60</u>	<u>62</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

..... continued

7 Taxation

Analysis of current period tax charge

	2008 £ 000	2007 £ 000
Current tax		
Corporation tax charge	<u>34</u>	<u>34</u>

Factors affecting current period tax charge

The tax assesses on the profit on ordinary activities for the year is higher than (2007 – higher than) the standard rate of corporation tax in the UK of 20.00% (2007 – 19.00%).

The differences are reconciled below:

	2008 £ 000	2007 £ 000
Profit on ordinary activities before taxation	<u>149</u>	<u>171</u>
Standard rate corporation tax charge	30	32
Expenses not deductible for tax purposes (including goods)	2	1
Depreciation in excess of capital allowances	2	1
Profit/(Loss) from sale of assets	-	-
Adjustment in respect of change in tax rates	-	-
Total current tax for the year	<u>34</u>	<u>34</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

..... continued

8 Tangible fixed assets

	Freehold land and buildings £ 000	Motor vehicles £ 000	Office equipment £ 000	Total £ 000
Cost				
As at 1 March 2007	1,665	15	372	2,051
Additions	-	18	2	20
Disposals	-	(15)	-	(15)
As at 29 February 2008	<u>1,665</u>	<u>18</u>	<u>374</u>	<u>2,057</u>
Depreciation				
As at 1 March 2007	168	13	360	541
Eliminated on disposals	-	(15)	-	(15)
Charge for the year	24	2	10	35
As at 29 February 2008	<u>192</u>	<u>-</u>	<u>370</u>	<u>562</u>
Net book value				
As at 29 February 2008	<u>1,473</u>	<u>18</u>	<u>4</u>	<u>1,495</u>
As at 28 February 2007	<u>1,497</u>	<u>2</u>	<u>11</u>	<u>1,510</u>

Land and building

Included in the cost of freehold land and building is £477,550 (2007: £477,550) of land which is non-depreciable.

The net book value of land and buildings includes:

	2008 £ 000	2007 £ 000
Freehold	<u>1,473</u>	<u>1,497</u>

9 Stocks and work in progress

	2008 £ 000	2007 £ 000
Finished goods	<u>87</u>	<u>104</u>

10 Debtors

	2008 £ 000	2007 £ 000
Trade debtors	123	300
Other debtors		
Prepayments and accrued income	<u>70</u>	<u>43</u>
	<u>193</u>	<u>343</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

..... continued

11 Creditors: Amounts falling due within one year

	2008 £ 000	2007 £ 000
Mortgage	48	45
Trade creditors	70	42
Corporation tax	34	34
Social security and other taxes	115	94
Other creditors	6	8
Accruals and deferred income	1,372	990
	<u>1,645</u>	<u>1,212</u>

12 Creditors: Amounts falling due after more than one year

	2008 £ 000	2007 £ 000
Mortgage and Other Loans	<u>1,436</u>	<u>1,483</u>

13 Maturity of borrowings

Amounts repayable:

	Mortgage & Other Loans £ 000
As at 29 February 2008	
In one year or less on demand	48
Between one and two years	52
Between two and five years	176
After more than five years by instalments	608
After more than five years not by instalments	600
	<u>1,484</u>
As at 28 February 2007	
In one year or less on demand	45
Between one and two years	48
Between two and five years	165
After more than five years by instalments	670
After more than five years not by instalments	600
	<u>1,529</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

..... *continued*

14 Security of borrowings

The loan from Allied Irish Bank is secured by a mortgage debenture incorporating a first legal charge over the freehold property and land at Douglas Bader House, Horcott Hill, Fairford, Gloucestershire, GL7 4RB. An interest margin of 1.5% above the Bank's Base Rate applies to the floating rate loan facility of £260,906 while a rate of 6.49% is applied to the balance of the fixed rate loan facility of £623,241.

The £600,000 subordinated loan from the Royal Air Force Charitable Trust (RAFCT) is interest free.

15 Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £5 towards the assets of the company in the event of liquidation.

16 Reserves

	Profit and loss reserve £ 000
Balance at 1 March 2007	247
Transfer from profit and loss account for the year	116
Balance at 29 February 2008	<u>363</u>

17 Reconciliation of movements in funds

	2008 £ 000	2007 £ 000
Profit attributable to members of the company	116	136
Opening equity funds	<u>247</u>	<u>110</u>
Closing equity funds	<u>363</u>	<u>247</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

..... continued

18 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £43,194 (2007 - £39,657).

Contributions totalling £5,858 (2007 - £5,793) were payable to the scheme at the end of the period and are included in creditors.

19 Reconciliation of operating profit to operating cash flows

	2008 £ 000	2007 £ 000
Operating profit	115	164
Depreciation, amortisation and impairment charges	36	42
Profit on disposal of fixed assets	(3)	-
Decrease in stocks	17	24
Decrease/(increase) in debtors	150	(111)
Increase in creditors	430	13
Net cash inflow from operating activities	<u>745</u>	<u>132</u>

20 Analysis of cash flows

	2008 £ 000	2007 £ 000
Returns on investment and servicing of finance		
Other interest paid	(60)	(62)
Interest received	94	68
	<u>34</u>	<u>6</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(20)	-
Sale of tangible fixed assets	2	-
	<u>(18)</u>	<u>-</u>
Financing		
Repayment of loans and borrowings	<u>(44)</u>	<u>(44)</u>

Royal Air Force Charitable Trust Enterprises Limited
Notes to the Financial Statements for the Year Ended 29 February 2008

..... continued

21 Analysis of net funds/(debt)

	At start of period £ 000	Cash flow £ 000	Other non-cash changes £ 000	At end of period £ 000
Cash at bank and in hand	985	683	-	1,668
Debt due within one year	(45)	45	(48)	(48)
Debt due after one year	(1,483)	(1)	48	(1,436)
Change in debt	(1,529)	44	-	(1,485)
Net funds/(debt)	(543)	727	-	184

22 Related parties

Controlling entity

The RAF Charitable Trust, a charity registered in England and Wales, is the ultimate parent undertaking.

Related party transactions

During the year the following amounts were paid by the parent undertaking on behalf of the company:

	£
Contribution to salary and NI of Trust Secretary	5,135
Advertising and promotion	4,122
Report and accounts design and production	2,366
RAF Concert tickets and refreshments for RAF Bands' tour	1,071
Hospitality	1,316
Air Cadet trophy	1,462
Other admin expenses	1,166

During the year the following amount was paid by the company to the parent undertaking:

	£
Donations	3,568

All transactions took place at market value.

Royal Air Force Charitable Trust Enterprises Limited
Detailed Profit and Loss Account for the Year Ended 29 February 2008

	2008		2007
	£ 000	£ 000	£ 000
Turnover			
Sales, UK		7,456	6,948
Cost of sales			
Purchases	4,930		4,682
Wages and salaries	225		263
		<u>(5,155)</u>	<u>(4,945)</u>
Gross profit		2,301	2,003
Administrative expenses (analysed below)			
Employment costs	1,245		1,169
General administrative expenses	933		652
Depreciation costs	33		42
		<u>(2,210)</u>	<u>(1,862)</u>
Other operating income			
Commissions receivable		<u>24</u>	<u>23</u>
Operating profit		115	164
Other interest receivable and similar income			
Bank interest receivable		94	68
Interest payable and similar charges			
Other interest	-		1
Loan interest	60		61
		<u>(60)</u>	<u>(62)</u>
Profit on ordinary activities before taxation		149	171
Tax on profit on ordinary activities			
Corporation tax charge		<u>(34)</u>	<u>(34)</u>
Profit for the financial year		<u><u>116</u></u>	<u><u>136</u></u>

This page does not form part of the statutory financial statements.

Royal Air Force Charitable Trust Enterprises Limited
Detailed Profit and Loss Account for the Year Ended 29 February 2008

..... continued

	2008 £ 000	2007 £ 000
Employment costs		
Wages and salaries	812	770
Staff NIC	79	72
Directors remuneration	278	257
Directors NIC	33	30
Staff pensions (Defined contribution)	22	19
Directors pensions (Defined contribution)	21	21
	<u>1,245</u>	<u>1,169</u>
	2008 £ 000	2007 £ 000
General administrative expenses		
Charitable donations	495	300
Administrative expenses	426	339
The audit of the company's annual accounts	12	13
	<u>933</u>	<u>652</u>
	2008 £ 000	2007 £ 000
Depreciation costs		
Depreciation	35	42
Profit on disposal of tangible fixed assets	(3)	-
	<u>33</u>	<u>42</u>

This page does not form part of the statutory financial statements.