

# THE ROYAL AIR FORCE BENEVOLENT FUND ENTERPRISES

Report and Accounts

28 February 2001

 ERNST & YOUNG



LD8  
COMPANIES HOUSE

\*L329N6QI\*

0480  
19/12/01

# The Royal Air Force Benevolent Fund Enterprises

---

Registered No. 2190393

## **DIRECTORS**

Air Chief Marshal Sir David Cousins KCB AFC BA  
Wing Commander E B Bohm ACIS  
Mr F W Crawley CBE FCIB C I Mgt  
Mr A F Smith  
Mr P A Bowen  
Mr T G A Prince

## **SECRETARY**

Wing Commander G Harris OBE MInstAM

## **AUDITORS**

Ernst & Young LLP  
Old Town Court  
10-14 High Street  
Swindon SN1 3EP

## **BANKERS**

Lloyds Bank Plc  
High Street  
Fairford  
Gloucestershire  
GL7 4AD

## **SOLICITORS**

Charles Russell  
8-10 New Fetter Lane  
London  
EC4A 3RS

## **REGISTERED OFFICE**

67 Portland Place  
London  
W1B 4AR

# The Royal Air Force Benevolent Fund Enterprises

---

## DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 28 February 2001.

### INCORPORATION

The Company is limited by guarantee and does not have a share capital. The members are bound to contribute to the assets of the Company for the payment of debts and liabilities of the Company to a maximum of £5 each.

The Company is a subsidiary undertaking of The Royal Air Force Benevolent Fund, which is a registered charity. The Company covenants profits to The Royal Air Force Benevolent Fund Development Trust, Registered Charity No 210848.

### PRINCIPAL ACTIVITIES

The Company supports and promotes The Royal Air Force Benevolent Fund and its charitable objectives by a diverse range of trading activities. The Company is also mandated to promote recruiting to, and the efficiency of, the Royal Air Force.

*In the year under review these activities included the organisation of The Royal International Air Tattoo (RIAT), the provision of Hospitality International catering services, the promotion and management of the RAF Massed Bands Concert Tours, the promotion of the work of the Royal Air Force Benevolent Fund, the publication of periodicals and the sale of aviation books and memorabilia through retail outlets and by mail order.*

In the course of its work the Company's activities attract donations, which are paid direct to the Fund, and significant television and media coverage that benefit the charitable work of the Royal Air Force Benevolent Fund and the Royal Air Force.

### BUSINESS RESULTS

In the year to 28 February 2001 the Company returned a profit on ordinary activities, before covenant and taxation, of £173,089 compared with £300,823 in the preceding year. After tax adjustments the covenant for financial year 2000 will be £173,000 (£300,000 in 1999). The downturn in profitability was primarily caused by poor weather at RIAT 2000 which affected attendance and revenue.

The cash balance as at 28 February 2000 included monies received from the Development Trust and from Advanced Sponsorship. Utilisation of these monies to fund the new building in 2000/1 largely accounted for a reduction in the year end cash balance and the subsequent change from a net current asset position to a net current liability position over the course of the year.

RIAT 2000 was held at RAF Cottesmore with the kind permission of the Ministry of Defence as a major works programme on the airfield at RAF Fairford prevented RIAT being held at its home location. It was particularly appropriate that an active RAF base was able to host RIAT 2000's celebration of the 60<sup>th</sup> Anniversary of the Battle of Britain and the 75<sup>th</sup> Anniversary of the University Air Squadrons. Despite the problems caused by poor weather, the Event was an organisational and operational success.

Hospitality International continued to provide strong support to corporate clients at RIAT. The Aviation Trading Department continued to progress and benefited from an external ticketing contract with the Ministry of Defence for The Royal Military Tattoo on Horseguards' Parade and further growth in mail order catalogue sales. The RAF Massed Bands Concert Tours were extremely well received and achieved record takings. Similarly, the RAF's 60<sup>th</sup> Anniversary of the Battle of Britain Concert at the Barbican enjoyed a full house. Sadly, support generously provided by Imperial Tobacco for the RAF Massed Bands Concerts and Anniversary Concerts for the past 15 years has now come to an end and a new sponsor is actively being sought.

The Public Affairs and Service Liaison Team completed its first year of operations at RAF Fairford and generated many new potential welfare cases for the Fund's consideration through its "Reaching Out" campaign.

# The Royal Air Force Benevolent Fund Enterprises

## DIRECTORS' REPORT

### BUSINESS OUTLOOK

The Company is now settled in its purpose-designed accommodation at RAF Fairford which has contributed significantly to staff morale and the efficiency.

RIAT 2001 is to be staged again at RAF Cottesmore where it will celebrate the 60<sup>th</sup> Anniversary of the Air Training Corps and "Women in Aviation". The operational theme will focus on Military Training and will include the largest RAF display ever mounted at RIAT. AvIATion Trading is pursuing additional external contracts and will undertake a Grand Prize Draw which will be promoted through its Christmas 2001 Mail Order Catalogue. The number of venues reached by the RAF Massed Bands Concert Tours will increase from 12 to 18 and the Company will provide Aviation Consultancy services to the Romanian Air Force which is staging its first major international Air Show in August 2001. Additionally, the Company is developing database management and other services for the Army Benevolent Fund Enterprises who have a small team working from the Company's offices.

Staging RIAT at RAF Cottesmore will again incur significant extra costs for the Company in addition to other increased expenses particularly related to insurance. To offset this added burden Directors have taken further actions to reduce costs during the coming year.

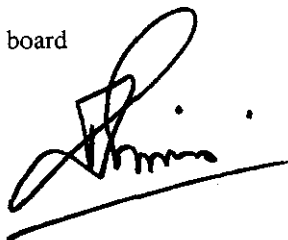
### DIRECTORS

The directors who served during the year ended 28 February 2001 are listed on page 2.

### AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



Air Chief Marshal Sir David Cousins KCB AFC BA  
Chairman

15 NOV 2001

# The Royal Air Force Benevolent Fund Enterprises

---

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts 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 accounts comply with 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.

**REPORT OF THE AUDITORS to the members of The Royal Air Force Benevolent Fund Enterprises**

We have audited the accounts on pages 7 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

**Respective responsibilities of directors and auditors**

As described on page 5 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

**Basis of opinion**

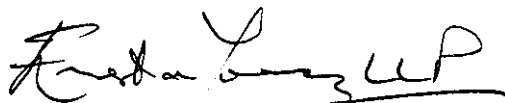
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 28 February 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
Swindon



4<sup>th</sup> December 2001

# The Royal Air Force Benevolent Fund Enterprises

## PROFIT AND LOSS ACCOUNT

for the year ended 28 February 2001

	Notes	2001 £	2000 £
<b>TURNOVER</b>	2	6,077,911	5,817,573
Cost of sales		5,000,870	4,585,119
Gross profit		1,077,041	1,232,454
Administrative expenses		1,053,523	1,131,165
<b>OPERATING PROFIT</b>	3	23,518	101,289
Interest receivable		51,630	101,484
Other income	6	97,941	98,050
		149,571	199,534
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE COVENANT AND TAXATION</b>		173,089	300,823
Covenanted payments to: The Royal Air Force Benevolent Fund Development Trust		(173,000)	(300,000)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		89	823
Taxation	7	-	-
<b>PROFIT RETAINED FOR THE YEAR</b>	14	89	823

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 28 February 2001

There are no recognised gains or losses other than the profit of £89 in the year ended 28 February 2001, and the profit of £823 in the year ended 29 February 2000. Presently it is the company's policy to make covenanted payments of such amount as is required to result in nil corporation tax payable (see also note 7). This amount is not the same as the company's profit before covenanted payments because of the different treatment for accounts and taxation purposes of certain expense items.

# The Royal Air Force Benevolent Fund Enterprises

## BALANCE SHEET

at 28 February 2001

	Notes	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	8	1,797,257	1,592,226
		<u>1,797,257</u>	<u>1,592,226</u>
<b>CURRENT ASSETS</b>			
Stocks	9	161,101	182,433
Debtors	10	617,480	1,166,131
Cash at bank and in hand		416,521	1,813,157
		<u>1,195,102</u>	<u>3,161,721</u>
<b>CREDITORS: amounts falling due within one year</b>	11	1,330,663	2,675,590
		<u>(135,561)</u>	<u>486,131</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,661,696</u>	<u>2,078,357</u>
<b>CREDITORS: amounts falling due after more than one year</b>	12	1,825,001	2,241,751
		<u>1,825,001</u>	<u>2,241,751</u>
<b>CAPITAL AND RESERVES</b>			
Profit and loss account - members' funds	14	(163,305)	(163,394)
		<u>1,661,696</u>	<u>2,078,357</u>

Approved by the Board on

Air Chief Marshal Sir David Cousins KCB AFC BA

15 NOV 2001



# The Royal Air Force Benevolent Fund Enterprises

## NOTES TO THE ACCOUNTS

at 28 February 2001

### 1. ACCOUNTING POLICIES

#### *Fundamental accounting concept*

The parent company has agreed that amounts advanced to the company by the RAF Benevolent Fund Development Trust, which as at 28 February 2001 amounted to £1,100,000 will be subject to the conditions at Note 12 below. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

#### *Accounting convention*

The accounts are prepared under the historical cost convention and comply with all applicable accounting standards.

#### *Depreciation*

Depreciation is provided on a straight line basis on all fixed assets at the following rates per annum:

Office and desk top publishing equipment	-	20% - 33 $\frac{1}{3}$ %
Vehicles	-	10% - 20%
Buildings	-	2%
Intangible assets	-	20%

Freehold land is not depreciated.

#### *Tangible fixed assets*

Land and buildings are revalued periodically. The basis of valuation is depreciated replacement cost.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

### 2. TURNOVER

Turnover, which is stated net of value added tax, comprises the income accruing from events that took place in the accounting period and sponsorship income attributable to activities carried out in the year.

All turnover arose in the United Kingdom.

# The Royal Air Force Benevolent Fund Enterprises

## NOTES TO THE ACCOUNTS

at 28 February 2001

### 3. OPERATING PROFIT

Operating profit is stated after charging:

	2001	2000
	£	£
Auditors' remuneration	13,340	16,050
Depreciation	88,080	47,482
Staff costs	1,231,701	1,185,976

### 4. DIRECTORS' EMOLUMENTS

	2001	2000
	£	£
Emoluments	182,517	176,754

Five directors received no emoluments in the year. (2000 five directors received no emoluments)

### 5. STAFF COSTS

	2001	2000
	£	£
Wages and salaries	1,117,323	1,074,675
Social security costs	78,250	75,437
Pension contributions	36,128	35,864
	1,231,701	1,185,976

The average number of persons employed by the company during the year was 51 (2000 - 51). All staff are involved in the organisation of air shows and related activities.

### 6. OTHER INCOME

	2001	2000
	£	£
Royalties received	51,395	33,001
Commissions received	46,546	65,049
	97,941	98,050

### 7. TAXATION

The company suffers no charge to corporation tax since it has entered into a deed of covenant with The Royal Air Force Benevolent Fund Development Trust, a registered charity, to pay the full amount, subject to deduction of basic rate income tax at source, of any net profits accruing to the company.

# The Royal Air Force Benevolent Fund Enterprises

## NOTES TO THE ACCOUNTS

at 28 February 2001

### 8. TANGIBLE FIXED ASSETS

	<i>Land and Buildings £</i>	<i>Office and desk top publishing equipment £</i>	<i>Total £</i>
Cost :			
At 1 March 2000	1,421,890	555,662	1,977,552
Additions	204,963	88,148	293,111
Disposals	-	-	-
At 28 February 2001	1,626,853	643,810	2,270,663
Depreciation:			
At 1 March 2000	3,148	382,178	385,326
Charge for year	21,918	66,162	88,080
Disposals	-	-	-
At 28 February 2001	25,066	448,340	473,406
Net book value:			
At 28 February 2001	1,601,787	195,470	1,797,257
At 1 March 2000	1,418,742	173,484	1,592,226

### 9. STOCKS

	<i>2001 £</i>	<i>2000 £</i>
Finished goods for resale	161,101	182,433
	161,101	182,433

### 10. DEBTORS

	<i>2001 £</i>	<i>2000 £</i>
Trade debtors	202,846	755,158
Prepayments and accrued income	289,162	285,594
Amounts due from The Royal Air Force Benevolent Fund	98,051	88,742
Other debtors	27,421	36,637
	617,480	1,166,131

# The Royal Air Force Benevolent Fund Enterprises

## NOTES TO THE ACCOUNTS

at 28 February 2001

### 11. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Trade creditors	105,831	503,267
Other taxes and social security costs	4,758	16,418
Other creditors	2,959	444
Accruals and deferred income	1,217,115	2,155,461
	<u>1,330,663</u>	<u>2,675,590</u>

### 12. CREDITORS: amounts falling due after more than one year

	2001 £	2000 £
Loan from The Royal Air Force Benevolent Fund Development Trust (secured)	1,100,000	1,100,000
Deferred income (see below)	725,001	1,141,751
	<u>1,825,001</u>	<u>2,241,751</u>

The loan from the The Royal Air Force Benevolent Fund Development Trust is interest free. This loan will be subject to 12 months' notice as long as the company continues to trade. Accordingly the loan has been classified as due after more than one year.

Deferred income relates to advance sponsorship for future years.

The loan of £1,100,000 from The Royal Air Force Benevolent Fund Development Trust and £902,500 of the advance sponsorship deferred income are secured by equally ranking debentures over the company's assets.

### 13. DEFERRED TAXATION

Deferred taxation not provided in the accounts is as follows:

	2001 £	2000 £
Capital allowances in advance of depreciation	(4,342)	(5,959)

# The Royal Air Force Benevolent Fund Enterprises

## NOTES TO THE ACCOUNTS

at 28 February 2001

### 14. RECONCILIATION OF MEMBERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Profit and loss account £</i>	<i>Share- holders' Funds £</i>
At 1 March 1999	(164,217)	(164,217)
Profit for the year	823	823
At 29 February 2000	(163,394)	(163,394)
Profit for the year	89	89
At 28 February 2001	(163,305)	(163,305)

The company generates profits which are covenanted to the RAF Benevolent Fund Development Trust. The covenants are of such an amount which result in nil corporation tax. Owing to timing differences and certain expenditure not being allowed for corporation tax purposes this process has resulted in past over covenants to the Development Trust giving rise to a deficit on reserves.

### 15. ULTIMATE PARENT UNDERTAKING

The Royal Air Force Benevolent Fund, a charity registered in England and Wales, is the ultimate parent undertaking. A copy of the accounts is available from 67 Portland Place, London W1B 4AR.