

2190393

**The Royal Air Force Benevolent
Fund Enterprises**

Report and Accounts

28 February 1998



The Royal Air Force Benevolent Fund Enterprises

Registered No. 2190393

DIRECTORS

Air Chief Marshal Sir Roger Palin KCB OBE MA FRAeS FIPD
Wing Commander D A F Bailey MIMgt ACIS
Mr F W Crawley CBE FCIB C I Mgt
Air Commodore C H Reineck OBE
Mr P A Bowen
Mr T G A Prince
Mr A F Smith - appointed 19 June 1997

SECRETARY

Wing Commander G Harris OBE MInstAM

AUDITORS

Ernst & Young
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 IRS

REGISTERED OFFICE

67 Portland Place
London
WIN 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 1998.

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 up to a maximum sum of £5.

The Company is a subsidiary undertaking of The Royal Air Force Benevolent Fund, which is a registered charity.

PRINCIPAL ACTIVITIES

The Company supports and promotes The Royal Air Force and The Royal Air Force Benevolent Fund and its charitable objectives by a diverse range of trading activities.

In the year under review these activities included the organisation of the The Royal International Air Tattoo (RIAT), ticketing for RIAT and other airshows, the promotion and management of the RAF Massed Bands Concert Tours, the publication of aviation books and periodicals and the sale of memorabilia through retail outlets and by mail order. Additionally, the Company undertook major aviation consultancy tasks for Breitling SA.

The Company also has an important role in attracting voluntary donations for The Royal Air Force Benevolent Fund from serving and former members of the Royal Air Force, from corporate sources and from the general public.

In the course of its work the Company's activities attract significant television and media coverage that provide considerable benefits for the charitable work of the Royal Air Force Benevolent Fund and for the Royal Air Force.

BUSINESS RESULTS

In the year to 28 February 1998 the Company returned a net trading profit of £400,184 compared with £38,314 in the preceding year. All profits made by the Company are covenanted to The Royal Air Force Benevolent Fund Development Trust. After tax adjustments the covenant this year was £422,935.

This excellent result owes much to the highly successful Royal International Air Tattoo that enjoyed record breaking audiences which were undoubtedly attracted by the themed celebration of the USAF's 50th Anniversary. Hospitality International, The RAF Massed Bands Concert Tours and Aviation Consultancy also contributed significantly to this success. The results from publishing and aviation memorabilia sales were disappointing, due significantly to staff turnover.

The Royal Air Force Benevolent Fund Enterprises

DIRECTORS' REPORT

BUSINESS OUTLOOK

Since the end of the trading year the Company has continued to pursue major aviation consultancy projects. Following a strategy review and restructuring of the trading areas, a Deputy Director was appointed to improve the management and profitability of the AvIATion trading department. A new contract with Orion Books promises improved profitability for the Company's publications. Additionally, the mail order catalogues have been rebranded "The AvIATion Gift Collection" with an improved appearance and a much enhanced product line. With these changes in place the Directors look to a recovery in the profitability in these trading activities.

Arrangements for The Royal International Air Tattoo 1998 are progressing well. The main themes celebrate the 80th Anniversary of the Royal Air Force and the 50th Anniversary of the Berlin Airlift together with an operational theme "Exercise Skywatch 98" which focuses on reconnaissance and surveillance. These powerful themes have attracted strong corporate support and sponsorship which bode well for the success of RIAT 98.

Directors continue to keep overhead costs under review in a constant endeavour to improve the profitability of the Company.

Against this background the Directors are confident of the Company's continuing success for the next year.


DIRECTORS

The directors who served during the year ended 28 February 1998 are listed on page 1.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



Air Chief Marshal Sir R Palin KCB OBE MA FRAeS FIPD
Chairman

- 8 OCT 1998

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 6 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Swindon

19 October 1998

The Royal Air Force Benevolent Fund Enterprises

PROFIT AND LOSS ACCOUNT for the year ended 28 February 1998

	Notes	1998 £	1997 £
TURNOVER	2	5,251,417	4,261,503
Cost of sales		3,925,442	3,359,453
Gross profit		1,325,975	902,050
Administrative expenses		1,009,975	898,716
OPERATING PROFIT	3	316,000	3,334
Interest receivable		34,924	7,376
Other income	6	49,260	27,604
		84,184	34,980
PROFIT ON ORDINARY ACTIVITIES BEFORE COVENANT AND TAXATION		400,184	38,314
Covenanted payments to: The Royal Air Force Benevolent Fund Development Trust	7	422,935	63,941
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(22,751)	(25,627)
Taxation	7	-	-
LOSS FOR THE YEAR	15	(22,751)	(25,627)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

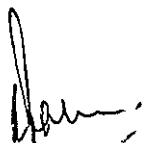
There are no recognised gains or losses other than the loss of £22,751 in the year ended 28 February 1998, and the loss of £25,627 in the year ended 28 February 1997. Both of these losses arose as a result of covenanted payments exceeding profits. Presently it is the company's policy to make covenanted 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. Accordingly, the company does not presently retain profits.

The Royal Air Force Benevolent Fund Enterprises

BALANCE SHEET at 28 February 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Intangible assets	8	-	2,319
Tangible assets	9	57,562	109,093
		<u>57,562</u>	<u>111,412</u>
CURRENT ASSETS			
Stocks	10	295,385	322,037
Debtors	11	635,998	659,629
Cash at bank and in hand		171,086	39,062
		<u>1,102,469</u>	<u>1,020,728</u>
CREDITORS: amounts falling due within one year	12	724,607	673,965
		<u>377,862</u>	<u>346,763</u>
NET CURRENT ASSETS			
		<u>435,424</u>	<u>458,175</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>435,424</u>	<u>458,175</u>
CREDITORS: amounts falling due after more than one year	13	600,000	600,000
		<u>600,000</u>	<u>600,000</u>
CAPITAL AND RESERVES			
Profit and loss account - equity shareholders' funds	15	(164,576)	(141,825)
		<u>435,424</u>	<u>458,175</u>

Approved by the Board on



Air Chief Marshal Sir R Palin KCB OBE MA FRAeS FIPD

- 8 OCT 1998

The Royal Air Force Benevolent Fund Enterprises

NOTES TO THE ACCOUNTS

at 28 February 1998

1. ACCOUNTING POLICIES

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:

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

Goodwill

Goodwill is the difference between the amount paid/payable on the acquisition of a business and the aggregate fair value of its separable net assets. It is being written off in equal annual instalments over its estimated economic life, 5 years.

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.

3. OPERATING PROFIT

Operating profit is stated after charging:

	1998 £	1997 £
Auditors' remuneration	10,920	10,600
Depreciation	49,523	48,845
Amortisation of intangible assets	2,319	9,273
Staff costs	1,035,199	945,396
	<u> </u>	<u> </u>

The Royal Air Force Benevolent Fund Enterprises

NOTES TO THE ACCOUNTS

at 28 February 1998

4. DIRECTORS' EMOLUMENTS

	1998	1997
	£	£
Emoluments (including provision for personal pension contributions)	159,810	153,609

Five directors received nil emoluments in the year. (1997 four directors received nil emoluments)

5. STAFF NUMBERS

The average number of persons employed by the company during the year was 47 (1997 - 40). All staff are involved in the organisation of air shows and company related activities.

6. OTHER INCOME

	1998	1997
	£	£
Royalties received	10,641	27,604
Commissions received	38,619	-
	49,260	27,604

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.

During the year the company covenanted £422,935 to The Royal Air Force Benevolent Fund Development Trust.

8. INTANGIBLE FIXED ASSETS

	Goodwill
	£
Cost:	
At 1 March 1997 and 28 February 1998	46,361
Amortisation:	
At 1 March 1997	44,042
Charge for year	2,319
At 28 February 1998	46,361
Net book value:	
At 28 February 1998	-
At 1 March 1997	2,319

The Royal Air Force Benevolent Fund Enterprises

NOTES TO THE ACCOUNTS

at 28 February 1998

9. TANGIBLE FIXED ASSETS

	<i>Buildings under construction</i>	<i>Office and desk top publishing equipment</i>	<i>Vehicles</i>	<i>Buildings</i>	<i>Total</i>
	£	£	£	£	£
Cost :					
At 1 March 1997	4,149	329,281	82,623	79,023	495,076
Additions	-	20,412	-	-	20,412
Disposals	-	-	70,613	-	70,613
At 28 February 1998	4,149	349,693	12,010	79,023	444,875
Depreciation:					
At 1 March 1997	-	252,449	55,472	78,062	385,983
Charge for year	-	44,472	4,731	320	49,523
Disposals	-	-	48,193	-	48,193
At 28 February 1998	-	296,921	12,010	78,382	387,313
Net book value:					
At 28 February 1998	4,149	52,772	-	641	57,562
At 1 March 1997	4,149	76,832	27,151	961	109,093

10. STOCKS

	<i>1998</i>	<i>1997</i>
	£	£
Publications in progress	5,307	40,932
Finished goods for resale	290,078	281,105
	295,385	322,037

11. DEBTORS

	<i>1998</i>	<i>1997</i>
	£	£
Trade debtors	289,760	320,108
Prepayments and accrued income	236,254	197,363
Amounts due from The Royal Air Force Benevolent Fund Development Trust	19,124	142,158
Amounts due from The Royal Air Force Benevolent Fund	21,188	-
Other debtor	69,672	-
	635,998	659,629

The Royal Air Force Benevolent Fund Enterprises

NOTES TO THE ACCOUNTS at 28 February 1998

12. CREDITORS: amounts falling due within one year

	1998	1997
	£	£
Bank overdraft	-	21,717
Trade and other creditors	301,720	225,394
Accruals and deferred income	422,887	426,720
Amounts due to The Royal Air Force Benevolent Fund	-	134
	<u>724,607</u>	<u>673,965</u>

13. CREDITORS: amounts falling due after more than one year

	1998	1997
	£	£
Loan from The Royal Air Force Benevolent Fund Development Trust (secured)	600,000	600,000
	<u>600,000</u>	<u>600,000</u>

The loan from the The Royal Air Force Benevolent Fund Development Trust is interest free, without specific terms of repayment, and secured by a debenture over the company's assets.

The Trustees are required to give at least 12 months notice of repayment; accordingly the loan has been classified as due after more than one year.

14. DEFERRED TAXATION

Deferred taxation not provided in the accounts is as follows:

	1998	1997
	£	£
Capital allowances in advance of depreciation	(6,501)	(2,421)
	<u>(6,501)</u>	<u>(2,421)</u>

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital	Profit and loss account	Shareholders' Funds
	£	£	£
At 1 March 1996	-	(116,198)	(116,198)
Loss for the year	-	(25,627)	(25,627)
	<u>-</u>	<u>(141,825)</u>	<u>(141,825)</u>
At 28 February 1997	-	(141,825)	(141,825)
Loss for the year	-	(22,751)	(22,751)
	<u>-</u>	<u>(164,576)</u>	<u>(164,576)</u>
At 28 February 1998	-	(164,576)	(164,576)

The Royal Air Force Benevolent Fund Enterprises

NOTES TO THE ACCOUNTS at 28 February 1998

16. 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 W1N 4AR