

Presented pursuant to section 25(6) and (7) of the Government Resources And Accounts Act 2000, and section 3(3) of the Government Resources And Accounts Act 2000 (Audit of Public Bodies) Order 2003

Fleet Air Arm Museum Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 23 OCTOBER 2006

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Foreword

The Trustees are pleased to present their report together with the financial statements of the charity for the year ending 31 March 2006.

Reference and administrative details

Charity Number	250079
Company Number of trading subsidiary	4037763
Principal Office	FAA Museum, RNAS Yeovilton, Somerset BA22 8HT

Management (Finance and General Purposes Committee)

Chairman	Commanding Officer RNAS Yeovilton (Deputy Chairman of Trustees)
Trustees	Admiral Sir Michael Layard Mr Michael Ryan
Director	Mr CG Mottram, MA (Cantab) CEng, MIM

Bankers

Barclays Bank Plc
King George Street
Yeovil
Somerset
BA20 1PX

Auditors

Comptroller & Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Accountants

Baker Tilly

Advisors

Chartered Accountants
1 Georges Square
Bath Street
Bristol
BS1 6BP

Solicitors

Porter Dodson
Central House
Church Street
Yeovil
Somerset

Directors and Trustees

The following people served as the Museum's Trustees during 2005-2006

Chairman

Rear Admiral TW Loughran CB

Ex-officio Trustees

Commanding Officer, RNAS Yeovilton
Cdre ARC Bennett DSC RN (to November 2005)
Cdre CL Palmer RN (from November 2005)
Commodore Fleet Aviation (now ACOS(SAV))
Cdre SB Charlier RN
Commanding Officer, RNAS Culdrose
Captain JM Knowles RN (to January 2006)
Captain JH Stanford RN (from January 2006)
Director Logistics (RW), DLO, MoD
Cdre IPG Tibbett RN
Assistant Director Joint Manoeuvre, DJC, MOD
Captain MW Westwood RN (to July 2005)
Captain W Keble RN (from July 2005)

Elected Trustees

Dr D Bancroft
Sir Michael Cobham CBE
Mr R Crawford CBE
Mr Neil Davidson (from January 2006)
Mr Simon Face (from January 2006)
Admiral Sir Michael Layard KCB CBE
Mr MJ Ryan
Mr Hector Stamboulieh (from January 2006)
Mr James Trafford

Director and Accounting Officer

Mr CG Mottram MA(Cantab), C.Eng, MIM

Trustees' Report

Structure, governance and management

The Fleet Air Arm Museum is a charity registered with the Charity Commission (reference no. 250079). The governing document of the body is the Trust Deed of 22 June 1966 as varied by schemes of the Commissioners of 27 December 1973, 13 February 1979, 24 November 1982, 10 April 1985, 22 March 1994, and 17 December 1997.

The receipt of Grant in Aid from the public purse confers upon the Museum the status of an executive Non Departmental Public Body (NDPB) and carries with that status the requirement that the Trustees comply with various Codes of Practice, Audit Rules and any other influences upon NDPBs as and when they arise.

The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

Appointment of Trustees

Trustees are appointed to the Board in strict accordance with the guidance laid down by the Office of the Commissioner for Public Appointments. This procedure includes the obtaining of nominations from a variety of sources, including advertising and liaison with the Public Appointments Unit, the vetting of nominations by a panel normally comprising a member of the Trustees, a senior civil servant from the sponsoring Department (MoD) and an independent member. Prospective Trustees are normally interviewed by a panel of the Trustee body. The sponsoring department within the MoD, CNS Heritage, is closely involved in all stages of the selection process. Other than those appointed as ex-officio members of the Board, Trustees are normally appointed for a period of five years. Trustees, at the discretion of the Board, and in consultation with the MoD sponsor, however may be reappointed for a second and final five-year term.

Trustee induction and training

New Trustees attend for at least one half day and usually more, between their appointment and attending their first Trustees' Meeting, to meet other Trustees and senior staff, and to see the Museum at work. All Trustees receive copies of the Corporate Plan, the first part of which contains the key strategy and aims of the Museum, and a recent innovation has been the Trustees' Information Folder which contains, amongst other documents, the Trust Deed.

Trustees are expected to choose at least one element of the Museum's activities as their own specialism, and to visit the museum from time to time to learn more of, and to contribute to, this area.

Organisation

The Fleet Air Arm Museum is governed by a Board of Trustees and is a registered charity within the meaning of the Charities Act 1993, which places on the Trustees the responsibility for the effective management of the Trust and the stewardship and care of the collections.

The Trust Deed provides for there to be five ex-officio Trustees and nine elected ones, and requires that they meet at least twice per year. In recent years the Trustees have met at least three and sometimes four times per year. There are two sub-committees, the Finance and General Purposes Committee which meets typically six times per year, chaired by the Deputy Chairman of Trustees, and the Audit committee which meets usually once per year to review the Audited Accounts.

The Trustees delegate the day to day running of the Charity to the Director and his staff of approximately 55 FTE, who are supported by the efforts of volunteers in several areas of activities, notably Curatorial and Visitor Services Divisions. Around 50 people give some of their time to support the Museum, contributing around 5,000 hours per year.

Related parties

The Fleet Air Arm Museum is a registered charity (no 250079). It is also a Non-Departmental Public Body, sponsored by the Ministry of Defence. The MoD is regarded as a related party. Grant in Aid Funds from the MoD are separately disclosed in the Statement of Financial Activities.

The Society of Friends of the Fleet Air Arm Museum (SOFFAAM)

Although none of the Trustees of the Museum are also Trustees of The Society of Friends of The Fleet Air Arm Museum, the objectives of the Society are to provide financial aid to the museum and foster interest in the history of the Fleet Air Arm and its museum. During the year the Society has donated £7,180 toward the Museum's activities.

The Fly Navy Heritage Trust (formerly Swordfish Heritage Trust)

Certain ex-officio Trustees of the Museum are also Trustees of the Fly Navy Heritage Trust. This Trust contains within its objectives powers to support the Fleet Air Arm Museum. Under the Fly Navy initiative, FNHT and FAAM Trustees' meetings are held as joint events. No donations were made to the Museum during the year.

The results of these charities are not consolidated into the accounts of the Fleet Air Arm Museum. Both Charities can be contacted at the following address

RNAS Yeovilton
Nr Ilchester
Somerset
BA22 8HT

Risk management

Risk Management and the system of internal control are discussed within the Statement on Internal Control on page 12.

Aims and objectives

As stated in the Museum's Trust Deed the Aim of the Museum is to provide an effective and accessible repository both now and in the future for the heritage of the Fleet Air Arm and to raise public awareness of the history of the Service, whilst encouraging scholarship and research into Fleet Air Arm history. These aims have been defined as relating primarily to the aircraft and personnel of the Fleet Air Arm. In consultation with the Trustees of the other Naval Museums, the Fleet Air Arm Museum includes in its exhibitions only those aspects of the history of the Royal Navy, the Royal Marines and of the Submarine Service as are necessary for the sake of completeness and to stimulate interest in the other Museums.

Strategic aims

The Trustees undertake to direct the activities of the Trust in compliance with the Trust Deed and Charity Law. The requirements of the Trust Deed, are interpreted as follows

i Historical

To maintain for public display and examination: aircraft, related documents and general exhibits which are of historical interest and value. The collection, thus created, will be predominantly related to the Royal Naval Air Service and Fleet Air Arm but will also comprise a small proportion of material which will help to place naval aviation into the general history of aviation and of the Royal Navy.

ii Educational

To demonstrate to Naval personnel, those of other services, the general public and students, the evolution and development of naval aviation and thus to kindle their interests and encourage them in a study of the subject at every level.

iii Recruiting and marketing

To provide a 'Shop window' which has a wide popular appeal to civilians in order to keep the Royal Navy in the public eye and to act as a valuable recruiting aid to the Royal Navy in general and to the Fleet Air Arm in particular and to the West of England defence and aerospace industries.

The strategies used to achieve these aims are

- 1 To achieve at all times a balance between the museological, educational, recruiting and marketing aspects of the Museum's activities.
- 2 To achieve at all times a balance between revenue income and capital development, maintaining a minimum level of reserves equal to six months' operating costs.
- 3 To present exhibitions in line with best museum practice and modern developments in display technologies, to provide optimum levels of client entertainment and enjoyment.
- 4 To maintain best museum practices in support of the Mission Statement.
- 5 To contain the rate of collection growth within practical and supportable bounds, and in compliance with the Collection's Management Plan.
- 6 To optimise commercial activities within the limits of available resources, thus maximising revenue generation.
- 7 To review continually the Museum's facilities and activities, and the need for improvements and developments.
- 8 To mount capital fundraising campaigns as required.
- 9 To contribute to the achievement of the Fly Navy Vision in particular, and to Royal Navy outputs in general.

Achievements and performance

Total incoming resources for the Group in the year amounted to £1,962,122 (2005: £1,997,433). Total resources expended amounted to £2,258,571 (2005: £2,220,104). After adjustment for notional charges and other recognised gains and losses totalling £304,771 (2005: £348,142), the net movement in funds for the year was an increase of £8,322 (2005: £125,471). The Group's net assets as at 31 March 2006 amounted to £8,189,023 (2005: £8,180,701).

The Museum's long running conservation and forensic investigation of its 1944 Corsair aircraft was concluded with a public event featuring a number of veterans, including the first and last pilots of its 1944-46 service life. A book on the project is expected to be published in Spring 2006.

Discussions took place with the Airship Heritage Trust over several months, resulting in a provisional agreement for the Museum to absorb the core parts of the AHT Collection, with some financial support from the AHT's patron.

In collaboration with the Directorate of Naval Recruiting and companies from the aerospace and defence industries, the Museum helped to arrange and hosted a number of successful engineering events for older students of schools in the region.

To mark the 50th Anniversary of Peter Twiss, an ex-naval fighter pilot, taking the World Air Speed Record in March 1956, flying the Fairey Delta 2 which is preserved in the Museum, a very successful lunch and programme of lectures was held. With Neville Duke, a previous holder of the record for Britain, and Trevor Egginton, current holder of the World Helicopter Speed Record, also attending, there were three World Speed Record holders at the event.

Operational and Financial Review

History

With the approval of the Admiralty Board, the Fleet Air Arm Museum was established in 1964. Seven acres and 11 Hangar were leased at a peppercorn rent from the Ministry of Defence which agreed to support and staff the site with a mixture of naval personnel and civil servants. Any further developments were to be the responsibility of the Trustees.

In 1974 admission charges were introduced and the Trustees launched a development programme which provided capital for three new halls and the Swordfish Restaurant.

Concorde arrived in 1976 and is now on loan from the Science Museum. The associated hall was purchased from the Science Museum and extended in 1989 to accommodate the VSTOL Exhibition.

Designation of the Museum under the National Heritage Act 1983 was introduced in April 1986; naval personnel were replaced by civil servants and a grant was substituted for a proportion of operating costs, salaries, goods and services.

In late 1991 the contents of 11 Hangar were decanted into 12 Hangar and a refurbishment programme on the former commenced with the completion date of June 1992. The construction of additional buildings for the Carrier Exhibition Hall was completed in April 1994, with the official opening of the Carrier Exhibition, by Baroness Thatcher, on 8 July.

In late 1995 work began on a submission to the Heritage Lottery Fund, which resulted in a £3.7 million grant, announced in January 1998. Physical work on the construction of a preservation store, later named the Cobham Hall, began in March 1999 and was completed in April 2000. The major refurbishment of the exhibitions within Regan Hall began in November 1999 and was completed in June 2000, under the title 'Leading Edge'. Both developments were officially opened by the Patron HRH the Duke of York on 10 July 2000.

Major improvements to the Carrier exhibition, taking advantage of new developments in audio visual technology, were implemented in late 2002. At the same time, a major rebuild of the Modern Navy Exhibition, supported by DCC(N) and DNR was carried out, under the title of 'Projecting Power'. The two exhibitions were opened by the Patron HRH The Duke of York on 9 December 2002.

Investment powers and policy

At present the Museum does not hold any surplus funds for investment purposes. Where surplus monies do become available as a result of seasonal timings, these are invested in low risk deposit or money market bank accounts. As reserves are increased any surpluses will continue to be invested in low risk investments. The Museum holds an investment in a subsidiary trading company which is under the control of the Trustees and Museum management and which is closely monitored by them.

Reserves policy

The Trustees have a policy of holding sufficient reserves, excluding those held as fixed assets, to meet six months expenditure. At present liquid reserves are in deficit, however the trustees have planned a course of action which seeks to generate sufficient surpluses from the Museum's general activities to build reserves to a level of £100,000 over the next three years. The major restructuring implemented in early 2005 was aimed to generate £70,000 p.a. savings and is a major contributor towards achieving the reserves goal.

Plans for future periods

The Royal Navy will be putting together a major programme of events in 2009 to mark the centenary of naval aviation, with the provisional title of 'Fly Navy 100'. The FAA Museum will be an integral part of this programme and the Trustees have approved a plan to seek support from the Heritage Lottery Fund for a new entrance building and to rework the exhibition spaces dealing with the period 1910-1960.

Because such a major undertaking will consume a large proportion of staff resources, other activities will be limited, but work will continue on moving and cataloguing collections to Cobham Hall, the Museum's Reserve Store, with the aim of having the majority of the Core Collections held in optimal environmental conditions.

Payment of creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming to settle all undisputed bills within 30 days or in accordance with the suppliers' terms of business. The Museum's actual payment performance during the year was that 26% of bills were paid within the 30 day target or in accordance with suppliers' terms. The average payment time was 41 days.

Policy on the employment of disabled persons

The Museum is committed to managing staff solely on the basis of actual performance in the job, and considering new applicants solely on the basis of their ability to do the job.

Consultation with employees

Senior Management achieves communications with its staff through monthly management meetings, staff forum meetings and a Health and Safety Committee in addition to informal meetings and internal memoranda.

Post balance sheet events

There have been no post balance sheet events up to and including the date of signature of these accounts, which might affect the reader's understanding of the financial statements.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government and Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003.

The cost of the audit was £7,450 (2005: £7,000). No non-audit work was carried out by the National Audit Office during the year.

So far as I, as Accounting Officer of the Museum, and we, as Trustees of the Museum, are aware

- a there is no relevant audit information of which the Museum's auditors are unaware; and
- b we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

TW Loughran - Chairman
On behalf of the Board of Trustees

4 October 2006

CG Mottram
Accounting Officer

4 October 2006

The Director of the Fleet Air Arm Museum is employed by the Trustees of the Museum on terms and conditions that are similar to MOD civil servants. He is on pay band B2 and receives an annual pay increase in accordance with nationally agreed pay awards.

Salary and pension entitlements

The Director, Graham Mottram, had a basic salary during the year ended 31 March 2006 of £51,046 per annum. The director is aged 58. His total accrued pension at 31 March 2006 is £21,256 and this represents a real increase in his pension of £1,082. His lump sum benefit as at 31 March 2006 is £63,767 representing a real increase of £3,246. The director's CETV (Cash Equivalent Transfer Value) at 31 March 2006 is £390,000, representing a real increase of £25,000.

No other employee earned more than £40,000 per annum.

None of the Trustees of the Fleet Air Arm Museum received any remuneration or reimbursement of expenses during the year (2005 – £Nil).

No members of the Finance and General Purposes Committee other than the Director, received any remuneration during the year (2005 – £Nil).

'Salary' includes gross salary, performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

The Director did not receive any Benefits in Kind.

For the year under review, the employer's pensions contributions for the Museum as a whole of £54,584 were payable (2005 – £38,476) at rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. Employer contributions for the Principal Civil Service Pension Schemes (PCSPS) were reviewed in the year to 31 March 2005. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

Pension benefits

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPS). This scheme is an unfunded multi-employer defined benefits scheme but the Fleet Air Arm Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.

Principal Civil Service Pension Scheme

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder-based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up or commute some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as classic.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

The real increase in CETV is effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from the year to 31 March 2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Additional disclosures are provided within Note 2 to the Accounts on pages 22 and 23.

T W Loughran-Chairman
On behalf of the Board of Trustees

4 October 2006

C G Mottram
Accounting Officer

4 October 2006

The Accounting Officer's and Trustees' responsibilities in the preparation of Financial Statements

Under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales, the Board of Trustees is required to prepare financial statements for each financial year which give a true and fair view of the Museum's financial activities and of its financial position at the end of the year.

In preparing financial statements giving a true and fair view, the Board of Trustees is required to

- observe any accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

Under law applicable to charities in England and Wales, the Board of Trustees is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable the Board to ensure that the financial statements comply with applicable law. The Board is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Secretary of State has appointed the senior full time official, the Director, as the Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of expenditure from Grant in Aid provided by Parliament and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in 'Government Accounting'.

TW Loughran-Chairman
On behalf of the Board of Trustees

4 October 2006

CG Mottram
Accounting Officer

4 October 2006

Statement of Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Fleet Air Arm Museum's policies, aims and objectives set by the Board of Trustees, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting, and for ensuring compliance with the requirements of the Fleet Air Arm Museum's Financial Memorandum.

I, as Chairman of the Trustees, on behalf of the Board of Trustees of the Fleet Air Arm Museum, am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fleet Air Arm Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Fleet Air Arm Museum for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A comprehensive Risk Register is in use, which identifies the risks relevant to the successful continuation of the Museum's current operations and its future development. In the near future, risk management will be incorporated more fully into the Museum's corporate planning, in the next iteration of the Museum's Corporate Plan with the risk of failure and severity of the failure being applied to key activities.

The risk and control framework

The management of risk is exercised through the Museum's Senior Management who review on a regular basis the Museum's principal activities and events, with associated risks. The Audit Committee, on behalf of the Board of Trustees, receives periodic reports on the principal risks and the steps being taken to manage them effectively.

Consideration is now being given to the best way to involve staff to a greater extent in the identification and general awareness of risk, leading to the production of a definitive risk policy document.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the internal audit function (described below), and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

Internal Audit is carried out by an external independent auditor, who operates to standards defined in the Government Internal Audit Manual. This internal audit work is informed by an analysis of the risks to which the Fleet Air Arm Museum is exposed, and in consultation with the Museum's external auditors.

The Internal Auditor's reports are reviewed by the Audit Committee, unless the report has highlighted a particular threat which requires immediate management action, in which case senior management are notified at once.

The review of the effectiveness of the system of internal controls is exercised through the Audit Committee of the Board of Trustees, which normally meets annually, comprises two Trustees (normally both elected), one of whom chairs the Committee; the Museum's external auditors; the Director and the Head of Finance and Human Resources of the Museum. The Audit Committee reports directly to the Chairman of Trustees. This group has visibility across the whole sphere of Museum internal management and is well placed to assess the effectiveness of internal controls and management of risk.

In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the Fleet Air Arm Museum's system of internal control in accordance with Treasury guidance and recommendations.

T W Loughran - Chairman
On behalf of the Board of Trustees

4 October 2006

C G Mottram
Accounting Officer

4 October 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Fleet Air Arm Museum for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Board of Trustees, the Director, and auditor

The Board of Trustees and the Director, as Accounting Officer, are responsible for preparing the Trustees' Report, the Remuneration Report and the financial statements in accordance with the Charities Act 1993 and directions made thereunder and for ensuring the regularity of financial transactions funded by Parliamentary grant (Grant in Aid). These responsibilities are set out in the Statement of Board of Trustees' and the Director's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, if the Fleet Air Arm Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 12 and 13 reflects the entity's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Fleet Air Arm Museum's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Fleet Air Arm Museum's and the group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence, of the state of the Fleet Air Arm Museum's and the group's affairs as at 31 March 2006 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

16 October 2006

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Consolidated Statement of Financial Activities

	Notes	Unrestricted funds 2006 £	Restricted funds 2006 £	Restricted grant in aid 2006 £	Total funds 2006 £	Restated* Total funds 2005 £
Incoming resources						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grants and donations	7	16,030	0	582,915	598,945	580,449
<i>Activities for generating funds</i>						
Commercial trading operations	8	614,688	0	0	614,688	610,889
Investment income	9	852	0	0	852	553
		631,570	0	582,915	1,214,485	1,191,891
Incoming resources from charitable activities						
Operation of museum and related activities	11	747,637	0	0	747,637	805,542
Total incoming resources		1,379,207	0	582,915	1,962,122	1,997,433
Resources expended						
Costs of generating funds						
Fundraising costs of grants and donations		0	0	2,000	2,000	2,000
Commercial trading operations	8	583,976	0	0	583,976	578,160
		583,976	0	2,000	585,976	580,160
Costs relating to charitable activities						
Operation of museum and related activities	13	913,246	108,312	526,675	1,548,233	1,508,665
Governance costs						
Notional cost of capital	12	30,550	0	63,406	93,956	101,965
		0	0	30,406	30,406	29,314
Total resources expended		1,527,772	108,312	622,487	2,258,571	2,220,104
Total (outgoing)/incoming resources before Transfers						
		(148,565)	(108,312)	(39,572)	(296,449)	(222,671)
Adjustment for the notional cost of capital		0	0	30,406	30,406	29,314
Net incoming/(outgoing) resources for the year		(148,565)	(108,312)	(9,166)	(266,043)	(193,357)
Unrealised gains						
Revaluation of assets	3b	147,939	121,703	28,573	298,215	332,608
Backlog depreciation	3b	(13,467)	(8,789)	(1,594)	(23,850)	(13,780)
Net movement in funds		(14,093)	4,602	17,813	8,322	125,471
Fund balances brought forward		3,510,590	3,810,267	859,844	8,180,701	8,055,230
Fund balances carried forward		3,496,497	3,814,869	877,657	8,189,023	8,180,701

All the Museum's activities are classed as continuing. All recognised gains and losses are included above.

* All prior period restatements arise from changes required by the adoption of the 2005 Charities SORP. The changes merely reclassify incoming and outgoing resources into new categories. The changes have no impact on the prior period's recognised gains and losses.

Consolidated Balance Sheet

	Notes	2006		2005	
		£	£	£	£
Fixed assets					
Heritage assets			19,472		21,849
Other tangible assets	3b		8,254,922		8,322,614
			8,274,394		8,344,463
Current assets					
Stock – finished goods		100,922		99,805	
Debtors	4	58,271		124,907	
Cash at bank and in hand – trustees		15,634		8,801	
		174,827		233,513	
Creditors: Amounts falling due within one year	5	(200,198)		(337,275)	
Net current liabilities			(25,371)		(103,762)
Total assets less current liabilities			8,249,023		8,240,701
Provisions for liabilities	21		(60,000)		(60,000)
			8,189,023		8,180,701
The funds of the charity					
Unrestricted funds			3,496,497		3,510,590
Restricted funds	14		3,814,869		3,810,267
Grant in Aid funds – operating account	15		781,799		781,486
– purchase of exhibits reserve	15		95,858		78,358
			8,189,023		8,180,701

Approved by the board on 4 October 2006

TW Loughran-Chairman
On behalf of the Board of Trustees

4 October 2006

CG Mottram
Accounting Officer

4 October 2006

Balance Sheet – Charity Only

	Notes	2006		2005	
		£	£	£	£
Fixed assets					
Heritage assets	3b		19,472		21,849
Other tangible assets	3b		8,254,922		8,322,614
Investments	3a		2		2
			8,274,396		8,344,465
Current assets					
Debtors	4	168,261		229,326	
Cash at bank and in hand – trustees		10,796		8,082	
		179,057		237,408	
Creditors: Amounts falling due within one year	5	(192,099)		(323,129)	
Net current liabilities			(13,042)		(85,721)
Total assets less current liabilities			8,261,354		8,258,744
Provisions for liabilities	21		(60,000)		(60,000)
			8,201,354		8,198,744
The funds of the charity					
Unrestricted fund			3,508,828		3,528,633
Restricted funds	14		3,814,869		3,810,267
Grant in Aid funds – operating account	15		781,799		781,486
– purchase of exhibits reserve	15		95,858		78,358
			8,201,354		8,198,744

Approved by the board on

TW Loughran - Chairman
On behalf of the Board of Trustees

4 October 2006

CG Mottram
Accounting Officer

4 October 2006

Consolidated Cashflow Statement

	Notes	Unrestricted funds 2006 £	Restricted funds 2006 £	Restricted grant in aid 2006 £	Total funds 2006 £	Total funds 2005 £
Net cashflow from operating activities	22a	94,244	0	13,499	107,743	103,826
Return on investments and servicing of finance						
Interest received		852	0	0	852	553
Interest paid		(11,577)	0	0	(11,577)	(14,442)
		(10,725)	0	0	(10,725)	(13,889)
Capital expenditure and financial investment						
Purchase of fixed assets		(41,541)	0	0	(41,541)	(59,536)
Sale of fixed assets		0	0	0	0	0
		(41,541)	0	0	(41,541)	(59,536)
Increase/(decrease) in cash	22b	41,978	0	13,499	55,477	30,401

Notes to the Financial Statements

1 Principal accounting policies

a Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets in accordance with applicable standards, the revised Charities Statement of Recommended Practice 2005 (SORP 2005) and with the Accounts Direction given by the Secretary of State for Defence with the approval of the Treasury.

The implementation of SORP 2005 this year has involved the analysis and presentation of incoming resources and resources expended across different categories within the Statement of Financial Activities to those used last year. The Statement of Financial Activities for the year to 31 March 2005 has been restated in line with the revised policy.

b Tangible fixed assets

Land and buildings

No depreciation is provided on freehold land.

Leasehold property is stated at valuation on a depreciated replacement cost basis, and depreciated over the term of the lease. Freehold property is depreciated over 50 years. A professional valuation is obtained at least every five years and indices are used to reflect changes in the value in the intervening years.

Other assets

All other assets, including heritage assets and donated assets where the cost can be reliably ascertained, are capitalised at historic cost and revalued annually using the retail prices indices.

Depreciation is calculated at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows

Freehold buildings	50 years
Leasehold buildings	over period of lease
Plant and machinery	3 to 10 years
Fixtures and fittings	3 to 10 years
Exhibitions (including Heritage assets)	10 years

No depreciation is provided on exhibits such as works of art and antiques.

c Stock

Stock is valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items.

d Exhibition costs and Heritage assets

Exhibition costs are capitalised as fixed assets and depreciated over their expected useful lives in accordance with (b) above. Temporary exhibition costs are written off as resources expended in the year they are incurred.

Artefacts held in trust together with photographs, books and a reserve collection have not been included in the financial statements due to the costs of valuing these items. Additionally the Museum considers that the valuation of many such items would be necessarily arbitrary as their worth lies in their historic nature.

With effect from 1 April 2000, additions to the collection with a cost in excess of £27,053, have been capitalised. In accordance with guidance issued by HM Treasury these assets are not revalued or depreciated.

e Grants

All grants are credited to income in the period to which they relate.

f Basis of allocation

Cost of generating funds comprises costs incurred in encouraging people and organisations to contribute financially to the charity's work and to promote the Fleet Air Arm Museum as a visitor attraction.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Charitable expenditure includes expenditure associated with Galleries and Exhibitions, Curatorial Matters and Education and include costs directly attributable to each activity. Costs not directly attributable to one activity including the proportion of support costs relating to charitable expenditure have been allocated on a reasonable basis of resources used.

g Restricted funds

These relate to income which has been received subject to specific conditions imposed by the donor and binding on the Trustees. This income and any related expenditure is shown as a separate restricted fund.

h Unrestricted funds

These relate to general income and expenditure of the museum together with any non-specific donations.

i Grant in Aid operating account

Grant In Aid grants received and related expenditure in the operating account are taken directly to the Restricted Grant in Aid funds.

j Grant in Aid exhibits reserve (purchase of exhibits)

Grant in Aid grants received for the purchase of exhibits are allocated directly to the Restricted Grant in Aid exhibits reserve. Investment income received on Grant in Aid deposits held are credited to the Grant in Aid exhibits reserve.

k Donated assets and core collection

No value is attributed to donated assets within the financial statements. As the majority of these assets cannot be disposed of, it is not considered appropriate to put a value on these assets. From 1 April 2001 additions to the collection are capitalised where the purchase cost is known or can be reliably ascertained in accordance with note b above.

l Pensions

Specific staff of the museum funded by Grant in Aid contribute to the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but The Fleet Air Arm Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year ended 31 March 2006 employer's contributions of £41,256 were paid to the PCSPS (2005 – £25,149) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands which for 2005–2006 were as follows

Non-industrial staff

Band one	£18,000 and under	16.2%
Band two	£18,001 – £37,000	18.6%
Band three	£37,001 – £63,500	22.3%
Band four	£63,501 and over	24.6%

Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary. For the year to 31 March 2007 the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates reflect the benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The Charity operates a defined contributions pension scheme for eligible staff, which represents the majority of employees, who are not members of the Principal Civil Service Pension Scheme.

The assets of the pension scheme are held in an independently administered money purchase fund. The pension cost charge represents contributions payable by the Charity to the fund and amounted to £9,776 (2005–£13,327).

m Cost of capital

In accordance with Treasury guidance, a notional cost of capital is disclosed in respect of the Grant in Aid Fund. This is calculated at 3.5% (2005 – 3.5%) on the average capital employed in this fund and is charged to Resources Expended in the Statement of Financial Activities. The charge is reversed before arriving at the Net Movement in Funds.

n Insurance

It is the Museum's policy to have full insurance cover. No notional cost of insurance is therefore provided in these financial statements.

o Finance leases

Where assets are financed by leasing arrangements that give rights approximating to ownership (Finance Leases), the assets are treated as if they were purchased outright. The lease commitments are shown as obligations to the lessor.

All other leases are 'operating leases' and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

p Income recognition

All incoming resources are included in the SOFA when the Museum is legally entitled to the income and the amount can be quantified with reasonable accuracy.

2 Employees

	2006 No.	2005 No.
The average weekly number of persons employed by the Museum during the year was		
Technical	5	6
Administration	8	7
Marketing	2	2
Other	20	20
	35	35

	Grant in Aid £	Trustees £	Total 2006 £	Total 2005 £
Staff costs for the above persons				
Wages and salaries	325,854	312,488	638,342	679,830
Redundancy Costs	0	0	0	10,000
Social security costs	27,661	25,615	53,276	54,743
Other pension costs	44,806	9,778	54,584	38,476
	<u>398,321</u>	<u>347,881</u>	<u>746,202</u>	<u>783,049</u>

The Director's remuneration during the year was £51,046. (2005 – £48,634).

He is an ordinary member of the Principal Civil Service Scheme and Superannuation. Contributions totalling £11,383 (2005 – £8,025) were paid during the year.

The Director's total accrued pension at 31 March 2006 is £21,256 and this represents a real increase in his pension of £1,082. His lump sum benefit as at 31 March 2006 is £63,767 representing a real increase of £3,246. The Director's CETV at 31 March 2006 is £390,000, representing a real increase of £25,000.

No other employee earned more than £40,000 per annum.

None of the Trustees of the Fleet Air Arm Museum received any remuneration or reimbursement of expenses during the year (2005 – £Nil).

No members of the Finance and General Purposes Committee other than the Director, received any remuneration during the year (2005 – £Nil).

3a Investments (charity)

	2006 £	2005 £
Investment in subsidiary company (see note 8)	<u>2</u>	<u>2</u>

3b Tangible fixed assets (group and charity)

	Exhibits £	Freehold property £	Exhibition costs £	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Valuation							
At 1 April 2005	26,643	4,081,977	3,826,431	4,404,805	614,531	613,046	13,567,433
Additions	0	0	0	586	9,227	31,728	41,541
Revaluation in year	<u>410</u>	<u>136,884</u>	<u>11,816</u>	<u>147,999</u>	<u>1,357</u>	<u>(251)</u>	<u>298,215</u>
At 31 March 2006	<u>27,053</u>	<u>4,218,861</u>	<u>3,838,247</u>	<u>4,553,390</u>	<u>625,115</u>	<u>644,523</u>	<u>13,907,189</u>
Depreciation							
At 1 April 2005	4,794	158,971	3,571,469	294,951	593,330	599,455	5,222,970
Charge	2,706	82,164	67,327	214,964	9,900	8,914	385,975
Backlog depreciation	<u>81</u>	<u>5,295</u>	<u>7,634</u>	<u>9,824</u>	<u>914</u>	<u>102</u>	<u>23,850</u>
At 31 March 2006	<u>7,581</u>	<u>246,430</u>	<u>3,646,430</u>	<u>519,739</u>	<u>604,144</u>	<u>608,471</u>	<u>5,632,795</u>
Net book value							
At 31 March 2006	<u>19,472</u>	<u>3,972,431</u>	<u>191,817</u>	<u>4,033,651</u>	<u>20,971</u>	<u>36,052</u>	<u>8,274,394</u>
At 31 March 2005	<u>21,849</u>	<u>3,923,006</u>	<u>254,962</u>	<u>4,109,854</u>	<u>21,201</u>	<u>13,591</u>	<u>8,344,463</u>

The exhibits are classified as Heritage Assets, using the definitions set out in SORP 2005.

Leasehold property as at 31 March 2003 was valued by Richard CG Arthurs BA FRICS IRV, the District Valuer, South West on a depreciated replacement cost basis at £4,070,515 on 16 September 2003. Freehold property as at 31 March 2003 was also valued by the District Valuer, South West on a depreciated replacement cost basis at £3,775,000 on that date.

In accordance with the accounting policy the valuation will be increased in line with the retail price index and the balance is written off over the remaining period of the lease.

4 Debtors

Group

	Trustee	Grant in Aid	2006	2005
	£	£	£	£
Trade debtors	15,974	0	15,974	43,892
Other debtors	9,808	0	9,808	1,772
Prepayments and accrued income	32,489	0	32,489	79,243
	<u>58,271</u>	<u>0</u>	<u>58,271</u>	<u>124,907</u>

Charity

	Trustee	Grant in Aid	2006	2005
	£	£	£	£
Trade debtors	10,163	0	10,163	14,520
Amounts due from subsidiary	122,974	0	122,974	137,726
Other debtors	5,104	0	5,104	1,738
Prepayments and accrued income	30,020	0	30,020	75,342
	<u>168,261</u>	<u>0</u>	<u>168,261</u>	<u>229,326</u>

Included within amounts due from subsidiary is £67,250 (2005 – £69,750), which is repayable after more than one year. This relates to the original transfer of stock to the trading subsidiary and is repayable over the period of the Museum lease.

5 Creditors

	Trustee	Grant in Aid	2006	2005
	£	£	£	£
<i>Amounts falling due within one year</i>				
Bank overdrafts	70,443	0	70,443	119,091
Trade creditors	74,060	0	74,060	144,997
Tax and social security costs	22,735	0	22,735	17,911
Other creditors	6,560	0	6,560	37,198
Accruals and deferred income	18,950	7,450	26,400	18,078
	<u>192,748</u>	<u>7,450</u>	<u>200,198</u>	<u>337,275</u>

Charity

	Trustee	Grant in Aid	2006	2005
	£	£	£	£
<i>Amounts falling due within one year</i>				
Bank overdrafts	70,443	0	70,443	117,498
Trade creditors	41,372	0	41,372	106,504
Tax and social security costs	10,565	0	10,565	7,221
Other creditors	3,319	0	3,319	33,828
Accruals and deferred income	58,950	7,450	66,400	58,078
	<u>184,649</u>	<u>7,450</u>	<u>192,099</u>	<u>323,129</u>

6 Connected charities and related parties

Ministry of Defence

The Fleet Air Arm Museum is a registered charity (no 250079). It is also a Non-Departmental Public Body, sponsored by the Ministry of Defence. The MOD is regarded as a related party. Grant in Aid Funds from the MOD are separately disclosed in the Statement of Financial Activities.

The Society of Friends of The Fleet Air Arm Museum (SOFFAAM)

Although none of the Trustees of the Museum are also Trustees of The Society of Friends of The Fleet Air Arm Museum, the objectives of the Society are to provide financial aid to the museum and foster interest in the history of the Fleet Air Arm and its museum.

During the year the Society has donated £7,180 (2005: £10,203) toward the Museum's activities.

The Fly Navy Heritage Trust (formerly Swordfish Heritage Trust)

Certain ex-officio Trustees of the Museum are also Trustees of the Fly Navy Heritage Trust. This Trust contains within its objectives powers to support the Fleet Air Arm Museum.

Included within Other Debtors (see note 4) is an amount of £4,670 owing from Fly Navy Heritage Trust in respect of staff costs paid on the Trust's behalf. That Trust is deemed to be a related party of the Museum since certain trustees of the Fly Navy Heritage Trust are also trustees of the Fleet Air Arm Museum.

Both Charities can be contacted at the following address

RNAS Yeovilton
Nr Ilchester
Somerset
BA22 8HT

No donations were made to the Museum during the year.

7 Voluntary income

	Unrestricted funds 2006 £	Restricted funds 2006 £	Restricted Grant in Aid 2006 £	Total funds 2006 £	Total funds 2005 £
Grant in Aid	0	0	582,915	582,915	564,306
Donations	15,571	0	0	15,571	15,672
Covenants	459	0	0	459	471
	<u>16,030</u>	<u>0</u>	<u>582,915</u>	<u>598,945</u>	<u>580,449</u>

8 Incoming resources from activities for generating funds

As from 1 October 2000 the Museum has carried out its trading activities, comprising the running of the Museum gift shop, restaurant, and the hiring of museum facilities, through a wholly owned trading subsidiary, Fleet Air Arm Museum Trading Limited, a UK company incorporated on 20 July 2000 (Company Number 4037763). It is intended that profits generated by the trading subsidiary will be donated to the Museum through Gift Aid.

A summary of trading results for the year to 31 March 2006 is shown below

	2006 £	2005 £
Turnover	614,688	610,889
Cost of sales and administration costs	(583,976)	(578,160)
Management charge to Museum	(25,000)	(29,248)
Profit in the period	<u>5,712</u>	<u>3,481</u>
<i>The assets and liabilities of the subsidiary were</i>		
Current assets	173,743	173,831
Current liabilities	(118,822)	(122,122)
Net current assets	<u>54,921</u>	<u>51,709</u>
Creditors: amounts falling due after more than one year	(67,250)	(69,750)
	<u>(12,329)</u>	<u>(18,041)</u>
Capital and reserves		
Called up share capital	2	2
Profit and loss account	(12,331)	(18,043)
	<u>(12,329)</u>	<u>(18,041)</u>

9 Investment income

	Unrestricted funds 2005	Restricted funds 2005	Grant in Aid 2005	Total funds 2006	Total funds 2005
Income from interest bearing deposit account	<u>852</u>	<u>0</u>	<u>0</u>	<u>852</u>	<u>553</u>

10 Analysis of net assets between funds

<i>Group</i>	Tangible fixed assets £	Net current liabilities £	Long term liabilities £	Total £
Restricted Funds				
Carrier Exhibition	329,624	0	0	329,624
Cobham Hall and Leading Edge	3,485,245	0	0	3,485,245
	<u>3,814,869</u>	<u>0</u>	<u>0</u>	<u>3,814,869</u>
Unrestricted Funds	3,664,983	(108,486)	(60,000)	3,496,497
Total Trustee Funds	<u>7,479,852</u>	<u>(108,486)</u>	<u>(60,000)</u>	<u>7,311,366</u>
Grant in Aid – operating account	775,070	6,729	0	781,799
– purchase of exhibits	19,472	76,386	0	95,858
	<u>8,274,394</u>	<u>(25,371)</u>	<u>(60,000)</u>	<u>8,189,023</u>

11 Incoming resources from charitable activities

The income was primarily from the operation of the Museum and related activities.

	Unrestricted funds 2006 £	Restricted funds 2006 £	Restricted Grant in Aid funds £	Total funds 2006 £	Total funds 2005 £
<i>Income from museum collections and exhibitions</i>					
Admission charges	627,021	0	0	627,021	640,026
Gift aid on admissions	61,221	0	0	61,221	59,731
Cultural exemption reclaims	0	0	0	0	47,719
	<u>688,242</u>	<u>0</u>	<u>0</u>	<u>688,242</u>	<u>747,476</u>
<i>Income from museum special events and activities</i>					
Simulator and experiences	48,187	0	0	48,187	36,789
Events and activities	7,204	0	0	7,204	16,157
	<u>55,391</u>	<u>0</u>	<u>0</u>	<u>55,391</u>	<u>52,946</u>
Education and research	<u>4,004</u>	<u>0</u>	<u>0</u>	<u>4,004</u>	<u>5,120</u>
Total income from charitable activities	<u>747,637</u>	<u>0</u>	<u>0</u>	<u>747,637</u>	<u>805,542</u>

All admissions income is allocated to 'Income from museum collections and exhibitions'. However this does not take into account the purpose of a user's visit whether it be interest, education and/or research.

12 Allocation of support costs

The Trust allocated its support costs on a basis consistent with the use of resources

	Operation of Museum (Grant in Aid) 2006 £	Museum Collections and exhibitions £	Museum Special Events and Activities 2006 £	Museum Education and Research 2006 £	Governance 2006 £	Total 2006 £	Total 2005 £
Staff costs and salaries	342,238	238,350	33,788	73,870	55,956	744,202	781,049
Premises costs	94,861	63,475	0	14,400	0	172,736	163,517
General office	13,134	27,088	3,899	4,724	0	48,845	57,884
Finance office	0	12,089	0	0	0	12,089	16,092
Information technology	2,000	2,905	0	0	0	4,905	5,958
External audit – GIA	0	0	0	0	7,450	7,450	9,381
Accountancy services	0	0	0	0	23,938	23,938	18,990
Legal and professional fees	0	0	0	0	6,612	6,612	26,169
	<u>452,233</u>	<u>343,907</u>	<u>37,687</u>	<u>92,994</u>	<u>93,956</u>	<u>1,020,777</u>	<u>1,079,040</u>

Of the total governance costs of £93,956, the staff costs (£55,956) and the external audit costs (£7,450) are allocated against the restricted Grant in Aid reserve.

13 Analysis of charitable expenditure

The charity undertakes direct charitable activities only and does not make grant payments.

	Unrestricted funds 2006 £	Restricted Funds 2006 £	Restricted Grant in Aid 2006 £	Total 2006 £	Restated Total 2005 £
Operation of museum (Grant in Aid)					
Support costs (see note 12)	<u>0</u>	<u>0</u>	<u>452,233</u>	<u>452,233</u>	<u>426,865</u>
Museum collections and exhibitions					
Museum maintenance	103,914	0	40,713	144,627	103,819
Depreciation	250,998	108,312	26,665	385,975	331,457
Advertising and marketing	58,707	0	5,136	63,843	76,835
Support costs (see note 12)	<u>343,907</u>	<u>0</u>	<u>0</u>	<u>343,907</u>	<u>436,673</u>
	<u>757,526</u>	<u>108,312</u>	<u>72,514</u>	<u>938,352</u>	<u>948,784</u>
Museum demonstrations and events					
Fundraising costs	17,010	0	0	17,010	15,270
Support costs (see note 12)	<u>37,687</u>	<u>0</u>	<u>0</u>	<u>37,687</u>	<u>40,596</u>
	<u>54,697</u>	<u>0</u>	<u>0</u>	<u>54,697</u>	<u>55,866</u>
Museum education and research					
Education and training	8,029	0	1,928	9,957	4,209
Support costs (see note 12)	<u>92,994</u>	<u>0</u>	<u>0</u>	<u>92,994</u>	<u>72,941</u>
	<u>101,023</u>	<u>0</u>	<u>1,928</u>	<u>102,951</u>	<u>77,150</u>
Total charitable expenditure	<u>913,246</u>	<u>108,312</u>	<u>526,675</u>	<u>1,548,233</u>	<u>1,508,665</u>

14 Analysis of restricted funds (trustees)

	Cobham Hall and Leading Edge £	Carrier £	Total £
As at 1 April 2005	3,446,272	363,995	3,810,267
Revaluation in the year	114,788	6,916	121,704
Utilised in the year - depreciation	(75,815)	(41,287)	(117,102)
As at 31 March 2006	<u>3,485,245</u>	<u>329,624</u>	<u>3,814,869</u>

15 Analysis of restricted funds – (Grant in Aid)

	Operating account £	Purchase of exhibits reserve £	Total £
As at 1 April 2005	781,486	78,358	859,844
Movement in the year	313	17,500	17,813
As at 31 March 2006	<u>781,799</u>	<u>95,858</u>	<u>877,657</u>

16 Capital commitments

There were no capital commitments as at 31 March 2006.

17 Operating lease commitments

The Museum has the following commitments in respect of operating leases

	2006 £	2006 £	2006 £	2005 £
	Motor Vehicle	Other equipment	Total	Total
Expiring in one to two years	3,237	0	3,237	0
Expiring in two to five years	2,229	0	2,229	4,948
	<u>5,466</u>	<u>0</u>	<u>5,466</u>	<u>4,948</u>

18 Auditors remuneration

	2006 £	2005 £
Comptroller & Auditor General – Audit fee	<u>7,450</u>	<u>7,000</u>

19 Performance monitoring

The Museum has agreed various categories for monitoring performance with its Sponsor Department within the Ministry of Defence. The Museum's actual performances in the year are set out below

	2006	2005
Admission numbers	101,095	101,139
Ratio of self generated income to Grant in Aid	2.37	2.47
Grant in Aid subsidy per admission	£5.77	£5.57
Number of pre-booked school parties	294	307
Total school visitors	11,440	11,346
Research enquiries received and answered	555	715

20 Taxation

The Museum is a registered charity and there is no liability to taxation.

21 Provisions

Provision has been made for possible costs of final retentions in respect of the Cobham Hall and Heritage Lottery Fund project of 2000.

	2006 £	2005 £
Retained costs	60,000	60,000

22 Notes to the Cashflow Statement

a Net cashflows from operating activities

	Unrestricted funds 2006 £	Restricted Funds 2006 £	Restricted Grant in Aid 2006 £	Total funds 2006 £	Total funds 2005 £
Surplus/(deficit) for year	(148,565)	(108,312)	(39,572)	(296,449)	(222,671)
Interest received	(852)	0	0	(852)	(553)
Interest paid	11,577	0	0	11,577	14,442
Operating surplus/(deficit)	(137,840)	(108,312)	(39,572)	(285,724)	(208,782)
Depreciation and amounts written off	250,998	108,312	26,665	385,975	331,457
Notional cost of capital	0	0	30,406	30,406	29,314
Decrease/(increase) in debtors	66,636	0	0	66,636	(72,819)
Increase in stock	(1,117)	0	0	(1,117)	(11,039)
(Decrease)/increase in creditors	(84,433)	0	(4,000)	(88,433)	35,695
	<u>94,244</u>	<u>0</u>	<u>13,499</u>	<u>107,743</u>	<u>103,826</u>

b Reconciliation of cash movements

At 1 April 2005	171,646	(366,170)	84,238	(110,286)	(140,687)
At 31 March 2006	213,624	(366,170)	97,737	(54,809)	(110,286)
Movement in year	<u>41,978</u>	<u>0</u>	<u>13,499</u>	<u>55,477</u>	<u>30,401</u>

c *Reconciliation of net cashflow to movement in net funds*

	Total funds 2006 £	Total funds 2005 £
Increase in cash	55,477	30,401
Cashflow resulting from decrease in debt and finance lease	0	0
	<hr/>	<hr/>
Movement in net funds	55,477	30,401
Net debt at 1 April 2005	(110,286)	(140,687)
	<hr/>	<hr/>
Net debt at 31 March 2006	(54,809)	(110,286)

d **Analysis of net debt**

	At 31 March 2005 £	Cashflow £	Non-cash changes £	At 31 March 2006 £
Cash at bank	8,801	6,833	0	15,634
Bank overdraft	(119,087)	48,644	0	(70,443)
	<hr/>	<hr/>	<hr/>	<hr/>
	(110,286)	55,477	0	(54,809)

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DG Ref: E15128 6878RC

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01/07

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