

Presented to Parliament pursuant to Section 3(3) of the Government Resources and Accounts Act 2000  
(Audit of Public Bodies) Order 2003

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# Royal Air Force Museum Account 2010-2011

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# Royal Air Force Museum Account 2010-2011

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 19 JULY 2011

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse,  
is an Officer of the House of Commons.  
He is the head of the NAO, which employs some 880 staff.  
He and the NAO are totally independent of government.

He certifies the accounts of all government departments  
and a wide range of other public sector bodies;  
and he has statutory authority to report to Parliament  
on the economy, efficiency and effectiveness with which departments  
and other bodies have used their resources.

Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

This account can be found on The Stationery Office's  
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## Administrative information

### **Address of the charity**

Royal Air Force Museum  
Grahame Park Way  
Hendon  
London  
NW9 5LL

### **Registered charity number**

244708

### **Names and addresses of other relevant organisations:**

#### **Auditor**

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

#### **Solicitors**

Mishcon De Reya  
21 Southampton Row  
London  
WC1B 5HS

#### **Bankers**

Barclays Bank Plc  
PO Box 12820  
Whetstone  
London  
N20 0WE

# Foreword

## Objects

The object of the charity is to educate and inform the public and members of the Royal Air Force about:

- (1) the history and traditions of the Royal Air Force, and
- (2) the role of the Royal Air Force in relation to the armed forces of the realm, other air forces and aviation generally,

in particular, but not exclusively, by collecting, conserving, preserving, managing, exhibiting and storing documents, items, artefacts and other materials in the collection.

## History of the museum

The Museum was originally founded in 1963 to collect, preserve and display all forms of material recording the history of the Royal Flying Corps, the Royal Naval Air Service, the Royal Air Force and aviation generally. The Museum is the only national museum concerned solely with aviation. The many aspects covered include the military and civil, the artistic and scientific, and the industrial and political. The emphasis is naturally on the uniquely great achievements, in peace and war, of the Royal Air Force.

The Royal Air Force Museum is a charity registered with the Charity Commission (registration no 244708). The governing document of the body is the Trust Deed dated 4th June 2007; the Museum's Trustees are incorporated as a body.

## Structure, governance & management

### Trustees

The Royal Air Force Museum is governed by a Board of Trustees under the chairmanship of Air Chief Marshal Sir John Day KCB OBE. The Museum is a registered charity within the meaning of the Charities Act 1993, which places on Trustees the responsibility for the management of the Trust and the stewardship and care of the collections.

Trustees are appointed by the Secretary of State for Defence following an interview with a panel consisting of the Chairman of Trustees, a representative of Air Command (MOD) and an independent member, as required by the Public Appointments process. Under the terms of the new Deed of Trust, the members of the Trustee Board may appoint up to three co-opted Trustees. The Trustees may also appoint additional co-opted members to serve on specific Committees to supplement the experience of the members of the main Board.

Under the new Deed of Trust, Trustees are appointed for a period of five years and, at the discretion of the Board and in consultation with the MOD sponsor, may be reappointed for a second term. Trustees receive induction training under the direction of the Director General and are encouraged to familiarise themselves with the Museum's operations through work in sub-committees where they are supported by the two Divisional Directors.

The following individuals served as Trustees during 2010-2011

Chairman	Air Chief Marshal Sir John Day KCB OBE (Appt'd 29.09.04)	Chairman and Non-Executive Director and Chairman of Royal Air Force Museum Enterprises Ltd & Royal Air Force Museum Investments Ltd
	Viscount Chelsea (Appt'd 15.12.04)	Member Fund Raising & Development Committees
	Mr Brendan Connor (Appt'd 24.08.05)	Chairman Remuneration Committee & Member Fundraising & Finance Committees
	Lord Clarke of Hampstead CBE KSG (Retired 12.09.10)	Chairman Remuneration Committee
	Air Vice-Marshal David Crwys-Williams CB FCIPD FIMgt RAF (Retd) (Retired 12.09.10)	Chairman Finance Committee & Non-Executive Director of Royal Air Force Museum Investments Ltd
	Mr Richard Holman (Co-opted 6.07.10)	Member Finance Committee
	Lord Evans of Watford (Appt'd 5.11.02)	Non-Executive Director Royal Air Force Museum Enterprises Ltd
	Sir Roger Jackling KCB CBE (Appt'd 5.11.02)	Chairman Finance Committee Non-Executive Director Royal Air Force Museum Investments Ltd
	Ms Jane Middleton MSc FCCA FRAeS (Appt'd 29.09.04)	Member Audit Committee
	Sir Peter Rigby DL D.Univ (Resigned 29.09.10)	Member Fundraising Committee
	Mr Malcolm White OBE FRAeS (Appt'd 29.09.04)	Member Fundraising Committee Chairman Development Committee
	Mr Gerry Grimstone (Appt'd 09.12.08)	Chairman Audit Committee
	Mr John Michaelson (Appt'd 09 12.08)	Member Fundraising Committee
	Mr Tom O'Leary (Appt'd 09.12.08)	Chairman Education & Research Committee
	Mr Robin Southwell (Appt'd 09.12.08)	Member Development Committee, Member Fundraising Committee
	Mr Alan Spence (Appt'd 09.12.08)	Chairman RAFM American Foundation, Chairman Fundraising Committee

The Trustees have established a number of sub-committees for specific purposes and for the efficient method of conducting business. These sub-committees are:

Audit  
Finance  
Development  
Fund Raising  
Education and Research  
Remuneration

The terms of reference of each of these committees have been approved by the full board and, where practical, Trustees do not sit on more than two sub-committees.

The recommendations of sub-committees and decisions by the full board are made with the knowledge and information supplied by the Director General (who is also the Accounting Officer) to whom day-to-day responsibility is delegated. Matters of policy and overall strategy are determined by the Trustees. The Trustees have established two subsidiary companies, the shares of which are held by, or on behalf of, Trustees although the decisions taken by these companies are their responsibility alone. The Board of the Royal Air Force Museum Enterprises Ltd, whose activities include non-charitable business, includes an independent non-executive director.

The Museum has a comprehensive risk register to support its management of risk, which currently forms the focus of work for the Museum’s new internal auditors, Moore Stephens.

The Structure of the Museum can be shown as:



**Senior Management Team**

The following were members of the Senior Management Team during the year:

- |                                 |                                       |
|---------------------------------|---------------------------------------|
| Peter Dye OBE                   | Director General                      |
| Keith Ifould CBE AFC FRAeS MIL  | Director Commercial Services Division |
| John Kitchen MA Mst             | Director Corporate Services Division  |
| Peter Elliott BSc MA RMSA MCLIP | Senior Keeper                         |
| Sue Fitzsimmons Cert. Ed. DPSE  | Head of Access & Learning             |
| Alex Medhurst                   | General Manager, Cosford              |
| Dave Rowe                       | General Manager, London               |
| Ewa Slone- Murphy               | Head of Finance                       |

**Objectives and activities; achievements & performance**

**Review of the Year**

The Museum has continued to develop its collection while mounting new exhibitions – all within a difficult financial environment. The effort to reduce operating costs has continued alongside the initiative to identify additional income streams. This has permitted the Museum to sustain a growing archive and to exhibit more aircraft and artefacts, thereby meeting the ever-increasing expectations of visitors and researchers. This year has also seen the creation of a formal partnering agreement between the Museum and the Royal Air Force and an updating of the Financial Framework setting out the Museum’s financial relationship with its principal sponsor, the Ministry of Defence. These developments are critical to the Museum’s long-term strategy of preserving and maintaining a comprehensive collection into the future.

In 2010 the Museum won the National Small Employer of the Year award for its apprenticeship scheme based within the Michael Beetham Conservation Centre at its Cosford site. The same year saw substantial refurbishment of the Battle of Britain Hall to coincide with the battle’s 70th anniversary and the acquisition of the Grahame-White Office following its transfer from adjacent land under the terms of a Section 106 agreement which also provided for funding of a new exhibition and operation of the building. The Office was moved from its original site on the former RAF Hendon and rebuilt next to the factory building of which it once was part. It was formally opened by HRH the Duke of Gloucester on 15 March 2011. Exhibitions in the new building will tell the story of the aircraft industry in the local area, Claude Grahame-White and the history of the Museum.



The successful Apprentice Exchange programme, made possible through the support of the Royal Air Force Museum American Foundation, continues. A new Curatorial Exchange scheme, again funded by the RAFMAF, will give the Museum's curators and their counterparts at the Smithsonian National Air and Space Museum in Washington DC opportunities to build links, improve curatorial practices and exchange knowledge and experience. The first exchange visits took place in June 2010 and February 2011, and the programme is planned to last five years.

Work continued throughout the year to refine the Battle of Britain Beacon project – a major new attraction at the London site aimed at increasing visitor numbers, broadening income streams and strengthening the current business model – and to raise funds to enable this transformational capital project to proceed. A strong bid was submitted to the Heritage Lottery Fund and, although this was unsuccessful on this occasion, a further bid is planned to be submitted after the Museum has achieved the required level of matched-funding.

### **Education**

The number of schoolchildren and accompanying adults remains fairly constant with 45,270 visits for 2009/10 and 45,123 for 2010/11; however there has been a marked increase in the number of visits from Cubs and Scouts. The service offered to Scout groups enables members to complete either the Cub Scout Air Activities Badge or the Scout Air Researcher Badge.

Activities for schools focus primarily on supporting the History and Science national curriculum. Each site offers workshops that engage with the relevant collections and support the work of schools. By far the most popular is the WWII Evacuee Experience aimed at children in the top two years of Primary School. The mixture of re-enactment and factual knowledge offers a brief glimpse into life during those times. Science activities focus on demonstrating the principles of flight in a fun way. One of the workshops allows the children to make paper rockets, add cardboard wings to create lift and then the rockets are 'fired' using an electrically controlled compressed air launcher.

A number of activity weeks were organised for the half-term and summer holiday periods, and Access and Learning staff at both London and Cosford took part in a number of off-site outreach initiatives. Plans for learning activities based around the Grahame-White Watch Office are being developed.

### **Exhibitions**

As part of the enhancement of the Battle of Britain Hall, an art exhibition was mounted on the mezzanine floor featuring works depicting personnel and scenes from the battle. This was the first art exhibition mounted for several years, and proved very successful. The Hendon site also hosted the exhibition specially commissioned by the Mayor of London on the 70th anniversary of the London Blitz. Cosford's art gallery mounted an exhibition of works by the local artist Jeremy Pryce entitled Icons of the Sky.

The theme for last year's Archive Awareness Campaign was "Discovery – archives in Science, Technology and Medicine" and a temporary exhibition on the science of flight featured documents relating to the first flight over Everest, the RAF's long-range flight to South Africa, the development of anti-g suits and Vertical Take-off and Landing.

The Access and Learning Department created an exhibition "Tin Hats and Football Boots" which explores the contribution made by various members of Tottenham Hotspur and Arsenal Football Clubs to the Royal Air Force and Air Raid Precautions during the Second World War, and the importance of regular competitive football in keeping up the capital's morale.

The Museum's programme of monthly podcasts concentrated in 2010 on the Battle of Britain; one podcast "Repeat please! Poles in the Battle of Britain" was also produced in Polish. The Museum assisted with the production of an exhibition held in the European Parliament on the Polish contribution to the Battle.

## Visitor Numbers

The continuing economic uncertainty meant that 2010/11 continued to be a challenging year for both of the Museum's sites, as household budgets and salaries continued to suffer in the recession. Total visitor numbers for London fell by 5% to 265,751 whilst visitor numbers for Cosford fell 12% to 312,734. The 70th anniversary of the Battle of Britain raised awareness of the RAF and the Museum, with the result that in September, October and November both sites recorded double-digit growth in visitor numbers. This growth was arrested by particularly inclement weather in December, before resuming again in January and February. Again, marketing resources were carefully utilised to target individuals with higher disposable incomes ensuring that any fall in revenue was kept to a minimum – but independent research showed that spend per head, particularly at the Museum's London site, is stronger than for many of its competitor museums and attractions in the local marketplace.

Website visitor numbers continued to grow throughout 2010/11 with the total number of visits rising 11% on the previous year to 920,000 visits. Total unique visitor numbers increased 10% on 2009/10 to 680,000 with a total of 4.8 million pages of information being read (up 2%). At first this low rate of increase in information being read could appear to be disappointing; however, this is a reflection of the substantial amount of work spent on search engine optimisation and the architecture of the website during 2010/11. As a net result online visitors are able to find the information that they require in fewer pages.

Other notable highlights in terms of web development include the Polish Language Podcast, which received substantial coverage in the Polish press on the continent and in the UK, and the redesign and re-launch of the Museum's online shop. Subscriptions to the Museum's various social media continue to grow apace, with the Museum's London Facebook fan page receiving over 3,000 subscribers, the Museum's Twitter feed 3,500 followers and video views on the Museum's YouTube channel reaching a total of 71,000 since the channel's launch.

November saw the launch of a blog for the Michael Beetham Conservation Centre, which was well received and is gaining a loyal audience which comments positively on a regular basis on various projects and topics undertaken by the team. Social media grew in importance throughout the year with Cosford making the national press for being rated as the 7th best free attraction in the U.K by reviewers on tripadvisor.co.uk and the Museum receiving increasing public requests about its services and artefacts through Facebook and Twitter. It is central to the Museum's marketing plans to grow visitor numbers that the Museum continues to exploit these platforms and its relationship with its online audience.

## Information and public access

The number of enquiries handled by the Department of Research & Information Services was slightly lower than last year (5937 in comparison to 6464) and the number of visiting researchers also fell. The Department once again took part in Who Do You Think You Are Live! at Olympia; the Museum's stand is always popular with family historians, with some 600 enquiries being made over the three days.

Members of staff gave a number of talks to groups on subjects as diverse as Alcock and Brown's pioneering transatlantic flight, tracing RAF ancestors and Poles and Czechoslovakians in the Battle of Britain.

New technology is helping to make more of the collections accessible: an innovation during 2010 was a blog based on the diary of a young Battle of Britain pilot, John Bisdee of No. 609 Squadron consisting of transcripts of the diary entries for the period 10th July to 31st October 1940, the official dates for the Battle of Britain. Where no entries were written on a given date, extracts from the Air Staff Operational Summaries were used to give an overall impression of the campaign and help put his diary notes into context for the reader. The blog also included portraits of Bisdee and his fellow pilots and combat reports from the Museum's collections.

From April 2011 a Flickr group (Flickr is the very popular image and video hosting website) will invite members of the public to help with the cataloguing of obscure images contained within the Museum's collection.

### **Collection and Management of heritage assets – Significant additions to the Museum’s collection included:**

- Panavia Tornado F3
- Hawker-Siddeley Dominie T1
- Fuselage of a Bristol Brigand, the largest surviving remnant of the type
- Papers and medals of Wing Commander Douglas Ian Benham OBE DFC\* AFC, who shot down at least 8 enemy aircraft with No. 242 Sqn in North Africa, was later responsible for the static display at the 1953 Coronation Review of the RAF and was appointed OBE for his part in the Suez operations in 1956.
- Set of 29 Navigator’s flying log sheets compiled by Flying Officer Fred Hartwright, 1943-1944
- Collection of training and trials films relating to various aspects of air-to-air refuelling
- Amateur film showing Avro Ansons of a training unit in Canada during the Second World War

The project to build an inventory of the Museum’s accessioned collections was completed in February 2011, with a total of 325,425 records having been created. The inventory of un-accessioned Archive, Film & Sound, Library and Photograph collections began in January 2010 at the London site and this represents the final leg of the project. On its completion the Museum will for the first time be in a position to begin controlling and managing the estimated 1.2 million objects it has collected since 1965.

Developing and verifying existing collections information is essential and, in order to address backlogs in loan documentation, work is being undertaken to review all loans, starting with Aircraft & Exhibits outward loans. This will enable the Museum to accurately account for and manage its loan activities.

The ongoing inventory of un-accessioned material is enabling the Museum to effectively and efficiently deal with its large curatorial legacy through collection reviews, acquisition and disposal. This will lead to a number of positive outcomes, including significant improvement in the quality and manageability of the collection through significance assessment, collection reform and storage rationalisation.

The Vickers Wellington has been on display at the London site since the Museum opened in 1972. Following a series of extensive engineering inspections by museum technicians it was decided to dismantle the aircraft and to transfer it to the Michael Beetham Conservation Centre at Cosford for a major restoration programme.

### **Future plans**

Over the past two years the Museum has driven down operating costs and increased income. This has only been achieved through significant organisational changes accompanied by a range of efficiency savings. The same approach will continue into the future with an emphasis on the development of commercial opportunities both in London and at Cosford. The Trustees have endorsed this strategy in underlining their support for the Museum’s overall objectives set out earlier and also recognised the need for a major new attraction in London to increase visitor numbers and the level of revenue. The Museum is also strengthening its outreach initiative and its level of community involvement. In addition, the potential for the greater use of volunteers is being examined and both the educational programme and apprenticeship scheme are being refined. At the same time, the Museum will continue to enhance the care of its collections and retain the ability to acquire, store and exhibit artefacts – particularly the large number of aircraft types due to leave RAF service over the next decade.

## Financial review

### Statement of Financial Activities

**Income:** The Museum received £7,552,000 of Grant in Aid (2010: £7,367,000). Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £1,987,843 (2010: £1,936,615) (SOFA). Total Incoming Resources amounted to £11,841,029 (2010: £9,816,684) (SOFA).

**Resources Expended:** The total of resources expended amounted to £11,190,867 (2010: £11,473,354 (SOFA). The majority of costs, including the costs of salaries, are in respect of charitable activities.

After adjustment for recognised gains totalling £4,229,637 (2010: losses £104,968), the net movement of funds for the year was an increase of £4,879,801 (2010: decrease £1,761,638). (SOFA)

### Balance Sheet

The value of the group net assets has increased during the year, and now stands at £61,562,807 at the year-end (2010: £56,683,006) (Consolidated Balance Sheet). The substantial increase is due to valuation of heritage assets in line with FRS30 and the received contribution of £1,332,000 relating to the erection of the Watchtower and the exhibition displayed within the new building. (see below under "Donations")

### Income and Costs of Generating Funds

The Museum has continued to receive funds from the Henshaw family to support the employment of a curator.

**Trading Company:** Any non-charitable activities are undertaken by RAF Museum Enterprises Ltd, a wholly owned subsidiary of the Trustees. The company produced a turnover of £1,987,843 (2010: £1,936,615) (Note 4b) and the associated costs of trading were £1,793,722 (2010: £1,719,615) (Note 4b). During the year, a number of Museum staff and other resources were utilised in furtherance of those activities resulting in a cross charge amounting to £318,732 (2010: £241,123) being paid to the Museum. The remaining balance of the total donation of £233,042 (2010: £247,595) (Note 4b) in respect of covenanted profit, which is included within Debtors and amounts to £183,042 (2010: £197,595) (Note 11), will be made to the Museum during the next financial year.

**Donations:** During the year, a total of £601,812 (2010: £335,783) (Note 3) was received by way of general donations to the work of the Museum. These were given by members of the public, legacies and amounts provided by companies associated with the aerospace industry. The figure includes a number of heritage assets valued at £362,000 (2010: valued at £77,200) (Note 3), which the Museum also received during the year.

In addition to the above the Museum received a restricted contribution to the value of £1,332,000 from St George Central London Ltd for the purpose of setting up and maintaining an exhibition within the Watchtower – a listed building of special architectural and historical interest which was transferred to Museum land and meticulously restored by the developer utilising the original materials as far as possible, and preserving its unique features and character.

**Friends of the RAF Museum:** This organisation is independent, but supportive of the Museum's aims and activities. The sum of £12,000 (2010: £14,000) (Note 3) was received from the Friends of the RAF Museum.

**RAF Museum American Foundation:** The American Foundation was incorporated in the United States of America on the 2nd January 2002, and was granted exempt status from Federal income tax under section 501 (c) (3) of the Internal Revenue Codes on the 31 May 2002. This is an independent organisation with separate and distinct management functions, established in order to raise funds in support of the work of the RAF Museum.

## Reserves policy

As at 31 March 2011, and under the new SORP guidance and analysis of funds, the level of Reserves funded by Unrestricted Funds stood at £2,235,939 (2010: £2,801,134) (*Balance Sheet*).

However, the level of charitable unrestricted funds which are readily accessible to the Trustees remains low (£182,178 in comparison with the previous year of £340,256), and is insufficient to meet either the long-term development needs of the Museum or unexpected demands arising from inevitable emergencies and unforeseen events. During the year, this resulted in the Trustees (through their Finance and Audit Committees) establishing a policy setting out an appropriate level of cash reserves. The target for this purpose is £250,000 which will be represented in Trustee Funds of an unrestricted nature.

## Payment of creditors

The Museum's policy, in accordance with the Government-wide standard on the payment of creditors, is to settle all undisputed bills within 30 days or in accordance with the supplier's terms of business. The Museum's actual payment performance during the year was an average of 35 days (2010: 30.5 days).

## Investment policy

The Trustees continually monitor levels of all the Charity's funds. Available funds are currently invested in a variety of term deposits to maximise the level of return but with minimum risk. The amounts and terms of the investments are based on the Trustees' opinion of the immediate and future needs of the Museum.

## Remuneration report

This section has been subject to audit.

Name	Salary, including performance pay received in year £000	Performance Pay £000	Real increase in pension and Lump Sum £000	Total accrued pension at age 60 at 31 March 2011 and related lump sum* £000	CETV at 31 March 2010 (nearest £000)	CETV at 31 March 2011 (nearest £000)	Real increase in CETV* as funded by employer £000
Mr Peter Dye	90-95 (75-80)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Mr John Kitchen	80-85 (75-80)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Mr Keith Ifould	70-75 (70-75)	0-5 (0-5)	0-2.5 Lump Sum 0-2.5	10-15 Lump Sum 5-10	192,000	225,000	27,000

Prior year salary figures are shown in brackets.

None of the directors received any benefits in kind.

Mr Peter Dye and Mr John Kitchen were not members of the PCSPS and the Museum did not fund any pension contributions for them in 2010-11.

The Board of Trustees comprised 16 members (including one co-opted member), none of whom were full time employees of the institution and they were paid £759.50 in reimbursed expenses. (2010: £1,130)

### Pension Costs and Benefits

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Ministry of Defence is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 for the PCSPS. Details can be found in the resource accounts of these schemes which are published and laid before the House of Commons and is also available on the web at [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

For 2010-11, employers' contributions of £ 208,861 were payable (2009-10 £219,199). The applicable rates for the pension scheme are shown below:

Scheme	Class of member	2010-2011	
		Gross Salary	Rate %
PCSPS	Non-industrial and Industrial Civilians	74,001 and over	24.3
		43,001 – 74,000	21.8
		21,001 – 43,000	18.8
		Up to 21,000	16.7

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme.

Pension benefits are provided through the Civil Service pension arrangements in place prior to 30th July 2007, with the unfunded cost of benefits met by monies voted by Parliament each year.

Further details about the Civil Service pension arrangements can be found at the website: [www.civilservice-pensions.gov.uk](http://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 a 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 service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 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 the purchase of additional years of pension service in the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies). The fee for the audit of the Group 2010-11 accounts was £20,000.

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

## Personal data loss

The Museum has not identified any personal data related incidents during 2010-11 or in the previous 5 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if related, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

## Environmental policy

The Museum has a number of initiatives in place which underpin the creation of a more sustainable and environmentally friendly organisation. These include energy conservation measures (for example the increased use of LED lighting), a comprehensive recycling programme and new building construction which is consistent with reducing the Museum's carbon footprint. These are not covered by a formal policy statement, but it is the intention to publish such a statement shortly.

*ACM Sir John Day KCB OBE*  
Chairman  
on behalf of the Board of Trustees

*Mr Peter Dye*  
Director General  
Royal Air Force Museum

11 July 2011

11 July 2011



## Statement of Board of Trustees' and Director General's responsibilities

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 Royal Air Force 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:

- a. 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;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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;
- d. prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

Under the law applicable to charities in England and Wales, the Board of Trustees is responsible for keeping proper 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 Permanent Secretary of the Ministry of Defence has appointed the senior full time official, the Director General, as the Accounting Officer for the Royal Air Force 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 'Managing Public Money'.

*ACM Sir John Day KCB OBE*  
Chairman  
on behalf of the Board of Trustees

11 July 2011

*Mr Peter Dye*  
Director General  
Royal Air Force Museum

11 July 2011



# Statement on Internal Control for the year ending 31 March 2011

## Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Royal Air Force Museum's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money"; and for ensuring compliance with the requirements of the Royal Air Force Museum's Financial Framework as agreed with the MOD.

On behalf of the board of Trustees of the Royal Air Force Museum, I am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks to which the Museum 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 Royal Air Force 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. A system of internal control has been in place in the Royal Air Force Museum for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts in accordance with Treasury guidance, but in the new financial year commencing in April 2011 this has been strengthened to ensure that the processes underpinning the statement on internal control are robust and that the Trustees' Audit Committee receives the detailed information necessary for it to provide an assurance that identified risks are being appropriately managed. The detailed changes are described below at paragraph 4.

## Capacity to handle risk

The Audit Committee of the Board of Trustees keeps under regular review the Museum's Risk Register and reports its findings to the full Board. In the latter part of 2010/2011 Moore Stephens were appointed as new internal auditors with a remit to look at the key risks facing the Museum through a programme of work designed to make recommendations to mitigate those risks in relation to collections management, IT data loss and senior management resilience. This work is ongoing and additional programmes will follow. Moore Stephens have also made recommendations to provide a firmer foundation for this statement.

## The risk and control framework

The Museum has established a risk management strategy that is owned by the Board of Trustees through its Audit Committee. The Risk Register is now focussed on the key risks facing the Museum which are being addressed through the process described above. In addition, those Directors with responsibility for the Museum's control systems relating to governance, business planning, risk management, financial management, human resources, health and safety, security, IT and projects and procurement are now required to provide written assurances at the beginning and end of each financial year to confirm that risks have been identified, assigned to individuals and properly managed in accordance with any relevant guidelines. Exceptional incidents and variations will be reported as they occur. This process is effective from the financial year 2011/2012. The Directors' assurances will be reported to the Audit Committee and the Director Corporate Services will retain overall responsibility for the key control systems of the Museum.

## 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 work of the internal audit function which will, henceforth, be strengthened (as described above), the Director Corporate Services and comments made by the external auditors in their management letter and other reports.

The Board of Trustees receives regular reports from its Finance and Audit Committees. It is also able to question the Director General, other Directors and its reporting accountants at meetings of the Board. By these actions the Board is satisfied that the system of internal controls in place at the Museum is effective.

In our view, the information received in 2010/2011 was sufficient to enable us to review and confirm the effectiveness of the Royal Air Force Museum's system of internal control in accordance with Treasury guidance and recommendations.

*ACM Sir John Day KCB OBE*  
On behalf of the Board of Trustees

11 July 2011

*Mr Peter Dye*  
Accounting Officer

11 July 2011

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

I certify that I have audited the financial statements of the Royal Air Force Museum for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Trustees, Director General and auditor

As explained more fully in the Statement of the Board of Trustees' and Director General's responsibilities, the Trustees and Director General as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Royal Air Force Museum's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Royal Air Force Museum's and the Group's affairs as at 31 March 2011 and of the incoming resources and application of resources of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and directions issued thereunder by the Secretary of State.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Charities Act 1993; and
- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

14 July 2011

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

## Consolidated Statement of Financial Activities for the year ended 31 March 2011

	Notes	Unrestricted Funds 2011 £	Grant in Aid Funds 2011 £	Restricted Funds 2011 £	Total Funds 2011 £	Restated (see note 1) 2010 £
<b>Incoming resources</b>						
<b>Incoming resources from generated funds</b>						
Grant in Aid (Operating )		-	7,443,000	-	7,443,000	7,258,000
Grant in Aid (Purchase of exhibits)		-	109,000	-	109,000	109,000
Watchtower Contribution	3			1,332,000	1,332,000	-
Other grants and donations	3	28,449	-	573,363	601,812	335,783
Special events		85,711	-	-	85,711	21,123
Other income		274,472	-	-	274,472	145,179
Activities for Generating Funds:						
Commercial trading operations	4b	1,987,843	-	-	1,987,843	1,936,615
Investment income and interest		2,982	41	4,168	7,191	10,984
<b>Total incoming resources</b>		<b>2,379,457</b>	<b>7,552,041</b>	<b>1,909,531</b>	<b>11,841,029</b>	<b>9,816,684</b>
<b>Resources expended</b>						
<b>Costs of generating funds:</b>						
Fund raising and publicity	5	447,270	-	-	447,270	330,537
Commercial trading operations	4b	1,793,722	-	-	1,793,722	1,719,613
<b>Sub total cost of generating funds</b>		<b>2,240,992</b>	<b>-</b>	<b>-</b>	<b>2,240,992</b>	<b>2,050,150</b>
<b>Net incoming resources available for charity application</b>		<b>138,465</b>	<b>7,552,041</b>	<b>1,909,531</b>	<b>9,600,037</b>	<b>7,766,534</b>
<b>Charitable activities:</b>						
Operation of Museum	6b	376,562	7,971,808	507,153	8,855,523	9,282,573
Purchase of exhibits		-	2,912	-	2,912	4,760
Governance costs	5	-	91,440	-	91,440	135,871
<b>Sub total expended for charitable activities</b>		<b>376,562</b>	<b>8,066,160</b>	<b>507,153</b>	<b>8,949,875</b>	<b>9,423,204</b>
<b>Net (outgoing)/incoming resources</b>		<b>(238,097)</b>	<b>(514,119)</b>	<b>1,402,378</b>	<b>650,162</b>	<b>(1,656,670)</b>
<b>Gains and losses on revaluations of fixed assets for the charity's own use</b>		<b>(297,478)</b>	<b>7,580,532</b>	<b>(3,053,253)</b>	<b>4,229,801</b>	<b>(105,312)</b>
<b>Gains and losses on revaluations and disposals of investment assets</b>		<b>(164)</b>	<b>-</b>	<b>-</b>	<b>(164)</b>	<b>344</b>
<b>Net movement in funds</b>		<b>(535,739)</b>	<b>7,066,413</b>	<b>(1,650,875)</b>	<b>4,879,799</b>	<b>(1,761,638)</b>
<b>Funds b/fwd at 1st April 2010</b>	1	<b>2,672,590</b>	<b>34,806,184</b>	<b>19,204,232</b>	<b>56,683,006</b>	<b>58,444,644</b>
<b>Funds c/fwd at 31st March 2011</b>		<b>2,136,851</b>	<b>41,872,597</b>	<b>17,553,357</b>	<b>61,562,805</b>	<b>56,683,006</b>

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

The notes on pages 21 to 39 form part of these financial statements.

## Consolidated Balance Sheet for the year ended 31 March 2011

	Notes	Group 2011 £	Group 2010 £	Charity 2011 £	Charity 2010 £
<b>Fixed assets</b>					
Tangible assets	9	60,055,720	56,572,174	59,949,066	56,484,427
Investments	4a	–	–	100,002	100,002
		<u>60,055,720</u>	<u>56,572,174</u>	<u>60,049,068</u>	<u>56,584,429</u>
<b>Current assets</b>					
Stocks	10	152,261	176,885	–	–
Debtors	11	412,323	262,475	519,561	393,942
Investments	12	2,376	2,540	2,376	2,540
Cash at bank	13	1,886,875	629,147	1,796,463	519,596
		<u>2,453,835</u>	<u>1,071,047</u>	<u>2,318,400</u>	<u>916,078</u>
<b>Creditors</b>					
Amounts falling due within one year	14	(895,537)	(849,082)	(697,681)	(664,461)
		<u>1,558,298</u>	<u>221,965</u>	<u>1,620,719</u>	<u>251,617</u>
<b>Net current assets</b>					
		<u>1,558,298</u>	<u>221,965</u>	<u>1,620,719</u>	<u>251,617</u>
<b>Total assets less</b>					
<b>Current liabilities</b>					
		<u>61,614,018</u>	<u>56,794,139</u>	<u>61,669,787</u>	<u>56,836,046</u>
<b>Creditors</b>					
Amounts falling due after more than one year	15	(51,213)	(111,133)	(7,894)	(24,496)
		<u>61,562,805</u>	<u>56,683,006</u>	<u>61,661,893</u>	<u>56,811,550</u>
<b>Reserves</b>					
	18/19				
Unrestricted funds		2,136,851	2,672,590	2,235,939	2,801,134
Grant in Aid operating account		40,429,117	33,468,833	40,429,117	33,468,833
Grant in Aid exhibits reserve		1,443,480	1,337,351	1,443,480	1,337,351
Other restricted funds		17,553,357	19,204,232	17,553,357	19,204,232
		<u>61,562,805</u>	<u>56,683,006</u>	<u>61,661,893</u>	<u>56,811,550</u>

The notes on pages 21 to 39 form part of these financial statements.

Approved by the Board of Trustees on 11 July 2011 and signed on its behalf by

ACM Sir John Day KCB OBE  
Chairman  
on behalf of the Board of Trustees

Mr Peter Dye  
Director General  
Royal Air Force Museum

## Consolidated Cash Flow Statement for the year ended 31 March 2011

### Reconciliation of net incoming resources to net cash flow from operating activities

	Unrestricted Funds	Restricted Funds		Total Funds 2011	Total Funds 2010
		Grant in Aid Funds	Other Funds		
	2011	2011	2011	2011	2010
	£	£	£	£	£
<b>Net incoming resources</b>	<b>(238,097)</b>	<b>(514,119)</b>	<b>1,402,378</b>	<b>650,162</b>	(1,656,670)
Interest receivable	(2,910)	(41)	(4,168)	(7,119)	(10,932)
Interest payable	6,502	–	–	6,502	10,109
Dividends received	(72)	–	–	(72)	(52)
(Profit) / loss on disposal of investments	–	–	–	–	–
Depreciation of tangible assets	96,242	1,021,847	407,887	1,525,976	1,767,391
Loss on revaluation of tangible fixed assets	–	–	–	–	–
(Profit)/loss on disposal of assets	–	–	–	–	(10,152)
(Increase) / decrease in stocks	24,624	–	–	24,624	1,674
(Increase) / decrease in debtors	(30,418)	(119,430)	–	(149,848)	60,154
(Decrease) / increase in creditors	12,894	34,413	–	47,307	(111,424)
<b>Net cash flow from operating activities</b>	<b>(131,235)</b>	<b>422,670</b>	<b>1,806,097</b>	<b>2,097,532</b>	50,098
<b>Net cash flow from operating activities</b>	<b>(131,235)</b>	<b>422,670</b>	<b>1,806,097</b>	<b>2,097,532</b>	50,098
<b>Returns on investments and servicing of finance</b>					
Bank interest received	2,910	41	4,168	7,119	10,932
Finance charges paid	(6,502)	–	–	(6,502)	(10,109)
Dividends received	72	–	–	72	52
<b>Capital expenditure</b>					
Purchase of tangible fixed assets	–	(349,019)	(430,702)	(779,721)	(1,361,129)
Proceeds from disposal of tangible fixed assets	–	–	–	–	20,500
<b>Management of liquid resources</b>					
Purchase of current asset investments	–	–	–	–	–
Proceeds from disposal of current asset investments	–	–	–	–	–
Transfers between funds	–	26,668	(26,668)	–	–
<b>Financing</b>					
Capital element of finance lease rentals	–	(18,309)	–	(18,309)	(9,451)
Long term loan	(43,318)	–	–	(43,318)	(45,339)
<b>(Decrease)/increase in cash in the period</b>	<b>(178,073)</b>	<b>82,051</b>	<b>1,352,895</b>	<b>1,256,873</b>	(1,344,446)

The cash flow statement should be read together with note 16, which reconciles the net cash flow to the movement in net funds, and note 17, which analyses the changes in net funds.

The notes on pages 21 to 39 form part of these financial statements.

# Notes to the Financial Statements for the year ended 31 March 2011

## 1 Accounting policies

### *Basis of Accounting*

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention as modified by the revaluation of fixed assets.

The financial statements comply with the Statement of Recommended Practice: Accounting and Reporting by Charities ('SORP 2005') and with the Accounts Direction issued by HM Treasury (pages 34 to 37). The comparative figures comply with SORP 2005.

### *Basis of Consolidation*

Consolidated financial statements have been prepared in respect of the charity and its wholly owned subsidiaries, Royal Air Force Museum Enterprises Ltd and The Royal Air Force Museum Investments Limited. The Consolidated Statement of Financial Activities includes the results of Royal Air Force Museum Enterprises Ltd on a line by line basis. A separate Statement of Financial Activities for the charity itself is not presented as the charity has taken advantage of the exemptions afforded by paragraph 304 of SORP 2005. The Consolidated Balance Sheet includes the net assets of Royal Air Force Museum Enterprises Ltd and Royal Air Force Museum Investments Limited on a line by line basis.

The financial statements of Royal Air Force Museum Enterprises Ltd used in consolidation are those for the year to 31st March, 2011.

The Royal Air Force Museum Investments Limited was formed to hold, on behalf of the Trustees, the real property assets of the charity. In March 2005, the leasehold property was transferred to this company from the charity, and in January 2008, the freehold property followed.

### *Recognition of Incoming Resources*

Grants are credited to incoming resources on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case, they are deferred. Voluntary income and donations are accounted for as they are received. Earned income is accounted for as it is receivable. Donations in kind are recognised at their fair value, with an equivalent charge made to resources expended.

### *Resources Expended*

Resources expended are included in the statement of financial activities on an accruals basis, inclusive of any irrecoverable VAT.

Fundraising expenditure comprises costs incurred in inducing individuals and organisations to contribute financially to the Museum's work. This includes advertising costs and the costs of staging special events.

Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

### *Commercial Trading Activities*

Income from commercial activities is included in the period in which the group is entitled to its receipt.



### *Notional Costs*

Following changes to the 2010-11 Financial Reporting Manual, cost of capital charges are no longer required to be calculated and disclosed within the Statement of Financial Activities. The 2009-10 SOFA has been restated to exclude these charges.

### *Restricted and Unrestricted Funds*

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overhead costs. Unrestricted funds are donations or other incoming resources received or generated for the charity's general purposes.

### *Tangible Fixed Assets*

The charity's tangible fixed assets are capitalised at historic cost on acquisition, and revalued annually using indices calculated by the Ministry of Defence. Fixed assets with a cost of less than £1,000 are not capitalised. Any gains or losses on revaluation are reported as unrealised until an asset is disposed. Depreciation is provided at rates calculated to write off the value of each asset over its expected useful life, as follows:

Freehold buildings	over 30 to 50 years
Leasehold property	over the lease term
Fixtures, fittings and equipment	3 to 5 years straight line
Plant and machinery	5 years straight line
Simulator	15 years straight line
Motor vehicles	4 years straight line
Heritage Assets	Nil

Assets in the course of construction are not depreciated or revalued until brought into use.

### *Exhibition costs*

Long term exhibition equipment is capitalised as a fixed asset. Temporary exhibition costs are written off as resources expended in the year they are incurred.

### *Heritage Assets*

Heritage Assets acquired after 1st April 2001 have been capitalised, but not revalued or depreciated.

Following the introduction of FRS 30 "Heritage Assets" the Museum is required to provide more useful and relevant information about the assets held and maintained by the Museum principally for their contribution to knowledge and culture.

The Museum has a number of very strict policies on Heritage Asset acquisition, preservation and maintenance and disposals. The full list can be obtained from the RAF Museum Website, following the link:

<http://www.rafmuseum.org.uk/london/policy-performance/collections.cfm>

The Museum has been consistently reviewing and recording all the heritage assets on its database for several years now and the collection can be divided between the accessioned collection (catalogued and entered on the database), and the un-accessioned collection (not yet recorded).

### *Accessioned collection*

Currently valuations are routinely assigned to all new acquisitions and are retrospectively added to object records in order to facilitate museum activities where a valuation is an essential requirement, for example in relation to so-called 'loans out'.

It is very difficult to assign valuations across the entire collection primarily owing to the sheer scale of the task and the lack of sufficient resources.

It is also challenging to determine a precise value for the majority of objects given the hugely diverse nature of the collection. Much depends on the condition of an item, its historic significance and scarcity. Many items (for example archive documents) are also unique.

#### *Un-accessioned collection*

Work to review material in the un-accessioned collection is ongoing. It is not known if a significant proportion will carry high individual valuations, but where items are added to the collection the valuation process is commenced and is an ongoing activity.

#### *Valuation methods*

If available, valuation is based on acquisition costs increased by restoration costs (if applicable).

For donated assets, in most cases valuations are based on internal estimates determined by the relevant curator's experience and judgement, as an accurate figure is very difficult to establish. In some cases (e.g. a significant painting), a dealer may be sometimes consulted for advice.

Other sources of information are available to aid estimation of value, e.g. auction/dealers' catalogues. However this cannot give an accurate guide for unique items and these values are very susceptible to changing market conditions.

The task of valuing all items is extremely arduous, time consuming and costly. The accessioned collection contains circa 400,000 listed objects, and the Museum has so far succeeded in obtaining the valuation for 20% of the collection, with approximately 320,000 still awaiting valuation.

The number of un-accessioned objects is estimated at circa 790,000 (not yet catalogued) and these do not carry a valuation at this time.

The Museums response to the introduction of FRS 30 has been to deploy internal specialist resources to the task of valuation in a cost-effective way. This has permitted the process of compliance to commence.

The approach taken by the curators has been to consider as a priority the most significant exhibits which constitute the major part of the collection and this has resulted in the addition of aircraft to Tangible Assets to the value of £13,288,500. The next step has been to analyse the objects obtained over the last five years and to value any additional items not yet included in the Balance Sheet. This has resulted in the addition of £39,350 of other objects consisting of aircraft parts at £2,000, medals at £9,750, artwork at £5,000 and archives at £22,600.

The capitalisation of exhibits has followed the internal policy of the inclusion of items valued at £1,000 or above, and the addition of less valuable objects has been considered only if they constituted a part of a specific collection.

The Museum is committed to the completion of the task required by FRS30.

In total, £13,298,344 has been included within fixed assets in 2010-11 in respect of heritage asset valuations under FRS 30 (see note 9). However if these changes had been applied in the prior year, then the net movement in funds for the year to 31 March 2010 in the consolidated SOFA would have been £11,536,706. In addition, total reserves in the balance sheet as at 31 March 2010 would have been restated as £69,981,350 and £70,109,894 for the group and the charity respectively.

#### *Investments*

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at their market value. Term deposits of less than one year are classified as investments within current assets.

Dividends are brought into account in the Statement of Financial Activities when received.

### *Leasing*

Assets held under finance leases, where the lease terms give rights approximating to ownership, are capitalised with an equivalent liability recognised under creditors due within one and after one year as appropriate. Rentals payable under operating leases are charged to resources expended as they are incurred.

### *Stock*

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

### *Financial Instruments*

The Museum's financial assets and liabilities consist of cash and cash equivalents, short term investments, trade debtors, trade creditors and accrued expenses. The fair value of these items approximates their carrying value due to their short term value. Unless otherwise noted, the Museum is not exposed to significant interest, foreign exchange or credit risks arising from these instruments

### *Pensions*

Pensions benefits for 34 members of staff are provided through the Civil Service pensions arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). Under the new arrangements, new entrants after 1 October 2002 were not able to join the existing PCSPS, which has been renamed "classic" and has become a closed scheme. Existing members of the PCSPS were given the option of remaining within "classic"; electing to transfer to "premium", the new defined benefits scheme; or choosing "classic plus", whereby they transferred to "premium" but only in respect of service after 1 October 2002.

#### **(a) Classic Scheme**

Benefits 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. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

#### **(b) Premium Scheme**

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 commute some of their pension to provide a lump sum up to a maximum of 3/80th of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8th the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

**(c) Classic Plus Scheme**

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The RAF Museum recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future pension benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the RAF Museum recognises the contributions payable for the year.

The Museum has made arrangements with Legal & General to provide stakeholder benefits to employees not covered through the Civil Service pension arrangements. Under this scheme the employee may choose their level of contribution into a stakeholders pension product; the employer is not obliged and is not currently contributing any particular employer contributions, although the Museum would like to do so if sufficient funds were available. Members may retire at any time between the ages of 50 and 75 and use the accumulated funds to purchase a pension. Members may also choose to take up to 25% as a lump sum.

**2 Taxation**

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. The Corporation Tax liability of the trading subsidiary for the year ended 31 March 2011 was £Nil (2010: £Nil).

**3 Other grants and donations**

	<b>Unrestricted Fund</b>	<b>Grant in Aid Operating Funds</b>	<b>Other Restricted Funds</b>	<b>Total Funds 2011</b>	<b>Total Funds 2010</b>
	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Society of Friends of the RAF Museum	–	–	<b>12,000</b>	<b>12,000</b>	14,000
Exhibits donated	–	–	<b>362,000</b>	<b>362,000</b>	77,200
Other	<b>28,449</b>	–	<b>199,363</b>	<b>227,812</b>	244,583
	<b>28,449</b>	–	<b>573,363</b>	<b>601,812</b>	335,783
<b>Extraordinary Items</b>					
Watchtower contribution from St George, Central London	–	–	<b>1,332,000</b>	<b>1,332,000</b>	–
	<b>28,449</b>	–	<b>1,905,363</b>	<b>1,933,812</b>	335,783

**4a Investment in subsidiary undertakings**

Of the investment of £100,002 (2010: £100,002), £100,000 represents the charity's interest in 100% of the issued share capital of Royal Air Force Museum Enterprises Limited which is incorporated in England and Wales and operates souvenir shops and other trading activities at Hendon and Cosford. The company's aggregate capital and reserves were as follows:

	2011	2010
	£	£
The assets and liabilities of the subsidiary were:		
Fixed assets	<b>106,653</b>	87,747
Current assets	<b>388,304</b>	412,899
Creditors: amounts falling due within one year	<b>(450,726)</b>	(442,553)
Creditors: amounts falling due after more than one year	<b>(43,319)</b>	(86,637)
	<b>912</b>	(28,544)
	2011	2010
	£	£
At 1st April, 2010	<b>(28,544)</b>	1,936
Revaluation Reserve	<b>68,266</b>	–
Profit/(Loss) retained in subsidiary	<b>(38,810)</b>	(30,480)
At 31st March, 2011	<b>912</b>	(28,544)

A summary of the Company's trading results is shown below. Audited accounts will be filed with the Registrar of Companies

The remaining £2 represents the charity's interest on 100% of the issued share capital of The Royal Air Force Investments Limited, which is incorporated in England and Wales and holds the real property assets of the charity for administrative purposes.

**4b Income from trading company**

The Consolidated Statement of Financial Activities includes the profit of the trading subsidiary, as follows:

**Royal Air Force Museum Enterprises Limited**

	2011	2010
	£	£
<b>Turnover</b>	<b>1,987,843</b>	1,936,615
Cost of sales and administrative expenses	<b>(1,791,122)</b>	(1,715,502)
	<b>196,721</b>	221,113
Interest receivable	<b>111</b>	113
Interest paid	<b>(2,600)</b>	(4,111)
<b>Net profit</b>	<b>194,232</b>	217,115
Charitable contribution under Deed of Covenant	<b>(233,042)</b>	(247,595)
<b>Deficit in subsidiary</b>	<b>(38,810)</b>	(30,480)

## 5 Allocation of support

The trust allocates its support costs as shown in the table below and then further apportions those costs between the charitable activities undertaken (see note 6). Support costs are allocated on a basis consistent with the use of resources

Support Cost	Museum Operation	Governance	Fund Raising and Publicity	2011 Total	2010 Total
	£	£	£	£	£
Staff costs	707,092	49,242	225,231	981,565	1,210,637
Premises costs	722	1,625	1,199	3,546	3,363
Motor expenses	14,086	–	–	14,086	11,963
Travel, subsistence and hospitality	8,912	11,389	12,259	32,560	39,713
Administration expenses	–	611	4,479	5,090	5,056
Legal, professional and consultancy	13,308	26,253	–	39,561	55,301
Fundraising and publicity	–	–	202,391	202,391	80,951
Repairs and maintenance	821	728	537	2,086	2,153
Depreciation	1,793	1,592	1,174	4,559	5,284
Financial	23,943	–	–	23,943	26,828
Sundry	95,611	–	–	95,611	87,237
<b>Total</b>	<b>866,288</b>	<b>91,440</b>	<b>447,270</b>	<b>1,404,998</b>	<b>1,528,486</b>

## 6a Analysis of charitable expenditure

				2011	2010
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total
	£	£	£	£	£
School programmes and curriculum development	30,602	–	–	–	30,602
Events and exhibitions	–	69,400	110,877	–	180,277
Department of Research Information Services	–	–	–	8,466	8,466
M B Conservation Centre	–	–	–	107,701	107,701
Department of Collection Management	–	–	–	15,512	15,512
Visual arts	–	–	–	27,110	27,110
Salaries	317,162	605,895	2,025,870	860,439	3,809,366
Central premises costs	90,742	1,571,307	5,658	496,865	2,164,572
Depreciation	61,384	1,062,931	3,078	336,111	1,463,504
Travel, subsistence and hospitality	11,649	15,655	580	13,650	41,534
Administration expenses	16,696	19,140	66,989	26,876	129,701
Sundry expenses	–	–	10,890	–	10,890
Support costs	57,278	362,632	241,146	205,232	866,288
<b>Total</b>	<b>585,513</b>	<b>3,706,960</b>	<b>2,465,088</b>	<b>2,097,962</b>	<b>8,855,523</b>

**6b Allocation of other operating costs by fund**

	<b>Unrestricted</b>	<b>GIA</b>	<b>Restricted</b>	<b>2011 Total</b>	<b>2010 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Total per the SOFA					
Fund raising & publicity	<b>447,270</b>	-	-	<b>447,270</b>	330,537
Operation of Museum	<b>376,562</b>	<b>7,971,808</b>	<b>507,153</b>	<b>8,855,523</b>	9,282,573
Governance	-	<b>91,440</b>	-	<b>91,440</b>	135,871
	<b>823,832</b>	<b>8,063,248</b>	<b>507,153</b>	<b>9,394,233</b>	9,748,981
Less: staff costs (Note 8)	<b>(3,265)</b>	<b>(4,767,666)</b>	<b>(20,000)</b>	<b>(4,790,931)</b>	(5,045,011)
Less: depreciation (Note 5 & Note 6a)	<b>(38,329)</b>	<b>(1,021,847)</b>	<b>(407,887)</b>	<b>(1,468,063)</b>	(1,701,610)
	<b>782,238</b>	<b>2,273,735</b>	<b>79,266</b>	<b>3,135,239</b>	3,002,360

**7 Analysis of support for charitable activities**

This table shows the cost of the main charitable activities and the sources of revenue directly to support those activities.

	<b>Education</b>	<b>Access &amp; Exhibition Programmes</b>	<b>Information &amp; Public Services</b>	<b>Management of Heritage Assets</b>	<b>2011 Total</b>	<b>2010 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Costs	<b>585,513</b>	<b>3,706,960</b>	<b>2,465,088</b>	<b>2,097,962</b>	<b>8,855,523</b>	9,282,573
Donations	<b>(30,447)</b>	<b>(139,938)</b>	-	<b>(40,978)</b>	<b>(211,363)</b>	(182,564)
Watchtower contribution (Extraordinary Item)		<b>(1,332,000)</b>	-	-	<b>(1,332,000)</b>	-
Other direct revenue	<b>(39,566)</b>	-	<b>(12,943)</b>	-	<b>(52,509)</b>	(57,455)
Net cost/(Income) funded from other income	<b>515,500</b>	<b>2,235,022</b>	<b>2,452,145</b>	<b>2,056,984</b>	<b>7,259,651</b>	9,042,554

**8 Staff costs and numbers**

	<b>Unrestricted Fund</b>	<b>Grant in Aid Operating Funds</b>	<b>Other Restricted Funds</b>	<b>Total Funds 2011</b>	Total Funds 2010
	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	2010
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Salaries and wages	-	<b>4,160,992</b>	<b>20,000</b>	<b>4,180,992</b>	4,394,884
Temporary agency staff	<b>3,265</b>	-	-	<b>3,265</b>	-
Social security costs	-	<b>397,813</b>	-	<b>397,813</b>	430,928
Pension costs	-	<b>208,861</b>	-	<b>208,861</b>	219,199
	<b>3,265</b>	<b>4,767,666</b>	<b>20,000</b>	<b>4,790,931</b>	5,045,011

The above costs exclude the trading subsidiary.

The Royal Air Force Museum employed 175 members of staff as at 31 March 2011. During the year there were approximately 1,559 full days lost to sick absence. Periods of sickness absence are recorded in whole days.

During the period the average number of days sickness absence was 6.0 days per person. Long term absences have been excluded to give a more accurate picture of sickness absence at the Royal Air Force Museum.

**Note (a)**

"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.

**Note (b)**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the RAF Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).



**9a Tangible fixed assets – group**

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1st April, 2010	40,100,000	11,660,000	3,188,796	449,599	7,000	4,349,240	59,754,635
Additions	36,390	116,745	161,508	16,328	(7,000)	455,750	779,721
Disposals	–	–	–	–	–	–	–
Revaluations and FRS 30	(6,837,180)	(2,328,842)	53,739	5,092	–	13,298,344	4,191,153
At 31st March, 2011	<u>33,299,210</u>	<u>9,447,903</u>	<u>3,404,043</u>	<u>471,019</u>	<u>–</u>	<u>18,103,334</u>	<u>64,725,509</u>
Depreciation							
At 1st April, 2010	–	–	2,782,165	400,296	–	–	3,182,461
Charged in the year	964,940	342,053	186,829	32,154	–	–	1,525,976
Disposals	–	–	–	–	–	–	–
Revaluations	–	–	26,541	(65,189)	–	–	(38,648)
At 31st March, 2011	<u>964,940</u>	<u>342,053</u>	<u>2,995,535</u>	<u>367,261</u>	<u>–</u>	<u>–</u>	<u>4,669,789</u>
Net Book Values							
At 31st March, 2011	<u>32,334,270</u>	<u>9,105,850</u>	<u>408,508</u>	<u>103,758</u>	<u>–</u>	<u>18,103,334</u>	<u>60,055,720</u>
At 1st April, 2010	<u>40,100,000</u>	<u>11,660,000</u>	<u>406,631</u>	<u>49,303</u>	<u>7,000</u>	<u>4,349,240</u>	<u>56,572,174</u>

**9b Tangible fixed assets – charity**

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets Under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1st April, 2010	40,100,000	11,660,000	2,575,058	196,058	7,000	4,349,240	58,887,356
Additions	36,390	116,745	152,954	16,328	(7,000)	455,750	771,167
Disposals	–	–	–	–	–	–	–
Revaluations and FRS 30	(6,837,180)	(2,328,842)	53,739	5,092	–	13,298,344	4,191,153
At 31st March, 2011	<u>33,299,210</u>	<u>9,447,903</u>	<u>2,781,751</u>	<u>217,478</u>	<u>–</u>	<u>18,103,334</u>	<u>63,849,676</u>
Depreciation							
At 1st April, 2010	–	–	2,256,173	146,756	–	–	2,402,929
Charged in the year	964,940	342,053	137,449	23,621	–	–	1,468,063
Disposals	–	–	–	–	–	–	–
Revaluations	–	–	26,541	3,077	–	–	29,618
At 31st March, 2011	<u>964,940</u>	<u>342,053</u>	<u>2,420,163</u>	<u>173,454</u>	<u>–</u>	<u>–</u>	<u>3,900,610</u>
Net book values							
At 31st March, 2011	<u>32,334,270</u>	<u>9,105,850</u>	<u>361,588</u>	<u>44,024</u>	<u>–</u>	<u>18,103,334</u>	<u>59,949,066</u>
At 1st April, 2010	<u>40,100,000</u>	<u>11,660,000</u>	<u>318,885</u>	<u>49,302</u>	<u>7,000</u>	<u>4,349,240</u>	<u>56,484,427</u>

Note: Revaluations to depreciation include changes due to modified historic cost accounting through indexation, and also due to the re-lifting of certain fixed assets.

Group tangible fixed assets as at 31st March 2011 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited with a net book value of £106,653 (2010: £87,747). While the Museum is required to follow HM Treasury's guidance and therefore revalues its tangible fixed assets annually, the trading company is not subject to Treasury guidance and does not revalue its fixed assets.

The Museum's freehold property was professionally revalued as at 31 March 2010. The revaluation was carried out by Gerald Eve, Chartered Surveyors and Property Consultants, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Freehold property, which comprises the RAF Museum site, Hendon, was valued on the basis of depreciated replacement cost.

On the 21 January 2008 the title of the deeds to the Museum's freehold property was transferred from the former Trustees to a subsidiary, The Royal Air Force Museum Investments Limited.

On 16 March 2005, the ownership of the leasehold property at Cosford, was transferred from the Charity, to a subsidiary company, The Royal Air Force Investments Limited.

However, while the legal ownership remains with the company, in substance the RAF Museum retains the risks and rewards associated with these assets. In accordance with FRS 5 the RAF Museum has recognised this in the current year.

The Net Book Value and Depreciation related to Tangible Fixed Assets held by the Royal Air Force Museum under Finance Leases are Charity fixtures, fittings and equipment - NBV of £17,068 (2010: £26,383) and depreciation charge of £10,178 (2010: £23,369). Charity Plant and Machinery - NBV of £7,440 (2010: £11,948) and depreciation charge of £4,960 (2010: £4,779). There are no Charity Motor Vehicles held under Finance Leases this financial year. Assets under construction £0 (2010: £7,000 - Comper Swift Renovation).

There are no longer any Tangible Fixed Assets held under Finance Leases in the Royal Air Force Museum Enterprises Ltd.

Following the introduction of FRS 30 the museum carried out a valuation of its Exhibits, and reclassified them as Heritage Assets. This resulted in an addition of £13,298,344 to the total value of tangible assets in the Museum Balance Sheet. The classification of the newly valued Heritage assets is shown below:

Aircraft	13,288,500
Aircraft Parts	2,000
Medals	9,750
Archive Documents and Photographs	22,600
Artworks	5,000
Subtotal	<u>13,327,850</u>
Less:	
Exhibits, reclassified as fixtures, fittings and equipment	29,506
Total Revaluation	<u>13,298,344</u>

The number of Heritage Assets which the Museum acquires through donations means that the total book value of Heritage Assets is a mixture of cost (for purchased exhibits) and valuation (for donated exhibits). At 31st March 2011 the book value comprised:

Heritage Assets recorded at Cost	1,386,310
Heritage Assets recorded at Valuation	<u>16,717,024</u>
Total book value of Heritage Assets	<u>18,103,334</u>

#### Summary of Heritage Asset Acquisitions and Disposals over the last five years (from April 2006 to March 2011)

Year ended	<u>31.03.07</u>	<u>31.03.08</u>	<u>31.03.09</u>	<u>31.03.10</u>	<u>31.03.11</u>
<b>Book value brought forward</b>	2,378,549	2,781,819	3,612,935	4,089,738	4,349,240
Add Acquisitions					
Purchased at cost	86,770	103,616	254,449	182,302	93,750
Donated at valuation price	316,500	727,500	222,354	77,200	362,000
<b>Total acquisitions</b>	403,270	831,116	476,803	259,502	455,750
<b>Revaluation</b>	-	-	-	-	13,298,344
<b>Book value carried forward</b>	<u>2,781,819</u>	<u>3,612,935</u>	<u>4,089,738</u>	<u>4,349,240</u>	<u>18,103,334</u>

There were no disposals of Heritage Assets in this period.

**10 Stocks**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£</b>	£	<b>£</b>	£
Goods for resale	<b>152,261</b>	176,885	-	-

**11 Debtors**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£</b>	£	<b>£</b>	£
Trade debtors	<b>154,154</b>	80,928	<b>53,518</b>	25,441
Amounts due from subsidiary undertaking	-	-	<b>69,827</b>	49,085
Other debtors	<b>26,710</b>	16,938	<b>26,710</b>	16,938
Prepayments and accrued income	<b>231,459</b>	164,609	<b>186,464</b>	104,883
Charitable Deed of Covenant	-	-	<b>183,042</b>	197,595
	<b>412,323</b>	262,475	<b>519,561</b>	393,942

**12 Investments – group and charity**

	<b>2011</b>	2010
	<b>£</b>	£
Quoted investments:		
Market value on 1st April, 2011	<b>2,540</b>	2,196
Additions	-	-
Disposal of investments	-	-
Realised loss on disposal	-	-
Net unrealised investment (losses) / gains	<b>(164)</b>	344
Market value at 31st March, 2011	<b>2,376</b>	2,540
Historical cost at 31st March, 2010	2,117	2,117

**13 Cash at bank and in hand**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>£</b>	£	<b>£</b>	£
Unrestricted funds	<b>272,590</b>	449,807	<b>182,178</b>	340,256
Grant in Aid (Operational) Funds	<b>86,930</b>	56,540	<b>86,930</b>	56,540
Grant in Aid (Purchase Grant) Funds	<b>77,946</b>	26,286	<b>77,946</b>	26,286
Other restricted funds	<b>1,449,409</b>	96,514	<b>1,449,409</b>	96,514
	<b>1,886,875</b>	629,147	<b>1,796,463</b>	519,596

**14 Creditors – Amounts falling due within one year**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	£	£	£	£
Bank loans and overdrafts	<b>55,831</b>	54,975	<b>12,624</b>	12,109
Obligations under finance leases	<b>16,602</b>	18,309	<b>16,602</b>	18,309
Amounts owed to subsidiary undertakings	–	–	<b>2</b>	2
Trade creditors	<b>466,008</b>	304,443	<b>435,000</b>	254,902
Taxation and social security	<b>114,292</b>	95,738	<b>99,950</b>	84,712
Other creditors	<b>45,829</b>	45,916	–	22,711
Accruals and deferred income	<b>196,975</b>	329,701	<b>133,503</b>	271,716
	<b>895,537</b>	849,082	<b>697,681</b>	664,461

Obligations under finance leases are secured on the underlying assets.

**15 Creditors – Amounts falling due after more than one year**

	<b>Group</b>		<b>Charity</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	£	£	£	£
Obligation under finance leases	<b>7,894</b>	24,496	<b>7,894</b>	24,496
Bank loan	<b>43,319</b>	86,637	–	–
	<b>51,213</b>	111,133	<b>7,894</b>	24,496

**16 Reconciliation of net cash flow to movement in net funds**

	Unrestricted Funds	Restricted Funds		Total Funds
		Grant in Aid	Other Funds	
	£	£	£	£
(Decrease)/increase in cash in period	(178,073)	82,050	1,352,895	1,256,872
Cash outflow from decrease in financing	–	18,309	–	18,309
Cash inflow from sale of liquid resources	–	–	–	–
Change in net funds resulting from cash flow	(178,073)	100,359	1,352,895	1,275,181
Repayment of bank loan	43,318	–	–	43,318
Change in market value of liquid resources	(164)	–	–	(164)
	43,154	–	–	43,154
<b>Net funds at 1st April, 2010</b>	267,930	82,826	96,514	447,270
<b>Net funds at 31st March, 2011</b>	133,011	183,185	1,449,409	1,765,605

**17 Analysis of net funds**

	1st April 2010	Cash flow	Other changes	31st March 2011
	£	£	£	£
Cash at bank and in hand	629,147	<b>1,257,728</b>	–	<b>1,886,875</b>
Bank loans and overdrafts	(54,975)	<b>(856)</b>	–	<b>(55,831)</b>
Obligations under finance leases within 1 year	(18,309)	<b>18,309</b>	<b>(16,602)</b>	<b>(16,602)</b>
Obligations under finance leases after 1 year	(24,496)	–	<b>16,602</b>	<b>(7,894)</b>
Long term loans	(86,637)	<b>43,318</b>	–	<b>(43,319)</b>
Current asset investments	2,540	–	<b>(164)</b>	<b>2,376</b>
	<u>447,270</u>	<u><b>1,318,499</b></u>	<u><b>(164)</b></u>	<u><b>1,765,605</b></u>

**18 Movement of funds**

	Grant in Aid				Total Funds 2011 £	Total Funds 2010 £
	Unrestricted Funds	Operating Funds	Purchase Grant Funds	Other Restricted Funds		
	2011 £	2011 £	2011 £	2011 £		
<b>Incoming resources</b>						
Grant in Aid	–	7,443,000	109,000	–	7,552,000	7,367,000
Watchtower Contribution (Extraordinary Item)				1,332,000	1,332,000	
Other grants and donations	28,449	–	–	573,363	601,812	335,783
Special events	85,711	–	–	–	85,711	21,123
Public telephones	–	–	–	–	–	–
Interest on deposits	2,910	–	41	4,168	7,119	10,932
Visual arts	–	–	–	–	–	–
Other income	274,472	–	–	–	274,472	145,179
Dividends received	72	–	–	–	72	52
Commercial trading operations	1,987,843	–	–	–	1,987,843	1,936,615
<b>Total incoming resources</b>	<b>2,379,457</b>	<b>7,443,000</b>	<b>109,041</b>	<b>1,909,531</b>	<b>11,841,029</b>	<b>9,816,684</b>
<b>Resources expended</b>						
Staff costs (Note 8)	3,265	4,767,666	–	20,000	4,790,931	5,045,011
Purchase of exhibits	–	–	2,912	–	2,912	4,760
Other operating costs (Note 6)	782,238	2,273,735	–	79,266	3,135,239	3,002,360
Depreciation (Note 5 & Note 6)	38,329	1,021,847	–	407,887	1,468,063	1,701,610
Commercial trading operation	1,793,722	–	–	–	1,793,722	1,719,613
Total resources expended	<b>2,617,554</b>	<b>8,063,248</b>	<b>2,912</b>	<b>507,153</b>	<b>11,190,867</b>	<b>11,473,354</b>
<b>Net (outgoing)/incoming resources for the year</b>	<b>(238,097)</b>	<b>(620,248)</b>	<b>106,129</b>	<b>1,402,378</b>	<b>650,162</b>	<b>(1,656,670)</b>
Gains and losses on revaluations of fixed assets	(297,478)	7,580,532	–	(3,053,253)	4,229,801	(105,312)
Gains and losses on revaluations and disposals of investments	(164)	–	–	–	(164)	344
<b>Net movement in funds for the year</b>	<b>(535,739)</b>	<b>6,960,284</b>	<b>106,129</b>	<b>(1,650,875)</b>	<b>4,879,799</b>	<b>(1,761,638)</b>
Funds b/fwd at 1st April 2010	2,672,590	33,468,833	1,337,351	19,204,232	56,683,006	58,444,644
<b>Funds c/fwd at 31st March 2011</b>	<b>2,136,851</b>	<b>40,429,117</b>	<b>1,443,480</b>	<b>17,553,357</b>	<b>61,562,805</b>	<b>56,683,006</b>

## Reconciliation of total resources expended to the SOFA

Resources expended per the SOFA	Unrestricted	Grant in Aid	Other Funds	Total Funds	Total Funds
	Funds	Funds			
	2011	2011	2011	2011	2010
	£	£	£	£	£
<b>Costs of generating funds:</b>					
Fund raising and publicity	447,270	-	-	447,270	330,537
Commercial trading operations	1,793,722	-	-	1,793,722	1,719,613
	<u>2,240,992</u>	<u>-</u>	<u>-</u>	<u>2,240,992</u>	<u>2,050,150</u>
<b>Charitable activities:</b>					
Operation of Museum	376,562	7,971,808	507,153	8,855,523	9,282,572
Purchase of exhibits	-	2,912	-	2,912	4,760
Governance costs	-	91,440	-	91,440	135,871
	<u>376,562</u>	<u>8,066,160</u>	<u>507,153</u>	<u>8,949,875</u>	<u>9,423,203</u>
<b>Total resources expended</b>	<u>2,617,554</u>	<u>8,066,160</u>	<u>507,153</u>	<u>11,190,867</u>	<u>11,473,353</u>

## 19 Analysis of group net assets between funds

	Unrestricted funds	Grant in Aid		Other Restricted funds	Total Funds	Total Funds
		Operating funds	Purchase Grant funds			
	2011	2011	2011	2011	2011	2010
	£	£	£	£	£	£
Tangible fixed assets	1,855,000	40,710,958	1,385,814	16,103,948	60,055,720	56,572,174
Cash at bank and in hand	272,590	86,930	77,946	1,449,409	1,886,875	629,147
Other net current assets	52,580	(360,877)	(20,280)	-	(328,577)	(407,182)
Total assets less current liabilities	<u>2,180,170</u>	<u>40,437,011</u>	<u>1,443,480</u>	<u>17,553,357</u>	<u>61,614,018</u>	<u>56,794,139</u>
Creditors due after one year	(43,319)	(7,894)	-	-	(51,213)	(111,133)
Net assets	<u>2,136,851</u>	<u>40,429,117</u>	<u>1,443,480</u>	<u>17,553,357</u>	<u>61,562,805</u>	<u>56,683,006</u>



**20 Commitments**

	<b>Group</b>	Group	<b>Charity</b>	Charity
	<b>2011</b>	2010	<b>2011</b>	2010
<b>Lease commitments:</b>	<b>£</b>	£	<b>£</b>	£
<b>Net obligations under finance leases payable:</b>				
Within one year	<b>16,602</b>	18,309	<b>16,602</b>	18,309
Between one and five years	<b>7,894</b>	24,496	<b>7,894</b>	24,496
	<b>24,496</b>	42,805	<b>24,496</b>	42,805
<b>Gross obligations under finance leases:</b>				
Within one year	<b>17,953</b>	21,793	<b>17,953</b>	21,793
Between one and five years	<b>8,048</b>	26,479	<b>8,048</b>	26,479
Total gross obligations	<b>26,001</b>	48,272	<b>26,001</b>	48,272
Finance charges and interest allocated to future accounting periods	<b>(1,983)</b>	(5,467)	<b>(1,983)</b>	(5,467)
	<b>24,018</b>	42,805	<b>24,018</b>	42,805

Net obligations under finance lease contracts are secured by fixed charges on the assets concerned. The interest charges incurred in the year on finance leases amounted to £3,484 (2010: £4,566).

During the year, the Museum made operating lease payments amounting to £546,932 (2010: £533,864). At the 31st March 2011, the Museum had annual commitments under non-cancellable operating leases as follows:

	<b>Group and charity</b>	
	<b>2011</b>	2010
<b>Operating leases expiring:</b>	<b>£</b>	£
Plant and machinery:		
within one year	<b>1,017</b>	–
in the second to fifth years	<b>15,426</b>	16,782
Land and buildings:		
after five years	<b>530,150</b>	516,500
	<b>546,593</b>	533,282

## 21 Related parties

Related parties with which the Museum had transactions during the year or balances at the year end were as follows:

### *Royal Air Force Museum Enterprises Ltd*

The relationship of the Museum to the company is disclosed in note 4, and the balances due from the company at the year end are disclosed in note 11.

### *The Royal Air Force Museum Investments Limited*

The company was formed to hold, on behalf of the Trustees, the real property assets of the charity and thus minimise the administrative burden whenever a change in Trustees takes place. The leasehold property was transferred to this company from the charity in March 2005 and the freehold property in January 2008.

### *Ministry of Defence*

The Royal Air Force Museum is a Non-Departmental Public Body, sponsored by the Ministry of Defence (the MOD). The MOD is regarded as the related party. Grant in Aid funding from the MOD is separately disclosed in the Statement of Financial Activities.

### *The Society of Friends of the Royal Air Force Museum, Hendon*

The Friends are a separate charity dedicated to supporting the activities of the Museum. The sum of £12,000 (2010: £14,000) was paid to the Museum during the year.

### *The Aerospace Society*

The Aerospace Society operates along similar lines to the Society of Friends at Hendon and supports the activities of the Museum at its site at Cosford.

### *Royal Air Force Museum American Foundation Inc.*

The American Foundation was incorporated in the United States of America on the 2nd January 2002 and was granted exempt status from federal income tax under section 501 (c) (3) of the Internal Revenue Codes on the 31st May 2002. This is a separate organisation that was established to raise funds to support the work of the Museum.

## 22. Contingent liabilities

There were no contingent liabilities as at 31st March 2011 (2010: Nil)

## 23. Post balance sheet events

There were no post balance sheet events.

The accounts were authorised for issue by the Accounting Officer on 14 July 2011

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