

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

Royal Air Force Museum Account 2009-2010

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Royal Air Force Museum Account 2009-2010

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 22 JULY 2010

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scrutinises public spending
on behalf of Parliament.

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He is the head of the National Audit Office
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to report to Parliament on the economy, efficiency
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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

Accountants

Hillier Hopkins LLP
Chartered Accountants
64 Clarendon Road
Watford
Herts WD17 1JF

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 4 June 2007; the Museum's Trustees are incorporated as a body.

Review of the year

The Museum has continued to develop its collection while mounting new exhibitions – all within a difficult financial environment. Strenuous efforts have been made to reduce operating costs while improving additional income streams. These achievements reflect the energy and determination exhibited by the Museum's staffs – at both sites.

The Museum, in collaboration with the Royal Air Force Museum American Foundation, The Future of Flight and Everett Community College in Washington State, USA, has continued for a further year the extremely successful student exchange programme, comprising a three week visit by two RAF Museum apprentices to the USA and a return visit by two students from Everett Community College.

Access to nearly all the areas of the Museum has been maintained throughout the year, although some galleries have had to be closed for part days. Yet again, there have been insufficient funds to fulfil, in particular, all the curatorial activities that should be undertaken by a national museum. The Trustees have addressed the additional challenges arising from the fact that many of the Museum's buildings need major maintenance. During the year additional Grant in Aid and Trustees' funds were utilised to complete the recladding of the Battle of Britain Hall building which now incorporates a fully-glazed end wall on the Museum side.

Structure, governance and 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 to the Board in 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 the Chairman of Trustees, a senior civil servant from the sponsoring Department (MOD) and an independent member.

Prospective Trustees are normally interviewed by a panel representing the Trustees and an independent member sponsored by the MOD. The sponsoring department within the MOD (Air Command) is closely involved in all stages of the selection process and these Trustees are appointed by the Secretary of State for Defence. 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 Divisional Directors.

The new Deed of Trust was approved by the Charity Commission on 4 June 2007 and contains modern and best practices for the better management and good governance of the institution. Some of the Trustees shown below were originally appointed prior to the date of the new Deed of Trust.

The following people served as the Museum's Trustees during 2009-2010.

Chairman	Air Chief Marshal Sir John Day KCB OBE (Appt'd 29.09.04)	Non-Executive Director of Royal Air Force Museum Enterprises Ltd and Royal Air Force Museum Investments Ltd
	Viscount Chelsea (Appt'd 15.12.04)	Member Fund Raising Committee
	Mr Brendan Connor (Appt'd 24.08.05)	Member Remuneration Committee and Member Fundraising Committee
	Lord Clarke of Hampstead CBE KSG (Re-appt'd 12.09.04)	Chairman Remuneration Committee
	Air Vice-Marshal David Crwys-Williams CB FCIPD FIMgt RAF (Retd) (Co-opted 12.09.07)	Chairman Finance Committee and Non-Executive Director of Royal Air Force Museum Investments Ltd
	Mr L Antony Edwards BSc MBA CEng FRAeS (Resigned: 6.10.09)	Chairman Fundraising Committee
	Lord Evans of Watford (Re-appt'd 5.11.05)	Non-Executive Director Royal Air Force Museum Enterprises Ltd, Member Audit Committee
	Sir Roger Jackling KCB CBE (Re-appt'd 5.11.05)	Member 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, Member Education and Research Committee
	Sir Peter Rigby DL D.Univ (Appt'd 24.08.05)	Member Fundraising Committee
	Mr Malcolm White OBE FRAeS (Appt'd 29.09.04)	Member Fundraising Committee Member 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 and 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, Member Finance Committee, Member 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:

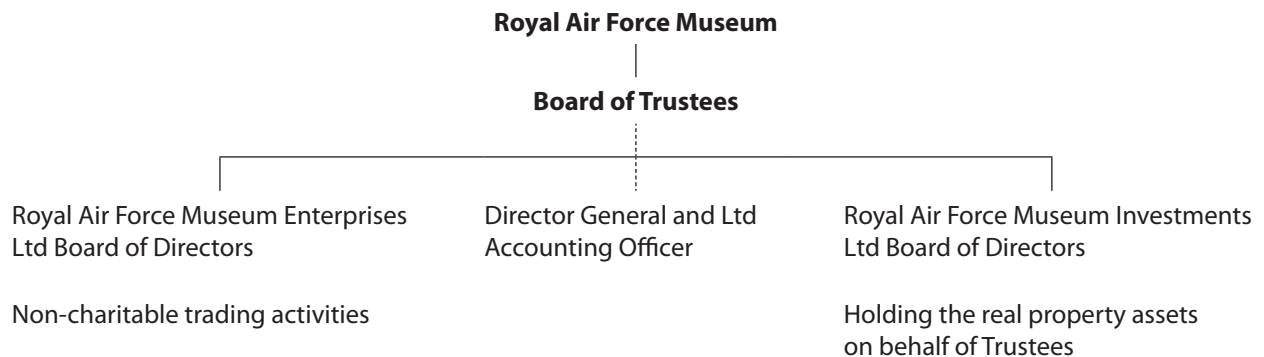
- Audit
- Finance
- Development
- Fund Raising
- Education and Research
- Remuneration

All these committees derive their responsibilities from the directions given to them by the Board, government guidelines and the best practices of management within the heritage sector. 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 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 has been reviewed by the National Audit Office and made subject of a number of recommendations currently being implemented.

The Structure of the Museum can be shown as:



Senior Management Team

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

Dr Michael A Fopp MA FMA FRAeS
Peter Dye OBE

Keith Ifould CBE AFC FRAeS MIL
John Kitchen MA Mst
Nigel Lewis MBA, FCCA

Peter Elliott BSc MA RMSA MCLIP
Mrs Sue Fitzsimmons Cert. Ed. DPSE
Alex Medhurst

Director General
Director – Collections Division
(Acting Director General from 1 February 2010)
Director – Group Business Development Division
Director – Operations Division
Head of Finance and Museum Secretary
(Appointed 2 March 2009 – Resigned 16 October 2009)
Senior Keeper
Head of Access and Learning
General Manager, Cosford

Objectives and activities; achievements and performance

Education

The Access & Learning Department has had a very busy year. The high quality learning activities on offer continue to attract schools and in the last year (2009-2010) nearly 900 schools have visited bringing over 45,000 students and accompanying adults (2008-2009 42,000). This year has also seen an increase in the number of schools requesting support for those with special needs, including learners with sensory or mobility impairment. The Museum works closely with the organisations involved by offering appropriately differentiated activities for these visits. It is also able to offer seasonal sessions during term time for schools and at weekends and school holidays for families. These are very popular and enjoyed by all who take part.

Exhibitions

Women of the Air Force was opened at Hendon on 2 June 2009 by Air Commodore Barbara Cooper, the most senior serving female in both the Royal Air Force and the British Armed Forces. The exhibition, which ran until January 2010, looked at the contribution made by women serving in the RAF from the First World War to the present day. It has been subsequently transferred to the Cosford site; a version is also available on the Museum's website, inviting women who are current or ex-serving personnel to record their stories.

On 1 July 2009 the restored Royal Aircraft Factory FE2b aircraft was placed on display in the Bomber Hall. A monograph, *The Royal Factory FE2b/d & Variants in RFC, RAF, RNAS & AFC Service*, was published to mark the occasion – in co-operation with the WW1 Aviation Historians Society, Cross and Cockade International.

To mark the centenary of Louis Blériot's pioneering cross Channel flight, the *Trailblazers* exhibition in the Milestones of Flight building was enhanced with further panels telling the story of Blériot and his rival Hubert Latham's attempts to be the first to fly the Channel.

Another exhibition at Hendon marked the centenary of the birth of Group Captain Sir Douglas Bader. It told the story of his RAF career – before and after the accident in which he lost both legs – and his subsequent work encouraging amputees and others with physical disabilities. The exhibition featured material from the Museum's archive collection including Bader's wartime logbook, which has not been displayed before. The opening of the exhibition also helped to launch the Douglas Bader Foundation's Bader Braves project for children with limb loss and other physical disabilities. As with *Women in the Air Force*, this has now been transferred to the Museum's website as an online exhibition.

At Cosford, an exhibition interpreting the Sikorsky MH-53 Pave Lowe helicopter was opened in November 2009. A newly refurbished and extended exhibition dedicated to the RAF Boy Entrant Scheme was produced in collaboration with the Boy Entrants Association, highlighting the role played in the RAF by boys aged between 15 and 17½.

Temporary exhibitions included contemporary photography drawn from the objects in the Museum's collection, encouraging work by local artists and *Dreams of Flying* by Michelle Atherton – a film installation depicting her flight in a MiG 29 in Russia, which was well received for its originality and subject matter. *Last Post: Remembering the First World War* explored the effect of the events of 1914-18 on the Post Office and its people and the contribution of postal communications to the war effort. Graphic panels and objects were loaned from the British Postal Museum and Archive, including the medals of Captain Home Peel.

In May a display to mark the 30th Anniversary of the Aerospace Museum (which became the RAF Museum's Cosford site in 1998) was mounted in the Visitor Centre.

Research, caption writing and design continued during the year to refresh the displays in the Battle of Britain Hall in preparation for the 70th anniversary of the Battle of Britain in 2010.

Visitor numbers

On 30 December 2009 the Cosford site reached a milestone, having welcomed one million visitors since the opening of the National Cold War Exhibition in February 2007.

During the year the London site received 279,116 visitors, down from the previous year (310,414), while Cosford's figure rose to 341,132 (including the attendance figure for the Air Show) from 307,442 (up 11 per cent). Total numbers across the two sites were 620,248 – up from 617,856 in 2008-09 – in difficult economic conditions – particularly for the South East. The careful targeting of marketing resources to attract visitors with higher disposable incomes meant that, despite this fall in visitor numbers at the Museum's London site, spend per head per visitor increased at both sites, as did total secondary spend at London and Cosford.

During the course of the year online visits to the Museum's main website, www.rafmuseum.org, increased 17 per cent to 825,000, with 615,000 unique visitors (up 16 per cent) viewing 4.7 million pages of information. Improvements in the site's navigation and search facilities made a significant contribution in this achievement.

The National Cold War Exhibition website was re-launched in August 2009, including a free audio tour which visitors could download to their Ipod or MP3 player. At the time of writing the number of visitors to this site has doubled to 4,600 visitors a month, with US online visitors accounting for half of this website's audience.

In January, the Museum launched a mobile phone website – www.rafmuseum.mobi – aimed at individuals who have to juggle family needs with the various challenges of modern life. The new website informs users clearly and concisely of the latest news and events taking place at the London and Cosford sites; gives directions on how to reach either site via public or private transport and contains direct dial options for those who require further assistance.

Other notable web developments during the course of the year include the recording of a podcast by Sir Richard Branson to support the Douglas Bader on-line exhibition; whilst social engagement between the Museum and its various audiences has been improved through a substantial increase in traffic to the Museum's Facebook Fan Pages, Twitter Feed and YouTube Channel.

The London site became the first museum in the country to install a new mobile-based audio tour. Visitors to the Bomber Hall can now use their personal mobile phones to access a detailed commentary on the different exhibits. Alternatively, the tour can be downloaded from the Museum's website onto an Ipod or MP3 player and can be used in conjunction with the Museum's Guide Book to give further insights into the Museum's historic collection.

Information and public access

Although the number of postal and telephone enquiries handled by the Collections Division remained around 7,000, the number of researchers using the reading room at the London site rose from 624 to 746. Although the range and research topics remain broad, family history is a major area of interest. A Family History Weekend held in early October 2009 attracted a smaller audience than had been hoped for, but improved marketing should make a second event, planned for November 2010, more successful.

Collection and management of heritage assets

During the year a total of 22,656 records were added to the electronic catalogue, bringing the total to 385,462; this represents an estimated 97 per cent of the Museum's accessioned collections.

The inventory of the Museum's un-accessioned collections, an estimated two-thirds of the entire Collection, picked up pace as many inventory projects in the accessioned collection came to a close – notably the inventory of the clothing, film and sound collections. The inventory of the un-accessioned Archive library collections commenced at the London site and the first un-accessioned collection reviews began on the Firearms and Communications Equipment sections at the Stafford site.

Notable acquisitions during the year

- Percival Prentice training aircraft;
- DSO and MC* group to Lieut A P F Rhys Davids, RFC, 56 Squadron;
- Bust of AVM Sir Keith Park taken from the mould statue on the 4th plinth in Trafalgar Square by Leslie Johnson;
- Battle of Britain medal bar to Wg Cdr E C Wolfe;
- Air Defence Cadet Corps Gallantry Cross to Cadet Harry Smith for a rescue action in the London Blitz;
- Medal bar of nine to Lt-Col Sir Alexander Bannerman, 1st Commanding Officer of the RFC;
- Military Medal to Cpl Tom Squire, RAF Regiment for gallantry for leading his section in the attack on the Sugar Factory at Classe Fuori, near Ravenna, 1944;
- Working script for the 1968 film 'Battle of Britain' signed by wartime pilots and those who flew aircraft for the film;
- A selection of wartime aircraft recognition training films produced in Germany depicting both allied and German types;
- Video of an interview (dating from 1988) with Roy Shillinglaw, who served as an observer in the Royal Flying Corps and Royal Air Force during the First World War, flying FE2b and Handley Page O/400 aircraft; and
- 14 DVD's featuring restoration of the RAF Museum's Fairey Battle Mk 1 L5343 by Medway Aircraft Preservation Society.

A record number of high resolution digital images (over 18,000) were produced for the Photograph Collection, including nearly 10,000 Charles Brown photographs. In addition to photographs, the entire Sound Collection (around 500 pieces) was digitised as part of a collection development project.

Members of the public are able to view material from the catalogue via the Museum's Navigator website. Record visitor numbers were received, with a total of 133,013 visits during the year – an average of 11,084 per month.

The Museum has continued to develop its collections care activities to ensure long term preservation of the collections. Centralised environmental, pest and light monitoring programmes are now in place and a programme of object cleaning and showcase housekeeping is now underway. In addition to these new activities the Museum's first formal Preservation Policy is under development.

Financial review

Statement of financial activities

Income: The Museum received £7,367,000 of Grant in Aid (2009: £7,989,000). Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £1,936,615 (2009: £1,859,491) (Note 18). Total Incoming Resources amounted to £9,816,683 (2009: £10,687,562) (Note 18).

Resources Expended: The total of Resources expended amounted to £11,473,353 (2009: £11,324,051) (Note 18). The majority of costs, including the costs of salaries, are in respect of charitable activities.

After adjustment for notional charges and other recognised gains and losses totalling £1,215,808 (2009: £358,382) (Note 18: Notional Cost of Capital plus Revaluation of fixed assets and Investments), the net movement in funds for the year was a decrease of £1,761,638 (2009: decrease £1,713,085) (Note 18).

Balance sheet

The value of the group net assets has decreased during the year, and now stands at £56,683,006 at the year-end (2009: £58,444,644) (Consolidated Balance Sheet).

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 turnover of £1,936,615 (2009: £1,859,491) (Note 4b) and the associated costs of trading were £1,719,613 (2009: £1,671,717) (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 £241,123 (2009: £238,689) being paid to the Museum. The remaining balance of the total donation of £247,595 (2009: £231,747) (Note 4b) in respect of covenanted profit, which is included within Debtors and amounts to £197,595 (Note 11), will be made to the Museum during the next financial year.

Donations: During the year, a total of £335,783 (2009: £612,021) (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 £77,200 (2009: £222,354) (Note 3), which the Museum also received during the year.

Friends of the RAF Museum and the Bomber Command Association: Both organisations are independent, but supportive of the Museum's aims and activities. The sum of £14,000 (2009: £21,500) (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

The Trustees continually monitor the level of the Charity's reserves, defined for the purposes of this policy as the amounts shown as 'Investments' and 'Net Current Assets' in the accounts of the Charity, and which are attributable to unrestricted funds. As at 31 March 2010, and under the new SORP guidance and analysis of funds, the level of reserves for the development of the Museum (Unrestricted Funds) stood at £2,801,134 (2009: £886,644) (Balance Sheet). The large variance is due to the professional revaluation of land and building dated 31.03.10 which instigated reallocation of capital between GIA funds and unrestricted funds. Net funds at 31.03.10 stood at £267,930 (Note 16).

The amount and term of the investment of all of the reserves are based on the Trustees' opinion of the immediate and future needs of the Museum by identifying the requirements for continuing operations. Given the level of income and the demands placed upon the flexible funds of the Museum, the Trustees are unable to set aside sufficient cash reserves for the long-term needs of the Museum. and it has not been possible to develop a reserves policy for this reason.

Payment of creditors

The Museum's policy 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 30.5 days (2009: 33 days).

Investment policy

The Trustees continually monitor levels of all the Charity's funds. Available funds are currently invested in term deposits to maximise the level of return but with minimum risk.

The amounts and terms of the investment are based on the Trustees' opinion of the immediate and future needs of the Museum by analysing the requirements of continuing operations and place on deposit sums to support medium to long-term development, expansion and maintenance not funded by MOD.

Remuneration report

This section has been subject to audit.

Name	Salary, including performance pay received in year £000	Benefits in kind £000	Real increase in pension and Lump Sum £000	Total accrued pension at age 60 at 31 March 2010 and related lump sum £000	CETV at 31 March 2009 (nearest £000)	CETV at 31 March 2010 (nearest £000)	Real increase in CETV as funded by employer £000
			0-2.5 Lump Sum	35-40 Lump Sum			
Dr Michael Fopp	90-95 (90-95)	13,660	2.5-5	115-120	878	905	27
Mr Peter Dye	75-80 (60-65)	NIL	N/A	N/A	N/A	N/A	N/A
Mr John Kitchen	75-80 (75-80)	NIL	N/A	N/A	N/A	N/A	N/A
			0-2.5 Lump Sum	5-10 Lump Sum			
Mr Keith Ifould	70-75 (70-75)	NIL	0-2.5	5-10	185	207	20

Prior year salary figures are shown in brackets.

The benefit in kind received by Dr Michael Fopp relates to the use of a car.

Dr Michael Fopp additionally received a compensation payment equivalent to six months salary under an early retirement agreement authorised by the Trustees, the Ministry of Defence and HM Treasury, as provided for under the terms of the Civil Service Compensation Scheme. His date of retirement was 8 June 2010.

Mr John Kitchen and Mr Peter Dye were not members of the PCSPS and the Museum did not fund any pension contributions for them in 2009-10.

All Senior Staff are subject to performance criteria. The Director's General bonus is paid centrally on assessment by the Chairman of Trustees.

Unless otherwise stated the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 65. Early termination, other than for misconduct, may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Not all officials covered in the remuneration report are members of the Civil Service Compensation Scheme and would therefore not be entitled to any compensation.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

The Board of Trustees comprised 16 members, none of whom were full time employees of the institution and they were paid £1,130 in reimbursed expenses. (2009: £376)

Pension costs and benefits

The Principal Civil Service Pension Scheme (PCSPPS) 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 PCSPPS. 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.

Further details of the scheme are provided in Note 1 under Accounting Policies.

For 2009-10, employers' contributions of £219,199 were payable (2008-2009 £246,351). The applicable rates for the pension scheme are shown below

Scheme	Class of member	2009-2010	
		Gross Salary	Rate %
PCSPS	Non-industrial and Industrial Civilians	72,001 and over	24.3
		42,001 – 72,000	21.8
		20,501 – 42,000	18.8
		Up to 20,500	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 30 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.

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 2003-2004 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 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.

Future plans and events since the year end

On 13 May 2010 the Museum, as part of the wider celebrations marking the 70th anniversary of the Battle of Britain, held a major fund-raising banquet at Hendon. Profits from the event will go to the refurbishment of the current Battle of Britain Exhibition. The opportunity was also taken to announce the Trustees' plans for a possible new building – the Battle of Britain Beacon.

In conjunction with English Heritage and Wessex Archaeology, an underwater survey was recently conducted of a German bomber shot down during the Battle of Britain. A potential recovery operation is being explored with the aim of permanently exhibiting the remains at Hendon, possibly within the new Beacon building.

Work on the rebuilding of the Grahame White Office and Control Tower continues with a formal handover scheduled for later in the year. It is intended to mount a dedicated exhibition in the new facility focussing on the history of Hendon airfield (and the local area), as well as the story of early military aviation.

The long running project to rebuild the Museum's Sopwith Dolphin single-seat fighter should be completed later this autumn. When the aircraft goes on public display in the Grahame White Hangar, it will mark the end of some 40 year's work to preserve the last surviving example of its type.

The planned curatorial exchange involving staff from the Museum and the Smithsonian National Air & Space Museum, Washington will take place this summer. The aim, like the Apprentice exchange programme, is to share professional experience, develop a closer relationship between two of the world's leading aviation museums and foster international understanding.

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) Order 2003. The fee for the audit of the 2009-2010 accounts was £12,750.

Personal data loss

The Museum has not identified any personal data related incidents during 2009-10 or in the previous five 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 released, 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.

Mr Peter Dye OBE
Director General
The Royal Air Force Museum

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

2 July 2010

2 July 2010

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; and
- 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*.

The newly appointed Accounting Officer took up his appointment with effect from 9 June 2010, but had been the acting Director General for the preceding four months and, prior to that, the Museum's Director of Collections. He is familiar with the Museum's system of internal control and the requirements placed upon Accounting Officers by the provisions of *Managing Public Money* Chapter 3.

The accounts are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. The fee for the audit of the 2009-2010 accounts was £12,750.

Mr Peter Dye OBE
Director General
The Royal Air Force Museum

2 July 2010

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

2 July 2010

Statement on Internal Control for the year ending 31 March 2010

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 Memorandum as agreed with the MOD.

The responsibilities of Accounting Officer prior to 1 February 2010 were undertaken by my predecessor on whom I have relied for a number of assurances.

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. The system of internal control has been in place in the Royal Air Force Museum for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts in accordance with Treasury guidance.

Capacity to handle risk

The Audit Committee of the Board of Trustees keeps under regular review the Risk Register and reports its findings to the full Board. Members of the Audit Committee are aware of their responsibilities set out in the Audit Committee Handbook published in March 2007.

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 documents, defines terms, and sets out the perceived risks and the attitude of the Museum to each one.

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 (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. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Internal audit is contracted out to Daly, Hoggett and Co Chartered Accountants, who operate to standards defined in the Government Internal Audit Manual. The work of the internal auditors is informed by an analysis of the risks to which the Museum is exposed, and annual audit plans are based on this analysis. We approve a programme of work and are provided with a report on internal audit activity at the Museum annually.

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

In our view, the information received 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.

Mr Peter Dye OBE
Director General
The Royal Air Force Museum

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

2 July 2010

2 July 2010

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 and Group for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Consolidated Statement of Financial Activities, and Consolidated Balance Sheets, 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 Board of Trustees, Director General and Auditor

The Board of Trustees and Director General are responsible for preparing the Trustees Report, which includes the Remuneration Report, and the financial statements in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence and for ensuring the regularity of financial transactions funded by Parliamentary grant (grant-in-aid). These responsibilities are set out in the Statement of the Board of Trustees' and the Director General's responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited 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 report to you whether, in my opinion, the information, which comprises the Financial Review, included in the Trustees' Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing 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 addition, I report to you if the Royal Air Force 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 Internal Control reflects the Royal Air Force Museum's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Royal Air Force Museum's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees' Report and consider whether it is consistent with the audited financial statements. This information comprises the Financial Review. 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 opinions

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 General in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Royal Air Force Museum'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 incoming and outgoing 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.

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by Secretary of State for Defence, of the state of The Royal Air Force Museum's and the group's affairs as at 31 March 2010 and of its 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
- information, which comprises the Financial Review, included within the Trustees Report, is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

12 July 2010

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

Consolidated Statement of Financial Activities for the year ended 31 March 2010

		Unrestricted Funds	Grant in Aid Funds	Restricted Funds	Total Funds	Total Funds
		2010	2010	2010	2010	2009
Notes		£	£	£	£	£
Incoming resources						
Incoming resources from generated funds						
		0	7,258,000	0	7,258,000	7,880,000
		0	109,000	0	109,000	109,000
	3	76,019	0	259,764	335,783	612,021
		21,123	0	0	21,123	49,048
		145,179	0	0	145,179	101,276
		Activities for Generating Funds:				
	4b	1,936,615	0	0	1,936,615	1,859,491
		10,915	69	0	10,984	76,725
		<u>2,189,851</u>	<u>7,367,069</u>	<u>259,764</u>	<u>9,816,684</u>	<u>10,687,561</u>
Total incoming resources						
Resources Expended						
Costs of generating funds:						
	5	169,302	161,235	0	330,537	334,892
	4b	1,719,613	0	0	1,719,613	1,671,717
		<u>1,888,915</u>	<u>161,235</u>	<u>0</u>	<u>2,050,150</u>	<u>2,006,609</u>
		Net incoming resources available for charity application				
		<u>300,936</u>	<u>7,205,834</u>	<u>259,764</u>	<u>7,766,534</u>	<u>8,680,952</u>
Charitable activities:						
	6a	434,607	7,818,259	1,029,707	9,282,573	9,195,888
		0	4,760	0	4,760	6,703
		0	1,320,776	0	1,320,776	1,434,977
	5	0	135,871	0	135,871	114,851
		<u>434,607</u>	<u>9,279,666</u>	<u>1,029,707</u>	<u>10,743,980</u>	<u>10,752,419</u>
		Total resources expended				

Notes	Unrestricted Funds 2010 £	Grant in Aid Funds 2010 £	Restricted Funds 2010 £	Total Funds 2010 £	Total Funds 2009 £
Net outgoing resources before reversal of notional costs	(133,671)	(2,073,832)	(769,943)	(2,977,446)	(2,071,467)
Reversal of notional cost of capital	0	1,320,776	0	1,320,776	1,434,977
Net (outgoing)/incoming resources for the year	(133,671)	(753,056)	(769,943)	(1,656,670)	(636,490)
Gains and losses on revaluations of fixed assets for the charity's own use	2,017,337	(5,107,510)	2,984,861	(105,312)	(1,076,430)
Gains and losses on revaluations and disposals of investment assets	344	0	0	344	(165)
Net movement in funds	<u>1,884,010</u>	<u>(5,860,566)</u>	<u>2,214,918</u>	<u>(1,761,638)</u>	<u>(1,713,085)</u>
Funds b/fwd at 1 April 2009	<u>788,580</u>	<u>40,666,750</u>	<u>16,989,314</u>	<u>58,444,644</u>	<u>60,157,729</u>
Funds c/fwd at 31 March 2010	<u>2,672,590</u>	<u>34,806,184</u>	<u>19,204,232</u>	<u>56,683,006</u>	<u>58,444,644</u>

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

The notes on pages 22 to 36 form part of these financial statements.

Consolidated Balance sheet for the year ended 31 March 2010

	Notes	Group 2010 £	Group 2009 £	Charity 2010 £	Charity 2009 £
Fixed assets					
Tangible assets	9	56,572,174	57,094,096	56,484,427	56,930,220
Investments	4a	0	0	100,002	100,002
		56,572,174	57,094,096	56,584,429	57,030,222
Current assets					
Stocks	10	176,885	178,559	0	0
Debtors	11	262,475	322,629	393,942	495,714
Investments	12	2,540	2,196	2,540	2,196
Cash at bank	13	629,147	1,963,561	519,596	1,792,287
		1,071,047	2,466,945	916,078	2,290,197
Creditors					
Amounts falling due within one year	14	(849,082)	(968,747)	(664,461)	(762,037)
NET CURRENT ASSETS		221,965	1,498,198	251,617	1,528,160
TOTAL ASSETS LESS CURRENT LIABILITIES		56,794,139	58,592,294	56,836,046	58,558,382
Creditors					
Amounts falling due after more than one year	15	(111,133)	(147,650)	(24,496)	(15,674)
		56,683,006	58,444,644	56,811,550	58,542,708
Reserves					
	18/19				
Unrestricted funds		2,672,590	788,580	2,801,134	886,644
Grant in Aid Operating account		33,468,833	39,479,758	33,468,833	39,479,758
Grant in Aid exhibits reserve		1,337,351	1,186,992	1,337,351	1,186,992
Other restricted funds		19,204,232	16,989,314	19,204,232	16,989,314
		56,683,006	58,444,644	56,811,550	58,542,708

Approved by the Board of Trustees on 28 June 2010 and signed on its behalf by

Mr Peter Dye OBE
Director General
The Royal Air Force Museum

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

The notes on pages 22 to 36 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 March 2010

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

	Restricted Funds			Total Funds 2010 £	Total Funds 2009 £
	Unrestricted Funds 2010 £	Grant in Aid Funds 2010 £	Other Funds 2010 £		
Net Incoming Resources	(133,671)	(753,056)	(769,943)	(1,656,670)	(636,489)
Interest receivable	(10,863)	(69)	0	(10,932)	(76,683)
Interest payable	10,109	0	0	10,109	17,593
Dividends received	(52)	0	0	(52)	(42)
Depreciation of tangible assets	200,841	728,041	838,509	1,767,391	1,940,809
(Profit)/loss on disposal of assets	(10,152)	0	0	(10,152)	(995)
(Increase) / decrease in stocks	1,674	0	0	1,674	(34,143)
(Increase) / decrease in debtors	27,221	32,933	0	60,154	176,174
(Decrease) / increase in creditors	(15,277)	(96,147)	0	(111,424)	(384,797)
Net cash flow from operating activities	69,830	(88,298)	68,566	50,098	1,001,427
Net cash flow from operating activities	69,830	(88,298)	68,566	50,098	1,001,427
Returns on investments and servicing of finance					
Bank interest received	10,863	69	0	10,932	76,683
Finance charges paid	(10,109)	0	0	(10,109)	(17,593)
Dividends received	52	0	0	52	42
Capital expenditure					
Purchase of tangible fixed assets	(270,704)	(1,067,733)	(22,692)	(1,361,129)	(813,371)
Proceeds from disposal of tangible fixed assets	20,500	0	0	20,500	995
Management of liquid resources					
Proceeds from disposal of current asset investments	0	0	0	0	978
Transfers between funds	(355,600)	343,296	12,304	0	0
Financing					
Capital element of finance lease rentals	(10,165)	714	0	(9,451)	(39,640)
Long term loan	(45,339)	0	0	(45,339)	(44,077)
(Decrease)/increase in cash in the period	(590,672)	(811,952)	58,178	(1,344,446)	165,444

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 22 to 36 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2010

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.

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 31 March, 2010.

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. However, while the legal ownership sits with the RAF Museum Investments Limited, in substance the Museum retains the risks and rewards associated with the ownership of these assets and therefore in accordance with FRS5, they are recognised in the RAF Museum's financial statements.

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

In accordance with Treasury guidelines, a notional cost of capital, calculated at 3.5 per cent on the average Grant in Aid funds during the year, is charged in arriving at Total Resources Expended. The charge is reversed in arriving at the Net Movement in Funds. The Museum is insured via commercial providers and so does not charge notional insurance.

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	three to five years straight line
Plant and machinery	five years straight line
Motor vehicles	four years straight line
Heritage Assets	Nil

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

Exhibition costs and collection assets

Heritage assets acquired after 1 April 2001 are capitalised, but are not revalued or depreciated. Collection assets acquired before 1 April 2001 have not been capitalised because reliable cost information is not readily available.

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.

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 38 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 per cent 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 2010 was £Nil (2009: £Nil).

3 Other grants and donations

	Unrestricted Fund	Grant in Aid Operating Funds	Other Restricted Funds	Total Funds	Total Funds
	2010	2010	2010	2010	2009
	£	£	£	£	£
Bomber Command Association	0	0	0	0	15,000
Society of Friends of the RAF Museum	0	0	14,000	14,000	21,500
Exhibits Donated	0	0	77,200	77,200	222,354
Other	76,019	0	168,564	244,583	353,167
	<u>76,019</u>	<u>0</u>	<u>259,764</u>	<u>335,783</u>	<u>612,021</u>

4a Investment in subsidiary undertakings

Of the investment of £100,002 (2009: £100,002), £100,000 represents the charity's interest in 100 per cent 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

	2010	2009
	£	£
The assets and liabilities of the subsidiary were:		
Fixed assets	87,747	163,876
Current assets	412,899	492,267
Creditors: amounts falling due within one year	(442,553)	(522,231)
Creditors: amounts falling due after more than one year	(86,637)	(131,976)
	<u>(28,544)</u>	<u>1,936</u>
	2010	2009
	£	£
At 1 April, 2009	1,936	40,656
Profit/(Loss) retained in subsidiary	(30,480)	(38,720)
At 31 March, 2010	<u>(28,544)</u>	<u>1,936</u>

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

£2 represents the charity's interest on 100 per cent 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:

	2010	2009
	£	£
Royal Air Force Museum Enterprises Limited		
Turnover	1,936,615	1,859,491
Cost of sales and administrative expenses	(1,715,502)	(1,658,681)
	221,113	200,810
Interest receivable	113	5,253
Interest paid	(4,111)	(13,036)
Net profit	217,115	193,027
Charitable contribution under Deed of Covenant	(247,595)	(231,747)
Deficit in subsidiary	(30,480)	(38,720)

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	2010			Total	2009 Total
	Museum Operation	Governance	Fund Raising and Publicity		
	£	£	£	£	£
Staff Costs	905,629	82,518	222,490	1,210,637	1,133,873
Premises Costs	685	1,541	1,137	3,363	3,182
Motor Expenses	11,963	0	0	11,963	11,554
Travel, Subsistence and Hospitality	7,419	12,529	19,765	39,713	41,835
Administration Expenses	0	778	4,278	5,056	5,206
Legal, Professional and Consultancy	19,393	35,908	0	55,301	79,428
Advertising & Publicity	0	0	80,951	80,951	75,363
Repairs and Maintenance	846	752	555	2,153	1,856
Depreciation	2,078	1,845	1,361	5,284	5,806
Financial	26,828	0	0	26,828	27,769
Sundry	87,237	0	0	87,237	110,483
Total	1,062,078	135,871	330,537	1,528,486	1,496,355

*Included in Legal, Professional and Consultancy is the audit fee payable to National Audit Office amounting to £12,750 and £5,750 for the RAF Museum Enterprises Ltd.

6a Analysis of charitable expenditure

	2010				2009	
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
School programmes and curriculum development	32,690	0	0	0	32,690	39,966
Events and exhibitions	0	132,328	107,944	0	240,272	312,005
Department of Research Information Services	0	0	0	6,839	6,839	10,840
Curatorial	0	0	0	0	0	0
M B Conservation Centre	0	0	0	65,862	65,862	53,360
Department of Collection Management	0	0	0	16,444	16,444	10,206
Visual Arts	0	0	0	21,777	21,777	25,290
Salaries	323,153	602,151	2,071,475	837,595	3,834,374	3,715,452
Central premises costs	88,438	1,531,403	5,486	484,247	2,109,574	1,937,886
Depreciation	71,149	1,232,028	3,568	389,581	1,696,326	1,864,474
Travel, Subsistence and Hospitality	10,669	19,005	156	3,436	33,266	32,644
Administration expenses	17,499	16,722	67,081	26,443	127,745	121,940
Sundry expenses	0	0	35,326	0	35,326	25,213
Support costs	70,232	456,542	295,999	239,305	1,062,078	1,046,612
Total	613,830	3,990,179	2,587,035	2,091,529	9,282,573	9,195,888

6b Allocation of other operating costs by fund

	2010				2009	
	Unrestricted	GIA	Restricted	Total	Total	Total
	£	£	£	£	£	£
Total per the SOFA						
Fund raising & publicity	169,302	161,235	0	330,537		334,892
Operation of Museum	434,607	7,818,259	1,029,707	9,282,571		9,195,887
Governance	0	135,871	0	135,871		114,851
	603,909	8,115,365	1,029,707	9,748,981		9,645,630
Less: staff costs (Note 8)	0	(5,025,011)	(20,000)	(5,045,011)		(4,849,324)
Less: depreciation (Note 5 & Note 6a)	(135,062)	(728,039)	(838,509)	(1,701,610)		(1,870,280)
	468,847	2,362,315	171,198	3,002,360		2,926,026

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.

	2010					2009
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
Costs	613,830	3,990,179	2,587,035	2,091,529	9,282,573	9,195,888
Donations	(11,818)	(104,367)	(1,000)	(65,379)	(182,564)	(99,909)
Other Direct Revenue	(43,030)	0	(14,425)	0	(57,455)	(18,037)
Net cost/(income) funded from other income	558,982	3,885,812	2,571,610	2,026,150	9,042,554	9,077,942

8 Staff costs and numbers

	Unrestricted Fund	Grant in Aid Operating Funds	Other restricted Funds	Total Funds	Total Funds
	2010	2010	2010	2010	2009
	£	£	£	£	£
Salaries and wages	0	4,374,884	20,000	4,394,884	4,204,468
Social security costs	0	430,928	0	430,928	398,504
Pension costs	0	219,199	0	219,199	246,352
	0	5,025,011	20,000	5,045,011	4,849,324

The above costs exclude the trading subsidiary.

The Royal Air Force Museum employed 183 members of staff as at 31 March 2010. During the year there were approximately 2,525 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 6.2 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).

9A Tangible fixed assets – group

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets under Con- struction	Exhibits	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April, 2009	43,449,906	15,199,143	3,037,080	472,973	222,189	4,089,738	66,471,029
Additions	1,139,318	4,243	157,990	15,265	(215,189)	259,502	1,361,129
Disposals	0	0	0	(42,416)	0	0	(42,416)
Revaluations	(4,489,224)	(3,543,386)	(6,274)	3,777	0	0	(8,035,107)
At 31 March, 2010	40,100,000	11,660,000	3,188,796	449,599	7,000	4,349,240	59,754,635
Depreciation							
At 1 April, 2009	4,912,546	1,418,985	2,650,186	395,216	0	0	9,376,933
Charged in the year	1,074,770	529,074	131,459	32,088	0	0	1,767,391
Disposals	0	0	0	(32,069)	0	0	(32,069)
Revaluations	(5,987,316)	(1,948,059)	520	5,061	0	0	(7,929,794)
At 31 March, 2010	0	0	2,782,165	400,296	0	0	3,182,461
Net book values							
At 31 March, 2010	40,100,000	11,660,000	406,631	49,303	7,000	4,349,240	56,572,174
At 31 March, 2009	38,537,360	13,780,158	386,894	77,757	222,189	4,089,738	57,094,096

9B Tangible fixed assets – charity

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets under Con- struction	Exhibits	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April, 2009	43,449,906	15,199,143	2,423,344	178,042	222,187	4,089,738	65,562,360
Additions	1,139,318	4,243	157,988	15,265	(215,187)	259,502	1,361,129
Disposals	0	0	0	(1,027)	0	0	(1,027)
Revaluations	(4,489,224)	(3,543,386)	(6,274)	3,778	0	0	(8,035,106)
At 31 March, 2010	40,100,000	11,660,000	2,575,058	196,058	7,000	4,349,240	58,887,356
Depreciation							
At 1 April, 2009	4,912,546	1,418,985	2,180,491	120,118	0	0	8,632,140
Charged in the year	1,074,770	529,074	75,162	22,604	0	0	1,701,610
Disposals	0	0	0	(1,027)	0	0	(1,027)
Revaluations	(5,987,316)	(1,948,059)	520	5,061	0	0	(7,929,794)
At 31 March, 2010	0	0	2,256,173	146,756	0	0	2,402,929
Net book values							
At 31 March, 2010	40,100,000	11,660,000	318,885	49,302	7,000	4,349,240	56,484,427
At 1 April, 2009	38,537,360	13,780,158	242,853	57,924	222,187	4,089,738	56,930,220

Group tangible fixed assets as at 31 March 2010 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited, with a net book value of £87,746 (2009: £163,876). 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 depreciation replacement cost.

On 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 whole Group under Finance Leases are: Group fixtures, fittings and equipment – NBV of £26,383 (2009: £24,289) and depreciation charge of £23,369 (2009: £25,175). Group plant and machinery – NBV of £11,948 (2009: £16,302) and depreciation charge of £4,779 (2009: £4,567). Group motor vehicles – NBV Nil (2009: £19,833) and depreciation charge £9,484 (2009: £10,347). The vehicle was sold on the 18 March for £19,500 with a capital gain of £9,151.

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 £26,383 (2009: £24,289) and depreciation charge of £23,369 (2009: £25,175). Charity Plant and Machinery – NBV of £11,948 (2009: £16,302) and depreciation charge of £4,779 (2009: £4,567). There are no Charity Motor Vehicles held under Finance Leases this financial year. Assets under construction of £7,000 (2009: £222,187 – BoB Roof) related to the renovation of an exhibit 'Comper Swift'.

10 Stocks

	2010	Group 2009	2010	Charity 2009
	£	£	£	£
Goods for resale	176,885	178,559	0	0

11 Debtors

	2010	Group 2009	2010	Charity 2009
	£	£	£	£
Trade debtors	80,928	79,111	25,441	16,842
Amounts due from subsidiary undertaking	0	0	49,085	83,772
Other debtors	16,938	46,376	16,938	46,376
Prepayments and accrued income	164,609	197,142	104,883	116,977
Charitable Deed of Covenant	0	0	197,595	231,747
	262,475	322,629	393,942	495,714

12 Investments – group and charity

	2010	2009
	£	£
Quoted investments:		
Market value on 1 April, 2010	2,196	3,339
Additions	0	0
Disposal of investments	0	(978)
Realised loss on disposal	0	0
Net unrealised investment (losses) / gains	344	(165)
Market value at 31 March, 2010	2,540	2,196
Historical cost at 31 March, 2009	2,117	2,117

13 Cash at bank and in hand

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Unrestricted Funds	449,807	1,030,447	340,256	859,173
Grant in Aid (Operational) Funds	56,540	801,497	56,540	801,497
Grant in Aid (Purchase Grant) Funds	26,286	93,281	26,286	93,281
Other restricted funds	96,514	38,336	96,514	38,336
	629,147	1,963,561	519,596	1,792,287

14 Creditors – amounts falling due within one year

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	54,975	44,943	12,109	5,430
Obligations under finance leases	18,309	36,582	18,309	26,417
Amounts owed to subsidiary undertakings	0	0	2	2
Trade creditors	304,443	480,789	254,902	435,555
Taxation and social security	95,738	91,673	84,712	82,270
Other creditors	45,916	24,047	22,711	676
Accruals and deferred income	329,701	290,713	271,716	211,687
	849,082	968,747	664,461	762,037

Obligations under finance leases are secured on the underlying assets.

15 Creditors – Amounts falling due after more than one year

	Group		Charity	
	2010	2009	2010	2009
	£	£	£	£
Obligation under finance leases	24,496	15,674	24,496	15,674
Bank loan	86,637	131,976	0	0
	111,133	147,650	24,496	15,674

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	(590,672)	(811,952)	58,178	(1,344,446)
Cash outflow from decrease in financing	9,451	0	0	9,451
Cash inflow from sale of liquid resources	0	0	0	0
Change in net funds resulting from cash flow	(581,221)	(811,952)	58,178	(1,334,995)
Repayment of bank loan	45,339	0	0	45,339
Change in market value of liquid resources	344	0	0	344
	45,683	0	0	45,683
Net funds at 1 April 2009	803,468	894,778	38,336	1,736,582
Net funds at 31 March 2010	267,930	82,826	96,514	447,270

17 Analysis of net funds

	1 April 2009	Cash flow	Other Changes	31 March 2010
	£	£	£	£
Cash at bank and in hand	1,963,561	(1,334,414)	0	629,147
Bank loans and overdrafts	(44,943)	(10,032)	0	(54,975)
Obligations under finance leases within 1 year	(36,582)	41,938	(23,665)	(18,309)
Obligations under finance leases after 1 year	(15,674)	0	(8,822)	(24,496)
Long term loans	(131,976)	45,339	0	(86,637)
Current asset investments	2,196	0	344	2,540
	1,736,582	(1,257,169)	(32,143)	447,270

18 Movement of funds

	Grant in Aid					
	Unrestricted Funds 2010 £	Operating Funds 2010 £	Purchase Grant Funds 2010 £	Other Restricted Funds 2010 £	Total Funds 2010 £	Total Funds 2009 £
Incoming resources						
Grant in Aid	0	7,258,000	109,000	0	7,367,000	7,989,000
Other grants and donations	76,019	0	0	259,764	335,783	612,021
Special events	21,123	0	0	0	21,123	49,048
Interest on deposits	10,863	0	69	0	10,932	76,683
Other income	145,179	0	0	0	145,179	101,276
Dividends Received	52	0	0	0	52	42
Commercial trading operations	1,936,615	0	0	0	1,936,615	1,859,491
Total incoming resources	2,189,851	7,258,000	109,069	259,764	9,816,684	10,687,561
Resources expended						
Staff costs (Note 8)	0	5,025,011	0	20,000	5,045,011	4,849,324
Purchase of exhibits	0	0	4,760	0	4,760	6,703
Other operating costs (Note 6)	468,847	2,408,365	(46,050)	171,198	3,002,360	2,926,029
Depreciation (Note 5 & Note 6)	135,062	728,039	0	838,509	1,701,610	1,870,278
Commercial trading operation	1,719,613	0	0	0	1,719,613	1,671,717
Total resources expended	2,323,522	8,161,415	(41,290)	1,029,707	11,473,354	11,324,051
Net (outgoing)/incoming resources for the year	(133,671)	(903,415)	150,359	(769,943)	(1,656,670)	(636,490)
Gains and losses on revaluations of fixed assets	2,017,337	(5,107,510)	0	2,984,861	(105,312)	(1,076,430)
Gains and losses on revaluations and disposals of investments	344	0	0	0	344	(165)
Net movement in funds for the year	1,884,010	(6,010,925)	150,359	2,214,918	(1,761,638)	(1,713,085)
Funds b/fwd at 1 April 2009	788,580	39,479,758	1,186,992	16,989,314	58,444,644	60,157,729
Funds c/fwd at 31 March 2010	2,672,590	33,468,833	1,337,351	19,204,232	56,683,006	58,444,644

Reconciliation of total resources expended to the SOFA

Resources expended per the SOFA	Unrestricted Funds 2010	Grant in Aid Funds 2010	Other Funds 2010	Total Funds 2010	Total Funds 2009
	£	£	£	£	£
Costs of generating funds:					
Fund raising and publicity	169,302	161,235	0	330,537	334,892
Commercial trading operations	1,719,613	0	0	1,719,613	1,671,717
	<u>1,888,915</u>	<u>161,235</u>	<u>0</u>	<u>2,050,150</u>	<u>2,006,609</u>
Charitable activities:					
Operation of Museum	434,607	7,818,258	1,029,707	9,282,572	9,195,887
Purchase of exhibits	0	4,760	0	4,760	6,703
Notional cost of capital	0	1,320,776	0	1,320,776	1,434,977
Governance costs	0	135,871	0	135,871	114,851
	<u>434,607</u>	<u>9,279,665</u>	<u>1,029,707</u>	<u>10,743,979</u>	<u>10,752,418</u>
Less: notional cost of capital	0	(1,320,776)	0	(1,320,776)	(1,434,977)
Total resources expended	<u>2,323,522</u>	<u>8,120,124</u>	<u>1,029,707</u>	<u>11,473,353</u>	<u>11,324,050</u>

19 Analysis of group net assets between funds

	Grant in Aid				Total Funds 2010	Total Funds 2009
	Unrestricted Funds 2010	Operating Funds 2010	Purchase Grant Funds 2010	Other Restricted Funds 2010		
	£	£	£	£	£	£
Tangible fixed assets	2,240,166	33,875,557	1,322,065	19,134,386	56,572,174	57,094,096
Cash at bank and in hand	449,807	56,540	26,286	96,514	629,147	1,963,561
Other net current assets	69,254	(438,768)	(11,000)	(26,668)	(407,182)	(465,363)
Total assets less current liabilities	<u>2,759,227</u>	<u>33,493,329</u>	<u>1,337,351</u>	<u>19,204,232</u>	<u>56,794,139</u>	<u>58,592,294</u>
Creditors due after one year	(86,637)	(24,496)	0	0	(111,133)	(147,650)
Net assets	<u>2,672,590</u>	<u>33,468,833</u>	<u>1,337,351</u>	<u>19,204,232</u>	<u>56,683,006</u>	<u>58,444,644</u>

20 Commitments

	Group	Group	Charity	Charity
	2010	2009	2010	2009
Lease commitments:	£	£	£	£
Net Obligations under finance leases payable				
Within one year	18,309	36,582	18,309	26,417
Between one and five years	24,496	15,674	24,496	15,674
	42,805	52,256	42,805	42,091
Gross obligations under finance leases:				
Within one year	21,793	40,185	21,793	28,685
Between one and five years	26,479	17,018	26,479	17,018
Total gross obligations	48,272	57,203	48,272	45,703
Finance charges and interest allocated to future accounting periods	(5,467)	(3,612)	(5,467)	(3,612)
	42,805	53,591	42,805	42,091

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 £4,566 (2009: £6,012).

During the year, the Museum made operating lease payments amounting to £533,864 (2009: £546,748). At 31 March 2010, the Museum had annual commitments under non-cancellable operating leases as follows:

	Group and Charity	
	2010	2009
	£	£
Operating leases expiring:		
<i>Plant and machinery</i>		
within one year	0	216
in the second to fifth years	16,782	14,218
<i>Land and Buildings</i>		
after five years	516,500	516,500
	533,282	530,934

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. In March 2005, the leasehold property was transferred to this company from the charity, in January 2008, the freehold property.

Royal Air Force Cosford Air Show

Museum staff are no longer involved in the preparation for RAF Cosford Air Show. The Museum has traditionally received a share of the proceeds after expenses, which is no longer applicable.

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 £14,000 (2009: £21,500) was paid to the Museum during the year.

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.

Bomber Command Association

The Bomber Command Association is a separate charity, which frequently provides funds for the work of the Museum.

Royal Air Force Museum American Foundation Inc.

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

22 Contingent liabilities

There were no contingent liabilities as at 31 March 2010 (2009: Nil)

23 Post balance sheet events

There were no post balance sheet events.

The accounts were authorised for issue by the Accounting Officer on 2 July 2010.

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