

ROYAL AIR FORCE MUSEUM

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008**



National Audit Office

Registered Charity No. 244708

ROYAL AIR FORCE MUSEUM

CONTENTS

	Page
Administrative Information	1
Foreword	2 - 10
Statement of Board of Trustees' and Director General's Responsibilities	11
Statement on Internal Control	12
Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	13 - 14
Consolidated Statement of Financial Activities	15 - 16
Consolidated Balance Sheet	17
Consolidated Cash Flow Statement	18
Notes to the Financial Statements	19 - 33
Accounts Direction, Schedule 1 and 2	34 - 37



ROYAL AIR FORCE MUSEUM

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
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

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



ROYAL AIR FORCE MUSEUM

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.

REVIEW OF THE YEAR

The National Cold War Exhibition, opened in February 2007 by HRH the Princess Royal, has been a resounding success and has set new standards in the display and interpretation of historical artefacts and materials. The building in which the exhibition is situated is itself an interpretation of the subject matter and has been acclaimed by many for its innovative design and has won numerous awards. The Museum was supported by the Heritage Lottery Fund, the European Regional Development Fund, Bridgnorth District Council, the MOD, Advantage West Midlands and a number of sponsors and donors. The exhibition, the only one of its kind in the world, attracted over 300,000 visitors to the Museum's Cosford site in the twelve month period following the opening.

The Museum has continued to face financial difficulties, but access to nearly all areas of the Museum has been maintained throughout the year. As the Board reported last year, there are insufficient funds to fulfil, in particular, all the Collections Division activities that should be undertaken by a national museum. The Trustees continue to face challenges as many of the Museum's buildings need major maintenance for which an application for additional funding from its principal sponsor has been made.

ROYAL AIR FORCE MUSEUM

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 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 4th June 2007 and contains modern and best practices for the better management and good governance of the institution.

The following people served as the Museum's Trustees during 2007-2008.

Chairman	Air Chief Marshal Sir John Day KCB OBE (Appt'd 29.09.04)	Non-Executive Director of Royal Air Force Museum Enterprises Ltd & Royal Air Force Museum Investments Ltd
	Ms Carol Blackshaw BA FRAeS MBAC (Retired 19.09.07)	
	Viscount Chelsea (Appt'd 15.12.04)	Member Fund Raising Committee
	Mr Brendan Connor (Appt'd 24.08.05)	Member Development 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 & Non-Executive Director of Royal Air Force Museum Investments Ltd
	Mr Michael H Dale CBE (Re-appt'd 5.11.05)	President RAFM American Foundation
	Mr L Antony Edwards BSc MBA CEng FRAeS (Co-opted 24.08.07)	Chairman Fundraising Committee
	Lord Evans of Watford (Re-appt'd 5.11.05)	Non-Executive Director Royal Air Force Museum Enterprises Ltd
	Sir Gerald Hosker KCB QC (Co-opted 5.07.07)	Member Audit Committee Chairman Audit Committee Member Remuneration Committee
	Sir Roger Jackling KCB CBE (Re-appt'd 5.11.05)	Non-Executive Director Royal Air Force Museum Investments Ltd
	Ms Jane Middleton MSc FCCA MRAeS (Appt'd 29.09.04)	Member Finance Committee
	Sir Peter Rigby DL D.Univ (Appt'd 24.08.05)	Non-Executive Director Royal Air Force Museum Investments Ltd
	Mr Malcolm White OBE FRAeS (Appt'd 29.09.04)	Chairman Education and Research Committee Member Finance Committee Member Fundraising Committee
		Member Fundraising Committee Member Development Committee

ROYAL AIR FORCE MUSEUM

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

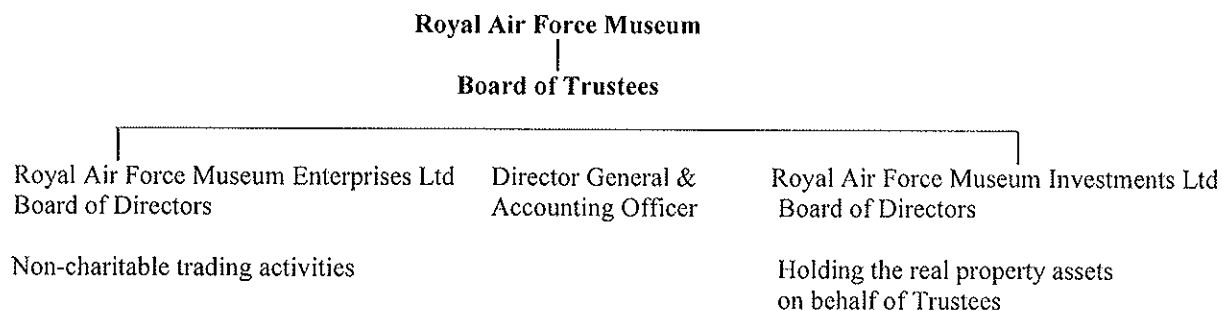
- Audit
- Finance
- Development
- Fund Raising
- Education and Research
- Remuneration

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 always made 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 the members of the Senior Management Team during the year:

Dr Michael A Fopp MA FMA FRAeS
Stuart Garman FCIS

Peter Dye OBE
Keith Ifould CBE AFC FRAeS MIL
John Kitchen MA Mst
Peter Elliott BSc MA RMSA MCLIP
Mrs Sue Fitzsimmons Cert. Ed. DPSE
Alex Medhurst

Director General
Director of Finance & Museum Secretary (until 25th
October 2007)
Director – Collections (appointed 31st March 2008)
Director – Group Business Development Division
Director – Operations Division
Senior Keeper
Head of Access & Learning
General Manager, Cosford

ROYAL AIR FORCE MUSEUM

OBJECTIVES AND ACTIVITIES; ACHIEVEMENTS & PERFORMANCE

Education

The Head of Access and Learning is based at Cosford and the focus of her work has been to provide the learning opportunities arising from the National Cold War Exhibition.

The Museum has continued its well-established history and science programmes and a total of 24,637 students from over 580 schools and other educational establishments visited the Museum's two principal sites during the financial year. These, and the learning facilities arising from the National Cold War Exhibition have been developed to provide on-line interactive access and learning website based lessons. Additional educational activities continued to be provided during school holidays at both sites.

Access & Exhibitions

In July Baroness Thatcher opened an exhibition at Hendon focussed on the Chinook helicopter. A major enhancement of the displays dealing with the RAF's role in maritime war was opened in November, with financial support from the Maritime Air Trust. As part of the Museum's contribution to the annual Archives Awareness Campaign with its theme *Freedom & Liberty*, an exhibition was mounted in the autumn, highlighting the RAF as a liberating force.

The *Hendon Pageant* held at the London site in June 2008 featured a number of external displays and talks by staff.

Visitor Numbers

The total number of visitors during 2007/8 was 539,000 compared with 459,000 for the previous year (both of these figures exclude the Cosford Air Show). The rise in the number of visitors is principally due to the success of the National Cold War Exhibition at the RAF Museum Cosford opened the year before.

Recorded visitors to the Museum's website were 709,175 (2006/07 1,994,403 - not strictly comparable since the method of recording has changed according to a new standard implemented across all museums).

Information & Public Services

The number of enquiries answered by the Collections Division during the year was just under 6,000 in comparison to 6,500 the previous year. A total of 626 researchers visited the reading room on the London site, compared to 583 in 2006/07. The collection of website statistics changed with the new website in June 2007, and this data is not available.

Collection & Management of Heritage Assets

Major acquisitions during the year included:

- Pour Le Merite* ("Blue Max") to Bruno Loerzer, 1917
- Distinguished Service Cross medal bar to Flt Lt Bernard Ahern for Air Sea Rescue duties, 1944
- Medals and logbooks of Air Chief Marshal Sir Lewis Hodges
- "Scramble" - bronze maquette by Paul Day
- Group of watercolours and drawings by Julius Stafford Baker, WWII
- Reel of 8mm film dating from 1968 featuring (among other subjects) the making of 'The Battle of Britain' film.
- Ten reels of 16mm film from the personal collection of Mr Alex Henshaw. These include pre-war footage of Percival Mew Gull G-AEXF and wartime material depicting flight testing of a Lancaster bomber from the Vickers Castle Bromwich aircraft factory
- Two reels of 16mm colour footage featuring the Fairey Rotodyne
- Early post war (approximately 1949) flight safety instructional film featuring rare footage of 19 Squadron de Havilland Hornet aircraft
- DVD copy of pre-war 16mm films shot by Air Cdre Leonard de Ville Chisman DFC CBE during his service in India
- Eurofighter Typhoon DA2/ZH588
- cockpit section of Handley Page Halifax II R9371
- Partly restored Whitley rear gun turret of Armstrong Whitworth Whitley V NI498
- B.E.2d fuel tank
- Smokebox numberplate of the Royal Scot class steam locomotive named *The Royal Air Force*
- Four original Fairey Aviation wooden wind tunnel models, including prototype and production versions of the Fairey Hendon bomber.



ROYAL AIR FORCE MUSEUM

During the year another 100,671 records were added to the electronic catalogue, bringing the total to 339,270, representing an estimated 93% of the accessioned collection. Members of the public can see material from the catalogue via the *Navigator* browser on the Museum website. This continues to be a popular tool, and the number of visits to *Navigator* during the year was 110,766 – an average of 9,230 per month. Further highlight selections have been added to the browser, bringing the number up to 75.

The RAF Museum is a registered national museum with the Museums, Libraries and Archives Council (MLA) meeting the MLA's minimum standards for museums and galleries in the United Kingdom. During the year the Museum finalised and submitted its application for MLA's Accreditation scheme, which supersedes the Registration programme.

The Museum is fully aware of relevant environmental issues which have been considered with great care whenever possible. More formal environmental policy will be produced during the next financial year.

FINANCIAL REVIEW

Statement of Financial Activities

The MOD, through the Museum's sponsor body, RAF Air Command, has recognised the importance of the Cosford development and provided further operating funding in order that the Museum may operate the site efficiently and effectively for the benefit of both the visitor and the management of the collection.

Income: The Museum received £7,024,071 of Grant in Aid (2007: £6,774,020) (Note 18). Other income included donations and legacies and part of the support funds from the funding partners for Cosford. The income generated by the trading company on non-charitable activities was £1,720,980, (2007: £1,469,266) (Note 18). Total Incoming Resources amounted to £10,358,399(2007: £10,344,201) (Note 18).

Resources Expended: The total of Resources expended amounted to £11,121,707 (2007: £10,162,050) (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 £4,188,621 (2006: £3,568,327) (SOFA Notional Cost of Capital, plus Note 18 Revaluation of Fixed Assets and Investments), the net movement in funds for the year was an increase of £2,012,089 (2007: £2,398,796) (Note 18).

Balance Sheet

There have been no further significant movements during the year relating to the completion and funding of the National Cold War Exhibition at Cosford, although there are still some outstanding items awaiting full completion of the project.

The value of the net assets has increased during the year, and now stands at £60,386,038 at the year-end (2007: £58,201,425) (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 and the rebuilding of a replica Percival Mew Gull aircraft, the type in which Mr Alex Henshaw Snr set a world air record between the UK and South Africa. Mr Alex Henshaw Snr died on 24th February 2007 at the age of 93. He, and his family, generously made provision for the support to continue following his death.

In October 2007 the Museum and the BBMF combined forces to hold a banquet to celebrate the 50th Anniversary of the Battle of Britain Memorial Flight. Over 400 guests attended and the resulting £64,470 raised from the auction and donations on the night was divided equally between the two organisations.

A major grant from the Maritime Air Trust was received in full to support the refurbishment of the Sunderland Hall and Coastal Command exhibitions. These were completed in November, and the opening ceremony took place on the 28th of the same month.

The Royal Air Force Museum American Foundation continued to support the Museum. A major donation was received by the Foundation from the Boeing Company which was used to provide a specific Boeing Chinook exhibition at the Hendon site which was opened on 18th July 2007.

ROYAL AIR FORCE MUSEUM

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 £1,720,980 (2007: £1,469,266) (*Note 4b*) and the associated costs of trading were £1,669,788 (2007: £1,396,812) (*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 £232,676 (2007: £215,060) being paid to the Museum. A donation of £119,735 (2007: £74,289) (*Note 4b*) in respect of covenanted profit is included within Debtors (*Note 11*) and will be made to the Museum during the next financial year.

Donations During the year, a total of £1,106,345 (2007: £549,318) (*Note 3a*) 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 £727,500 (2007:£302,000) (*Note 3a*), which the Museum also received during the year.

Grants The Cosford development, which commenced in November 2004 was completed and opened on 7th February 2007. The ERDF provided a further amount of £196,091 (*Note 3a*) during the year as its contribution towards the completion of this project.

Friends of the RAF Museum and the Bomber Command Association Sums of £7,550 and £25,625 (*Note 3a*) respectively were received from these two independent but supporting organisations.

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 a separate and independent organisation that was established to raise funds to support 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 2008, and under the new SORP guidance and analysis of funds, the level of reserves for the development of the Museum (Unrestricted Funds) stood at £804,795, (2007: £1,840,224) (*Balance Sheet*). 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 funds for the long-term needs of the Museum.

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 34 days (2007: 37 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.

ROYAL AIR FORCE MUSEUM

REMUNERATION REPORT

This section has been subject to audit.

Name	Salary, including performance pay £000	Benefits in kind £000	Real increase in pension and Lump Sum* £000	Total accrued pension at age 60 at 31/03/08 and related lump sum* £000	CETV at 31/03/07* (nearest £000)	CETV at 31/03/08* (nearest £000)	Real increase in CETV after adjustment for changes in market investment factors* £000
Dr Michael Fopp	100-105 (95-100)	14.400	0-2.5 Lump Sum 2.5-5.0	35-40 Lump Sum 105-110	797	932	28
Mr Stuart Garman	35-40 60-65 (60-65)	Nil	0-2.5 Lump Sum 1.5-2.0	5-10 Lump Sum 25-30	189	205	13
Mr John Kitchen	75-80 (65-70)	Nil	N/A	N/A	N/A	N/A	N/A
Mr Keith Ifould	70-75 (65-70)	Nil	0-2.5 Lump Sum 0-2.5	5-10 Lump Sum 0-5	130	163	25

*As provided by APAC (Civil Service Pensions Administrator)

Prior year salary figures are shown in brackets.

The salary figure of Mr Stuart Garman, who held a post of Finance Director and Museum Secretary until 25 October 2007, represents the actual amount earned during the year, followed by a full year equivalent disclosed underneath.

Mr John Kitchen was not a member of the PCSPS and the Museum did not fund any pension contributions for him in 2007-08.

The factors used to calculate the CETV for Dr Fopp, a member of the Principal Civil Service Pension Scheme (PCSPS), were revised for 2006-07, following advice from the Cabinet Office.

All Senior Staff are subject to performance criteria. The Chief Executive's 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, would 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 14 members, none of whom were full time employees of the institution and there were no reimbursed expenses paid this year. (2007: £434)

ROYAL AIR FORCE MUSEUM

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 2003 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.

For 2007-08, employers' contributions of £256,149 were payable (2006-07 £263,340). The applicable rates for the pension scheme are shown below:

<u>Scheme</u>	<u>Class of member</u>	<u>2006/07</u>	
PCSPS	Non-industrial and Industrial Civilians	Gross Salary	Rate %
		60,501 and over	25.5
		35,001 - 60,500	23.2
		17,001 - 35,000	19.5
		Up to 17,000	17.1

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. From 30 July 2007, civil servants may be in one of four defined benefits schemes; either a 'final salary' scheme (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). Classic, premium and classic plus are now closed to new members. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under nuvos, classic, premium, and classic plus are increased annually in line with changes in the Retail Price Index (RPI). Recent entrants to premium (after 1 October 2002) and nuvos (from 30 July 2007) may choose between membership of the scheme or joining a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). The accrued pensions quoted above are the pensions the members are entitled to receive when they reach 60 (nuvos 65), or immediately on ceasing to be an active member of the scheme if they are already 60 (nuvos 65).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each year of service; in addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service; unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in Premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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.

ROYAL AIR FORCE MUSEUM

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.

FUTURE PLANS

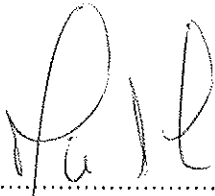
The Museum, in collaboration with the Royal Air Force Museum American Foundation, The Future of Flight and Everett Community College in Washington State, USA, will carry out a student exchange programme for apprentices and students during the coming year. This will take the form of a three week visit by two RAF Museum apprentices to the USA and a return visit by two students from Everett Community College. This exchange will be used as a 'pilot' for a future programme of joint training ventures based at the Museum's Michael Beetham Conservation Centre, Cosford.

On 1st April the Museum will, in support of the RAF, hold a major celebration banquet at Hendon to mark the 90th anniversary of the formation of the Royal Air Force. Any surplus funds from this event will go towards the refurbishment of the Battle of Britain exhibition at the London site.

For some years the Museum has been negotiating with the developer of the adjacent site for the relocation of the listed Grahame-White Watch Office and Control Tower building. The relocation involves a land swap and a financial endowment for the ongoing sustainability of the buildings. The plans to move the building are at an advanced stage and, subject to approval by English Heritage, we hope that permission to demolish and re-locate the building will be granted in the next year.

The Museum's computerised Collections Management System is 10 years old next year and the project to digitise the collections is ongoing. In the coming year we hope to pass the milestone of creating over 350,000 records on the system

ROYAL AIR FORCE MUSEUM
MUSEUM OFFICE

Signed: 
Dr. Michael A. Fopp MA FMA FRAeS
Director General
Royal Air Force Museum

Date: 8th December 2008

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

Date: 8th December 2008

ROYAL AIR FORCE MUSEUM

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'.

Signed:
Dr. Michael A. Fopp MA FMA FRAeS
Director General
Royal Air Force Museum

Date: 8th December 2008

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

Date: 8th December 2008



ROYAL AIR FORCE MUSEUM

STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDING 31ST MARCH 2008

1. 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.

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.

2. 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 2008 and up to the date of approval of the annual report and accounts in accordance with Treasury guidance.

3. 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 October 2003.

4. 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.

5. 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. This report includes an independent opinion on the adequacy and effectiveness of the Museum's internal controls.

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.

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

- there is no relevant audit information of which the Museum's auditors are unaware; and
- 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

Signed.....

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

Date..... 8th December 2008

Signed.....

Dr Michael A Fopp MA FMA FRAeS
Accounting Officer

Date..... 8th December 2008

ROYAL AIR FORCE MUSEUM

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 2008 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Statement of Financial Activities, the Balance Sheet, the 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, the Director General and auditor

The Board of Trustees and the Director General as Accounting Officer are responsible for preparing the Trustees Report, the Remuneration Report and the financial statements in accordance with the Charities Act 1993 and directions made thereunder 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 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, certain information given in the Trustees Report, which includes the financial review, 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, which includes the financial review, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit 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.



ROYAL AIR FORCE MUSEUM

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 the Secretary of State for Defence, of the state of the Royal Air Force Museum's and the group's affairs as at 31 March 2008 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 Parliament 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.



T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Date: 18 December 2008



ROYAL AIR FORCE MUSEUM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31ST MARCH 2008

	Notes	Unrestricted	Grant in Aid	Restricted Funds	Total Funds	Total Funds
		Funds	Funds		2008	2007
		2008	2008	2008	2008	2007
		£	£	£	£	£
Incoming resources						
Incoming resources from generated funds						
Grant in Aid (Operating)		-	6,915,071	-	6,915,071	6,665,020
Grant in Aid (Purchase of exhibits)		-	109,000	-	109,000	109,000
Grant in Aid (Development)		-	-	-	-	-
Other grants and donations	3a	111,307	-	1,191,129	1,302,436	749,310
Special events		125,990	-	-	125,990	176,372
Other income		75,917	-	-	75,917	137,744
HLF Income	3b	-	-	-	-	935,323
Activities for Generating Funds :						
Commercial trading operations	4b	1,720,980	-	-	1,720,980	1,469,266
Investment income and interest		88,019	14,587	6,399	109,005	102,166
Total incoming resources		2,122,213	7,038,658	1,197,528	10,358,399	10,344,201
Resources Expended						
Costs of generating funds:						
Fund raising and publicity	5	85,685	303,791	-	389,476	470,598
Commercial trading operations	4b	1,669,788	-	-	1,669,788	1,396,812
Sub total cost of generating funds		1,755,473	303,791	-	2,059,264	1,867,410
Net incoming resources available for charity application		366,740	6,734,867	1,197,528	8,299,135	8,476,791
Charitable activities:						
Operation of Museum	6	1,340,941	7,598,662	-	8,939,603	8,168,561
Purchase of exhibits		-	3,685	-	3,685	16,745
Notional cost of capital		-	1,413,224	-	1,413,224	1,351,682
Governance costs	5	119,155	-	-	119,155	109,334
Total resources expended		1,460,096	9,015,571	-	10,475,667	9,646,322
Net outgoing resources before reversal of notional costs		(1,093,356)	(2,280,704)	1,197,528	(2,176,532)	(1,169,531)
Reversal of notional cost of capital		-	1,413,224	-	1,413,224	1,351,682
Net (outgoing)/incoming resources for the year		(1,093,356)	(867,480)	1,197,528	(763,308)	182,151


 National Audit Office

ROYAL AIR FORCE MUSEUM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

Net (outgoing)/incoming resources for the year	(1,093,356)	(867,480)	1,197,528	(763,308)	182,151
Gains and losses on revaluations of fixed assets for the charity's own use	-	2,775,739	-	2,775,739	2,215,291
Gains and losses on revaluations and disposals of investment assets	(342)	-	-	(342)	1,354
Net movement in funds	(1,093,698)	1,908,259	1,197,528	2,012,089	2,398,796
Funds b/fwd at 1st April 2007	1,839,149	39,423,689	16,882,803	58,145,641	55,746,845
Funds c/fwd at 31st March 2008	745,451	41,331,948	18,080,331	60,157,730	58,145,641

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

The notes on pages 19 to 33 form part of these financial statements



ROYAL AIR FORCE MUSEUM

CONSOLIDATED BALANCE SHEET
31ST MARCH 2008

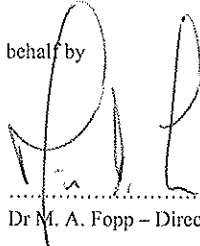
	Notes	Group 2008 £	Group 2007 £	Charity 2008 £	Charity 2007 £
Fixed assets					
Tangible assets	9	59,297,964	57,296,964	59,075,872	56,989,066
Investments	4a	-	-	100,002	100,002
		<u>59,297,964</u>	<u>57,296,964</u>	<u>59,175,874</u>	<u>57,089,068</u>
Current assets					
Stocks	10	144,416	115,762	-	-
Debtors	11	498,804	625,639	595,377	678,874
Investments	12	3,339	3,920	3,339	3,920
Cash at bank	13	1,823,247	1,362,478	1,595,498	1,259,452
		<u>2,469,806</u>	<u>2,107,799</u>	<u>2,194,214</u>	<u>1,942,246</u>
Creditors					
Amounts falling due within one year	14	(1,381,732)	(1,203,338)	(1,110,924)	(849,320)
NET CURRENT ASSETS		<u>1,088,074</u>	<u>904,461</u>	<u>1,083,290</u>	<u>1,092,926</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>60,386,038</u>	<u>58,201,425</u>	<u>60,259,164</u>	<u>58,181,994</u>
Creditors					
Amounts falling due after more than one year	15	(228,309)	(55,784)	(42,091)	(35,278)
		<u>60,157,729</u>	<u>58,145,641</u>	<u>60,217,073</u>	<u>58,146,716</u>
Reserves	18/19				
Unrestricted funds		745,451	1,839,149	804,795	1,840,224
Grant in Aid Operating account		40,256,436	38,468,080	40,256,436	38,468,080
Grant in Aid exhibits reserve		1,075,511	955,609	1,075,511	955,609
Other restricted funds		18,080,331	16,882,803	18,080,331	16,882,803
		<u>60,157,729</u>	<u>58,145,641</u>	<u>60,217,073</u>	<u>58,146,716</u>

The notes on pages 19 to 33 form part of these financial statements

Approved by the Board of Trustees on 8 Dec 08 and signed on its behalf by



Sir John Day - Chairman



Dr M. A. Fopp - Director General

ROYAL AIR FORCE MUSEUM

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

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

	Restricted Funds				
	Unrestricted	Grant in Aid	Other Funds	Total Funds	Total Funds
	Funds	Funds	2008	2008	2007
	2008	2008	2008	2008	2007
	£	£	£	£	£
Net Incoming Resources	(1,093,356)	(867,480)	1,197,528	(763,308)	182,151
Interest receivable	(87,996)	(14,587)	(6,399)	(108,982)	(102,101)
Interest payable	26,206	-	-	26,206	12,314
Dividends received	(23)	-	-	(23)	(65)
(Profit) / loss on disposal of investments	-	-	-	-	-
Depreciation of tangible assets	2,034,666	6,055	-	2,040,721	1,566,328
Loss on revaluation of tangible fixed assets	-	-	-	-	-
(Profit)/loss on disposal of assets	-	-	-	-	-
(Increase) / decrease in stocks	(28,654)	-	-	(28,654)	(11,735)
(Increase) / decrease in debtors	7,966	118,868	-	126,834	250,728
(Decrease) / increase in creditors	58,433	246,505	-	304,938	(279,978)
Net cash flow from operating activities	917,242	(510,639)	1,191,129	1,597,732	1,617,642
CASH FLOW STATEMENT					
Net cash flow from operating activities	917,242	(510,639)	1,191,129	1,597,732	1,617,642
Returns on investments and servicing of finance					
Bank interest received	87,996	14,587	6,399	108,982	102,101
Finance charges paid	(26,206)	-	-	(26,206)	(12,314)
Dividends received	23	-	-	23	65
Capital expenditure					
Purchase of tangible fixed assets	(551,903)	530,450	(1,210,980)	(1,232,433)	(3,043,166)
Proceeds from disposal of tangible fixed assets	7,196	-	-	7,196	5,494
Management of liquid resources					
Purchase of current asset investments	-	-	-	-	(11)
Proceeds from disposal of current asset investments	239	-	-	239	10
Financing					
Capital element of finance lease rentals	(50,453)	-	-	(50,453)	(51,244)
Long term loan	176,053	-	-	176,053	-
(Decrease)/increase in cash in the period	560,187	34,398	(13,452)	581,133	(1,381,423)

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 19 to 33 form part of these financial statements

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2008

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, 2008.

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

In accordance with Treasury guidelines, a notional cost of capital, calculated at 3.5% 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.

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

1. ACCOUNTING POLICIES - continued

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
Motor vehicles	4 years straight line
Donated Assets & additions to the Collection	Nil

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

EXHIBITION COSTS AND COLLECTION ASSETS

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.

Previously, collection assets acquired after 1st April 2001 with a cost in excess of £500 have been capitalised in accordance with Statement of Recommended Practice (SORP) 2005. This policy was amended in the year to a cost in excess of £1,000. These assets are not revalued or depreciated. Collection assets acquired before 1st April 2001 have not been capitalised because reliable cost information is not readily available.

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.

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.

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

1. ACCOUNTING POLICIES - continued

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% as a lump sum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

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 31st March 2008 was £Nil (2007: £Nil).

3a. OTHER GRANTS AND DONATIONS

	<u>Un-restricted</u>	<u>Grant in Aid</u>	<u>Other</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Fund</u>	<u>Operating</u>	<u>Restricted</u>		
	2008	2008	2008	2008	2007
	£	£	£	£	£
Bomber Command Association	-	-	25,625	25,625	26,250
Society of Friends of the RAF Museum	7,000	-	550	7,550	12,000
Cosford Exhibits Donated	-	-	196,091	196,091	176,652
Other	104,307	-	241,363	345,670	232,408
Exhibits donated	-	-	727,500	727,500	302,000
	111,307	-	1,191,129	1,302,436	749,310

2008
£

2007
£

3b. HLF GRANTS FOR COSFORD DEVELOPMENT

- 935,323

- 935,323

a. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Of the investment of £100,002 (2007: £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:

	2008	2007
	£	£
The assets and liabilities of the subsidiary were:		
Fixed assets	222,092	307,898
Current assets	496,350	350,939
Creditors: amounts falling due within one year	(491,568)	(539,406)
Creditors: amounts falling due after more than one year	(186,218)	(20,506)
	40,656	98,925

2008
£

2007
£

At 1st April, 2007
Profit/(Loss) retained in subsidiary

98,925 94,194
(58,269) 4,731

At 31st March, 2008

40,656 98,925

A summary of the Company's trading results is shown overleaf. 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.

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

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

	2008 £	2007 £
Turnover	1,720,980	1,469,266
Cost of sales and administrative expenses	(1,649,331)	(1,395,775)
	<u>71,649</u>	<u>73,491</u>
Interest receivable	10,274	6,566
Interest paid	(20,457)	(1,037)
Net profit	<u>61,466</u>	<u>79,020</u>
Charitable contribution under Deed of Covenant	(119,735)	(74,289)
Surplus/(Deficit) in subsidiary	<u>(58,269)</u>	<u>4,731</u>

5. ALLOCATION OF SUPPORT

The trust allocates its support costs as shown in the table below and then further apports 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	2008			2007	
	Museum Operation £	Governance £	Fund Raising and Publicity £	Total £	Total £
Staff Costs	825,854	67,169	207,284	1,100,307	1,160,982
Premises Costs	632	1,423	1,050	3,105	2,845
Motor Expenses	9,453	-	-	9,453	6,380
Travel, Subsistence and Hospitality	22,127	2,836	21,749	46,713	32,141
Administration Expenses	850	711	5,308	6,869	5,923
Legal, Professional and Consultancy	34,823	44,285	-	79,108	41,931
Advertising & Publicity	-	-	152,070	152,070	249,512
Repairs and Maintenance	694	617	457	1,768	1,878
Depreciation	2,381	2,113	1,561	6,055	4,670
Financial	25,413	-	-	25,413	37,630
Sundry	84,365	-	-	84,365	86,238
Total	<u>1,006,591</u>	<u>119,155</u>	<u>389,476</u>	<u>1,515,225</u>	<u>1,630,130</u>

* Included in Legal, Professional and Consultancy is the audit fee payable to National Audit Office amounting to £13,100

National Audit Office

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

6a. ANALYSIS OF CHARITABLE EXPENDITURE

	2008				2007	
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
School programmes and curriculum development	28,731	-	-	-	28,731	28,471
Events and exhibitions	-	214,727	145,529	-	360,256	341,708
Department of Research Information Services	-	-	-	7,507	7,507	6,569
Curatorial	-	-	-	-	-	-
M B Conservation Centre	-	-	-	55,454	55,454	29,881
Department of Collection Management	-	-	-	7,680	7,680	8,620
Visual Arts	-	-	-	8,013	8,013	9,785
Salaries	323,520	535,920	1,856,878	738,287	3,454,605	3,194,272
Central premises costs	78,650	1,361,917	4,914	430,654	1,876,135	1,802,481
Depreciation	81,538	1,411,918	4,089	446,465	1,944,010	1,499,413
Travel, Subsistence & Hospitality	12,757	9,524	327	145	22,754	23,939
Administration expenses	18,473	21,078	77,919	30,789	148,259	146,410
Financial Costs	-	-	-	-	-	11,472
Sundry expenses	-	-	19,430	179	19,609	15,342
Support costs	68,984	451,092	267,615	218,901	1,006,591	1,050,198
Total	612,653	4,006,176	2,376,701	1,944,073	8,939,603	8,168,561

6b. ALLOCATION OF OTHER OPERATING COSTS BY FUND

	2008		2007	
	Unrestricted	GIA	Total	Total
	£	£	£	£
Total per the SOFA				
Fund raising & publicity	85,685	303,791	389,476	470,598
Operation of Museum	1,340,941	7,598,662	8,939,603	8,168,561
Governance	119,155		119,155	109,334
	<u>1,545,781</u>	<u>7,902,453</u>	<u>9,448,234</u>	<u>8,748,493</u>
Less: staff costs (Note 8)	(2,981,311)	(1,573,601)	(4,554,912)	(4,355,254)
Less: depreciation (Note 5 & Note 6a)		(1,950,065)	(1,950,065)	(1,504,083)
	<u>(1,435,530)</u>	<u>4,378,787</u>	<u>2,943,257</u>	<u>2,889,156</u>

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.

	2008				2007	
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
Costs	612,653	4,006,176	2,376,701	1,944,073	8,939,603	8,168,562
Heritage Lottery Funding	-	-	-	-	-	(910,555)
Grants: European Regional Development Fund	-	(196,091)	-	-	(196,091)	(176,652)
Advantage West Midlands	-	-	-	-	-	-
Bridgnorth District Council	-	-	-	-	-	-
Ministry of Defence	-	-	-	(247,538)	(247,538)	(3,340)
Donations	-	(20,000)	-	-	(20,000)	(498,652)
Other Direct Revenue	(6,851)	-	(23,195)	-	(30,046)	(24,819)
Net Cost/(Income) funded from other income	605,802	3,790,086	2,353,506	1,696,535	8,445,929	6,554,544

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

8. STAFF COSTS AND NUMBERS

	<u>Un-restricted</u>	<u>Grant in Aid</u>	<u>Other</u>	<u>Total Funds</u> 2008	<u>Total Funds</u> 2007
	<u>Fund</u>	<u>Operating</u>	<u>restricted</u>		
	2008	2008	2008		
	£	£	£	£	£
Salaries and wages	2,723,615	1,206,320	-	3,929,935	3,737,189
Temporary agency staff	-	-	-	-	2,048
Social security costs	257,697	111,131	-	368,828	352,677
Pension costs	-	256,149	-	256,149	263,340
	<u>2,981,312</u>	<u>1,573,600</u>	<u>-</u>	<u>4,554,912</u>	<u>4,355,254</u>

The above costs exclude the trading subsidiary.

The number of staff in post as at 31 March 2008 was 182

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 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

9a. TANGIBLE FIXED ASSETS - GROUP

	<u>Freehold property</u>	<u>Leasehold</u>	<u>Fixtures, Fittings & Equipment</u>	<u>Plant, Machinery</u>	<u>Motor</u>	<u>Exhibits</u>	<u>Total</u>
	£	£	£	£	£	£	£
Cost or valuation							
At 1st April, 2007	41,994,795	14,794,625	2,557,691	362,563	54,403	2,781,819	62,545,896
Additions	9,349	100,419	284,131	30,543	17,620	831,116	1,273,178
Disposals	-	-	-	-	(11,714)	-	(11,714)
Revaluations	2,483,078	355,847	41,842	2,533	1,250	-	2,884,550
At 31st March, 2008	44,487,222	15,250,891	2,883,664	395,639	61,559	3,612,935	66,691,910
Depreciation							
At 1st April, 2007	2,884,785	391,606	1,664,717	301,143	6,680	-	5,248,931
Charged in the year	988,251	520,340	475,072	41,029	16,029	-	2,040,721
Disposals	-	-	-	-	(4,518)	-	(4,518)
Revaluations	69,384	9,684	28,074	1,669	-	-	108,811
At 31st March, 2008	3,942,420	921,630	2,167,863	343,841	18,191	-	7,393,945
Net Book Values							
At 31st March, 2008	40,544,802	14,329,261	715,801	51,798	43,368	3,612,935	59,297,965
At 31st March, 2007	39,110,010	14,403,019	892,974	61,420	47,723	2,781,819	57,296,965

9b. TANGIBLE FIXED ASSETS - CHARITY

	<u>Freehold property</u>	<u>Leasehold</u>	<u>Fixtures, Fittings & Equipment</u>	<u>Plant, Machinery</u>	<u>Motor</u>	<u>Exhibits</u>	<u>Total</u>
	£	£	£	£	£	£	£
Cost or valuation							
At 1st April, 2007	41,994,795	14,794,625	1,968,313	109,021	1,500	2,781,819	61,650,073
Additions	9,349	100,419	272,085	30,543	17,620	831,116	1,261,132
Disposals	-	-	-	-	(200)	-	(200)
Revaluations	2,483,078	355,847	41,842	2,533	1,250	-	2,884,550
At 31st March, 2008	44,487,222	15,250,891	2,282,240	142,097	20,170	3,612,935	65,795,555
Depreciation							
At 1st April, 2007	2,884,785	391,606	1,311,210	71,904	1,500	-	4,661,005
Charged in the year	988,251	520,340	418,259	17,533	5,682	-	1,950,065
Disposals	-	-	-	-	(200)	-	(200)
Revaluations	69,384	9,684	28,074	1,669	-	-	108,811
At 31st March, 2008	3,942,420	921,630	1,757,543	91,106	6,982	-	6,719,681
Net Book Values							
At 31st March, 2008	40,544,802	14,329,261	524,697	50,991	13,188	3,612,935	59,075,874
At 31st March, 2007	39,110,010	14,403,019	657,103	37,117	-	2,781,819	56,989,068



National Audit Office

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

9a. TANGIBLE FIXED ASSETS - continued

Group tangible fixed assets at 31st March 2008 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited, with a net book value of £222,092 (2007: £307,898). While the Museum is required to follow H.M.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. Additional depreciation is provided in respect of the revaluation and this is charged to Statement of Financial Activity. If the guidelines had been applied the effect would be an increase in the total value of £7,154 (2007: £3,590).

The Museum's freehold property was professionally revalued as at 31 March 2004. 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 the 21 January 2008, the title of the deeds to the Museum's freehold property were 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 Museum Investments Limited.

However, while the legal ownership sits 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 Financed Leases are: Group fixtures, fittings and equipment - NBV of £49,464 (2007: £70,496), and depreciation charge of £39,277 (2007: £26,360), Group plant and machinery - NBV of £20,250 (2007: £0), and depreciation charge of £2,250 (2007: £0), Group motor vehicles - NBV £30,179 (2007: £40,526) and depreciation charge £10,347 (2007: £862).

The Net Book Value and Depreciation related to Tangible Fixed Assets held by the Royal Air Force Museum under Financed Leases are Charity fixtures, fittings and equipment: - NBV of £49,464 (2007: £70,496) and depreciation charge of £39,277 (2007: £26,360), Charity Plant and Machinery - NBV of £20,250 (2007: £0), and depreciation charge of £2.250 (2007: £0). There are no Charity Motor Vehicles held under Finance Leases this financial year.

As the Cosford Project has been fully completed, the Museum held no Assets under Construction in the Financial Year 2007/2008.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

10. STOCKS

	Group		Charity	
	2008	2007	2008	2007
	£	£	£	£
Goods for resale	144,416	115,762	-	-

11. DEBTORS

	Group		Charity	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	132,253	79,201	53,654	4,422
Amounts due from subsidiary undertaking	-	-	101,023	111,097
Other debtors	97,027	75,954	97,027	75,954
Prepayments and accrued income	269,524	470,484	223,938	413,112
Charitable Deed of Covenant	-	-	119,735	74,289
	498,804	625,639	595,377	678,874

12. INVESTMENTS - GROUP AND CHARITY

	2008	2007
	£	£
Quoted investments:		
Market value on 1st April, 2007	3,920	2,565
Additions	-	11
Disposal of investments	(239)	(10)
Realised loss on disposal	(8)	-
Net unrealised investment (losses) / gains	(334)	1,354
Market value at 31st March, 2008	3,339	3,920
Historical cost at 31st March, 2008	2,117	2,229

Realised and Unrealised gains/losses on investments are calculated on the basis of their closing Market value as at 31 March 2008.

13. CASH AT BANK AND IN HAND

	Group		Charity	
	2008	2007	2008	2007
	£	£	£	£
Unrestricted Funds	1,328,022	888,199	1,100,273	785,173
Grant in Aid Funds	217,298	182,900	217,298	182,900
Restricted Funds	94,000	143,332	94,000	143,332
Restricted Fund - Cosford Redevelopment	183,927	148,047	183,927	148,047
	1,823,247	1,362,478	1,595,498	1,259,452

14. CREDITORS - Amounts falling due within one year

	Group		Charity	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	70,073	190,437	39,818	17,811
Obligations under finance leases	39,640	45,820	29,299	36,207
Amounts owed to subsidiary undertakings	-	-	2	2
Trade creditors	340,354	207,629	270,953	176,729
Taxation and social security	97,964	77,829	86,962	68,619
Other creditors	29,949	17,762	575	240
Accruals and deferred income	803,752	663,861	683,315	549,712
	1,381,732	1,203,338	1,110,924	849,320

Obligations under finance leases are secured on the underlying assets.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

15. CREDITORS - Amounts falling due after more than one year

	<u>Group</u>		<u>Charity</u>	
	2008	2007	2008	2007
	£	£	£	£
Obligation under finance leases	52,256	55,784	42,091	35,278
Bank Loan	176,053	-	-	-
	<u>228,309</u>	<u>55,784</u>	<u>42,091</u>	<u>35,278</u>

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<u>Unrestricted</u>	<u>Restricted Funds</u>		<u>Total Funds</u>
	<u>Funds</u>	<u>Grant in Aid</u>	<u>Other Funds</u>	
	£	£	£	£
(Decrease)/increase in cash in period	560,187	34,398	(13,452)	581,133
Cash outflow from decrease in financing	(125,600)	-	-	(125,600)
Cash inflow from sale of liquid resources	239	-	-	239
Change in net funds resulting from cash flow	<u>434,826</u>	<u>34,398</u>	<u>(13,452)</u>	<u>455,772</u>
Increase in financing in the period	(40,745)	-	-	(40,745)
Change in market value of liquid resources	(820)	-	-	(820)
	<u>(41,565)</u>	<u>-</u>	<u>-</u>	<u>(41,565)</u>
Net funds at 1st April, 2007	600,078	182,900	291,379	1,074,357
Net funds at 31st March, 2008	<u>993,339</u>	<u>217,298</u>	<u>277,927</u>	<u>1,488,564</u>

17. ANALYSIS OF NET FUNDS

	<u>1st April</u>	<u>Cash flow</u>	<u>Other changes</u>	<u>31st March</u>
	<u>2007</u>			<u>2008</u>
	£	£	£	£
Cash at bank and in hand	1,362,478	460,769	-	1,823,247
Overdrafts	(190,437)	120,364	-	(70,073)
Obligations under finance leases within 1 year	(45,820)	50,453	(44,273)	(39,640)
Obligations under finance leases after 1 year	(55,784)	-	3,528	(52,256)
Long term loans	-	(176,053)	-	(176,053)
Current asset investments	3,920	239	(820)	3,339
	<u>1,074,357</u>	<u>455,772</u>	<u>(41,565)</u>	<u>1,488,564</u>

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

18. MOVEMENT OF FUNDS

	Unrestricted Funds 2008 £	Grant in Aid		Other Restricted Funds 2008 £	Total Funds 2008 £	Total Funds 2007 £
		Operating Funds 2008 £	Purchase Grant Funds 2008 £			
Incoming resources						
Grant in Aid	-	6,915,071	109,000	-	7,024,071	6,774,020
Other grants and donations	111,307	-	-	1,191,129	1,302,436	749,310
Special events	125,990	-	-	-	125,990	176,372
Public telephones	105	-	-	-	105	231
Interest on deposits	87,996	-	14,587	6,399	108,982	102,101
Visual arts	818	-	-	-	818	452
ERDF and Other income	74,994	-	-	-	74,994	137,061
HLF Grant Income	-	-	-	-	-	935,323
Dividends Received	23	-	-	-	23	65
Commercial trading operations	1,720,980	-	-	-	1,720,980	1,469,266
Total incoming resources	2,122,213	6,915,071	123,587	1,197,528	10,358,399	10,344,201
Resources expended						
Staff costs (Note 8)	2,981,311	1,573,601	-	-	4,554,912	4,355,254
Purchase of exhibits	-	-	3,683	-	3,683	16,745
Other operating costs (Note 6)	(1,435,530)	4,378,789	-	-	2,943,259	2,889,156
Depreciation (Note 5 & Note 6)	-	1,950,065	-	-	1,950,065	1,504,083
Commercial trading operation	1,669,788	-	-	-	1,669,788	1,396,812
Total resources expended	3,215,569	7,902,455	3,683	-	11,121,707	10,162,050
Net (outgoing)/incoming resources for the year	(1,093,356)	(987,384)	119,904	1,197,528	(763,308)	182,151
Gains and losses on revaluations of fixed assets	-	2,775,739	-	-	2,775,739	2,215,291
Gains and losses on revaluations and disposals of investments	-	-	-	(342)	(342)	1,354
Net movement in funds for the year	(1,093,356)	1,788,355	119,904	1,197,186	2,012,089	2,398,796
Funds b/fwd at 1st April 2007	1,839,149	38,468,080	955,609	16,882,803	58,145,641	55,746,845
Funds c/fwd at 31st March 2008	745,793	40,256,435	1,075,513	18,079,989	60,157,730	58,145,641

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

18. MOVEMENT OF FUNDS (continued)

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		2008	2007
	2008	2008	2008	2008	2007
	£	£	£	£	£
Costs of generating funds:					
Fund raising and publicity	85,685	303,791	-	389,476	470,598
Commercial trading operations	1,669,788	-	-	1,669,788	1,396,812
	<u>1,755,473</u>	<u>303,791</u>	<u>-</u>	<u>2,059,264</u>	<u>1,867,410</u>
Charitable activities:					
Operation of Museum	1,340,941	7,598,662	-	8,939,603	8,168,561
Purchase of exhibits	-	3,685	-	3,685	16,745
Notional cost of capital	-	1,413,224	-	1,413,224	1,351,682
Governance costs	119,155	-	-	119,155	109,334
	<u>1,460,096</u>	<u>9,015,571</u>	<u>-</u>	<u>10,475,667</u>	<u>9,646,322</u>
Less: notional cost of capital	-	(1,413,224)	-	(1,413,224)	(1,351,682)
Total resources expended	<u>3,215,569</u>	<u>7,906,138</u>	<u>-</u>	<u>11,121,707</u>	<u>10,162,050</u>

19. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Un-restricted	Grant in Aid		Other	Total funds	Total funds
		Operating	Purchase			
	funds	funds	Grant funds	funds	2008	2007
	2008	2008	2008	2008	2008	2007
	£	£	£	£	£	£
Tangible fixed assets	222,092	46,217,943	3,612,935	9,244,994	59,297,964	57,296,964
Cash at bank and in hand	1,328,022	217,298	-	277,927	1,823,247	1,362,478
Other net current assets	(752,407)	(6,178,805)	(2,537,424)	8,557,410	(911,226)	(458,017)
Total assets less current liabilities	<u>797,707</u>	<u>40,256,436</u>	<u>1,075,511</u>	<u>18,080,331</u>	<u>60,209,985</u>	<u>58,201,425</u>
Creditors due after one year	(52,256)	-	-	-	(52,256)	(55,784)
Net assets	<u>745,451</u>	<u>40,256,436</u>	<u>1,075,511</u>	<u>18,080,331</u>	<u>60,157,729</u>	<u>58,145,641</u>


 National Audit Office

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

20. COMMITMENTS

	<u>Group</u> 2008 £	<u>Group</u> 2007 £	<u>Charity</u> 2008 £	<u>Charity</u> 2007 £
Lease commitments:				
Net Obligations under finance leases payable:				
Within one year	39,640	45,820	29,299	36,207
Between one and five years	52,256	55,784	42,091	35,278
	<u>91,896</u>	<u>101,604</u>	<u>71,390</u>	<u>71,485</u>
Gross obligations under finance leases:				
Within one year	45,652	52,289	34,152	40,789
Between one and five years	56,244	60,314	45,703	38,273
Total gross obligations	<u>101,896</u>	<u>112,603</u>	<u>79,855</u>	<u>79,062</u>
Finance charges and interest allocated to future accounting periods	(10,000)	(10,999)	(8,465)	(7,577)
	<u>91,896</u>	<u>101,604</u>	<u>71,390</u>	<u>71,485</u>

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 £7,976 (2007: £4,417).

During the year, the Museum made operating lease payments amounting to £547,000 (2007: £546,199). At the 31st March 2008, the Museum had annual commitments under non-cancellable operating leases as follows:

	<u>Group and charity</u>	
	2008 £	2007 £
Operating leases expiring:		
Plant and machinery:		
within one year	4,549	16,414
in the second to fifth years	13,327	34,940
Land and Buildings:		
after five years	516,500	516,500
	<u>534,376</u>	<u>567,854</u>

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2008

- continued -

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 £7,550 (2007: £12,000) 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 provides funds for the work of the Museum. The sum of £25,625 (2007 £26,250) was paid to the Museum during the year.

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 2008.

23. POST BALANCE SHEET EVENTS

There were no post balance sheet events.

The accounts were authorised for issue by the Accounting Officer on..... 8 December 2008

ROYAL AIR FORCE MUSEUM

ANNEX 'A'

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR DEFENCE, WITH THE APPROVAL OF THE TREASURY

1. The Royal Air Force Museum (the Museum) shall prepare accounts for the financial year ended 31st March, 1998 and subsequent financial years comprising:
 - a. a foreword;
 - b. a statement of financial activities;
 - c. a balance sheet;
 - d. a cash flow statement; and
 - e. notes to the accounts, including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. If the Museum has subsidiary undertakings, the statements referred to in paragraph 1 shall be prepared on a consolidated basis. In addition, there shall be a balance sheet in respect of the Museum alone, with relevant notes. When preparing the consolidated accounts, the Board of Trustees shall observe all relevant guidance issued by the Treasury and the Ministry of Defence.
3. The accounts shall give a true and fair view of the incoming resources and application of resources during the financial year and the state of the Museum's affairs at the end of the financial year.
4. Subject to this requirement, the accounts shall be prepared in accordance with:
 - a. the Charities Act 1993, the Charities (Accounts and Reports) Regulations 1995 and the Statement of Recommended Practice (SORP) 'Accounting by Charities' ('the Charities SORP');
 - b. generally accepted accounting practices in the United Kingdom (UK GAAP);
 - c. the disclosure and accounting requirements contained in 'The Fees and Charges Guide' (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury may issue from time to time in respect of accounts, which are required to give a fair view;
 - d. the accounting and disclosure requirements given in 'Managing Public Money' and in 'Executive NDPBs: Annual Reports and Accounts Guidance', as amended or augmented from time to time;

in so far as these are appropriate to the Museum and in force for the financial year for which the accounts are to be prepared.
5. Clarification of the application of the accounting and disclosure requirements of the Charities Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
6. The SOFA and the balance sheet(s) shall be prepared under the historical cost convention, modified as follows:
 - a. by the inclusion of:
 - i. fixed assets at their value to the business by reference to current costs; and
 - ii. stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.



ROYAL AIR FORCE MUSEUM

ANNEX 'A'

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR DEFENCE, WITH THE APPROVAL OF THE TREASURY - continued -

- b. articles forming part of the Museum's Collections, whether held as exhibits or part of the Reserve Collection shall not be capitalised, but held at nil/nominal value and the costs of all new articles for the Collections shall be charged to expenditure in the year of acquisition.
7. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Secretary of State of Defence.

.....
Date



ROYAL AIR FORCE MUSEUM

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE CHARITIES ACT AND ACCOUNTING STANDARDS

CHARITIES ACT

1. When preparing its statement of financial activities the Museum shall include under 'Resources Expended' a heading relating to the inclusion of notional charges for insurance (if applicable) and cost of capital, and shall include an additional heading 'Adjustment for the notional costs of capital' after 'Net Incoming Resources before Transfers'.
2. When preparing its balance sheet the Museum shall have regard to the balance sheet format prescribed in the Charities SORP, save that the balance sheet totals shall be struck at 'Total assets less current liabilities'.
3. The foreword shall be signed by the Accounting Officer of the Museum and the balance sheet shall be signed by the Chairman of the Museum's Trustees on behalf of the Board and the Accounting Officer of the Museum and dated. The Accounting Officer shall initial all the other pages of the financial statements.

ACCOUNTING STANDARDS

4. The Museum is not required to include a note showing historical profits and losses as described in FRS 3.
5. The Financial Reporting Standard for Smaller Entities (FRSSE) should not be adopted unless specifically approved by the Treasury.



ROYAL AIR FORCE MUSEUM

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The foreword shall, inter alia:
 - a. state that the accounts have been prepared in accordance with the direction given by the Secretary of State for Defence with the approval of H.M. Treasury; and
 - b. include a brief history of the Museum and its statutory background.
2. The notes to the accounts shall include details of the key corporate financial targets set by the Secretary of State together with an indication of the performance achieved.



National Audit Office