

ROYAL AIR FORCE MUSEUM

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007**

Registered Charity No. 244708



ROYAL AIR FORCE MUSEUM

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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
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

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

SOLICITORS Mishcon De Reya
21 Southampton Row
London
WC1B 5HS

BANKERS Barclays Bank Plc
Eagle Point
1 Capability Green
Luton
LU1 3US

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

After several years of hard work and planning, the National Cold War Exhibition was opened on 7th February 2007 by HRH the Princess Royal. In attendance was Baroness Thatcher who was a pivotal figure during the latter days of the Cold War and at the beginning of the new East-West relationship. The National Cold War Exhibition 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. 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, has attracted an enormous number of visitors to the RAF Museum at Cosford and on a scale far beyond the Museum's original expectations.

The Museum continued to face financial difficulties, but additional support was provided from its sponsor to enable access to nearly all areas of the Museum throughout the year. As the Board reported last year, there is insufficient funds to fulfil all the activities that should be undertaken by a national museum. The Trustees continue to face challenges as many of its buildings need major maintenance for which an application for additional funding from its 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 former Chairman, Air Chief Marshal Sir Richard Johns GCB CBE LVO FRAeS, retired on 6th December 2006). The Museum is a registered charity within the meaning of the Charities Act 1993, which places on Trustees the responsibility for the effective and economical 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. During 2006/07 a recruitment round was not made for administrative reasons connected to the co-location of RAF Commands within MOD, therefore three current members who were due to retire during 2007 agreed to serve as co-opted members and thus secure continuity and experience. 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 2006-2007.

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
Trustees	Ms Carol Blackshaw BA FRAeS MBAC (Appt'd 29.9.04)	
	Viscount Chelsea (Appt'd 15.12.04)	Member Fund Raising Committee
	Mr Brendan Connor (Appt'd 24.8.05)	Member Development Committee
	Lord Clarke of Hampstead CBE KSG (Re-appt'd 12.9.04)	Member Remuneration Committee
	Air Vice-Marshal David Crwys-Williams CB FCIPD FIMgt RAF (Retd) (Re-appt'd 12.9.04)	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 (Re-appt'd 25.8.06)	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 (Re-appt'd 6.7.04)	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 Member Finance Committee Non-Executive Director Royal Air Force Museum Investments Ltd

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Air Chief Marshal Sir Richard Johns GCB CBE LVO FRAeS (Retired 6.12.06)	
Ms Jane Middleton MSc FCCA MRAeS (Appt'd 29.9.04)	Chairman Education and Research Committee
Sir Peter Rigby DL D.Univ (Appt'd 24.8.05)	Member Finance Committee Member Fundraising Committee
Mr Malcolm White OBE FRAeS (Appt'd 29.9.04)	Member Fundraising Committee

Co-opted Trustees

Air Vice-Marshal David Crwys-Williams CB FCIPD FIMgt RAF (Retd) (with effect from 12.9.07)	Chairman Finance Committee & Non-Executive Director of Royal Air Force Museum Investments Ltd
Sir Gerald Hosker KCB QC (with effect from 6.7.07)	Chairman Audit Committee Member Remuneration Committee Non-Executive Director Royal Air Force Museum Investments Ltd
Mr L Antony Edwards BSc MBA CEng FRAeS (with effect from 25.8.07)	Chairman Fundraising Committee

Co-opted member of Committees

Dr Judith Rowbotham FRHistsS (Retired as Trustee 3.9.04)	Co-opted Member Education and Research Committee
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Air Marshal I D Macfadyen CB OBE FRAeS RAF (Ret'd) (Retired as co-opted Member 8.11.06)	Co-opted Member Development Committee
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Director General and Accounting Officer
Dr Michael A Fopp MA FMA FRAeS

Managing Director Royal Air Force Museum Enterprises Ltd,
Director Royal Air Force Museum Investments Ltd

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

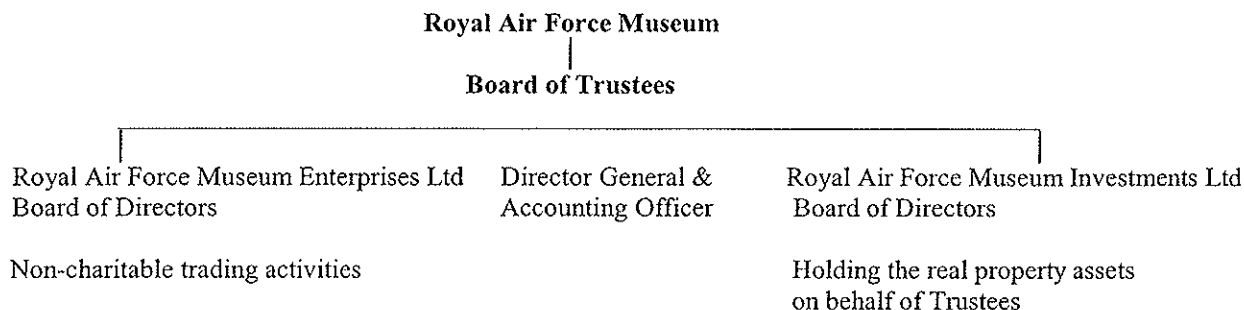
- Audit
- Finance
- Development
- Fund Raising
- Education and Research
- Remuneration

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 a number of impartial and independent non-executive directors.

ROYAL AIR FORCE MUSEUM

The Structure of the Museum can be shown as:



The Museum has a comprehensive risk register to support its management of risk, which has been reviewed by the Internal Auditors, Daly Hoggett and Co and the Audit Committee.

Senior Management Team

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

Dr Michael A Fopp MA FMA FRAeS	Director General
Stuart Garman FCIS	Director of Finance & Museum Secretary
Dr Mike Woollard	Director - Collections Division (Resigned 31 st December 2006)
Keith Ifould CBE AFC FRAeS MIL	Director – Group Business Development Division
John Kitchen MA Mst	Director – Operations Division
Peter Elliott BSc MA RMSA MCLIP	Senior Keeper
Mrs Sue Fitzsimmons Cert. Ed. DPSE	Head of Access & Learning
John Francis OBE MSc FRAeS FInstAM FInstIT	General Manager, Cosford (Retired 23 rd September 2006)
Alex Medhurst	General Manager, Cosford (Appointed 9 th October 2006)

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 28,178 students from over 600 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 and the Museum was featured as part of the 'National Science Week' programme.

Access & Exhibitions

The curatorial effort, and particularly the intellectual component, focused on preparation for the opening of the National Cold War Exhibition at Cosford on 7th February 2007.

During the year work continued on the Boeing Chinook display which was opened in July 2007.

The Museum's on-line web browser, '*Navigator*' which was launched in March 2006, gives on-line access to thousands of items from the collection in a form that can be interrogated by the public via the internet.

Visitor Numbers

The total number of visitors during 2006/07 was 455,204 compared with 408,089 for the previous year, an increase of approximately 14%. (These figures exclude the Cosford Air Show). The rise in the number of visitors is due to the opening of the National Cold War Exhibition at the RAF Museum Cosford. Visitors through the Museum's website rose to 1,994,403 (2005/06 1,765,133) an increase of almost 13% for the same period.

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Information & Public Services

The number of enquiries answered by the Collections Division during the year was just over 6,500 – a similar figure to the previous year. A total of 583 researchers visited the reading room on the London site, compared to 639 in 2005/06 and research guides published on the Museum's website were downloaded over 18,000 times

Collection & Management of Heritage Assets

Major acquisitions during the year included:

- Chinook helicopter front fuselage section,
- T-55 gas turbine engine
- Ejection seats for aircraft including Harrier and Tucano, together with a quantity of safety equipment and seat spares.
- Cold War vehicles, including a Centurion tank, "Green Goddess" fire engine and a "Wheelbarrow" bomb-disposal robot
- Hungarian MiG-21 fighter
- Airfield identification beacon from RAF Northolt
- 8mm films featuring Avro Lincolns of 151 Squadron (Signals Command) shortly before their withdrawal from service in 1963
- Film featuring events at the 1935 RAF Display at Hendon
- George Medal to LAC G.G. Williams of No. 616 Squadron
- Civil Defence (ARP) uniform of Brenda Utteridge
- Complete kits of RAF Officers' and Airmen/women's current issue uniform and clothing
- Medals, decorations and papers of Gp Capt K.G. Hubbard, pilot of the Valiant which dropped the first British Hydrogen bomb tests – the aircraft is displayed at Cosford
- Logbooks of Wg Cdr E J B Nicolson – Fighter Command's only VC winner
- A large collection of photographs compiled by Eric Watts, many of which were used in the National Cold War Exhibition

Sponsorship by DuPont™ has provided Tyvek® covers for the stored uniform collection. This has produced a major improvement in storage and will ensure the long term survival of the clothing collection.

During the year another 29,599 records were added to the electronic catalogue, bringing the total to 238,599, representing an estimated 75% 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 81173 – an average of 6,764 per month. Further highlight selections have been added to the browser, bringing the number up to 51. An upgrade was completed in March, making changes to the files and the display recommended as a result of feedback from users.

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 has been preparing its application for MLA's Accreditation scheme, which supersedes the Registration programme. The application will be submitted in late 2007.

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 £6,774,020 of Grant in Aid (2006: £7.104m). 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 £1,469,266, (2006: £1.633m). Total Incoming Resources amounted to £10,344,201(2006: £14,305,007) (Note 18).

Resources Expended: The total of Resources expended amounted to £10,162,050 (2006: £9,820,576) (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 £3,568,327 (2006: £2,406,071), the net movement in funds for the year was an increase of £2,398,796 (2006: £5,594,145).

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Balance Sheet

The most significant movements during the year relate to the completion of the National Cold War Exhibition at Cosford. The funds have been transferred from Assets in the Course of Construction to Short Leasehold Property within Royal Air Force Museum Investments Ltd. Additional funds were transferred from the Trustees' bank accounts to ensure that all the expenditure not covered by the funding partners, but which was necessary to complete the development, was fully met. Without that support and that of our benefactors and sponsors, the project would have been incomplete.

A strict regime of cost control was operated throughout the year and thus the level of Creditors at the year end has reduced considerably. Net Current Assets have fallen, and will continue to fall, until the funds set aside for the Cosford development, have been used.

The value of the net assets have increased during the year, and now stand at £58,201,425 at the year-end (2006: £55,746,845).

Income And Costs of Generating Funds

The Museum's fundraising focus for 2006/07 remained to support the National Cold War Exhibition development at Cosford. Although the core project was fully funded, and the NCWE successfully opened on time on 7th February 2007, there remains a requirement to up date and modernise the remainder of the sites and to complete the landscaping plan at Hendon.

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 demise.

In September 2006 the Museum and the Air League combined forces to hold a banquet to celebrate the 50th Anniversary of the winning outright by Great Britain of the Schneider Trophy. Over 500 guests attended and the resulting £90,000 raised from the auction and donations on the night was divided equally between the two organisations.

The first instalment of a major grant from the Maritime Air Trust was received to support the refurbishment of the Sunderland Hall and Coastal Command exhibitions. These are scheduled to be completed in October 2007.

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

Trading Company Any non-charitable activities are undertaken by RAF Museum Enterprises Ltd, a wholly owned subsidiary of the Trustees. The company produced income of £1,469,266 and the associated costs of trading were £1,395,775. 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 £215,060 being paid to the Museum. A donation of £74,289 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 £749,310 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 Museum also received a number of heritage assets valued at £398,770.

Grants The Cosford development, which commenced in November 2004 was completed and opened on 7th February 2007. The HLF provided £935,323 during the year as its contribution towards this project.

Friends of the RAF Museum and the Bomber Command Association Sums of £12,000 and £26,250, 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 (a) 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

ROYAL AIR FORCE 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 2007, and under the new SORP guidance and analysis of funds, the level of the Museum's reserves and stood at £1,840,224, (2006: (£2,573,454)). 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 any 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 37 days (2006: 38 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 £000	Benefits in kind	Real increase in pension and Lump Sum £000	Total accrued pension at age 60 at 31/03/07 and related lump sum £000	CETV at 31/03/06 (nearest £000)	CETV at 31/03/07 (nearest £000)	Real increase in CETV after adjustment for changes in market investment factors £000
Dr Michael Fopp	95-100 (90-95)	9,658	0-2.5 Lump Sum 2.5-5.0	30-35 Lump Sum 95-100	737	801	18
Mr Stuart Garman	60-65 (55-60)	Nil	0-2.5 Lump Sum 2.5-5.0	5-10 Lump Sum 20-25	160	190	17
Mr John Kitchen	65-70 (60-65)	Nil	N/A	N/A	N/A	N/A	N/A
Mr Keith Ifould	65-70 (60-65)	Nil	0-2.5 Lump Sum 0-2.5	5-10 Lump Sum 0-5	105	123	17
Dr Michael Woollard	35-40	Nil	N/A	N/A	N/A	N/A	N/A

Dr M Woollard was only in post from 4 September to 31 December 2006 and therefore there is no equivalent prior year salary data. Neither Mr Kitchen or Dr Woollard were members of the PCSPS and the Museum did not fund any pension contributions for them in 2006-07.

Prior year salary figures are shown in brackets. The salary figure for Dr Woollard represents the actual amount earned while in post as a Director of the Royal Air Force Museum.

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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. The figures for 31st March 2006 have been recalculated using the new factors and this had led to changes to the figures published last year.

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 15 members, none of whom were full time employees of the institution and only the previous Chairman was paid £434 (2006 £356) in reimbursed expenses.

Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit schemes 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 2006-07, employers' contributions of £263,340 were payable (2005-06 £253,768). The applicable rates for the pension scheme is 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 (CSP) 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). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose to join a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

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

The Museum has made arrangements with Legal & General to provide 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 sum, 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.

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

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2004-05 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 accrues to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

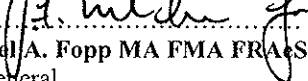
FUTURE PLANS

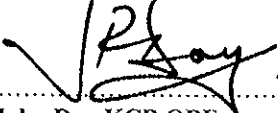
At the beginning of the year, the Museum's sponsor RAF Air Command, agreed to supplement the Museum's operating grant in aid in order that public access and services could be maintained. The Museum, in turn, reorganised its working practices so that the public could have staggered access to all its buildings throughout the year. These new arrangements have worked well and the amount of criticism from the public has been substantially reduced.

The first two apprentices joining the Museum's Modern Apprenticeship Scheme commenced their training in September 2005, and two more joined on 17/09/2007. The Museum also intends to offer specific modules from the course to outside organisations and specifically, the potential to offer these courses to American students, funded through the Museum's American Foundation, is being explored.

In October 2007 the Museum plans to facilitate a banquet to celebrate the 50th Anniversary of the Royal Air Force's "Battle of Britain Memorial Flight". Any surplus funds from this event will go towards the refurbishment of the "Battle of Britain Exhibition" at the London site.

During the year, the Trustees and Management will continue their revision of the Strategic Review especially in the light of the new Trust Deed. Despite the lack of funds to undertake all activities, the Museum has succeeded in a number of areas and that success will be used as the basis for progress in the future.

Signed: 
Dr. Michael A. Fopp MA FMA FRA&S
Director General
Royal Air Force Museum

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

Date: 15 October 2007

Date: 15 October 2007

ROYAL AIR FORCE MUSEUM

STATEMENT OF BOARD OF TRUSTEES' AND DIRECTOR GENERAL'S RESPONSIBILITIES

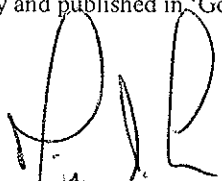
Under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales, the Board of Trustees is required to prepare financial statements for each financial year which give a true and fair view of the Royal Air Force Museum's financial activities and of its financial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

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

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

Date: 15 OCTOBER 2007

Date: 15 OCTOBER 2007

ROYAL AIR FORCE MUSEUM

STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDING 31ST MARCH 2007

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 Government Accounting, 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 2007 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. This Risk Register documents, defines terms, and sets out the perceived risks and the attitude of the Museum to each one. Individual risks are assigned to an identified person or post holder and show actions and review dates

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..... 15 OCTOBER 2007.....

Signed.....

Dr Michael A Fopp MA FMA FRAeS
Accounting Officer

Date..... 15 OCTOBER 2007.....

ROYAL AIR FORCE MUSEUM

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I have audited the financial statements of the Royal Air Force Museum for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. 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 expenditure income and resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In 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. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also




includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director 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 expenditure, income and resources funded by grant in aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

-  • the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence, of the state of the Royal Air Force Museum's and the group's affairs as at 31 March 2007 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 given within the Trustees Report is consistent with the financial statements.

Audit Opinion on Regularity



In my opinion, in all material respects, the expenditure and income 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.

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

31 October 2007

ROYAL AIR FORCE MUSEUM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31ST MARCH 2007

	Notes	Unrestricted Funds 2007 £	Grant in Aid Funds 2007 £	Other Funds 2007 £	Total Funds 2007 £	Total Funds 2006 £
Incoming resources						
Incoming resources from generated funds						
Grant in Aid (Operating)		-	6,665,020	-	6,665,020	6,495,192
Grant in Aid (Purchase of exhibits)		-	109,000	-	109,000	109,000
Grant in Aid (Development)		-	-	-	-	500,000
Other grants and donations	3a	247,318	-	501,992	749,310	765,158
Special events		176,372	-	-	176,372	235,164
Other income		137,744	-	-	137,744	1,875,003
HLF Income	3b	-	-	935,323	935,323	2,547,278
Activities for Generating Funds :						
Commercial trading operations	4b	1,469,266	-	-	1,469,266	1,632,876
Investment income and interest		75,762	10,744	15,660	102,166	145,336
Total incoming resources		2,106,462	6,784,764	1,452,975	10,344,201	14,305,007
Resources Expended						
Costs of generating funds:						
Fund raising and publicity	5	103,531	367,067	-	470,598	463,067
Commercial trading operations	4b	1,396,812	-	-	1,396,812	1,602,513
Sub total cost of generating funds		1,500,343	367,067	-	1,867,410	2,065,580
Net incoming resources available for charity application		606,119	6,417,697	1,452,975	8,476,791	12,239,427
Charitable activities:						
Operation of Museum	6	1,225,284	6,943,277	-	8,168,561	7,650,308
Purchase of exhibits		-	16,745	-	16,745	903
Notional cost of capital		-	1,351,682	-	1,351,682	1,296,357
Governance costs	5	109,334	-	-	109,334	103,785
Total resources expended		1,334,618	8,311,704	-	9,646,322	9,051,353
Net outgoing resources before reversal of notional costs		(728,499)	(1,894,007)	1,452,975	(1,169,531)	3,188,074
Reversal of notional cost of capital		-	1,351,682	-	1,351,682	1,296,357
Net (outgoing)/incoming resources for the year		(728,499)	(542,325)	1,452,975	182,151	4,484,431

ROYAL AIR FORCE MUSEUM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31ST MARCH 2007

- continued -

Net (outgoing)/incoming resources for the year	(728,499)	(542,325)	1,452,975	182,151	4,484,431
Gains and losses on revaluations of fixed assets for the charity's own use	-	2,215,291	-	2,215,291	1,109,517
Gains and losses on revaluations and disposals of investment assets	-	-	1,354	1,354	197
Net movement in funds	<u>(728,499)</u>	<u>1,672,966</u>	<u>1,454,329</u>	<u>2,398,796</u>	<u>5,594,145</u>
Funds b/fwd at 1st April 2006	2,567,648	37,750,723	15,428,474	55,746,845	50,152,700
Funds c/fwd at 31st March 2007	<u>1,839,149</u>	<u>39,423,689</u>	<u>16,882,803</u>	<u>58,145,641</u>	<u>55,746,845</u>

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

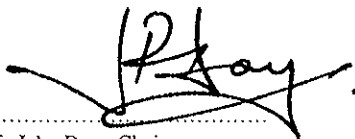
ROYAL AIR FORCE MUSEUM

CONSOLIDATED BALANCE SHEET
31ST MARCH 2007

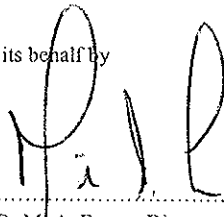
	<u>Notes</u>	<u>Group</u> 2007 £	<u>Group</u> 2006 £	<u>Charity</u> 2007 £	<u>Charity</u> 2006 £
Fixed assets					
Tangible assets	9	57,296,964	53,522,158	56,989,066	53,407,604
Investments	4a	-	-	100,002	100,002
		<u>57,296,964</u>	<u>53,522,158</u>	<u>57,089,068</u>	<u>53,507,606</u>
Current assets					
Stocks	10	115,762	104,027	-	-
Debtors	11	625,639	876,367	678,874	1,026,869
Investments	12	3,920	2,565	3,920	2,565
Cash at bank	13	1,362,478	2,555,852	1,259,452	2,329,637
		<u>2,107,799</u>	<u>3,538,811</u>	<u>1,942,246</u>	<u>3,359,071</u>
Creditors					
Amounts falling due within one year	14	(1,203,338)	(1,314,124)	(849,320)	(1,114,026)
NET CURRENT ASSETS		<u>904,461</u>	<u>2,224,687</u>	<u>1,092,926</u>	<u>2,245,045</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>58,201,425</u>	<u>55,746,845</u>	<u>58,181,994</u>	<u>55,752,651</u>
Creditors					
Amounts falling due after more than one year	15	(55,784)	-	(35,278)	-
		<u>58,145,641</u>	<u>55,746,845</u>	<u>58,146,716</u>	<u>55,752,651</u>
Reserves	18/19				
Unrestricted funds		1,839,149	2,567,648	1,840,224	2,573,454
Grant in Aid Operating account		38,468,080	36,898,113	38,468,080	36,898,113
Grant in Aid exhibits reserve		955,609	852,610	955,609	852,610
Other restricted funds		16,882,803	15,428,474	16,882,803	15,428,474
		<u>58,145,641</u>	<u>55,746,845</u>	<u>58,146,716</u>	<u>55,752,651</u>

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

Approved by the Board of Trustees on 15th October 2007 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 2007

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

	Unrestricted		Restricted Funds		
	Funds	Grant in Aid	Other Funds	Total Funds	Total Funds
	2007	2007	2007	2007	2006
	£	£	£	£	£
Net Incoming Resources	(728,499)	(542,325)	1,452,975	182,151	4,484,431
Interest receivable	(75,697)	(10,744)	(15,660)	(102,101)	(145,255)
Interest payable	12,314	-	-	12,314	8,989
Dividends received	(65)	-	-	(65)	(81)
(Profit) / loss on disposal of investments	-	-	-	-	-
Depreciation of tangible assets	1,561,658	4,670	-	1,566,328	1,443,855
Loss on revaluation of tangible fixed assets	-	-	-	-	-
(Profit)/loss on disposal of assets	-	-	-	-	-
(Increase) / decrease in stocks	(11,735)	-	-	(11,735)	17,483
(Increase) / decrease in debtors	(62,505)	313,233	-	250,728	2,576,927
(Decrease) / increase in creditors	(5,648)	(274,330)	-	(279,978)	(1,183,037)
Net cash flow from operating activities	689,823	(509,496)	1,437,315	1,617,642	7,203,312

CASH FLOW STATEMENT

Net cash flow from operating activities	689,823	(509,496)	1,437,315	1,617,642	7,203,312
Returns on investments and servicing of finance					
Bank interest received	75,697	10,744	15,660	102,101	145,255
Finance charges paid	(12,314)	-	-	(12,314)	(8,989)
Dividends received	65	-	-	65	81
Capital expenditure					
Purchase of tangible fixed assets	(1,274,967)	342,504	(2,110,703)	(3,043,166)	(6,911,536)
Proceeds from disposal of tangible fixed assets	5,494	-	-	5,494	8,924
Management of liquid resources					
Purchase of current asset investments	(11)	-	-	(11)	-
Proceeds from disposal of current asset investments	10	-	-	10	101
Financing					
Capital element of finance lease rentals	(51,244)	-	-	(51,244)	(90,750)
(Decrease)/increase in cash in the period	(567,447)	(156,248)	(657,728)	(1,381,423)	346,398

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 2007

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 The 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, 2007.

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.

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 fully 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 2007

- 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 2007

- continued -

1. ACCOUNTING POLICIES - continued

PENSIONS

Pensions benefits for 42 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 $1/80^{\text{th}}$ 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 $1/60^{\text{th}}$ 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 $3/80^{\text{th}}$ 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 $3/8^{\text{th}}$ 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.

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

- 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 2007 was £Nil (2006: £Nil).

3a. OTHER GRANTS AND DONATIONS

	<u>Un-restricted</u> <u>Fund</u> 2007 £	<u>Grant in Aid</u>		<u>Other</u> <u>Restricted</u> <u>Funds</u> 2007 £	<u>Total Funds</u> 2007 £	<u>Total Funds</u> 2006 £
		<u>Operating</u> <u>Funds</u> 2007 £				
Bomber Command Association	26,250	-	-	-	26,250	10,000
Society of Friends of the RAF Museum	12,000	-	-	-	12,000	12,463
Cosford Exhibits Donated	-	-	501,992	-	501,992	436,371
Other	209,068	-	-	-	209,068	306,324
	<u>247,318</u>	<u>-</u>	<u>501,992</u>		<u>749,310</u>	<u>765,158</u>

3b. HLF GRANTS FOR COSFORD DEVELOPMENT

2007 £	2006 £
935,323	2,547,278
<u>935,323</u>	<u>2,547,278</u>

4a. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Of the investment of £100,002 (2006: £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:

	2007 £	2006 £
The assets and liabilities of the subsidiary were:		
Fixed assets	307,898	114,555
Current assets	350,939	399,886
Creditors: amounts falling due within one year	(539,406)	(420,247)
Creditors: amounts falling due after more than one year	(20,506)	-
	<u>98,925</u>	<u>94,194</u>
	2007 £	2006 £
At 1st April, 2006	94,194	128,699
Profit/(Loss) retained in subsidiary	4,731	(34,505)
At 31st March, 2007	<u>98,925</u>	<u>94,194</u>

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 2007

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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

	2007	2006
	£	£
Turnover	1,469,266	1,632,876
Cost of sales and administrative expenses	<u>(1,395,775)</u>	<u>(1,598,388)</u>
	73,491	34,488
Interest receivable	6,566	8,194
Interest paid	<u>(1,037)</u>	<u>(4,125)</u>
Net profit	<u>79,020</u>	<u>38,557</u>
Charitable contribution under Deed of Covenant	(74,289)	(73,062)
Surplus/(Deficit) in subsidiary	<u>4,731</u>	<u>(34,505)</u>

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	2007			Total	2006
	Museum Operation	Governance	Fund Raising and Publicity		
	£	£	£	£	£
Staff Costs	889,158	71,792	200,032	1,160,982	1,219,965
Premises Costs	579	1,304	962	2,845	2,818
Motor Expenses	6,380	-	-	6,380	9,145
Travel, Subsistence and Hospitality	13,943	5,006	13,192	32,141	57,484
Administration Expenses	-	711	5,212	5,923	35,576
Legal, Professional and Consultancy *	13,696	28,235	-	41,931	52,836
Advertising & Publicity	-	-	249,512	249,512	262,392
Repairs and Maintenance	738	656	484	1,878	142,867
Depreciation	1,836	1,630	1,204	4,670	110,804
Financial	37,630	-	-	37,630	18,314
Sundry	86,238	-	-	86,238	136,188
Total	<u>1,050,198</u>	<u>109,334</u>	<u>470,598</u>	<u>1,630,130</u>	<u>2,048,389</u>

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

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

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6a. ANALYSIS OF CHARITABLE EXPENDITURE

	2007				2006	
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
School programmes and curriculum development	28,471	-	-	-	28,471	27,867
Events and exhibitions	-	251,141	90,567	-	341,708	128,723
Department of Research Information Services	-	-	-	6,569	6,569	6,840
Curatorial	-	-	-	-	-	5,592
M B Conservation Centre	-	-	-	29,881	29,881	30,206
Department of Collection Management	-	-	-	8,620	8,620	9,255
Visual Arts	-	-	-	9,785	9,785	49,061
Salaries	288,178	496,252	1,753,799	656,043	3,194,272	2,988,338
Central premises costs	75,564	1,308,482	4,678	413,757	1,802,481	1,555,993
Depreciation	62,890	1,089,011	3,154	344,358	1,499,413	1,264,296
Travel, Subsistence & Hospitality	11,026	12,534	159	220	23,939	-
Administration expenses	18,479	21,322	72,731	33,878	146,410	102,597
Financial Costs	5,582	5,890	-	-	11,472	-
Sundry expenses	-	-	14,384	958	15,342	-
Support costs	72,320	469,840	286,137	221,901	1,050,198	1,481,540
Total	562,510	3,654,472	2,225,609	1,725,970	8,168,561	7,650,308

6b. ALLOCATION OF OTHER OPERATING COSTS BY FUND

	2007		2006	
	Unrestricted	GIA	Total	Total
	£	£	£	£
Total per the SOFA				
Fund raising & publicity	103,531	367,067	470,598	463,067
Operation of Museum	1,225,284	6,943,277	8,168,561	7,650,308
Governance	109,334	-	109,334	103,785
	1,438,149	7,310,344	8,748,493	8,217,160
Less: staff costs (Note 8)	(2,668,606)	(1,686,648)	(4,355,254)	(4,208,303)
Less: depreciation (Note 5 & Note 6a)		(1,504,083)	(1,504,083)	(1,375,100)
	(1,230,457)	4,119,613	2,889,156	2,633,757

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.

	2007				2006	
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
Costs	562,511	3,654,472	2,225,610	1,725,969	8,168,562	7,650,307
Heritage Lottery Funding	-	(910,555)	-	-	(910,555)	(2,547,278)
Grants: European Regional Development Fund	-	(176,652)	-	-	(176,652)	(1,014,318)
Advantage West Midlands	-	-	-	-	-	(545,000)
Bridgnorth District Council	-	-	-	-	-	(260,000)
Ministry of Defence	-	-	-	(3,340)	(3,340)	(500,000)
Donations	-	(498,652)	-	-	(498,652)	(511,371)
Other Direct Revenue	(7,374)	-	(17,445)	-	(24,819)	(233,940)
Net Cost/(Income) funded from other income	555,137	2,068,613	2,208,165	1,722,629	6,554,544	2,038,400

NOTES TO THE FINANCIAL STATEMENTS
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8. STAFF COSTS AND NUMBERS

	<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>	<u>2007</u>	<u>2006</u>
	2007	2007	2007	2007	2006
	£	£	£	£	£
Salaries and wages	2,434,687	1,302,502	-	3,737,189	3,581,227
Temporary agency staff	2,048	-	-	2,048	43,248
Social security costs	231,871	120,806	-	352,677	330,060
Pension costs	-	263,340	-	263,340	253,768
	<u>2,668,606</u>	<u>1,686,648</u>	<u>-</u>	<u>4,355,254</u>	<u>4,208,303</u>

The above costs exclude the trading subsidiary.

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 2007

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9a. TANGIBLE FIXED ASSETS - GROUP

	<u>Freehold property</u>	<u>Short Leasehold Property</u>	<u>Fixtures, Fittings & Equipment</u>	<u>Plant, Machinery & Vehicles</u>	<u>Assets in the course of construction</u>	<u>Exhibits</u>	<u>Total</u>
	£	£	£	£	£	£	£
Cost or valuation							
At 1st April, 2006	39,817,917	2,594,576	2,198,186	384,226	9,709,472	2,378,549	57,082,926
Additions	8,192	12,062,654	307,423	59,270	(9,709,472)	403,270	3,131,337
Disposals	-	-	-	(29,300)	-	-	(29,300)
Revaluations	2,168,686	137,395	52,082	2,769	-	-	2,360,932
At 31st March, 2007	41,994,795	14,794,625	2,557,691	416,965	-	2,781,819	62,545,895
Depreciation							
At 1st April, 2006	1,824,154	242,156	1,222,546	271,912	-	-	3,560,768
Charged in the year	964,033	126,628	417,759	57,908	-	-	1,566,328
Disposals	-	-	-	(23,806)	-	-	(23,806)
Revaluations	96,598	22,822	24,412	1,809	-	-	145,641
At 31st March, 2007	2,884,785	391,606	1,664,717	307,823	-	-	5,248,931
Net Book Values							
At 31st March, 2007	39,110,010	14,403,019	892,974	109,142	-	2,781,819	57,296,964
At 31st March, 2006	37,993,763	2,352,420	975,640	112,314	9,709,472	2,378,549	53,522,158

9b. TANGIBLE FIXED ASSETS - CHARITY

	<u>Freehold property</u>	<u>Short Leasehold Property</u>	<u>Fixtures, Fittings & Equipment</u>	<u>Plant, Machinery & Vehicles</u>	<u>Assets in the course of construction</u>	<u>Exhibits</u>	<u>Total</u>
	£	£	£	£	£	£	£
Cost or valuation							
At 1st April, 2006	39,817,917	2,594,574	1,848,634	89,872	9,689,339	2,378,549	56,418,885
Additions	8,192	12,062,654	67,597	17,880	(9,689,339)	403,270	2,870,254
Disposals	-	-	-	-	-	-	-
Revaluations	2,168,686	137,395	52,082	2,769	-	-	2,360,932
At 31st March, 2007	41,994,795	14,794,623	1,968,313	110,521	-	2,781,819	61,650,071
Depreciation							
At 1st April, 2006	1,824,154	242,156	893,067	51,904	-	-	3,011,281
Charged in the year	964,033	126,628	393,731	19,691	-	-	1,504,083
Disposals	-	-	-	-	-	-	-
Revaluations	96,598	22,822	24,412	1,809	-	-	145,641
At 31st March, 2007	2,884,785	391,606	1,311,210	73,404	-	-	4,661,005
Net Book Values							
At 31st March, 2007	39,110,010	14,403,017	657,103	37,117	-	2,781,819	56,989,066
At 31st March, 2006	37,993,763	2,352,418	955,567	37,968	9,689,339	2,378,549	53,407,604

NOTES TO THE FINANCIAL STATEMENTS
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9b. TANGIBLE FIXED ASSETS - continued

Group tangible fixed assets at 31st March 2007 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited, with a net book value of £307,898 (2006: £114,555). 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 £3,590 (2006: £96,080).

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.

The title deeds to the Museum's freehold property are vested in the names of former Trustees. The Trustees' intention is to transfer the title of the freehold property to RAF Investments Limited, and the Museum is working with its lawyers to complete this transaction during the next financial

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.

Group fixtures, fittings and equipment include equipment with a net book value of £70,496 (2006: £100,118) held by the group under finance leases. The depreciation charge relating to finance leased equipment was £26,360 (2006: £55,988). Group plant and machinery includes motor vehicles with a net book value of £40,526 (2006: £22,283) held by the group under finance leases. The depreciation charge relating to finance leased motor vehicles was £862 (2006: £10,612).

Charity fixtures, fittings and equipment include equipment with a net book value of £70,496 (2006: £29,078) held by the charity under finance leases. The depreciation charge relating to finance leased equipment was £26,360 (2006: £16,752).

The short leasehold property relating to the Cosford site of the RAF Museum was transferred to a wholly-owned subsidiary, The Royal Air Force Museum Investments Limited, during the year ended 31st March 2005. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

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10. STOCKS

	Group		Charity	
	2007	2006	2007	2006
	£	£	£	£
Goods for resale	115,762	104,027	-	-

11. DEBTORS

	Group		Charity	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	79,201	82,575	4,422	40,822
Amounts due from subsidiary undertaking	-	-	111,097	147,085
Other debtors	75,954	201,105	75,954	200,300
Prepayments and accrued income	470,484	592,687	413,112	565,600
Charitable Deed of Covenant	-	-	74,289	73,062
	625,639	876,367	678,874	1,026,869

12. INVESTMENTS - GROUP AND CHARITY

	2007	2006
	£	£
Quoted investments:		
Market value on 1st April, 2006	2,565	2,469
Additions	11	-
Disposal of investments	(10)	(101)
Realised loss on disposal	-	-
Net unrealised investment (losses) / gains	1,354	197
Market value at 31st March, 2007	3,920	2,565
Historical cost at 31st March, 2007	2,229	2,229

13. CASH AT BANK AND IN HAND

	Group		Charity	
	2007	2006	2007	2006
	£	£	£	£
Unrestricted Funds	888,199	1,267,597	785,173	1,041,382
Grant in Aid Funds	182,900	339,148	182,900	339,148
Restricted Funds	143,332	-	143,332	-
Restricted Fund - Cosford Redevelopment	148,047	949,107	148,047	949,107
	1,362,478	2,555,852	1,259,452	2,329,637

14. CREDITORS - Amounts falling due within one year

	Group		Charity	
	2007	2006	2007	2006
	£	£	£	£
Bank loans and overdrafts	190,437	2,388	17,811	2,388
Obligations under finance leases	45,820	64,677	36,207	42,008
Amounts owed to subsidiary undertakings	-	-	2	-
Trade creditors	207,629	434,015	176,729	373,567
Taxation and social security	77,829	70,597	68,619	62,902
Other creditors	17,762	11,085	240	-
Accruals and deferred income	663,861	731,362	549,712	633,161
	1,203,338	1,314,124	849,320	1,114,026

Obligations under finance leases are secured on the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

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

	<u>Group</u>		<u>Charity</u>	
	2007	2006	2007	2006
	£	£	£	£
Obligation under finance leases	55,784	-	35,278	-
	<u>55,784</u>	<u>-</u>	<u>35,278</u>	<u>-</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	(567,447)	(156,248)	(657,728)	(1,381,423)
Cash outflow from decrease in financing	51,244	-	-	51,244
Cash inflow from sale of liquid resources	10	-	-	10
Change in net funds resulting from cash flow	<u>(516,193)</u>	<u>(156,248)</u>	<u>(657,728)</u>	<u>(1,330,169)</u>
Increase in financing in the period	(88,171)	-	-	(88,171)
Change in market value of liquid resources	1,345	-	-	1,345
	<u>(86,826)</u>	<u>-</u>	<u>-</u>	<u>(86,826)</u>
Net funds at 1st April, 2006	1,203,097	339,148	949,107	2,491,352
Net funds at 31st March, 2007	<u>600,078</u>	<u>182,900</u>	<u>291,379</u>	<u>1,074,357</u>

17. ANALYSIS OF NET FUNDS

	<u>1st April</u>	<u>Cash flow</u>	<u>Other</u>	<u>31st March</u>
	<u>2006</u>			<u>2007</u>
	£	£	£	£
Cash at bank and in hand	2,555,852	(1,193,374)	-	1,362,478
Overdrafts	(2,388)	(188,049)	-	(190,437)
Obligations under finance leases within 1 year	(64,677)	51,244	(32,387)	(45,820)
Obligations under finance leases after 1 year	-	-	(55,784)	(55,784)
Current asset investments	2,565	10	1,345	3,920
	<u>2,491,352</u>	<u>(1,330,169)</u>	<u>(86,826)</u>	<u>1,074,357</u>

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

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18. MOVEMENT OF FUNDS

	<u>Unrestricted</u>		<u>Grant in Aid</u>		<u>Other</u>	<u>Total Funds</u> 2007	<u>Total Funds</u> 2006
	<u>Funds</u>		<u>Operating</u>	<u>Purchase</u>	<u>Restricted</u>		
	2007	2007	Grant Funds	2007	Funds		
	£	£	£	£	£	£	£
Incoming resources							
Grant in Aid	-	6,665,020	109,000	-	-	6,774,020	7,104,192
Other grants and donations	247,318	-	-	-	501,992	749,310	765,158
Special events	176,372	-	-	-	-	176,372	235,164
Public telephones	231	-	-	-	-	231	3,635
Interest on deposits	75,697	-	10,744	-	15,660	102,101	145,255
Visual arts	452	-	-	-	-	452	553
ERDF and Other income	137,061	-	-	-	-	137,061	1,870,815
HLF Grant Income	-	-	-	-	935,323	935,323	2,547,278
Dividends Received	65	-	-	-	-	65	81
Commercial trading operations	1,469,266	-	-	-	-	1,469,266	1,632,876
Total incoming resources	2,106,462	6,665,020	119,744	1,452,975	10,344,201	14,305,007	
Resources expended							
Staff costs (Note 8)	2,668,606	1,686,648	-	-	-	4,355,254	4,208,303
Purchase of exhibits	-	-	16,745	-	-	16,745	903
Other operating costs (Note 6)	(1,230,457)	4,119,613	-	-	-	2,889,156	2,633,757
Depreciation (Note 5 & Note 6)	-	1,504,083	-	-	-	1,504,083	1,375,100
Commercial trading operation	1,396,812	-	-	-	-	1,396,812	1,602,513
Total resources expended	2,834,961	7,310,344	16,745	-	10,162,050	9,820,576	
Net (outgoing)/incoming resources for the year	(728,499)	(645,324)	102,999	1,452,975	182,151	4,484,431	
Gains and losses on revaluations of fixed assets	-	2,215,291	-	-	-	2,215,291	1,109,517
Gains and losses on revaluations and disposals of investments	-	-	-	-	1,354	1,354	197
Net movement in funds for the year	(728,499)	1,569,967	102,999	1,454,329	2,398,796	5,594,145	
Funds b/fwd at 1st April 2006	2,567,648	36,898,113	852,610	15,428,474	55,746,845	50,152,700	
Funds c/fwd at 31st March 2007	1,839,149	38,468,080	955,609	16,882,803	58,145,641	55,746,845	

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS
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18. MOVEMENT OF FUNDS (continued)

Reconciliation of total resources expended to the SOFA

Resources expended per the SOFA	<u>Unrestricted</u>	<u>Grant in Aid</u>	<u>Other Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Funds</u>	<u>Funds</u>		<u>2007</u>	<u>2006</u>
	2007	2007	2007	2007	2006
	£	£	£	£	£
Costs of generating funds:					
Fund raising and publicity	103,531	367,067	-	470,598	463,067
Commercial trading operations	1,396,812	-	-	1,396,812	1,602,513
	<u>1,500,343</u>	<u>367,067</u>	<u>-</u>	<u>1,867,410</u>	<u>2,065,580</u>
Charitable activities:					
Operation of Museum	1,225,284	6,943,277	-	8,168,561	7,650,308
Purchase of exhibits	-	16,745	-	16,745	903
Notional cost of capital	-	1,351,682	-	1,351,682	1,296,357
Governance costs	109,334	-	-	109,334	103,785
	<u>1,334,618</u>	<u>8,311,704</u>	<u>-</u>	<u>9,646,322</u>	<u>9,051,353</u>
Less: notional cost of capital	-	(1,351,682)	-	(1,351,682)	(1,296,357)
Total resources expended	<u>2,834,961</u>	<u>7,327,089</u>	<u>-</u>	<u>10,162,050</u>	<u>9,820,576</u>

19. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	<u>Un-restricted</u>	<u>Grant in Aid</u>		<u>Other</u>	<u>Total funds</u>	<u>Total funds</u>
	<u>funds</u>	<u>Operating</u>	<u>Purchase</u>	<u>restricted</u>		
	2007	2007	Grant funds	funds	2007	2006
	£	£	2007	2007	£	£
Tangible fixed assets	307,898	44,962,253	2,781,819	9,244,994	57,296,964	53,522,158
Cash at bank and in hand	888,199	182,900	-	291,379	1,362,478	2,216,704
Other net current assets	698,836	(6,677,073)	(1,826,210)	7,346,430	(458,017)	7,983
Total assets less current liabilities	<u>1,894,933</u>	<u>38,468,080</u>	<u>955,609</u>	<u>16,882,803</u>	<u>58,201,425</u>	<u>55,746,845</u>
Creditors due after one year	(55,784)	-	-	-	(55,784)	-
Net assets	<u>1,839,149</u>	<u>38,468,080</u>	<u>955,609</u>	<u>16,882,803</u>	<u>58,145,641</u>	<u>55,746,845</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

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20. COMMITMENTS

	<u>Group</u> 2007 £	<u>Group</u> 2006 £	<u>Charity</u> 2007 £	<u>Charity</u> 2006 £
Lease commitments:				
Net Obligations under finance leases payable:				
Within one year	45,820	64,667	36,207	42,008
Between one and five years	55,784	-	35,278	-
	101,604	64,667	71,485	42,008
Gross obligations under finance leases:				
Within one year	52,289	48,914	40,789	25,717
Between one and five years	60,314	18,918	38,273	18,918
Total gross obligations	112,603	67,832	79,062	44,635
Finance charges and interest allocated to future accounting periods	(10,999)	(3,155)	(7,577)	(2,627)
	101,604	64,677	71,485	42,008

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 £4,417 (2006: £4,065).

During the year, the Museum made operating lease payments amounting to £546,199 (2006: £544,068). At the 31st March 2007, the Museum had annual commitments under non-cancellable operating leases as follows:

	<u>Group and charity</u>	
	2007 £	2006 £
Operating leases expiring:		
Plant and machinery:		
within one year	16,414	694
in the second to fifth years	34,940	7,967
Land and Buildings:		
after five years	516,500	516,500
	567,854	525,161

ROYAL AIR FORCE MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2007

- 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.

Royal Air Force Cosford Air Show

Museum staff are involved in the RAF Cosford Air Show. The Museum has traditionally received a share of the proceeds after expenses. The Museum received the sum of £8,500 after the year end. (2006: £32,690) .

Ministry of Defence

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

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

The Friends are a separate charity dedicated to supporting the activities of the Museum. The sum of £12,000 (2006: £12,463) 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 £26,500 (2006 £10,000) 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 (a) 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 2007.

23. POST BALANCE SHEET EVENTS

There were no post balance sheet events

The accounts were authorised for issue by the Accounting Officer on 22nd October 2007

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 'Government Accounting' 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.

igned 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'.

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.