



# Royal Air Force Museum

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 2009

Registered Charity No. 244708



Presented to the House of Commons pursuant to section 3(3) of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003

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# Royal Air Force Museum Account 2008-2009

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# Royal Air Force Museum Account 2008-2009

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20 JULY 2009

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## Administrative Information

### **Address of the charity**

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

### **Registered Charity Number**

244708

### Names and addresses of other relevant organisations

#### **Auditor**

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

#### **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  
PO Box 12820  
Whetstone  
London  
N20 0WE

## Foreword

### Objects

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

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

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

### History of the Museum

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

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

### Review of the year

The National Cold War Exhibition, opened last year, has continued to enjoy high visitor numbers and is now a major visitor attraction in the West Midlands. Building on this success, the Michael Beetham Conservation Centre, also based at Cosford, initiated a series of Open Weeks that attracted more than 3,500 additional visitors and significant media coverage.

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

The Museum has continued to face financial difficulties, but access to nearly all areas of the Museum has been maintained throughout the year although some galleries have had to be closed for part days. Yet again, there have been insufficient funds to fulfil, in particular, all the Collections Division activities that should be undertaken by a national museum. The Trustees continue to face challenges as many of the Museum's buildings need major maintenance. During the year, however, Air Command agreed to fund the work necessary to recover the roof of the Battle of Britain Hall, starting in FY 2009-2010.

Notwithstanding these problems, the high standards maintained by the Museum were confirmed by its success in gaining formal accreditation from the Museums, Libraries and Archives Council – responsible for UK national museum standards.

## Structure, governance and management

### Trustees

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

Trustees are appointed to the Board in accordance with the guidance laid down by the Office of the Commissioner for Public Appointments. This procedure includes the obtaining of nominations from a variety of sources, including advertising and liaison with the Public Appointments Unit, the vetting of nominations by a panel normally comprising the Chairman of Trustees, a senior civil servant from the sponsoring Department (MOD) and an independent member.

Prospective Trustees are normally interviewed by a panel representing the Trustees and an independent member sponsored by the MOD. The sponsoring department within the MOD (Air Command) is closely involved in all stages of the selection process and these Trustees are appointed by the Secretary of State for Defence. Under the terms of the new Deed of Trust, the members of the Trustee Board may appoint up to three co-opted Trustees. The Trustees may also appoint additional co-opted members to serve on specific Committees to supplement the experience of the members of the main Board.

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

The new Deed of Trust was approved by the Charity Commission on 4 June 2007 and contains modern and best practices for the better management and good governance of the institution.

The following people served as the Museum's Trustees during 2008-2009.

#### *Chairman*

Air Chief Marshal Sir John Day KCB OBE (Appointed 29 September 2004)	Non-Executive Director of Royal Air Force Museum Enterprises Ltd & Royal Air Force Museum Investments Ltd
Viscount Chelsea (Appointed 15 December 2004)	Member Fund Raising Committee
Mr Brendan Connor (Appointed 24 August 2005)	Member Development Committee
Lord Clarke of Hampstead CBE KSG (Re-appointed 12 September 2004)	Chairman Remuneration Committee
Air Vice-Marshal David Crwys-Williams CB FCIPD FIMgt RAF (Retired) (Co-opted 12 September 2007)	Chairman Finance Committee & Non-Executive Director of Royal Air Force Museum Investments Ltd
Mr Michael H Dale CBE (Retired 20 October 2008)	President RAFM American Foundation
Mr L Antony Edwards BSc MBA CEng FRAeS (Co-opted 24 August 2007)	Chairman Fundraising Committee

Lord Evans of Watford (Re-appointed 5 November 2005)	Non-Executive Director Royal Air Force Museum Enterprises Ltd Member Audit Committee
Sir Gerald Hosker KCB QC (Resigned 18 February 2009)	Chairman Audit Committee Member Remuneration Committee Non-Executive Director Royal Air Force Museum Investments Ltd
Sir Roger Jackling KCB CBE (Re-appointed 5 November 2005)	Member Finance Committee Non-Executive Director Royal Air Force Museum Investments Ltd
Ms Jane Middleton MSc FCCA MRAs (Appointed 29 September 2004)	Chairman Education and Research Committee Member Finance Committee
Sir Peter Rigby DL D.Univ (Appointed 24 August 2005)	Member Fundraising Committee
Mr Malcolm White OBE FRAeS (Appointed 29 September 2004)	Member Fundraising Committee Member Development Committee
Mr Gerry Grimstone MA MSc MSI (Appointed 9 December 2008)	Member (Appointed Chairman Audit Committee on 15 May 2009)
Mr John Michaelson (Appointed 9 December 2008)	Member
Mr Tom O'Leary (Appointed 9 December 2008)	Member
Mr Robin Southwell (Appointed 9 December 2008)	Member
Mr Alan Spence (Appointed 9 December 2008)	President RAFM American Foundation Member

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

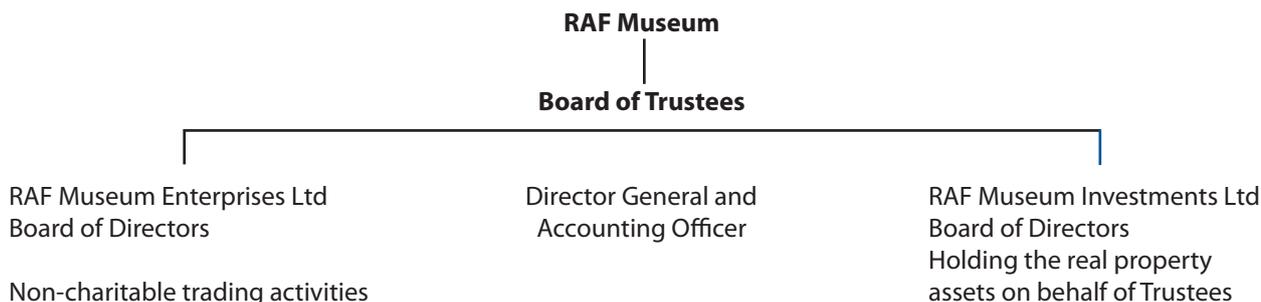
- Audit
- Finance
- Development
- Fund Raising
- Education and Research
- Remuneration

All these committees derive their responsibilities from the directions given to them by the Board, government guidelines and the best practices of management within the heritage sector. The terms of reference of each of these committees have been approved by the full board and, where practical, Trustees do not sit on more than two sub-committees.

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

The Museum has a comprehensive risk register to support its management of risk, which has been reviewed by the National Audit Office and made subject of a number of recommendations currently being implemented.

The Structure of the Museum can be shown as



### Senior Management Team

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

Dr Michael A Fopp MA FMA FRAeS	Director General
Peter Dye OBE	Director – Collections Division (Appointed 31 March 2008)
Keith Ifould CBE AFC FRAeS MIL	Director – Group Business Development Division
John Kitchen MA Mst	Director – Operations Division
Nigel Lewis MBA, FCCA	Head of Finance and Museum Secretary (Appointed 2 March 2009)
Peter Elliott BSc MA RMSA MCLIP	Senior Keeper
Mrs Sue Fitzsimmons Cert. Ed. DPSE	Head of Access and Learning
Alex Medhurst	General Manager, Cosford

## Objectives and activities; achievements and performance

### Education

The Museum's access and learning activities have continued to prosper, attracting a growing number of schools, and building on its reputation for offering high quality educational visits. In the last year (2008-2009), over 42,000 students visited the Museum to take part in workshops led by Access and Learning staff.

## Exhibitions

A number of exciting and popular exhibitions have been mounted in the course of the year. Considerable media and local interest was generated by the formal unveiling of the 'RAF Diversity' exhibition at Cosford while the temporary 'Lest We Forget' exhibition at Hendon was equally successful and has now become a permanent exhibition. Amongst the many smaller exhibitions was one featuring the Royal Air Force Servicing Commandos and their present day counterparts from the Tactical Supply Wing. The National Cold War Exhibition was the scene for a 2 day workshop for schools involving a theatre company that provided an opportunity to 'meet' key individuals from the period. In February, an exhibition celebrating the life of Alex Henshaw in a series of paintings by Michael Turner was opened in the Milestones building, adjacent to the replica Mew Gull used in his record-breaking flight to The Cape and the recently completed Miles Mohawk owned and operated by Charles Lindbergh.

Subsequently, the Michael Turner Exhibition has been converted into a permanent on-line exhibition, in accordance with the Museum's new policy of disseminating its temporary exhibitions to a worldwide audience via its website. Other temporary exhibitions that have been thus converted include Women of the Air Force, launched online on 16th June 2009, with 'Diversity in the RAF' scheduled for the beginning of October 2009 (Black History Month), 'Lest We Forget' November 2009 and 'RAF Photograph' of the Year beginning of December pre-promoting the 2010 exhibition.

The Museum's podcast programme commenced in April 2008, with the Museum launching its first celebrity podcast in December 2008 courtesy of Richard Todd (The Dams Raid). To further aid understanding of its collection the Museum has also used this form of electronic communication to give added background to permanent and temporary displays located at its physical sites. In total, since 1 April 2008 to June 2009, a total of 19 podcasts have been developed by the Museum which have been downloaded from the Museum's main website by 23,498 separate individuals over 30,000 times. Given ongoing developments in podcast technology during this period, the Museum is currently experimenting with the creation of video podcasts with the intention of broadcasting these casts from early 2010.

## Visitor numbers

A major celebration banquet was held on 1 April 2008 to celebrate the 90th anniversary of the formation of the Royal Air Force; an event which was extensively featured live on BBC1's One Show, resulting in a substantial increase in awareness amongst the public of both of the Museum's sites. Such media collaborations were typical in a year that saw not only the RAF's 90th anniversary but also the 65th anniversary of the 'Dambusters' and the arrival of the MH53 helicopter at Cosford. Through such collaborations the Museum received substantial media coverage in the press, on radio and on television featuring in local news items regularly and national programmes such as BBC2's 'Time Watch' and BBC1's 'Who Do You Think You Are?'. As a net result, visitor figures for both sites were healthy with London recording 310,414 visitors for the financial year 2008-2009 and Cosford 307,422. Across both sites this equated to a combined increase of 16,212 visitors on the previous year.

The 11 December 2008 saw the re-launch of the Museum's main website, [www.rafmuseum.org](http://www.rafmuseum.org), as part of the Museum's strategy of creating a coherent electronic brand that effectively introduces the Museum to new audiences on a national and international level whilst reflecting the diversity and vibrancy of its collection. Accordingly, from 11 December to financial year end the site enjoyed a 27 per cent increase in visits on the same period for 2007-2008 with online visits from the United Kingdom up 23 per cent, America up 32 per cent, Germany up 54 per cent, Canada up 31 per cent and Australia up 20 per cent. To increase international visits a series of electronic exhibitions and podcasts are planned that will be attractive to foreign visitors. These will include 'Americans in the Royal Air Force' which will talk about Billy Fisk and the Eagle Squadrons plus the contribution that Polish and Eastern European Pilots made to the Battle of Britain.

In total for the financial year 2008-2009 the Museum's main website had at 527,000 unique visitors reading 4.4 million pages of information. The beginning of April 2009 saw the re-launch of the Museum's online collection Navigator with similar results in performance, whilst the Museum's National Cold War Exhibition website is due for its re-launch at the beginning of July 2009. At time of writing the Museum is confident that NCWE website will, once re-indexed by various Internet Search Providers (ISPs), record a substantial increase in online visitors who will not only explore the Museum's main website, giving its visitor numbers a further boost, but who, once they have visited the new NCWE website, will also be enticed to visit the Museum at Cosford

## Information and public services

The number of enquiries answered by the Collections Division during the year rose to over 7,000, in comparison to just under 6,000 the previous year. A total of 640 researchers visited the reading room on the London site, compared to 626 in 2007-2008. Family history continues to make up a large proportion of the enquiries received and the Museum's stand at the 'Who Do You Think You Are?' show, held at Olympia in February, attracted a total of 1,500 enquiries – in addition to those noted above.

## Collection and Management of heritage assets

Major acquisitions during the year included

- Papers gathered by Sqn Ldr Beryl Escott during her research into WAAF/WRAF history, including several hundred questionnaires completed by former servicewomen.
- The Chaplains' Branch archive, rescued from the cellars of Amport House by the Staff Chaplain at Headquarters Air Command.
- The medals of Flt Lt Bernard Ahern, including his Distinguished Service Cross.
- The log books of Flt Lt Richard Robinson, Beaufighter pilot and pre-war auxiliary with 610 Squadron.
- The partly restored rear gun turret of an Armstrong Whitworth Whitley.
- Four original Fairy Aviation wooden wind tunnel models, including the prototype and production versions of the Fairey Hendon bomber.

During the year a total of 23,537 records were added to the electronic catalogue, bringing the total to 362,807, representing an estimated 92% of the accessioned collections. Members of the public are able to view material from the catalogue via the Museum's Navigator website. This continues to be a popular tool, and the number of visits to the site during the year was 127,676 – an average of 10,640 per month. Various new records have been added to Navigator over the course of the year, most notably 16,197 Charles Brown photographs as part of a website redevelopment, and highlight selections have been refreshed on a monthly basis.

The Museum has continued to develop its collections care activities to ensure the long term preservation of the collections. A centralised pest monitoring programme has been implemented, existing environmental monitoring activities have been extended and a number of other new initiatives are under development. In due course these various activities will inform an overall Preservation Policy.

## Financial review

### Statement of financial activities

*Income:* The Museum received £7,989,000 of Grant in Aid (2008: £7,024,071) (Note 18). Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £1,859,491 (2008: £1,720,980) (Note 18). Total Incoming Resources amounted to £10,687,562 (2008: £10,358,399) (Note 18).

*Resources Expended:* The total of Resources expended amounted to £11,324,051 (2008: £11,121,707) (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 £358,382 (2008: £4,188,621) (Note 18: Notional Cost of Capital plus Revaluation of Fixed Assets and Investments), the net movement in funds for the year was a decrease of £1,713,085 (2008: increase of £2,012,089) (Note 18).

### Balance sheet

The final amount of ERDF Grant of £96,908 was received on the 20 February 2009. This completed all transactions in respect of the Cosford Project.

The value of the group net assets has decreased during the year, and now stands at £58,444,644 at the year-end (2008: £60,157,729) (Consolidated Balance Sheet).

## Income and costs of generating funds

The Museum has continued to receive funds from the Henshaw family to support the employment of a curator and the rebuilding of a replica Percival Mew Gull aircraft, the type in which the late Mr Alex Henshaw Snr set a world air record between the UK and South Africa.

**Trading Company:** Any non-charitable activities are undertaken by RAF Museum Enterprises Ltd, a wholly owned subsidiary of the Trustees. The company produced turnover of £1,859,491 (2008: £1,720,980) (Note 4b) and the associated costs of trading were £1,671,717 (2008: £1,669,788) (Note 4b). During the year, a number of Museum staff and other resources were utilised in furtherance of those activities resulting in a cross charge amounting to £238,689 (2008: £232,676) being paid to the Museum. A donation of £231,747 (2008: £119,735) (Note 4b) in respect of covenanted profit is included within Debtors (Note 11) and will be made to the Museum during the next financial year.

**Donations:** During the year, a total of £612,021 (2008: £1,106,345) (Note 3) was received by way of general donations to the work of the Museum. These were given by members of the public, legacies and amounts provided by companies associated with the aerospace industry. The figure includes a number of heritage assets valued at £222,354 (2008: £727,500) (Note 3), which the Museum also received during the year.

**Friends of the RAF Museum and the Bomber Command Association:** Sums of £21,500 (2008: £7,550) and £15,000 (2008: £25,625) (Note 3) respectively were received from these two independent but supporting organisations.

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

## Reserves policy

The Trustees continually monitor the level of the Charity's reserves, defined for the purposes of this policy as the amounts shown as 'Investments' and 'Net Current Assets' in the accounts of the Charity, and which are attributable to unrestricted funds. As at 31 March 2009, and under the new SORP guidance and analysis of funds, the level of reserves for the development of the Museum (Unrestricted Funds) stood at £886,644 (2008: £804,795) (Balance Sheet). The amount and term of the investment of all of the reserves are based on the Trustees' opinion of the immediate and future needs of the Museum by identifying the requirements for continuing operations. Given the level of income and the demands placed upon the flexible funds of the Museum, the Trustees are unable to set aside sufficient funds for the long-term needs of the Museum.

## Payment of creditors

The Museum's policy, in accordance with the Government-wide standard on the payment of creditors, is to settle all undisputed bills within 30 days or in accordance with the supplier's terms of business. The Museum's actual payment performance during the year was an average of 33 days (2008: 34 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	Benefits in kind	Real increase in pension and Lump Sum	Total accrued pension at age 60 at 31 March 2009 and related lump sum*	CETV at 31 March 2008*	CETV at 31 March 2009*	Real increase in CETV* as funded by employer
	£000	£000	£000	£000	(nearest £000)	(nearest £000)	£000
Dr Michael Fopp	90-95 (100-105)	14,400	0-2.5 Lump Sum	35-40 Lump Sum	850	883	4
Mr Peter Dye	60-65 (N/A)**	Nil	N/A	N/A	N/A	N/A	N/A
Mr John Kitchen	75-80 (75-80)	Nil	N/A	N/A	N/A	N/A	N/A
Mr Keith Ifould	70-75 (70-75)	Nil	0-2.5 Lump Sum	5-10 Lump Sum	156	184	21

Prior year salary figures are shown in brackets.

\*The opening CETV figures at 31 March 2008 may be different from the closing figures in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer values) (Amendment) Regulations 2008.

\*\*The salary figure of Mr Peter Dye represents the amount earned during the months he worked for the Museum.

Mr John Kitchen and Mr Peter Dye were not members of the PCSPS and the Museum did not fund any pension contributions for them in 2008-2009.

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, may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Not all officials covered in the remuneration report are members of the Civil Service Compensation Scheme and would therefore not be entitled to any compensation.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The benefits in kind of Dr Michael Fopp refer solely to his use of the company car.

The Board of Trustees comprised 16 members, none of whom were full time employees of the institution and they were paid £376 in reimbursed expenses. (2008: nil)

### Pension costs and benefits

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

For 2008-2009, employers' contributions of £ 246,351 were payable (2007-2008 £256,149). The applicable rates for the pension scheme are shown below

Scheme	Class of member	2008-2009	
		Gross Salary	Rate %
PCSPS	Non-industrial and Industrial Civilians	60,501 and over	25.5
		35,001 – 60,500	23.2
		17,001 – 35,000	19.5
		Up to 17,000	17.1

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

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in a former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of the purchase of additional years of pension service in the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Future plans/events since the year end

On 11 June 2009 the Museum, in support of the Bomber Command Memorial Appeal, held a major fund-raising banquet at Hendon. Profits from the event will go to the proposed Bomber Command Memorial, commemorating the 55,000 members of Bomber Command who died in the Second World War.

After a restoration programme that has lasted more than 20 years, the last surviving FE2b bomber – employed extensively by the Royal Flying Corps and Royal Air Force throughout the First World War, went on display at Hendon on 1 July 2009. The completion of this project will be marked by the publication of a special monograph detailing the history of the type in operational service.

With the signing of the formal agreement between the Trustees and the developer, the way is now open for the Grahame White Office and Control Tower building to be demolished and re-located on Museum land within the next 2 years.

We hope later this year to initiate a curatorial exchange involving staff from the Museum and the Smithsonian National Air & Space Museum, Washington. The aim, like the Apprentice exchange programme, will be to share professional experience, develop a closer relationship between two of the world's leading aviation museums and foster international understanding.

## Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. The fee for the audit of the 2008-2009 accounts was £13,300.

## Personal data loss

The Museum has not identified any personal data related incidents during 2008-2009 or in the previous 5 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

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

*Mr Gerry Grimstone MA MSc MSI*  
Chairman of Audit Committee  
on behalf of the Board of Trustees

9 July 2009

9 July 2009

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

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

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

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

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

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

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

9 July 2009

*Mr Gerry Grimstone MA MSc MSI*  
Chairman of Audit Committee  
on behalf of the Board of Trustees

9 July 2009

# Statement on Internal Control for the year ending 31 March 2009

## Scope of responsibility

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

On behalf of the board of Trustees of the Royal Air Force Museum, I am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks to which the Museum is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

## 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 2009 and up to the date of approval of the annual report and accounts in accordance with Treasury guidance.

## Capacity to handle risk

The Audit Committee of the Board of Trustees keeps under regular review the Risk Register and reports its findings to the full Board. Members of the Audit Committee are aware of their responsibilities set out in the Audit Committee Handbook published in October 2003.

## The risk and control framework

The Museum has established a risk management strategy that is owned by the Board of Trustees through its Audit Committee. The Risk Register documents, defines terms, and sets out the perceived risks and the attitude of the Museum to each one.

## Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal audit function (described below), and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

*Mr Gerry Grimstone MA MSc MSI*  
On behalf of the Board of Trustees

9 July 2009

*Dr Michael A Fopp MA FMA FRAeS*  
Accounting Officer

9 July 2009

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

I certify that I have audited the financial statements of the Royal Air Force Museum for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I report to you whether, in my opinion, the information, which comprises the Financial Review, included in the Trustees' Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Royal Air Force Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Royal Air Force Museum's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Royal Air Force Museum's corporate governance procedures or its risk and control procedures.

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

### Basis of audit opinions

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

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

## Opinions

### In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by Secretary of State for Defence, of the state of The Royal Air Force Museum's and the group's affairs as at 31 March 2009 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence; and
- information, which comprises the Financial Review, included within the Trustees Report, is consistent with the financial statements.

### Opinion on Regularity

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

### Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

11 July 2009

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

## Consolidated Statement of Financial Activities for the year ended 31st March 2009

	Notes	Unrestricted funds 2009 £	Grant in Aid funds 2009 £	Restricted funds 2009 £	<b>Total funds 2009 £</b>	Total funds 2008 £
<b>Incoming resources from generated funds</b>						
Grant in Aid ( Operating )		0	7,880,000	0	<b>7,880,000</b>	6,915,071
Grant in Aid ( Purchase of exhibits )		0	109,000	0	<b>109,000</b>	109,000
Other grants and donations	3	289,758	0	322,263	<b>612,021</b>	1,302,436
Special events		49,048	0	0	<b>49,048</b>	125,990
Other income		101,276	0	0	<b>101,276</b>	75,917
<i>Activities for Generating Funds</i>						
Commercial trading operations	4b	1,859,491	0	0	<b>1,859,491</b>	1,720,980
Investment income and interest		63,759	9,184	3,782	<b>76,725</b>	109,005
<b>Total incoming resources</b>		<u>2,363,332</u>	<u>7,998,184</u>	<u>326,045</u>	<b><u>10,687,561</u></b>	<u>10,358,399</u>
<b>Resources expended</b>						
<i>Costs of generating funds</i>						
Fund raising and publicity	5	73,676	261,216	0	<b>334,892</b>	389,476
Commercial trading operations	4b	1,671,717	0	0	<b>1,671,717</b>	1,669,788
Sub total cost of generating funds		<u>1,745,393</u>	<u>261,216</u>	<u>0</u>	<b><u>2,006,609</u></b>	<u>2,059,264</u>
<b>Net incoming resources available for charity application</b>		<u>617,939</u>	<u>7,736,968</u>	<u>326,045</u>	<b><u>8,680,952</u></b>	<u>8,299,135</u>
<i>Charitable activities</i>						
Operation of Museum	6a	459,794	7,319,032	1,417,062	<b>9,195,888</b>	8,939,603
Purchase of exhibits		0	6,703	0	<b>6,703</b>	3,685
Notional cost of capital		0	1,434,977	0	<b>1,434,977</b>	1,413,224
<b>Governance costs</b>	5	<u>114,851</u>	<u>0</u>	<u>0</u>	<b><u>114,851</u></b>	<u>119,155</u>
<b>Total resources expended</b>		<u>574,645</u>	<u>8,760,712</u>	<u>1,417,062</u>	<b><u>10,752,419</u></b>	<u>10,475,667</u>
Net outgoing resources before reversal of notional costs		43,294	(1,023,744)	(1,091,017)	<b>(2,071,467)</b>	(2,176,532)
Reversal of notional cost of capital		0	1,434,977	0	<b>1,434,977</b>	1,413,224
<b>Net (outgoing)/incoming resources for the year</b>		<u>43,294</u>	<u>411,233</u>	<u>(1,091,017)</u>	<b><u>(636,490)</u></b>	<u>(763,308)</u>

## Consolidated Statement of Financial Activities for the year ended 31st March 2009 *continued*

	Notes	Unrestricted funds 2009 £	Grant in Aid funds 2009 £	Restricted funds 2009 £	<b>Total funds 2009 £</b>	Total funds 2008 £
Net (outgoing)/incoming resources for the year		43,294	411,233	(1,091,017)	<b>(636,490)</b>	(763,308)
Gains and losses on revaluations of fixed assets for the charity's own use		0	(1,076,430)	0	<b>(1,076,430)</b>	2,775,739
Gains and losses on revaluations and disposals of investment assets		(165)	0	0	<b>(165)</b>	(342)
<b>Net movement in funds</b>		<u>43,129</u>	<u>(665,197)</u>	<u>(1,091,017)</u>	<b><u>(1,713,085)</u></b>	<u>2,012,089</u>
Funds brought forward at 1st April 2008		<u>745,451</u>	<u>41,331,947</u>	<u>18,080,331</u>	<b><u>60,157,729</u></b>	<u>58,145,641</u>
<b>Funds carried forward at 31st March 2009</b>		<u>788,580</u>	<u>40,666,750</u>	<u>16,989,314</u>	<b><u>58,444,644</u></b>	<u>60,157,73</u>

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

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

## Consolidated Balance Sheet 31 March 2009

	Notes	Group 2009 £	Group 2008 £	Charity 2009 £	Charity 2008 £
<b>Fixed assets</b>					
Tangible assets	9	<b>57,094,096</b>	59,297,964	<b>56,930,220</b>	59,075,872
Investments	4a	<b>0</b>	0	<b>100,002</b>	100,002
		<b>57,094,096</b>	59,297,964	<b>57,030,222</b>	59,175,874
<b>Current assets</b>					
Stocks	10	<b>178,559</b>	144,416	<b>0</b>	0
Debtors	11	<b>322,629</b>	498,804	<b>495,714</b>	595,377
Investments	12	<b>2,196</b>	3,339	<b>2,196</b>	3,339
Cash at bank	13	<b>1,963,561</b>	1,823,247	<b>1,792,287</b>	1,595,498
		<b>2,466,945</b>	2,469,806	<b>2,290,197</b>	2,194,214
<b>Creditors</b>					
Amounts falling due within one year	14	<b>(968,747)</b>	(1,381,732)	<b>(762,037)</b>	(1,110,924)
<b>Net current assets</b>		<b>1,498,198</b>	1,088,074	<b>1,528,160</b>	1,083,290
<b>Total assets less current liabilities</b>		<b>58,592,294</b>	60,386,038	<b>58,558,382</b>	60,259,164
<b>Creditor</b>					
Amounts falling due after more than one year	15	<b>(147,650)</b>	(228,309)	<b>(15,674)</b>	(42,091)
		<b>58,444,644</b>	60,157,729	<b>58,542,708</b>	60,217,073
<b>Reserves</b>					
Unrestricted funds	18/19	<b>788,580</b>	745,451	<b>886,644</b>	804,795
Grant in Aid Operating account		<b>39,479,758</b>	40,256,436	<b>39,479,758</b>	40,256,436
Grant in Aid exhibits reserve		<b>1,186,992</b>	1,075,511	<b>1,186,992</b>	1,075,511
Other restricted funds		<b>16,989,314</b>	18,080,331	<b>16,989,314</b>	18,080,331
		<b>58,444,644</b>	60,157,729	<b>58,542,708</b>	60,217,073

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

Approved by the Board of Trustees on 9 July 2009 and signed on its behalf by

Mr Gerry Grimstone MA MSc MSI  
Chairman Audit Committee

Dr Michael A. Fopp MA FMA  
Director General

## Consolidated Cash Flow Statement for the year ended 31 March 2009

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

	Unrestricted funds 2009 £	Restricted funds		<b>Total funds 2009 £</b>	Total funds 2008 £
		Grant in Aid funds 2009 £	Other funds 2009 £		
<b>Net incoming resources</b>	43,294	411,234	(1,091,017)	<b>(636,489)</b>	(763,308)
Interest receivable	(63,717)	(9,184)	(3,782)	<b>(76,683)</b>	(108,982)
Interest payable	17,593	0	0	<b>17,593</b>	26,206
Dividends received	(42)	0	0	<b>(42)</b>	(23)
(Profit)/loss on disposal of investments	0	0	0	<b>0</b>	0
Depreciation of tangible assets	70,529	1,428,243	442,037	<b>1,940,809</b>	2,040,721
Loss on revaluation of tangible fixed assets	0	0	0	<b>0</b>	0
(Profit)/loss on disposal of assets	(995)	0	0	<b>(995)</b>	0
(Increase)/decrease in stocks	(34,143)	0	0	<b>(34,143)</b>	(28,654)
(Increase)/decrease in debtors	(18,249)	194,423	0	<b>176,174</b>	126,834
(Decrease)/increase in creditors	(73,180)	(311,617)	0	<b>(384,797)</b>	304,938
<b>Net cash flow from operating activities</b>	<u>(58,910)</u>	<u>1,713,099</u>	<u>(652,762)</u>	<u><b>1,001,427</b></u>	<u>1,597,732</u>
<b>Net cash flow from operating activities</b>	(58,910)	1,713,099	(652,762)	<b>1,001,427</b>	1,597,732
<b>Returns on investments and servicing of finance</b>					
Bank interest received	63,717	9,184	3,782	<b>76,683</b>	108,982
Finance charges paid	(17,593)	0	0	<b>(17,593)</b>	(26,206)
Dividends received	42	0	0	<b>42</b>	23
<b>Capital expenditure</b>					
Purchase of tangible fixed assets	(12,313)	(566,694)	(234,364)	<b>(813,371)</b>	(1,232,433)
Proceeds from disposal of tangible fixed assets	995	0	0	<b>995</b>	7,196
<b>Management of liquid resources</b>					
Purchase of current asset investments	0	0	0	<b>0</b>	0
Proceeds from disposal of current asset investments	978	0	0	<b>978</b>	239
Transfers between funds	(165,644)	(572,109)	737,753	<b>0</b>	0
<b>Financing</b>					
Capital element of finance lease rentals	(39,640)	0	0	<b>(39,640)</b>	(50,453)
Long term loan	(44,077)	0	0	<b>(44,077)</b>	176,053
<b>(Decrease)/increase in cash in the period</b>	<u>(272,445)</u>	<u>583,480</u>	<u>(145,591)</u>	<u>165,444</u>	<u><b>581,133</b></u>

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

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

# Notes to the Financial Statements for the year ended 31 March 2009

## 1 Accounting policies

### *Basis of accounting*

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

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

### *Basis of consolidation*

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

The financial statements of Royal Air Force Museum Enterprises Ltd used in consolidation are those for the year to 31 March 2009.

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

### *Recognition of incoming resources*

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

### *Resources expended*

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

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

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

### *Commercial trading activities*

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

*Notional costs*

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

*Restricted and unrestricted funds*

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

*Tangible fixed assets*

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

Freehold buildings	over 30 to 50 years
Leasehold property	over the lease term
Fixtures, fittings and equipment	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 1 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 1 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. Term deposits of less than one year are classified as investments within current assets.

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

*Leasing*

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

*Stock*

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

### *Financial instruments*

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

### *Pensions*

Pensions benefits for 38 members of staff are provided through the Civil Service pensions arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). Under the new arrangements, new entrants after 1 October 2002 were not able to join the existing PCSPS, which has been renamed 'classic' and has become a closed scheme. Existing members of the PCSPS were given the option of remaining within 'classic'; electing to transfer to 'premium', the new defined benefits scheme; or choosing 'classic plus', whereby they transferred to 'premium' but only in respect of service after 1 October 2002.

#### **a Classic Scheme**

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

#### **b Premium Scheme**

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80th of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8th the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

#### **c Classic Plus Scheme**

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

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

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

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

## 2 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. The Corporation Tax liability of the trading subsidiary for the year ended 31st March 2009 was £Nil (2008: £Nil).

## 3 Other grants and donations

	Unrestricted Funds 2009 £	Grant in Aid Funds 2009 £	Other restricted Funds 2009 £	Total Funds 2009 £	Total Funds 2008 £
Bomber Command Association	15,000	0	0	15,000	25,625
Society of Friends of the RAF Museum	21,500	0	0	21,500	7,550
Exhibits Donated	0	0	222,354	222,354	727,500
Other	253,258	0	99,909	353,167	345,670
Cosford Project Grants	0	0	0	0	196,091
	<u>289,758</u>	<u>0</u>	<u>322,263</u>	<u>612,021</u>	<u>1,302,436</u>

## 4a Investment in subsidiary undertakings

Of the investment of £100,002 (2008: £100,002), £100,000 represents the charity's interest in 100 per cent of the issued share capital of Royal Air Force Museum Enterprises Limited which is incorporated in England and Wales and operates souvenir shops and other trading activities at Hendon and Cosford. The company's aggregate capital and reserves were as follows

	2009 £	2008 £
<i>The assets and liabilities of the subsidiary were</i>		
Fixed assets	163,876	222,092
Current assets	492,267	496,350
Creditors: amounts falling due within one year	(522,231)	(491,568)
Creditors: amounts falling due after more than one year	(131,976)	(186,218)
	<u>1,936</u>	<u>40,656</u>
	2009 £	2008 £
<b>At 1 April, 2008</b>	40,656	98,925
Profit/(Loss) retained in subsidiary	(38,720)	(58,269)
<b>At 31 March, 2009</b>	<u>1,936</u>	<u>40,656</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.

**4b Income from trading company**

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

<b>Royal Air Force Museum Enterprises Limited</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>1,859,491</b>	1,720,980
Cost of sales and administrative expenses	<b>(1,658,681)</b>	(1,649,331)
	<b>200,810</b>	71,649
Interest receivable	<b>5,253</b>	10,274
Interest paid	<b>(13,036)</b>	(20,457)
<b>Net profit</b>	<b>193,027</b>	61,466
Charitable contribution under Deed of Covenant	<b>(231,747)</b>	(119,735)
<b>Deficit in subsidiary</b>	<b>(38,720)</b>	(58,269)

**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.

<b>Support cost</b>	<b>Museum</b>	<b>Governance</b>	<b>Fund</b>	<b>Total</b>	<b>Total</b>
	<b>operation</b>	<b>2009</b>	<b>raising and</b>		
	<b>2009</b>	<b>2009</b>	<b>publicity</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>2009</b>	<b>£</b>	<b>£</b>
Staff costs	<b>834,924</b>	<b>70,375</b>	<b>228,574</b>	<b>1,133,873</b>	1,100,307
Premises costs	<b>648</b>	<b>1,458</b>	<b>1,076</b>	<b>3,182</b>	3,105
Motor expenses	<b>11,554</b>	<b>0</b>	<b>0</b>	<b>11,554</b>	9,453
Travel, subsistence and hospitality	<b>8,698</b>	<b>9,637</b>	<b>23,500</b>	<b>41,835</b>	46,712
Administration expenses	<b>0</b>	<b>801</b>	<b>4,405</b>	<b>5,206</b>	6,869
Legal, professional and consultancy	<b>49,523</b>	<b>29,905</b>	<b>0</b>	<b>79,428</b>	79,108
Advertising and publicity	<b>0</b>	<b>0</b>	<b>75,363</b>	<b>75,363</b>	152,070
Repairs and maintenance	<b>730</b>	<b>648</b>	<b>478</b>	<b>1,856</b>	1,768
Depreciation	<b>2,283</b>	<b>2,027</b>	<b>1,496</b>	<b>5,806</b>	6,055
Financial	<b>27,769</b>	<b>0</b>	<b>0</b>	<b>27,769</b>	25,413
Sundry	<b>110,483</b>	<b>0</b>	<b>0</b>	<b>110,483</b>	84,365
<b>Total</b>	<b>1,046,612</b>	<b>114,851</b>	<b>334,892</b>	<b>1,496,355</b>	1,515,225

\* Included in Legal, Professional and Consultancy is the audit fee payable to National Audit Office amounting to £13,300.

**6a Analysis of charitable expenditure**

	Education 2009	Access and exhibition programmes 2009	Information and public services 2009	Management of heritage assets 2009	Total 2009	Total 2008
	£	£	£	£	£	£
School programmes and curriculum development	39,966	0	0	0	39,966	28,731
Events and exhibitions	0	191,725	120,280	0	312,005	360,256
Department of Research Information Services	0	0	0	10,840	10,840	7,507
Curatorial	0	0	0	0	0	0
M B Conservation Centre	0	0	0	53,360	53,360	55,454
Department of Collection Management	0	0	0	10,206	10,206	7,680
Visual Arts	0	0	0	25,290	25,290	8,013
Salaries	371,216	576,758	1,966,162	801,316	3,715,452	3,454,605
Central premises costs	81,239	1,406,749	5,068	444,830	1,937,886	1,876,135
Depreciation	78,202	1,354,150	3,924	428,198	1,864,474	1,944,010
Travel, subsistence and hospitality	12,109	10,098	272	10,165	32,644	22,754
Administration expenses	14,817	16,819	64,274	26,030	121,940	148,259
Financial costs	0	0	0	0	0	0
Sundry expenses	0	0	24,977	236	25,213	19,609
Support costs	76,743	456,736	280,614	232,519	1,046,612	1,006,592
<b>Total</b>	<b>674,292</b>	<b>4,013,035</b>	<b>2,465,571</b>	<b>2,042,990</b>	<b>9,195,888</b>	<b>8,939,605</b>

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

	Unrestricted 2009	GIA 2009	Restricted 2009	Total 2009	Total 2008
	£	£	£	£	£
Total per the SOFA					
Fund raising and publicity	73,676	261,216	0	334,892	389,476
Operation of Museum	459,794	7,319,032	1,417,061	9,195,887	8,939,603
Governance	114,851	0	0	114,851	119,155
	648,321	7,580,248	1,417,061	9,645,630	9,448,234
Less staff costs (Note 8)	(592,248)	(4,257,076)	0	(4,849,324)	(4,554,912)
Less depreciation (Note 5 & Note 6a)	0	(1,428,241)	(442,039)	(1,870,280)	(1,950,065)
	<b>56,073</b>	<b>1,894,931</b>	<b>975,022</b>	<b>2,926,026</b>	<b>2,943,257</b>

## 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.

	Education 2009 £	Access and exhibition programmes 2009 £	Information and public services 2009 £	Management of heritage assets 2009 £	Total 2009 £	Total 2008 £
Costs	<b>674,293</b>	<b>4,013,036</b>	<b>2,465,568</b>	<b>2,042,991</b>	<b>9,195,888</b>	8,939,603
Heritage Lottery Funding	0	0	0	0	0	0
<i>Grants</i>						
European Regional Development Fund	0	0	0	0	0	(196,091)
Advantage West Midlands	0	0	0	0	0	0
Bridgnorth District Council	0	0	0	0	0	0
Ministry of Defence	0	0	0	0	0	(247,538)
Donations	0	(20,000)	0	(79,909)	(99,909)	(20,000)
Other Direct Revenue	(5,643)	0	(12,394)	0	(18,037)	(30,046)
<b>Net Cost/(Income) funded from other income</b>	<b>668,650</b>	<b>3,993,036</b>	<b>2,453,174</b>	<b>1,963,082</b>	<b>9,077,942</b>	<b>8,445,928</b>

## 8 Staff costs and numbers

	Unrestricted Funds 2009 £	Grant in Aid operating Funds 2009 £	Other restricted Funds 2009 £	Total Funds 2009 £	Total Funds 2008 £
Salaries and wages	539,995	3,664,473	0	4,204,468	3,929,935
Temporary agency staff	0	0	0	0	0
Social security costs	52,253	346,251	0	398,504	368,828
Pension costs	0	246,352	0	246,352	256,149
	<u>592,248</u>	<u>4,257,076</u>	<u>0</u>	<u>4,849,324</u>	<u>4,554,912</u>

The above costs exclude the trading subsidiary.

The number of staff in post as at 31st March 2009 was 181.

### Notes

- 'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the RAF Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

**9a Tangible Fixed Assets – Group**

	Freehold property £	Leasehold property £	Fixtures, fittings and equipment £	Plan machinery and vehicles £	Assets under con- struction £	Exhibits £	<b>Total £</b>
<b>Cost or valuation</b>							
At 1 April, 2008	44,487,222	15,250,891	2,883,663	457,198	0	3,612,935	<b>66,691,909</b>
Additions	12,957	9,038	80,164	12,220	222,189	476,803	<b>813,371</b>
Disposals	0	0	0	(2,250)	0	0	<b>(2,250)</b>
Revaluations	(1,050,273)	(60,786)	73,253	5,805	0	0	<b>(1,032,001)</b>
<b>At 31 March, 2009</b>	<b>43,449,906</b>	<b>15,199,143</b>	<b>3,037,080</b>	<b>472,973</b>	<b>222,189</b>	<b>4,089,738</b>	<b>66,471,029</b>
<b>Depreciation</b>							
At 1st April, 2008	3,942,420	921,630	2,167,863	362,032	0	0	<b>7,393,945</b>
Charged in the year	985,827	500,752	418,957	35,273	0	0	<b>1,940,809</b>
Disposals	0	0	0	(2,250)	0	0	<b>(2,250)</b>
Revaluations	(15,701)	(3,397)	63,366	161	0	0	<b>44,429</b>
<b>At 31 March, 2009</b>	<b>4,912,546</b>	<b>1,418,985</b>	<b>2,650,186</b>	<b>395,216</b>	<b>0</b>	<b>0</b>	<b>9,376,933</b>
<b>Net Book Values</b>							
<b>At 31 March, 2009</b>	<b>38,537,360</b>	<b>13,780,158</b>	<b>386,894</b>	<b>77,757</b>	<b>222,189</b>	<b>4,089,738</b>	<b>57,094,096</b>
At 31 March, 2008	40,544,802	14,329,261	715,800	95,166	0	3,612,935	59,297,964

**9b Tangible Fixed Assets – Charity**

	Freehold property £	Leasehold property £	Fixtures, fittings and equipment £	Plan machinery and vehicles £	Assets under con- struction £	Exhibits £	<b>Total £</b>
<b>Cost or valuation</b>							
At 1 April, 2008	44,487,222	15,250,891	2,282,238	162,267	0	3,612,935	<b>65,795,553</b>
Additions	12,957	9,038	67,853	12,220	222,187	476,803	<b>801,058</b>
Disposals	0	0	0	(2,250)	0	0	<b>(2,250)</b>
Revaluations	(1,050,273)	(60,786)	73,253	5,805	0	0	<b>(1,032,001)</b>
<b>At 31 March, 2009</b>	<b>43,449,906</b>	<b>15,199,143</b>	<b>2,423,344</b>	<b>178,042</b>	<b>222,187</b>	<b>4,089,738</b>	<b>65,562,360</b>
<b>Depreciation</b>							
At 1 April, 2008	3,942,420	921,630	1,757,543	98,088	0	0	<b>6,719,681</b>
Charged in the year	985,827	500,752	359,582	24,119	0	0	<b>1,870,280</b>
Disposals	0	0	0	(2,250)	0	0	<b>(2,250)</b>
Revaluation	(15,701)	(3,397)	63,366	161	0	0	<b>44,429</b>
<b>At 31 March, 2009</b>	<b>4,912,546</b>	<b>1,418,985</b>	<b>2,180,491</b>	<b>120,118</b>	<b>0</b>	<b>0</b>	<b>8,632,140</b>
<b>Net Book Values</b>							
<b>At 31 March, 2009</b>	<b>38,537,360</b>	<b>13,780,158</b>	<b>242,853</b>	<b>57,924</b>	<b>222,187</b>	<b>4,089,738</b>	<b>56,930,220</b>
At 31 March, 2008	40,544,802	14,329,261	524,695	64,179	0	3,612,935	59,075,872

Group tangible fixed assets at 31 March 2009 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited, with a net book value of £163,876 (2008: £222,092). While the Museum is required to follow HM Treasury's guidance and therefore revalues its tangible fixed assets annually, the trading company is not subject to Treasury guidance and does not revalue its fixed assets. 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 £5,964 (2008: £7,154).

The Museum's freehold property was professionally revalued as at 31 March 2004. The revaluation was carried out by Gerald Eve, Chartered Surveyors and Property Consultants, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Freehold property, which comprises the RAF Museum site, Hendon, was valued on the basis of depreciation replacement cost.

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

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

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

The Net Book value and Depreciation related to Tangible Fixed Assets held by the whole Group under Finance Leases are: Group fixtures, fittings and equipment – NBV of £24,289 (2008: £49,464) and depreciation charge of £25,175 (2008: £39,277). Group plant and machinery – NBV of £16,302 (2008: £20,250) and depreciation charge of £4,567 (2008: £2,250). Group motor vehicles – NBV £19,833 (2008: £30,179) and depreciation charge £10,347 (2008: £10,347).

The Net Book Value and Depreciation related to Tangible Fixed Assets held by the Royal Air Force Museum under Finance Leases are Charity fixtures, fittings and equipment – NBV of £24,289 (2008: £49,464) and depreciation charge of £25,175 (2008: £39,277). Charity Plant and Machinery - NBV of £16,302 (2008: £20,250) and depreciation charge of £4,567 (2008: £2,250). There are no Charity Motor Vehicles held under Finance Leases this financial year. Assets under construction of £222,187 (2008: nil) constitute in the current year the renovation to the roof of the Battle of Britain Hall.

## 10 Stocks

	<b>Group 2009</b>	2008	<b>Charity 2009</b>	2008
	£	£	£	£
Goods for resale	<b>178,559</b>	144,416	<b>0</b>	0

## 11 Debtors

	<b>Group 2009</b>	2008	<b>Charity 2009</b>	2008
	£	£	£	£
Trade debtors	<b>79,111</b>	132,253	<b>16,842</b>	53,654
Amounts due from subsidiary undertaking	<b>0</b>	0	<b>83,772</b>	101,023
Other debtors	<b>46,376</b>	97,027	<b>46,376</b>	97,027
Prepayments and accrued income	<b>197,142</b>	269,524	<b>116,977</b>	223,938
Charitable Deed of Covenant	<b>0</b>	0	<b>231,747</b>	119,735
	<b>322,629</b>	498,804	<b>495,714</b>	595,377

**12 Investments – Group And Charity**

	2009 £	2008 £
<i>Quoted investments</i>		
Market value on 1 April, 2008	<b>3,339</b>	3,920
Additions	<b>0</b>	0
Disposal of investments	<b>(978)</b>	(239)
Realised loss on disposal	<b>0</b>	(8)
Net unrealised investment (losses)/gains	<b>(165)</b>	(334)
Market value at 31 March, 2009	<b>2,196</b>	3,339
Historical cost at 31 March, 2009	<b>2,117</b>	2,117

**13 Cash at bank and in hand**

	Group 2009 £	2008 £	Charity 2009 £	2008 £
Unrestricted Funds	1,030,447	1,328,022	859,173	1,100,273
Grant in Aid (Operational) Funds	801,497	217,298	801,497	217,298
Grant in Aid (Purchase Grant) Funds	93,281	94,000	93,281	94,000
Other restricted funds	38,336	183,927	38,336	183,927
	<b>1,963,561</b>	<b>1,823,247</b>	<b>1,792,287</b>	<b>1,595,498</b>

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

	Group 2009 £	2008 £	Charity 2009 £	2008 £
Bank loans and overdrafts	<b>44,943</b>	70,073	<b>5,430</b>	39,818
Obligations under finance leases	<b>36,582</b>	39,640	<b>26,417</b>	29,299
Amounts owed to subsidiary undertakings	<b>0</b>	0	<b>2</b>	2
Trade creditors	<b>480,789</b>	340,354	<b>435,555</b>	270,953
Taxation and social security	<b>91,673</b>	97,964	<b>82,270</b>	86,962
Other creditors	<b>24,047</b>	29,949	<b>676</b>	575
Accruals and deferred income	<b>290,713</b>	803,752	<b>211,687</b>	683,315
	<b>968,747</b>	<b>1,381,732</b>	<b>762,037</b>	<b>1,110,924</b>

Obligations under finance leases are secured on the underlying assets.

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

	<b>Group 2009 £</b>	2008 £	<b>Charity 2009 £</b>	2008 £
Obligation under finance leases	15,674	52,256	15,674	42,091
Bank loan	131,976	176,053	0	0
	<u>147,650</u>	<u>228,309</u>	<u>15,674</u>	<u>42,091</u>

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

	Unrestricted Funds £	Restricted Funds Grant in Aid £	Other Funds £	<b>Total Funds £</b>
(Decrease)/increase in cash in period	(272,445)	583,480	(145,591)	<b>165,444</b>
Cash outflow from decrease in financing	39,640	0	0	<b>39,640</b>
Cash inflow from sale of liquid resources	978	0	0	<b>978</b>
Change in net funds resulting from cash flow	<u>(231,827)</u>	<u>583,480</u>	<u>(145,591)</u>	<b>206,062</b>
Repayment of bank loan	44,077	0	0	<b>44,077</b>
Change in market value of liquid resources	(2,121)	0	0	<b>(2,121)</b>
	<u>41,956</u>	<u>0</u>	<u>0</u>	<b>41,956</b>
Net funds at 1 April, 2008	993,339	311,298	183,927	<b>1,488,564</b>
<b>Net funds at 31 March, 2009</b>	<u>803,468</u>	<u>894,778</u>	<u>38,336</u>	<b>1,736,582</b>

**17 Analysis of net funds**

	1 April 2008 £	Cash flow £	Other changes £	<b>31 March 2009 £</b>
Cash at bank and in hand	1,823,247	140,314	0	<b>1,963,561</b>
Bank loans and overdrafts	(70,073)	25,130	0	<b>(44,943)</b>
Obligations under finance leases within 1 year	(39,640)	39,640	(36,582)	<b>(36,582)</b>
Obligations under finance leases after 1 year	(52,256)	0	36,582	<b>(15,674)</b>
Long term loans	(176,053)	44,077	0	<b>(131,976)</b>
Current asset investments	3,339	978	(2,121)	<b>2,196</b>
	<u>1,488,564</u>	<u>250,139</u>	<u>(2,121)</u>	<b>1,736,582</b>

**18 Movement of funds**

	Unrestricted Funds 2009 £	Grant in Aid Operating Funds 2009 £	Purchase Funds 2009 £	Other Restricted Funds 2009 £	<b>Total Funds 2009 £</b>	Total Funds 2008 £
<b>Incoming resources</b>						
Grant in Aid	0	7,880,000	109,000	0	<b>7,989,000</b>	7,024,071
Other grants and donations	289,758	0	0	322,263	<b>612,021</b>	1,302,436
Special events	49,048	0	0	0	<b>49,048</b>	125,990
Public telephones	0	0	0	0	<b>0</b>	105
Interest on deposits	63,717	0	9,184	3,782	<b>76,683</b>	108,982
Visual arts	0	0	0	0	<b>0</b>	818
ERDF and Other income	101,276	0	0	0	<b>101,276</b>	74,994
HLF Grant Income	0	0	0	0	<b>0</b>	0
Dividends Received	42	0	0	0	<b>42</b>	23
Commercial trading operations	1,859,491	0	0	0	<b>1,859,491</b>	1,720,980
<b>Total incoming resources</b>	<b>2,363,332</b>	<b>7,880,000</b>	<b>118,184</b>	<b>326,045</b>	<b>10,687,561</b>	<b>10,358,399</b>
<b>Resources expended</b>						
Staff costs (Note 8)	592,248	4,257,076	0	0	<b>4,849,324</b>	4,554,912
Purchase of exhibits	0	0	6,703	0	<b>6,703</b>	3,683
Other operating costs (Note 6)	56,073	1,894,931	0	975,025	<b>2,926,029</b>	2,943,259
Depreciation (Note 5 & Note 6)	0	1,428,241	0	442,037	<b>1,870,278</b>	1,950,065
Commercial trading operation	1,671,717	0	0	0	<b>1,671,717</b>	1,669,788
<b>Total resources expended</b>	<b>2,320,038</b>	<b>7,580,248</b>	<b>6,703</b>	<b>1,417,062</b>	<b>11,324,051</b>	<b>11,121,707</b>
<b>Net (outgoing)/incoming resources for the year</b>	<b>43,294</b>	<b>299,752</b>	<b>111,481</b>	<b>(1,091,017)</b>	<b>(636,490)</b>	<b>(763,308)</b>
Gains and losses on revaluations of fixed assets	0	(1,076,430)	0	0	<b>(1,076,430)</b>	2,775,739
Gains and losses on revaluations and disposals of investments	(165)	0	0	0	<b>(165)</b>	(342)
<b>Net movement in funds for the year</b>	<b>43,129</b>	<b>(776,678)</b>	<b>111,481</b>	<b>(1,091,017)</b>	<b>(1,713,085)</b>	<b>2,012,089</b>
Funds brought forward at 1 April 2008	745,451	40,256,436	1,075,511	18,080,331	<b>60,157,729</b>	58,145,641
<b>Funds carried forward at 31 March 2009</b>	<b>788,580</b>	<b>39,479,758</b>	<b>1,186,992</b>	<b>16,989,314</b>	<b>58,444,644</b>	<b>60,157,730</b>

*Reconciliation of total resources expended to the SOFA*

	Unrestricted funds	Grant in Aid funds	Other funds	<b>Total funds</b>	Total funds
	2009	2009	2009	<b>2009</b>	2008
	£	£	£	<b>£</b>	£
<b>Costs of generating funds</b>					
Fund raising and publicity	73,676	261,216	0	<b>334,892</b>	389,476
Commercial trading operations	1,671,717	0	0	<b>1,671,717</b>	1,669,788
	<u>1,745,393</u>	<u>261,216</u>	<u>0</u>	<b><u>2,006,609</u></b>	<u>2,059,264</u>
<b>Charitable activities</b>					
Operation of Museum	459,794	7,319,031	1,417,062	<b>9,195,887</b>	8,939,603
Purchase of exhibits	0	6,703	0	<b>6,703</b>	3,685
Notional cost of capital	0	1,434,977	0	<b>1,434,977</b>	1,413,224
Governance costs	114,851	0	0	<b>114,851</b>	119,155
	<u>574,645</u>	<u>8,760,711</u>	<u>1,417,062</u>	<b><u>10,752,418</u></b>	<u>10,475,667</u>
Less: notional cost of capital	0	(1,434,977)	0	<b>(1,434,977)</b>	(1,413,224)
<b>Total resources expended</b>	<u>2,320,038</u>	<u>7,586,950</u>	<u>1,417,062</u>	<b><u>11,324,050</u></b>	<u>11,121,707</u>

**19 Analysis of group net assets between funds**

	Un-restricted funds	Grant in Aid Operating funds	Purchase Grant funds	Other restricted funds	<b>Total funds 2009</b>	Total funds 2008
	2009	2009	2009	2009	<b>2009</b>	2008
	£	£	£	£	<b>£</b>	£
Tangible fixed assets	163,876	41,288,442	1,139,763	14,502,015	<b>57,094,096</b>	59,297,964
Cash at bank and in hand	1,030,447	801,497	93,281	38,336	<b>1,963,561</b>	1,823,247
Other net current assets	(258,093)	(2,610,181)	(46,052)	2,448,963	<b>(465,363)</b>	(911,226)
Total assets less current liabilities	<u>936,230</u>	<u>39,479,758</u>	<u>1,186,992</u>	<u>16,989,314</u>	<b><u>58,592,294</u></b>	<u>60,209,985</u>
Creditors due after one year	(147,650)	0	0	0	<b>(147,650)</b>	(52,256)
Net assets	<u>788,580</u>	<u>39,479,758</u>	<u>1,186,992</u>	<u>16,989,314</u>	<b><u>58,444,644</u></b>	<u>60,157,729</u>

## 20 Commitments

	<b>Group 2009 £</b>	Group 2008 £	<b>Charity 2009 £</b>	Charity 2008 £
<b>Lease commitments</b>				
<i>Net Obligations under finance leases payable</i>				
Within one year	<b>36,582</b>	39,640	<b>26,417</b>	29,299
Between one and five years	<b>15,674</b>	52,256	<b>15,674</b>	42,091
	<b>52,256</b>	91,896	<b>42,091</b>	71,390
<i>Gross obligations under finance leases</i>				
Within one year	<b>40,185</b>	45,652	<b>28,685</b>	34,152
Between one and five years	<b>17,018</b>	56,244	<b>17,018</b>	45,703
Total gross obligations	<b>57,203</b>	101,896	<b>45,703</b>	79,855
Finance charges and interest allocated to future accounting periods	<b>(3,612)</b>	(10,000)	<b>(3,612)</b>	(8,465)
	<b>53,591</b>	91,896	<b>42,091</b>	71,390

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 £6,012 (2008: £7,976).

During the year, the Museum made operating lease payments amounting to £546,748 (2008: £547,000). At the 31st March 2009, the Museum had annual commitments under non-cancellable operating leases as follows

	Group and charity	
	<b>2009</b>	2008
	£	£
<b>Operating leases expiring</b>		
<i>Plant and machinery</i>		
within one year	<b>216</b>	4,549
in the second to fifth years	<b>14,218</b>	13,327
<i>Land and Buildings</i>		
after five years	<b>516,500</b>	516,500
	<b>530,934</b>	534,376

## 21 Related parties

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

### *Royal Air Force Museum Enterprises Ltd*

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

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

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

#### *Royal Air Force Cosford Air Show*

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

#### *Ministry of Defence*

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

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

The Friends are a separate charity dedicated to supporting the activities of the Museum. The sum of £21,500 (2008: £7,550) 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 £15,000 (2008: £25,625) was paid to the Museum during the year.

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

The American Foundation was incorporated in the United States of America on the 2nd January 2002 and was granted exempt status from federal income tax under section 501 (c) (3) of the Internal Revenue Codes on the 31 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 31 March 2009 (2008: Nil).

## **23 Post balance sheet events**

There were no post balance sheet events.

The accounts were authorised for issue by the Accounting Officer on 9 July 2009.

# 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 true and fair view; and
  - d the accounting and disclosure requirements given in 'Managing Public Money' and in 'Executive NDPBs: Annual Reports and Accounts Guidance', as amended or augmented from time to time;in so far as these are appropriate to the Museum and in force for the financial year for which the accounts are to be prepared.
- 5 Clarification of the application of the accounting and disclosure requirements of the Charities Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

- 6 The SOFA and the balance sheet(s) shall be prepared under the historical cost convention, modified as follows
- a by the inclusion of
    - i fixed assets at their value to the business by reference to current costs; and
    - ii stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
  - b articles forming part of the Museum's Collections, whether held as exhibits or part of the Reserve Collection shall not be capitalised, but held at nil/nominal value and the costs of all new articles for the Collections shall be charged to expenditure in the year of acquisition.
- 7 This direction shall be reproduced as an appendix to the accounts.

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

# Schedule 1

## Application of the accounting and disclosure requirements of the Charities Act and Accounting Standards

### Charities Act

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

### Accounting Standards

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

# 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.

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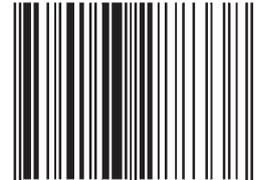
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