

Royal Air Force Museum Account 2013-14

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

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Contents

	Page
Annual Report	
Administrative information	2
Foreword	3
Objectives and Activities; Achievements and Performance	4
Financial Review	7
Remuneration Report	9
Governance Statement	12
Statement of Board of Trustees' and Director General's responsibilities	18
Financial Statements	
The Certificate and Report of the Comptroller and Auditor General	19
Consolidated Statement of Financial Activities	21
Consolidated Balance Sheet	22
Consolidated Cash Flow Statement	23
Notes to the Financial Statements	24

Administrative information

Address of the charity

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

Registered charity number

244708

Names and addresses of other relevant organisations:

Auditor

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

Solicitors

Devonshires
30 Finsbury Circus
London
EC2M 7DT

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:

- the history and traditions of the Royal Air Force, and
- 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.

The vision of the Museum is to ensure that the Royal Air Force story endures and enriches future generations.

Objectives and Activities; Achievements and Performance

Review of the Year

The Museum has had another successful year. Funds have been secured from the HLF for the forthcoming World War I exhibition and a new fundraising strategy will be the basis for securing further funds to support the Museum's programme of exhibitions to celebrate the Centenary of the Royal Air Force in 2018. The year also saw the recovery of the Dornier 17 German bomber from the Goodwin Sands seabed and the start of the conservation work and the aircraft's exhibition at the Cosford site. This was a project which very significantly attracted the attention of the media.

Support to the Royal Air Force remains central to the Museum's strategy and, following a review of this strategy, the Trustees set the new ambition of 'ensuring that the Royal Air Force story endures and enriches future generations' and this will lead to the development of a new corporate plan to take the Museum forward to the RAF's centenary in 2018. With the benefit of external consultancy, Trustees and senior management were able to determine the most appropriate business model and organisational structure to take the Museum forward. This is outlined below under the heading 'Future Plans'.

On the international stage, the Museum has continued to work through its American Foundation to sustain its relationship with the United States Air Force. The apprenticeship exchange programme is now well-established and there have been other work-exchanges (for example, with the Smithsonian Museum). Strong links have been established in the Middle East (with Kuwait and the UAE) to exploit the shared aviation history, all with support at ambassadorial level. The Museum initially loaned a Spitfire PR.XIX to the British Embassy in Kuwait where it was been exhibited at several venues as part of a collaborative project between the Museum, the Embassy and the Kuwait House of National Works. Subsequently, it was on display at the Al Ain Aerobatic Show and, more recently, at the Bahrain Air Show in January 2014.

These Statements set out more detail of these achievements below, but the story remains one of continuing success. The Museum has retained free access to its public sites and customer satisfaction ratings remain very high. The number of recorded visitors is just under 600,000 annually and there are ever increasing numbers of virtual visitors and school groups and students. On the commercial side, the Museum's trading subsidiary had one of its best years and £250,000 was transferred across to the Museum in the form of Gift Aid.

Education

Visits by school groups to both sites continued to show an increase. More than 60,000 children made educational visits in 2013-14 – this represents an increase of some 23% on the previous year.

Second World War programmes have maintained their popularity, but an increasing number of schools engaged in comparative learning about the two World Wars. Partnership work has expanded and this included a programme to enable children from socially and economically deprived areas to grow their self-confidence in work supported by staff and students from Wolverhampton University.

The Museum outreach programme has continued to expand and reached broad and diverse audiences including dementia groups, children with special educational needs, other museum groups and a wide range of evening groups from whom there is a constant demand.

Exhibitions

An exhibition, *Pilots of the Caribbean: Volunteers of African Heritage in the Royal Air Force* was opened at the London site in November and proved very successful. It was created in association with the Black Cultural Archive and generated widespread interest. The exhibition is being transferred to Cosford and will be part of the *Stories of the Empire* event at the Victoria & Albert Museum supported by the HLF. The Museum's work on ethnic diversity in the Royal Air Force will feature in an exhibition at the forthcoming Commonwealth Games in Glasgow.

The 70th Anniversary of the Dambuster raid was marked by a temporary exhibition in London which included panels focussing on the work of Sir Barnes Wallis.

Britain from Above opened in London in February. This was an exhibition created in association with English Heritage and tells the story of the aerial photography company, Aerofilms - founded on the Hendon site. The exhibition also highlights the role of aerial reconnaissance.

At Cosford the Focke Wulf Fw 190 and Hawker-Siddeley Kestrel were put on display following a long period of restoration work. A new display was unveiled in February featuring the British Aerospace Experimental Aircraft Programme and Jaguar Active Control Technology research aircraft.

New technology has enabled the Museum to tell the story of the Dornier Do 17, its recovery and conservation, in both the Museum's physical and digital spaces. At both sites visitors are able to see an 'augmented reality' Dornier in flight above the Museum. Eventually, they will be able to do this via smart phones with a newly-developed app. A more traditional display in London tells the Dornier story and includes artefacts from the aircraft which have been conserved.

Visitor Numbers

In 2013-14, the Museum recorded a small rise in the number of visitors to the London site at 236,662. The number of recorded visitors to Cosford also showed a small increase to 326,458 (if the Air Show is included). This upward trend will continue as the investment in marketing grows and the figures in future will probably be higher, reflecting the introduction of an automated counting system which is less likely to 'under-count' as previously may have been the case.

Throughout the year the Museum continued to revamp its various digital platforms (mobile phone website, Navigator website and National Cold War website) and total visits to the Museum's main site increased by 15% to 1.2 million. The most popular pages were those containing information on the Dornier 17 project. The mobile phone website saw over 200,000 visits and over half a million page views for the first time.

The Museum's social media channels are continuing to grow and there were 15,868 Facebook Fans for London by the end of March 2014 (almost double the 2012-13 figure) and 5,303 for Cosford (again, almost a doubling). The Museum's Twitter Feed and viewings via YouTube also showed very significant growth. The Facebook Pages and the Twitter Feed have also generated research enquiries and donations (artefacts and money) to the Museum. They have also received Certificates of Excellence from Trip Advisor.

Information and public access

The number of written enquiries handled by the Archive staff rose to 3,499 (2013: 3,266), with a small increase in telephone enquiries from 2,077 to 2,145. The number of readers conducting research fell from 644 in 2012-13 to 520 in 2013-14, although the open days were reduced from four to three per week.

Family history remains a major area of interest for users and the Archive team represented the Museum at *Who Do You Think You Are Live!* At Olympia in February where over 650 people visited the stand to receive help with their research.

Footage from the Museum's film collection was used in a number of television productions, educational projects and by the Royal Air Force.

Collection and Management of Heritage Assets

The Dornier Do 17 bomber – shot down during the Battle of Britain – was successfully raised from the Goodwin Sands in June and is undergoing conservation treatment at the Michael Beetham Conservation Centre.

Other significant acquisitions during the year included:

- log books, medals, POW diary and other documents of Wing Commander Clifford Cooper DFC, the officer who produced the forged documents to support the escape from Stalag Luft III (the 'Great Escape')
- a diary of 89 Squadron's detachment at Cox's Bazaar in 1945;
- two volumes of the 'Daily Recco' camp newsletter from Stalag Luft III;
- sections of HP O/400 wings, which formed the roof of a derelict garage in Connah's Quay;
- a very detailed 1/5 scale model of a North American Mustang; and
- amateur footage of RAF operations in the Middle East in the 1930s and in the Far East in the 1950s.

In 2012 the Museum undertook a joint project with Kennet Aviation to recover RAF Kittyhawk ET574 from the Egyptian desert in exchange for one of the Spitfires from the Museum's collection. The aircraft has been successfully retrieved and for the time being remains in secure storage in Egypt. Given the uncertain political situation in Egypt however there is a possibility that Kittyhawk may never be returned to the United Kingdom. (see note 9a).

A total of 27 interviews were recorded with former aircrew for the Hercules XV202 interpretation project. Extracts from the interviews have then been used with footage from the Museum's Archive to produce a short film on the aircraft in service with the RAF. Many of the interviewees donated photographs, clothing and documents to the Museum.

Interviews were also conducted with Bomber Command veterans and personnel who worked on the Gloster Meteor, Hawker Hunter, Shackleton, Nimrod, Phantom and Tornado F3 aircraft.

A Collections Care Officer was appointed in June, funded in part by the Esme Fairbairn Foundation.

Future Plans

Between 2012 and 2014 the Trustees re-visited the overall strategy of the Museum and set an overall ambition which emphasises the importance of the RAF story and the Museum's support for the Royal Air Force. This review of strategy was supported by external consultancy work which has prompted a change to the Museum's business model. The next few years will see a shift in the balance of resources sufficient to enable the Museum to deliver the World War I Exhibition later this year and the programme to support the Centenary of the Royal Air Force in 2018.

A Corporate Plan is being written to enable the detailed work which will support this direction. The three strategic priorities are a review of the collection and the greater use of digital technology to afford access to that collection, increased investment in the infrastructure and training as the balance of resources shifts accompanied by a reduction in the cost of operation and the identification of new income streams and, finally, the development and delivery of a programme of exhibitions, events and research and learning activities which will interpret the story of the Royal Air Force. This strategy is supported by an international fundraising campaign.

Financial Review

Statement of Financial Activities

Income: The Museum received £9,283,000 of Grant in Aid (2013: £8,170,000). This consists of the standard GIA for the year of £8,133,000 and an extraordinary item of £1,150,000 for specific building maintenance requirements. Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £2,386,650 (2013: £2,105,659) (SOFA). Total Incoming Resources amounted to £13,420,901 (2013: £12,177,791) (SOFA).

Resources Expended: The total of resources expended amounted to £12,651,847 (2013: £12,165,886) (note 18). The majority of costs, including the costs of salaries, are in respect of charitable activities.

After adjustment for recognised gains totalling £850,208 (2013: £674,772), the net movement of funds for the year was an increase of £1,619,059 (2013: £686,677). (SOFA)

Balance Sheet

The value of the group net assets has increased during the year, and now stands at £64,244,047 at the Year End (2013: £62,624,785) (Consolidated Balance Sheet).

Income and Costs of Generating Funds

Trading Company: Any non-charitable activities are undertaken by RAF Museum Enterprises Ltd, a wholly owned subsidiary of the Trustees. The company produced a turnover of £2,386,650 (2013: £2,105,659) (Note 4b) and the associated costs of trading were £2,127,515 (2013: £2,029,729) (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 £207,230 (2013: £287,368) being paid to the Museum. The outstanding balance this year in respect of the Gift Aid is £254,532 (2013: 50,000) (Note 11).

Donations: During the year, a total of £1,053,922 (2013: £1,467,127) (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 by companies associated with the aerospace industry. The figure includes a number of heritage assets valued at £236,800 (2013: £1,210,601) (Note 3), which the Museum also received during the year.

Friends of the RAF Museum: This organisation is independent, but supportive of the Museum's aims and activities. The sum of £ 9,198 (2013: £25,000) (Note 3) was received from the Friends of the RAF Museum. This represents the last contribution as the organisation was dissolved in September 2013.

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

Reserves

As at 31 March 2014, and under the SORP 2005 guidance and analysis of funds, the level of Reserves funded by Unrestricted Funds stood at £2,351,616 (2013: £2,436,199) (Balance Sheet).

The level of charitable unrestricted funds which are readily accessible to the Trustees remains relatively low at £244,259 (2013: £362,281) inclusive of designated funds of £9,478 (Note 19 page 39) (2013: £106,884) (Note 13). The reserves are insufficient to meet long-term development needs and there are risks associated with unanticipated short-term demands. However the Trustees are content that the going-concern basis continues to apply as both expenditure and the cash flow position are carefully monitored to minimise these risks. The Museum is in receipt of Grant-in-Aid and carries the Department's confidence. Moreover, the Trustees will seek to improve the reserve position in the creation and implementation of its development plans and the adoption of a more formalised reserve policy in accordance with Charity Commission requirements.

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 39 days (2013: 36 days).

This is owing to a number of disputed invoices in respect of Dornier recovery and Dornier exhibition, as well as the delay in obtaining the GIA funds from the MOD on two occasions in August and in October.

Investment Policy

The Trustees continually monitor levels of all the Charity's funds. Available funds are currently invested in a variety of term deposits to maximise the level of return but with minimum risk. The amounts and terms of the investments are based on the Trustees' opinion of the immediate and future needs of the Museum and the Chairman of the Finance Committee reviewed the principal deposits during 2013-14.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies). The standard fee for the audit of the Group 2013-14 accounts was £24,385 (2012-13: £20,750). In addition the Museum incurred a further charge of £3,500 for the extra work in connection with last year's qualified audit opinion on regularity.

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

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

Remuneration Report

This section has been subject to audit.

Directors

Name	Salary	Performance pay	Real increase in pension and Lump Sum	Total accrued pension at age 60 at 31/03/14 and related lump sum	CETV at 31/03/14 (nearest £000)	CETV at 31/12/13 (nearest £000)	Real increase in CETV *as funded by employer
	£000	£000	£000	£000			£000
Mr Peter Dye	95-100 (90-95)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Mr John Kitchen	80-85 (75-80)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Ms Karen Whitting	60-65 (n/a)	0-5	N/A	N/A	N/A	N/A	N/A

Prior year figures are shown in brackets.

None of the directors received any benefits in kind. They were not members of the PCSPS and the Museum did not fund any pension contributions for them in 2013-14.

All the directors have contracts of employment carrying a period of notice of three months.

Besides the above listed directors, there are no other employees whose emoluments for the year exceeded £60,000

The remuneration ratio in the Museum is 4.63 (2013: 4.95) – this represents the pay of the highest paid director as a multiple of the median pay award (the median salary is £21,389 (2013: £19,552)). This is a direct consequence of the application of the Museum pay system which is based upon data supplied by Croner Rewards Ltd. The same data is used to determine the salaries of the Directors and any performance awards are made under the Museum appraisal-linked system which applies to all staff. The Directors are all full-time employees employed on standard terms and conditions.

The Board of Trustees comprised 14 members, including two co-opted trustees, none of whom were full time employees of the institution and they were reimbursed with £542 in expenses. (2013: £1,933)

Peter Dye is retiring from his post as Director General and Accounting Officer of the Royal Air Force Museum after five years in the appointment. He has overseen a period of transition at the Museum in a challenging financial environment while increasing income streams and reducing costs. In addition to undertaking much of the preparatory work for the forthcoming World War I Exhibition, he successfully led the recovery of the last surviving Dornier Do-17 and introduced a regular programme of new exhibitions. His successor (yet to be appointed) will have the opportunity to take the Museum forward as it approaches the Centenary of the Royal Air Force in 2018, building on the strategy that Peter has helped to put in place. His retirement will enable Peter to focus on writing and consultancy work.

The interim Accounting Officer and Director General is John Kitchen, Director Corporate Services

Sickness absence

The Royal Air Force Museum employed 182 members of staff as at 31 March 2014. During the year there were approximately 1304 full days lost to sick absence (2013:1,671). Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 7 days per person (2013: 9). Long term absences have been excluded.

Pension Costs and Benefits

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Royal Air Force Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource account of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14 employers' contributions of £178,746 were payable (2012-13 £197,809) through the PCSPS.

The applicable rates for the pension scheme are shown below:

Scheme	Class of member	2013-14	
PCSPS	Non-industrial and Industrial Civilians	Gross Salary	Rate %
		74,501 and over	24.3
		43,501 – 74,500	21.8
		21,501-43,500	18.8
		Up to 21,500	16.7

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme. Pension benefits are provided through the Civil Service pension arrangements in place prior to 30 July 2007, with the unfunded cost of benefits met by monies voted by Parliament each year.

Further details about the Civil Service pension arrangements can be found at the website: www.civilservice.gov.uk/pensions.

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in a former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of the purchase of additional years of pension service in the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Personal Data Loss

The Museum has not identified any personal data related incidents during 2013-14 or in the previous 5 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if related, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

Environmental Policy

The Museum has a number of initiatives in place which underpin the creation of a more sustainable and environmentally friendly organisation. These include energy conservation measures (for example the increased use of LED lighting), a comprehensive recycling programme and new building construction which is consistent with reducing the Museum's carbon footprint.

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees
12 November 2014

Mr John Kitchen MA MSt
Acting Director General
Royal Air Force Museum
12 November 2014

Governance Statement

This Governance Statement sets out the arrangements for the governance of the Museum, including the board and committee structure for the Trustees. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Chairman of the Board of Trustees and Accounting Officer previously contained in the Statement on Internal Control.

The Governance Framework

The Royal Air Force Museum is a charity registered with the Charity Commission (registration number 244708) governed in accordance with a Deed of Trust dated 4 June 2007.

The Museum is an accredited national museum and Non-Departmental Public Body obliged to comply with HM Treasury financial reporting requirements set out in the Financial Reporting Manual and the guidance contained in Managing Public Money. There is a Financial Framework document in place which defines the arrangements between the Museum and its sponsor branch, the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure. This Framework was revised in 2010.

The Museum made an in-year pay award to employees through the Pay Remit process applicable to Non-Departmental Bodies based on market data supplied by Croner Rewards Ltd. This was the second payment forming part of a two-year settlement with staff and the amount paid was outside that approved through the Remit. In 2013-14 the breach was less than £20,000. The Museum has taken steps to ensure that there is no further breach in future. These have included liaison with its sponsor branch regarding continuing use of the Croner Rewards-based system, agreement to participation in a Chancellor-led trial affording greater financial freedoms to museums and submission of a Pay Remit in 2014-15 which incorporates no pay award other than for Apprentices under contract.

The Trustees and the Committee Structure

The Royal Air Force Museum is governed by a Board of Trustees under the chairmanship of Air Chief Marshal Sir Glenn Torpy GCB CBE DSO. The Charities Act 2011 requires the Trustees to exercise proper stewardship over the Museum and to take care of its collections.

The Director General of the Museum is the Accounting Officer responsible to Parliament for the day-to-day management of the Museum as set out in Chapter 3 of Managing Public Money.

Trustees are appointed by the Secretary of State for Defence in accordance with the provisions of the public appointments process set out in Office of the Commissioner of Public Appointments Code of Practice. They are appointed for a term of five years and can be appointed for a second term of equivalent length. The Board of Trustees may appoint up to three additional co-opted Trustees to serve on the Board and both co-opted Trustees and other individuals may serve on specific sub-committees to supplement the experience of Board members.

The 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 Museum's other Directors.

The following individuals served as Trustees during 2013-2014. The figure in parenthesis is the number of Full Board meetings attended.

Chairman

Air Chief Marshall Sir Glenn Torpy GCB
CBE DSO BSC (Eng) FRAeS FCGI
(Appt'd 05.07.11) (4)

Members

Mr Malcolm White OBE FRAeS
(Co-opted 24.09.12) (3)

Chairman Development Committee

Mr Brendan Connor
(Appt'd 24.08.05) (4)

Chairman Remuneration Committee.

Sir Gerry Grimstone
(Appt'd 09.12.08) (4)

Chairman Audit Committee

Mr John Michaelson
(Appt'd 09 12.08) (4)

Mr Robin Southwell
(Appt'd 09.12.08) (2)

Mr Alan Spence
(Appt'd 09.12.08) (2)

The Rt Hon Lord Hutton of Furness PC
(Appt'd 05.07.11) (3)

Mr Michael Schindler
(Appt'd 05.07.11) (3)

Mr Andrew Reid
(Appt'd 05.07.11) (2)

Mr Richard Holman FCA
(Appt'd 05.07.11) (4)

Chairman Finance Committee

Mr Alan Coppin
(Co-opted 08.07.13) (1)

Chairman Fundraising Committee

Dr Carol Cole
(Appt'd 23.03.14) (n/a)

Dr Rodney Eastwood
(Appt'd 23.03.14) (n/a)

Register of Interests

A register of Trustees' interests is maintained. Trustees are required to declare the fact that if they have an interest, pecuniary or otherwise, in any matter being considered by the Board. In this period no such interests were declared.

The Board of Trustees Sub -Committees

The Trustees have established a number of sub-committees for specific purposes and to ensure the effective conduct of business. These are Audit, Finance, Development, Fund Raising and Remuneration. The Museum also has an Academic Research Board under the chairmanship of Professor Richard Overy.

The terms of reference of each of these sub-committees have been approved by the Full Board and Trustees do not sit on more than two sub-committees. During 2013-14 the Audit Committee met twice and the Finance Committee four times in accord with a planned cycle. The Remuneration Committee met only once to review the remit of that sub-committee. The Development Committee met frequently to support work to revise the Museum's strategy and development plans and the Fundraising Committee met twice under its newly- appointed Chairman (see above). Minutes of all Board and sub-committee meetings are maintained and the attendance of Trustees is recorded therein.

The Trustees have established two subsidiary companies, the shares of which are held by or on behalf of the Trustees although the decisions taken by these companies remain primarily their responsibility. The Board of Royal Air Force Museum Enterprises Ltd includes two independent non-executive Directors.

The Board of Trustees' Performance.

The principal achievements of the Museum during the year are highlighted elsewhere in these Financial Statements, but the Director General also reports on annual performance to the Chief of the Air Staff under the terms of a Partnering Agreement with the Royal Air Force. This performance is also reported to the Full Board of Trustees.

Sub-committee minutes are circulated to all Trustees with routine papers for the quarterly meetings of the Full Board and sub-committee chairmen highlight any matters of particular concern for the attention of the Full Board.

There is a wide range of information and data (financial and otherwise) routinely available to Trustees, including management accounts (monthly to the Finance Committee and quarterly to the Full Board). Since 2009, the Finance Committee has worked closely with the Director Corporate Services and the Head of Finance to refine the financial information supplied to Trustees and the Board is now satisfied that the information is available both on time and in a format which enables the Board of Trustees to exercise proper oversight of the Museum. There is further work in hand to refine the financial systems to enable the Museum to fulfil its role as a cultural business (see below).

Internal Auditors

The Museum's internal auditors are Moore Stephens who work to the Public Sector Internal Audit Standards and provide an independent opinion on the matters subject of review through the internal audit programme.

The internal auditors also provide an annual statement of assurance to the Accounting Officer and the Board of Trustees on the work performed in the year. The auditors reported as follows:

'I am satisfied that sufficient internal audit work has been undertaken to allow me to form an opinion as to the adequacy and effectiveness of the RAF Museum's risk management, control and governance processes.

Based on the work completed and our understanding of the organisation, in my opinion, there are many areas where the adequacy and effectiveness of the framework of governance, risk management and control are sufficient, but there are some key areas where the framework is insufficient and requires improvement. These areas have been discussed with management and reported through our work during the year.

Our internal audit work has confirmed that the RAF Museum is developing a range of improvements to its operations that will have a positive impact on the effectiveness of the governance, risk management and control processes, including key areas such as:

- the development of new financial reporting processes;
- the improvement to project management processes.

I have taken this into account in arriving at my opinion together with the following factors:

- the outcome of our audit reviews and advisory work;
- discussions with management and the Audit Committee;
- the responsiveness to audit findings; and
- our assessment of management's appetite for risk.

I have also recognised the RAF Museum's planned improvements and new strategic plan. My opinion reflects the positive progress made in this area and the work which is ongoing.'

External Auditors

The external auditor of the Museum is the Comptroller and Auditor General with the audit conducted by the National Audit Office. The external auditor of its trading subsidiary, Royal Air Force Museum Enterprises Ltd, is Hillier Hopkins LLP. The accounts are consolidated

Risk Management

The Museum has a Risk Register to support its management of risk and this is used to identify the work to be undertaken by the internal auditors. The work programme is signed-off by the Trustees' Audit Committee and the report of the internal auditors is received by that same sub-committee.

In 2013-14 the programme consisted of follow-up work on cross-charging between the Museum and its trading subsidiary and also looked at the depreciation policy, whistleblowing policy and the management of projects. Following external consultancy work which looked at the Museum's business model, the internal auditors were also asked to look at the management information and financial reporting systems in place and to make recommendations, a number of which have already been implemented.

The risks contained in the Risk Register have also been taken into account in the development of the Museum's strategic direction (through a process of cross-referencing between the specific risks and the principal strategic objectives) thereby mitigating some or all of those risks. The Trustees are planning to hold a risk workshop during the financial year 2014-15 and this will be facilitated by the internal auditors. The Director Corporate Services retains overall responsibility for the key control systems of the Museum and he supports directly the work of the Audit and Finance Committees.

The Museum's Risk Register has been distilled under the guidance of the Audit Committee and now focuses on the key risks posed to the Museum. These risks are assessed in terms of likelihood of occurrence and their potential impact. With risks of an inevitable nature, the Museum has developed contingency plans, and put in place mitigation measures as set out below.

In addition to the above, the management of risk is strengthened through the assurance process adopted in 2011-12 for internal control and assurance purposes. Directors with specific responsibility for governance, business planning, risk management, financial management, human resources, health and safety, IT, projects and procurement are required to provide written assurances at the beginning and end of each financial year to confirm that risks have been identified, assigned to individuals and properly managed in accordance with any relevant guidelines. These assurances are reported to the Audit Committee. We are both satisfied that the Royal Air Force Museum's system of internal control is effective and complies with Treasury Guidance.

The Risk Register currently identifies the following as the principal risks posed to the Museum

Risk	Likelihood of Occurrence	Potential Impact	Notes	Mitigating Action
1 Insufficient Funding	Likely	Major to Severe	Trustees fully apprised	Completed external consultancy, revised the Museum business model and revamped the strategy and plans.
2 Difficulty of Replacing Key Curatorial Staff	Likely	Major	Applies to senior post holders, in particular	Increased investment in training and dedicated Training Officer post established
3 Inability to Acquire and Sustain a Comprehensive Collection	Likely	Moderate	Trustees fully apprised	Partnering Agreement with RAF and Collections Review ongoing
4 Damage from Flood, Fire, Terrorist Incident or Catastrophic H&S Failure	Possible	Moderate to Major	No fire suppression for majority of Cosford buildings/ flooding has occurred in London	Additional funding (GIA) from MOD obtained for fire suppression system at Cosford, work to commence in 14/15. Further fresh bids made to MOD.
5 Loss of Data from Museum's IT systems	Possible	Moderate	Non-specific	Internal Audit Report recommendations implemented
6 Lack of Senior Management Resilience and Capacity	Likely	Major	Trustees fully apprised	Number of Directors being increased – Director of Public Programmes already appointed. Further programme of recruitment is in place.

The Board's Statement of Assurance

We have responsibility, on behalf of the Full Board of Trustees, for the overall effectiveness of the Museum's governance arrangements and their compliance with Corporate Governance in Central Government Departments Code of Practice 2011 so far as this may be seen to apply to an 'Arms-Length Body' (as defined in *Managing Public Money*).

We are both satisfied that these arrangements have proved effective for the financial year 2013-14 subject of these Financial Statements.

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees
12 November 2014

Mr John Kitchen MA MSt
Acting Director General
Royal Air Force Museum
12 November 2014

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

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

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

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

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

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

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees
12 November 2014

Mr John Kitchen MA MSt
Acting Director General
Royal Air Force Museum
12 November 2014

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 Royal Air Force Museum and its Group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Director General and Auditor

As explained more fully in the Statement of the Board of Trustees' and Director General's Responsibilities, the Trustees and the Director General are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of Royal Air Force Museum's affairs as at 31 March 2014 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Charities Act 2011; and
- the information given in Objectives and Activities; Achievements and Performance and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse KCB
Comptroller and Auditor General

19 November 2014

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

Consolidated Statement of Financial Activities for the year ended 31 March 2014

	Notes	Unrestricted Funds	Grant in Aid Funds	Restricted Funds	Total Funds	Total Funds
		2014	2014	2014	2014	2013
		£	£	£	£	£
Incoming resources						
Incoming resources from generated funds						
Grant in Aid (Operating)		–	8,024,000	–	8,024,000	7,826,000
Grant in Aid (Purchase of exhibits)		–	109,000	–	109,000	109,000
Grant in Aid (Maintenance Projects)	3b		1,150,000	–	1,150,000	235,000
Other grants and donations	3a	47,388	–	1,006,534	1,053,922	1,467,127
Special events		55,877	–	–	55,877	50,550
Other income		488,537	–	141,156	629,693	361,769
Commercial trading operations	4b	2,386,650	–	–	2,386,650	2,105,659
Investment income and interest		2,087	–	9,672	11,759	22,686
Total incoming resources		2,980,539	9,283,000	1,157,362	13,420,901	12,177,791
Resources Expended						
Costs of generating funds:						
Fund raising and publicity	5	304,957	20,534	–	325,491	485,906
Commercial trading operations	4b	2,127,515	–	–	2,127,515	2,029,729
Sub total cost of generating funds		2,432,472	20,534	–	2,453,006	2,515,635
Net incoming resources available for charity application		548,067	9,262,466	1,157,362	10,967,895	9,662,156
Charitable activities:						
Operation of Museum	6a	672,200	7,852,550	1,531,699	10,056,449	9,506,412
Purchase of exhibits		–	467	–	467	4,246
Governance costs	5	–	141,925	–	141,925	139,593
Total resources expended		672,200	7,994,942	1,531,699	10,198,841	9,650,251
Net (outgoing)/incoming resources for the year		(124,133)	1,267,524	(374,337)	769,054	11,905
Gains and losses on revaluations of fixed assets for the charity's own use		44,772	458,806	349,923	853,501	656,060
Gains and losses on revaluations and disposals of investment assets		(542)	–	(2,751)	(3,293)	18,712
Net movement in funds		(79,903)	1,726,330	(27,165)	1,619,262	686,677
Funds b/fwd at 1 April 2013		2,357,341	41,500,894	18,766,550	62,624,785	61,938,108
Funds c/fwd at 31 March 2014		2,277,438	43,227,224	18,739,385	64,244,047	62,624,785

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

The notes on pages 24 to 41 form part of these financial statements.

Consolidated Balance Sheet for the year ended 31 March 2014

	Notes	Group 2014 £	Group 2013 £	Charity 2014 £	Charity 2013 £
Fixed assets					
Tangible assets (Excluding Heritage Assets)	9	40,340,669	40,781,754	40,281,402	40,722,154
Heritage Assets	9a	21,005,430	20,152,140	21,005,430	20,152,140
Investments	4a	–	–	100,002	100,002
Total Fixed Assets		<u>61,346,099</u>	<u>60,933,894</u>	<u>61,386,834</u>	<u>60,974,296</u>
Current assets					
Stocks	10	138,451	147,408	–	–
Debtors	11	791,636	371,454	972,411	489,253
Investments	12	379,756	383,049	379,756	383,049
Cash at bank	13	2,511,855	1,892,782	2,321,207	1,738,429
Total Current Assets		<u>3,821,698</u>	<u>2,794,693</u>	<u>3,673,374</u>	<u>2,610,731</u>
Creditors					
Amounts falling due within one year	14	(923,750)	(1,103,802)	(741,983)	(881,384)
Net Current Assets		<u>2,897,948</u>	<u>1,690,891</u>	<u>2,931,391</u>	<u>1,729,347</u>
Net Assets/Liabilities		<u>64,244,047</u>	<u>62,624,785</u>	<u>64,318,225</u>	<u>62,703,643</u>
Reserves					
	18/19				
Unrestricted funds		2,277,438	2,357,341	2,351,616	2,436,199
Grant in Aid Operating account		41,465,291	39,847,494	41,465,291	39,847,494
Grant in Aid exhibits reserve		1,761,933	1,653,400	1,761,933	1,653,400
Other restricted funds		18,739,385	18,766,550	18,739,385	18,766,550
		<u>64,244,047</u>	<u>62,624,785</u>	<u>64,318,225</u>	<u>62,703,643</u>

Approved by the Board of Trustees on 12 November 2014 and signed on its behalf by

ACM Sir Glenn Torpy GCB CBE DSO
Chairman
on behalf of the Board of Trustees

Mr John Kitchen MA MSt
Acting Director General
Royal Air Force Museum

The notes on pages 24 to 41 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 March 2014

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

	Restricted Funds				Total Funds 2013
	Unrestricted Funds	Grant in Aid Funds	Other Funds	Total Funds	
	2014	2014	2014	2014	
	£	£	£	£	£
Net Incoming Resources	(124,133)	1,267,524	(374,337)	769,054	11,905
Interest receivable	(1,983)	-	(9,672)	(11,655)	(22,591)
Interest payable	2,924	-	-	2,924	1,836
Dividends received	(105)	-	-	(105)	(95)
Depreciation of tangible assets	84,685	1,076,674	431,549	1,592,908	1,552,389
(Profit)/loss on disposal of assets	-	-	200,000	200,000	-
(Increase)/decrease in stocks	8,957	-	-	8,957	12,416
(Increase)/decrease in debtors	(107,310)	(219,448)	(93,424)	(420,182)	17,821
(Decrease)/increase in creditors	56,075	(236,127)	-	(180,052)	138,131
Net cash flow from operating activities	(80,890)	1,888,623	154,116	1,961,849	1,711,812
Net cash flow from operating activities	(80,890)	1,888,623	154,116	1,961,849	1,711,812
Returns on investments and servicing of finance					
Bank interest received	1,983	-	9,672	11,655	22,591
Finance charges paid	(2,925)	-	-	(2,925)	(1,834)
Dividends received	105	-	-	105	95
Capital expenditure					
Purchase of tangible fixed assets	-	(1,114,811)	(236,800)	(1,351,611)	(1,643,303)
Proceeds from disposal of tangible fixed assets	-	-	-	-	120,000
Management of liquid resources					
Purchase of current asset investments	-	-	-	-	(7,000)
Proceeds from disposal of current asset investments	-	-	-	-	-
Financing					
Capital element of finance lease rentals	-	-	-	-	(7,896)
Long term loan	-	-	-	-	-
(Decrease)/increase in cash in the period	(81,727)	773,812	(73,012)	619,073	194,465

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 24 to 41 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2014

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).

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. 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 397 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 gross basis.

The financial statements of Royal Air Force Museum Enterprises Ltd used in consolidation are those for the year to 31 March, 2014.

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 (including Grant-in-Aid) 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.

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 Defence Statistics. Fixed assets with a cost of less than £1,000 are not capitalised. Any gains or losses on revaluation are reported as unrealised until an asset is disposed. Depreciation is provided at rates calculated to write off the value of each asset over its expected useful life, as follows:

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

Heritage assets are accounted for as a distinct category with indefinite life and are therefore not depreciated.

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

Impairment

The RAF Museum assesses whether there is any indication of impairment for all fixed assets at the balance sheet date. A fixed asset is considered to be impaired if the recoverable amount of the asset has fallen below its carrying amount on the balance sheet, as a result of damage, deterioration or poor performance.

If any indication of impairment exists, the Museum shall estimate the recoverable amount of the asset, determined as the higher of its fair value less costs to sell the asset and its value in use. The method of estimation used shall be that deemed most suitable for the type of asset.

Where there is objective evidence that an impairment loss exists, an impairment charge will be made in the SOFA to reduce the carrying value of the asset to the estimated recoverable amount

Exhibition costs

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

Heritage Assets

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

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

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

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

Valuation

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

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

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

The Museum's response to the introduction of FRS 30 was to deploy internal resources to the task of valuation in respect of those exhibits which were added to the collection before 2001, and which represent a materially significant part of the collection.

Given the diverse nature of the collection (and the unique nature of some items) and also taking into account changing market conditions, the resulting valuations represent indicative estimates. The valuations of the most significant items from pre- 2001 period were added to the total value of all exhibits by the end of the year and the requirement of FRS30 has been met. The exhibits will not be re-valued in future periods; however impairment reviews will be periodically carried out by the Museum.

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

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

a Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions between 1.5% and 3.9% 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 between 3.5% and 5.9% 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 stakeholder's pension product; the employer is not obliged and is not currently contributing any particular employer contributions. Members may retire at any time between the ages of 50 and 75 and use the accumulated funds to purchase a pension. Members may also choose to take up to 25% as a lump sum.

Following the change of law on workplace pensions, from May 2014 the Museum will automatically enroll all staff into a pension scheme and make contributions, unless some employees choose to opt out from the auto-enrolment scheme.

2 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. The Corporation Tax liability of the trading subsidiary for the year ended 31 March 2014 was £0 (2013: £6,921).

3a Other grants and donations

	Un-restricted Fund	Grant in Aid Operating Funds	Other Restricted Funds	Total Funds	Total Funds
	2014	2014	2014	2014	2013
	£	£	£	£	£
Bomber Command Association	-	-	-	-	25,000
Society of Friends of the RAF Museum	-	-	9,198	9,198	25,000
Exhibits Donated	-	-	236,800	236,800	1,210,601
Heritage Lottery Grant for Dornier Recovery	-	-	343,826	343,826	-
Other Donations for Dornier Recovery and Exhibition	-	-	157,437	157,437	15,535
Cosford Air Show Donation	-	-	65,000	65,000	-
Contributions towards Curators Salaries	-	-	105,150	105,150	45,000
Other	47,388	-	89,123	136,511	145,991
	47,388	-	1,006,534	1,053,922	1,467,127

3b Grant in Aid Received for Maintenance Projects

The museum received £1,150,000 in Grant in Aid to be spent on specific Maintenance projects. These were:

	£
Restoration of Building 52	500,000
Fire Suppression at Cosford	650,000
	<u>1,150,000</u>

4a Investment in subsidiary undertakings

Of the investment of £100,002 (2012: £100,002), £100,000 represents the charity's interest in 100% of the issued share capital of Royal Air Force Museum Enterprises Limited which is incorporated in England and Wales and operates souvenir shops and other trading activities at Hendon and Cosford. The company's aggregate capital and reserves were as follows:

	2014	2013
	£	£
The assets and liabilities of the subsidiary were:		
Fixed assets	59,268	59,600
Current assets	483,058	391,099
Creditors: amounts falling due within one year	(516,505)	(429,554)
	<u>25,821</u>	<u>21,145</u>
	2014	2013
	£	£
At 1 April, 2013	21,145	(4,881)
Profit/(Loss) retained in subsidiary	4,676	26,026
At 31 March, 2014	<u>25,821</u>	<u>21,145</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.

The Directors of RAF Museum Enterprises Limited have assessed that the subsidiary is a going concern and the Trustees are content, therefore, that the investment in the subsidiary retains its value.

4b Income from trading company

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

Royal Air Force Museum Enterprises Limited

	2014	2013
	£	£
Turnover	2,386,650	2,105,659
Cost of sales, administrative expenses and taxation.	(2,127,515)	(2,029,333)
	259,135	76,326
Interest receivable	75	96
Interest paid	–	(396)
Net Profit/(Loss)	259,210	76,026
Gift Aid to RAF Museum	(254,532)	(50,000)
Surplus (Deficit) in subsidiary	4,678	26,026

5 Allocation of support

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

Support Cost				2014	2013
	Museum Operation	Governance	Fund Raising and Publicity	Total	Total
	£	£	£	£	£
Staff Costs	861,683	50,433	179,754	1,091,870	1,007,143
Premises Costs	2,493	–	1,274	3,767	3,709
Motor Expenses	12,671	–	–	12,671	12,019
Travel, Subsistence and Hospitality	14,572	16,420	29,076	60,068	46,924
Administration Expenses	431	–	4,897	5,328	5,809
Legal, Professional and Consultancy*	18,087	75,072	–	93,159	139,480
Fundraising & Publicity	–	–	108,529	108,529	251,501
Repairs and Maintenance	2,022	–	701	2,723	2,451
Depreciation	3,630	–	1,260	4,890	4,763
Financial	2,925	–	–	2,925	2,476
Sundry including VAT write back	64,772	–	–	64,772	293,147
Total	983,286	141,925	325,491	1,450,702	1,769,422

* Included in Legal, Professional and Consultancy, under Governance heading, is the audit fee payable to National Audit Office amounting to £17,500. In addition the Museum incurred a further charge of £3,500 for the extra work in connection with last year's qualified audit opinion on regularity.

6a Analysis of charitable expenditure

					2014	2013
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
School programmes and curriculum development	36,089	-	-	-	36,089	35,094
Events and exhibitions	-	343,799	247,502	-	591,301	148,331
Department of Research Information Services	-	-	-	7,547	7,547	9,118
M B Conservation Centre	-	-	-	93,005	93,005	106,808
Department of Collection Management	-	-	-	14,161	14,161	14,337
Visual Arts	-	-	-	23,618	23,618	26,614
Salaries	379,902	600,002	2,065,704	854,586	3,900,194	3,953,407
Central premises costs	103,240	1,787,728	6,354	565,300	2,462,622	2,351,461
Depreciation	65,859	1,140,426	3,303	360,616	1,570,204	1,528,957
Disposal of Exhibit	-	-	-	200,000	200,000	-
Travel, Subsistence & Hospitality	25,222	17,315	1,872	17,928	62,337	55,339
Administration expenses	13,539	15,844	60,638	21,029	111,050	116,044
Sundry expenses	-	-	355	680	1,035	16,979
Support costs	67,608	423,209	258,549	233,920	983,286	1,143,923
Total	691,459	4,328,323	2,644,277	2,392,390	10,056,449	9,506,412

6b Allocation of other operating costs by fund

	Unrestricted	GIA	Restricted	2014 Total	2013 Total
	£	£	£	£	£
Total per the SOFA					
Fund raising and publicity	304,957	20,534	-	325,491	485,906
Operation of Museum	672,200	7,852,550	1,531,699	10,056,449	9,506,412
Governance	-	141,925	-	141,925	139,593
	977,157	8,015,009	1,531,699	10,523,865	10,131,911
Less: staff costs (Note 8)	(87,859)	(4,806,912)	(97,293)	(4,992,064)	(4,960,550)
Less: depreciation (Note 5 & Note 6a)	(66,871)	(1,076,674)	(431,549)	(1,575,094)	(1,533,718)
	822,427	2,131,423	1,002,857	3,956,707	3,637,643

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.

					2014	2013
	Education	Access & Exhibition Programmes	Information & Public Services	Management of Heritage Assets	Total	Total
	£	£	£	£	£	£
Costs	691,457	4,328,324	2,644,277	2,392,391	10,056,449	9,506,412
Heritage Lottery funding	–			(343,826)	(343,826)	(37,250)
Donations	(20,965)	(85,000)	(9,580)	(468,085)	(583,630)	(1,322,764)
Other direct revenue	(53,327)	(106,250)	(3,843)	–	(163,420)	(122,804)
Net cost funded from other income	617,165	4,137,074	2,630,854	1,580,480	8,965,573	8,023,594

8 Staff costs and numbers

	Un-restricted Fund	Grant in Aid Operating Funds	Other restricted Funds	Total Funds	Total Funds
	2014	2014	2014	2014	2013
	£	£	£	£	£
Salaries and wages	75,471	4,232,945	90,311	4,398,727	4,346,484
Temporary agency staff	4,345	–	–	4,345	2,682
Social security costs	8,043	395,221	6,982	410,246	413,575
Pension costs	–	178,746	–	178,746	197,809
	87,859	4,806,912	97,293	4,992,064	4,960,550

The above costs exclude the trading subsidiary.

Number of employees in the Museum is 182 (2013:182)

Note (a)

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

9 Tangible fixed assets – group

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April 2013	34,634,485	9,754,642	3,720,114	527,158	–	20,152,140	68,788,539
Additions	5,000	–	256,595	36,726	–	1,053,290	1,351,611
Disposals	–	–	–	–	–	(200,000)	(200,000)
Revaluations	695,487	263,378	10,007	1,449	–	–	970,321
At 31 March 2014	<u>35,334,972</u>	<u>10,018,020</u>	<u>3,986,716</u>	<u>565,333</u>	<u>–</u>	<u>21,005,430</u>	<u>70,910,471</u>
Depreciation							
At 1 April, 2013	2,987,678	1,063,043	3,377,436	426,488	–	–	7,854,645
Charged in the year	1,032,352	365,914	159,236	35,411	–	–	1,592,913
Disposals	–	–	–	–	–	–	–
Revaluations	80,668	28,704	6,608	834	–	–	116,814
At 31 March, 2014	<u>4,100,698</u>	<u>1,457,661</u>	<u>3,543,280</u>	<u>462,733</u>	<u>–</u>	<u>–</u>	<u>9,564,372</u>
Net Book values							
At 31 March 2014	<u>31,234,274</u>	<u>8,560,359</u>	<u>443,436</u>	<u>102,600</u>	<u>–</u>	<u>21,005,430</u>	<u>61,346,099</u>
At 1 April 2013	<u>31,646,807</u>	<u>8,691,599</u>	<u>342,678</u>	<u>100,670</u>	<u>–</u>	<u>20,152,140</u>	<u>60,933,894</u>

Tangible fixed assets – charity

	Freehold property	Leasehold Property	Fixtures, Fittings & Equipment	Plant, Machinery & Vehicles	Assets Under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April, 2013	34,634,485	9,754,642	3,077,546	273,617	–	20,152,140	67,892,430
Additions	5,000	–	239,109	36,726	–	1,053,290	1,334,125
Disposals	–	–	–	–	–	(200,000)	(200,000)
Revaluations	695,487	263,378	10,007	1,449	–	–	970,321
At 31 March 2014	<u>35,334,972</u>	<u>10,018,020</u>	<u>3,326,662</u>	<u>311,792</u>	<u>–</u>	<u>21,005,430</u>	<u>69,996,876</u>
Depreciation							
At 1 April, 2013	2,987,678	1,063,043	2,751,797	215,618	–	–	7,018,136
Charged in the year	1,032,352	365,914	149,950	26,878	–	–	1,575,094
Disposals	–	–	–	–	–	–	–
Revaluations	80,668	28,704	6,608	834	–	–	116,814
At 31 March 2014	<u>4,100,698</u>	<u>1,457,661</u>	<u>2,908,355</u>	<u>243,330</u>	<u>–</u>	<u>–</u>	<u>8,710,044</u>
Net book values							
At 31 March 2014	<u>31,234,274</u>	<u>8,560,359</u>	<u>418,307</u>	<u>68,462</u>	<u>–</u>	<u>21,005,430</u>	<u>61,286,832</u>
At 1 April 2013	<u>31,646,807</u>	<u>8,691,599</u>	<u>325,749</u>	<u>57,999</u>	<u>–</u>	<u>20,152,140</u>	<u>60,874,294</u>

Group tangible fixed assets as at 31 March 2014 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited with a net book value of £59,268 (2013: £59,600). While the Museum is required to follow HM Treasury's guidance and therefore revalues its tangible fixed assets annually, the trading company is not subject to Treasury guidance and does not revalue its fixed assets.

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

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

On 16 March 2005, the ownership of the leasehold property at Cosford, was transferred from the Charity, to a subsidiary company, The Royal Air Force Museum 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 these assets in the balance sheet.

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

9a Heritage Assets

The number of Heritage Assets which the Museum acquires through donations means that the total book value of Heritage Assets is a mixture of cost (for purchased exhibits) and valuation (for donated exhibits). At 31 March 2014 the book value comprised:

	2014	2013
	£	£
Heritage Assets recorded at cost	2,283,523	1,467,033
Heritage Assets recorded at valuation	18,721,907	18,685,107
Total book value of heritage assets	<u>21,005,430</u>	<u>20,152,140</u>

Summary of Heritage Asset acquisitions and disposals over the last six years (From April 2009 – March 2014)

Year ended	31.03.2009	31.03.2010	31.03.2011	31.03.2012	31.03.2013	31.03.2014
	£	£	£	£	£	£
Book value brought forward	3,612,935	4,089,738	4,349,240	18,103,334	18,883,444	20,152,140
Add acquisitions						
Purchased						
At cost	254,449	182,302	93,750	23,124	58,095	816,490
Donated						
At valuation	222,354	77,200	362,000	307,700	1,330,601	236,800
Total acquisitions	476,803	259,502	455,750	330,824	1,388,696	1,053,290
Revaluations			13,298,344	449,286		
Disposals					-120,000	-200,000
Book value carried forward	<u>4,089,738</u>	<u>4,349,240</u>	<u>18,103,334</u>	<u>18,883,444</u>	<u>20,152,140</u>	<u>21,005,430</u>

Disposal of Spitfire

The cost of £200,000 represents the consideration paid to Kennet Aviation in respect of services in connection with the recovery of the Kitty Hawk ET574 from Egypt.

Recovery of Dornier 17

Total Heritage Asset Acquisitions include £895,000 which consists of the value of £100,000 representing the donated wreckage from the MOD, and the cost of the recovery renovation to the value of £795,000.

10 Stocks

	Group		Charity	
	2014	2013	2014	2013
	£	£	£	£
Goods for resale	138,451	147,408	-	-

11 Debtors

	Group		Charity	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	373,544	73,904	265,105	24,003
Amounts due from subsidiary undertaking	–	–	22,212	157,136
Other debtors	125,834	94,201	183,824	94,201
Prepayments and accrued income	292,258	203,349	246,738	163,913
Gift Aid donation from the subsidiary	–	–	254,532	50,000
	791,636	371,454	972,411	489,253

12 Investments – group and charity

	2014	2013
	£	£
Quoted investments:		
Market value on 1 April, 2013	383,049	357,337
Additions	–	7,000
Disposal of investments	–	–
Net unrealised investment (losses)/gains	(3,293)	18,712
Market value at 31 March, 2014	379,756	383,049
Historical cost at 31 March, 2014	365,889	365,889

13 Cash at bank and in hand

	Group		Charity	
	2014	2013	2014	2013
	£	£	£	£
Unrestricted Funds	434,907	516,634	244,259	362,281
Grant in Aid (operational) Funds	1,067,664	139,414	1,067,664	139,414
Grant in Aid (purchase grant) Funds	39,255	193,693	39,255	193,693
Other restricted funds	970,029	1,043,041	970,029	1,043,041
	2,511,855	1,892,782	2,321,207	1,738,429

All Cash is held at Commercial Bank Accounts apart from £13,347 which represents the Group's petty cash held at the museums.

Note 13 should be read together with note 17, 'The analysis of net funds', which discloses the movement of cash in the financial year.

14 Creditors – Amounts falling due within one year

	Group		Charity	
	2014	2013	2014	2013
	£	£	£	£
Amounts owed to subsidiary undertakings	–	–	2	2
Trade creditors	597,802	438,548	499,316	346,384
Taxation and social security	103,874	109,610	89,058	87,292
Other creditors	505	40,782	505	527
VAT Accrual	–	313,000	–	313,000
Accruals and deferred income	221,569	201,862	153,102	134,179
	923,750	1,103,802	741,983	881,384

15 Creditors – Amounts falling due after more than one year

There were no Creditors for amounts falling due after one year.

16 Reconciliation of net cash flow to movement in net funds

	Unrestricted Funds	Restricted Funds		Total Funds
	£	Grant in Aid	Other Funds	£
	£	£	£	£
(Decrease)/increase in cash in period	(81,727)	773,812	(73,012)	619,073
Cash outflow from decrease in financing	–	–	–	–
Cash outflow from purchase of liquid resources	–	–	–	–
Change in net funds resulting from cash flow	<u>(81,727)</u>	<u>773,812</u>	<u>(73,012)</u>	<u>619,073</u>
Repayment of bank overdraft	–	–	–	–
Change in market value of liquid resources	(2,751)	–	(542)	(3,293)
	<u>(2,751)</u>	<u>–</u>	<u>(542)</u>	<u>(3,293)</u>
Net funds at 1 April, 2013	500,701	351,416	1,423,714	2,275,831
Net funds at 31 March, 2014	<u>416,223</u>	<u>1,125,228</u>	<u>1,350,160</u>	<u>2,891,611</u>

17 Analysis of net funds

	1 April 2013	Cash flow	Other changes	31 March 2014
	£	£	£	£
Cash at bank and in hand (See note 13)	1,892,782	619,073	–	2,511,855
Current asset investments	383,049	–	(3,293)	379,756
	<u>2,275,831</u>	<u>619,073</u>	<u>(3,293)</u>	<u>2,891,611</u>

18 Movement of funds

	Unrestricted Funds	Grant in Aid Operating Funds	Purchase Grant Funds	Other Restricted Funds	Total Funds	Total Funds
	2014	2014	2014	2014	2014	2013
	£	£	£	£	£	£
Incoming resources						
Grant in Aid	–	8,024,000	109,000	–	8,133,000	7,935,000
Grant in Aid (maintenance projects)	–	1,150,000	–	–	1,150,000	235,000
Other grants and donations	47,388	–	–	1,006,534	1,053,922	1,467,127
Special events	55,877	–	–	–	55,877	50,550
Interest on deposits	1,982	–	–	9,672	11,654	22,591
Other income	488,537	–	–	141,156	629,693	361,769
Dividends received	105	–	–	–	105	95
Commercial trading operations	2,386,650	–	–	–	2,386,650	2,105,659
Total incoming resources	2,980,539	9,174,000	109,000	1,157,362	13,420,901	12,177,791
Resources expended						
Staff costs (Note 8)	87,859	4,806,912	–	97,293	4,992,064	4,960,550
Purchase of exhibits	–	–	467	–	467	4,246
Other operating costs (Note 6)	822,427	2,131,423	–	1,002,857	3,956,707	3,637,643
Depreciation (Note 5 & Note 6)	66,871	1,076,674	–	431,549	1,575,094	1,533,718
Commercial trading operation	2,127,515	–	–	–	2,127,515	2,029,729
Total resources expended	3,104,672	8,015,009	467	1,531,699	12,651,847	12,165,886
Net (outgoing)/incoming resources for the year	(124,133)	1,158,991	108,533	(374,337)	769,054	11,905
Gains and losses on revaluations of fixed assets	44,772	458,806	–	349,923	853,501	656,060
Gains and losses on revaluations and disposals of investments	(542)	–	–	(2,751)	(3,293)	18,712
Net movement in funds for the year	(79,903)	1,617,797	108,533	(27,165)	1,619,262	686,677
Funds b/fwd at 1 April 2013	2,357,341	39,847,494	1,653,400	18,766,550	62,624,785	61,938,108
Funds c/fwd at 31 March 2014	2,277,438	41,465,291	1,761,933	18,739,385	64,244,047	62,624,785

Reconciliation of total resources expended to the SOFA

	Unrestricted Funds	Grant in Aid Funds	Other Funds	Total Funds	Total Funds
	2014	2014	2014	2014	2013
	£	£	£	£	£
Resources expended per the SOFA					
Costs of generating funds:					
Fund raising and publicity	304,957	20,534	–	325,491	485,906
Commercial trading operations	2,127,515	–	–	2,127,515	2,029,729
	<u>2,432,472</u>	<u>20,534</u>	<u>–</u>	<u>2,453,006</u>	<u>2,515,635</u>
Charitable activities:					
Operation of Museum	672,200	7,852,550	1,531,699	10,056,449	9,506,412
Purchase of exhibits	–	467	–	467	4,246
Governance costs	–	141,925	–	141,925	139,593
	<u>672,200</u>	<u>7,994,942</u>	<u>1,531,699</u>	<u>10,198,841</u>	<u>9,650,251</u>
Total resources expended	<u>3,104,672</u>	<u>8,015,476</u>	<u>1,531,699</u>	<u>12,651,847</u>	<u>12,165,886</u>

19 Analysis of group net assets between funds

	Grant in Aid		Purchase Grant funds	Other restricted funds	Total funds	Total funds
	Unrestricted funds	Operating funds				
	2014	2014				
	2014	2014	2014	2014	2014	2013
	£	£	£	£	£	£
Tangible fixed assets	1,751,151	40,584,047	1,724,478	17,286,423	61,346,099	60,933,894
Cash at bank and in hand	434,907	1,067,664	39,255	970,029	2,511,855	1,892,782
Other net current assets	91,380	(186,420)	(1,800)	482,933	386,093	(201,891)
Total assets less current liabilities	<u>2,277,438</u>	<u>41,465,291</u>	<u>1,761,933</u>	<u>18,739,385</u>	<u>64,244,047</u>	62,624,785
Net assets	<u>2,277,438</u>	<u>41,465,291</u>	<u>1,761,933</u>	<u>18,739,385</u>	<u>64,244,047</u>	62,624,785

Analysis of other restricted funds	2013	Inflow	Outflow	2014
	£	£	£	£
Fixed Assets purchased from Restricted Funds	17,331,247	236,800	281,624	17,286,423
Cash Balances (Arising from Cash donated for specific Projects)				
Watchtower Funds	1,194,367	106,893	76,689	1,224,571
Henshaw Curator	–	25,000	25,000	–
Cross & Cockade Curator	–	8,900	8,900	–
Chobham Curator	–	20,250	20,250	–
Digitisation Officer	–	24,000	19,388	4,612
Collections Care Officer	–	27,000	23,755	3,245
Friends Fund	–	9,198	–	9,198
BIS Training	–	1,584	1,584	–
Evans Legacy	–	3,763	–	3,763
Air Show Funds	–	65,000	28,944	36,056
Cosford LMA Funds	45,480	13,268	30,262	28,486
RAFM London Strategic Planning Fund WW1 Project	54,275	–	54,275	–
Test Pilot Project	7,700	–	–	7,700
Apprentice Development Fund	7,915	–	7,915	–
Apprentice Exchanges	–	7,897	7,868	29
Dornier Exhibition	–	75,000	75,000	–
Bomber Command Hall Refurbishment Fund	102,133	–	6,642	95,491
RAF Charitable Trust (RAFM Interactive Display)	6,118	100	5,881	337
Cosford Collections Project	14,100	1,500	6,661	8,939
Casualty Cards	–	10,000	–	10,000
Lincolnshire Grant	–	20,650	3,521	17,129
Dornier Project	–	458,670	458,670	–
Other Projects	3,215	39,136	38,945	3,406
Total restricted assets	<u>18,766,550</u>	<u>1,154,609</u>	<u>1,181,774</u>	<u>18,739,385</u>

	2013	Inflow	Outflow	2014
	£	£	£	£
Analysis of trustees designated funds				
Bomber Command Hall	9,478	-		9,478
A1 Projects	97,406	-	97,406	-

Designated funds are included within Unrestricted funds.

20 Commitments

The Group has no current Finance Lease Obligations

During the year, the Museum made operating lease payments amounting to £545,730 (2013: £546,817). At the 31 March 2014, the Museum had annual commitments under non-cancellable operating leases as follows:

	Group and charity	
	2014	2013
	£	£
Operating leases expiring:		
Plant and machinery:		
within one year	-	-
in the second to fifth years	36,089	16,667
Land and Buildings:		
after five years	530,150	530,150
	<u>566,239</u>	<u>546,817</u>

Capital commitments

There were no other Capital Commitments at 31 March 2014

21 Related Parties

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

Royal Air Force Museum Enterprises Ltd

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

The Royal Air Force Museum Investments Limited

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

Ministry of Defence

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

The Trustees' involvement with the RAF Museum Enterprises Ltd and the RAF Museum Investments Ltd is disclosed in the Governance statement on page 12.

Sir Gerry Grimstone (Chair of the Museum Audit Committee) is also the Ministry of Defence Lead Non-Executive Director.

Mr Alan Coppin (Co-opted Trustee) was a member of the Air Force Board until October 2013.

22 Contingent liabilities

There were no contingent liabilities as at 31 March 2014 (2013: Nil)

23 Post balance sheet events

There were no post balance sheet events.

The accounts were authorised for issue by the Board and the Accounting Officer on the same date as the Comptroller and Auditor General's opinion.

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