

Presented pursuant to section 25(6) and (7) of the Government Resources and Accounts Act 2000, and section 3(3) of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003

Fleet Air Arm Museum Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 6 FEBRUARY 2006

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on behalf of Parliament.

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Management Committee and Advisors

Management (Finance and General Purposes Committee)

Chairman

Commanding officer RNAS Yeovilton (Deputy Chairman of Trustees)

Trustees

Admiral Sir Michael Layard

Mr Michael Ryan

Director

Mr CG Mottram, MA (Cantab) C Eng MIM

Address

RNAS Yeovilton

Nr Ilchester

Somerset

BA22 8HT

Registered Charity

Number: 250079

Bankers

Barclays Bank Plc

King George Street

Yeovil

Somerset

BA20 1PX

Accountants

Baker Tilly

Chartered Accountants

49 Princes Street

Yeovil

Somerset

BA20 1EG

Auditors

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

London

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Solicitors

Porter Dodson

Central House

Church Street

Yeovil

Somerset

Foreword to the Accounts

Introduction

The consolidated accounts for the Fleet Air Arm Museum are presented for the financial year ended 31 March 2005. The Group comprises the main charity and its subsidiary undertaking, Fleet Air Arm Museum Trading Limited. The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

The Fleet Air Arm Museum is a charity registered with the Charity Commission (reference no. 250079). The governing document of the body is the Trust Deed of 22 June 1966 as varied by schemes of the Commissioners of 27 December 1973, 13 February 1979, 24 November 1982, 10 April 1985, 22 March 1994, and 17 December 1997. The Museum's Trustees are incorporated as a body.

History

With the approval of the Admiralty Board, the Fleet Air Arm Museum was established in 1964. Seven acres and 11 hangars were leased at a peppercorn rent from the Ministry of Defence which agreed to support and staff the site with a mixture of naval personnel and civil servants. Any further developments were to be the responsibility of the Trustees.

In 1974 admission charges were introduced and the Trustees launched a development programme which provided capital for three new halls and the Swordfish Restaurant.

A Concorde arrived in 1976 and is now on loan from the Science Museum. The associated hall was purchased from the Science Museum and extended in 1989 to accommodate the VSTOL Exhibition.

Designation of the Museum under the National Heritage Act 1983 was introduced in April 1986; naval personnel were replaced by civil servants and a grant was substituted for a proportion of operating costs, salaries, goods and services.

In late 1991 the contents of 11 Hangar were decanted into 12 Hangar and a refurbishment programme on the former commenced with the completion date of June 1992. The construction of additional buildings for the Carrier Exhibition Hall was completed in April 1994, with the official opening of the Carrier Exhibition, by Baroness Thatcher, on 8 July.

In late 1995 work began on a submission to the Heritage Lottery Fund, which resulted in a £3.7 million grant, announced in January 1998. Physical work on the construction of a preservation store, later named the Cobham Hall, began in March 1999 and was completed in April 2000. The major refurbishment of the exhibitions within Regan Hall began in November 1999 and was completed in June 2000, under the title 'Leading Edge'. Both developments were officially opened by the Patron HRH the Duke of York on 10 July 2000.

Major improvements to the Carrier exhibition, taking advantage of new developments in audio visual technology, were implemented in late 2002. At the same time, a major rebuild of the Modern Navy Exhibition, supported by DCC(N) and DNR was carried out, under the title of 'Projecting Power'. The two exhibitions were opened by the Patron HRH The Duke of York on 9 December 2002.

Aims and objectives

As stated in the Museum's Corporate Plan, the Aim of the Museum is to provide an effective and accessible repository both now and in the future for the heritage of the Fleet Air Arm and to raise public awareness of the history of the Service, whilst encouraging scholarship and research into Fleet Air Arm history. These aims have been defined as relating primarily to the aircraft and personnel of the Fleet Air Arm. In consultation with the Trustees of the other Naval Museums, the Fleet Air Arm Museum includes in its exhibitions only those aspects of the history of the Royal Navy, the Royal Marines and of the Submarine Service as are necessary for the sake of completeness and to stimulate interest in the other Museums.

Trustees

The Fleet Air Arm Museum is governed by a Board of Trustees and is a registered charity within the meaning of the Charities Act 1993, which places on Trustees the responsibility for the effective management of the Trust and the stewardship and care of the collections.

The Board was traditionally chaired by the Admiral in command of Naval Aviation, latterly Flag Officer Maritime Aviation (FOMA). This chairmanship ended when the post was disestablished in October 2004. The immediate past FOMA, Rear Admiral Scott Lidbetter, continued as Chairman as an interim measure, with the approval of MoD as a special case. With increasing pressure of work and a London base, Admiral Lidbetter announced that he would stand down in Spring 2005 and arrangements were put in hand to recruit a permanent Chairman through the OCPA process. The Trustees also put in hand a review of other details of the Trust Deed, which had been affected by changes in Naval command structures.

Trustees are appointed to the Board in strict 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 a member of the Trustees, a senior civil servant from the sponsoring Department (MoD) and an independent member. Prospective Trustees are normally interviewed by a panel of the Trustee body. The sponsoring department within the MoD, Naval Personnel Secretariat (Plans and Parliamentary) 2, is closely involved in all stages of the selection process. Other than those appointed as ex-officio members of the Board, Trustees are normally appointed for a period of five years. Trustees, at the discretion of the Board, and in consultation with the MoD sponsor, however may be reappointed for a second and final five-year term.

The following people served as the Museum's Trustees during 2004-2005

Chairman

Rear Admiral Scott Lidbetter, FOMA

Ex-Officio Trustees

Commanding Officer, RNAS Yeovilton
Commodore Fleet Aviation (now ACOS(AV))

Commanding Officer, RNAS Culdrose
Director Operations (RW), ES(A), MoD

Assistant Director (Air), DNO, MoD

Commodore AR Bennett DSC RN
Commodore Steve Jermy RN (to November 2004)
Commodore SB Charlier RN (from November 2004)
Captain JM Knowles RN
Commodore RAN Palmer RN (to July 2004)
Mr I Tibbett (from July 2004)
Captain MW Westwood RN

Elected Trustees

Dr D Bancroft
Sir Michael Cobham CBE
Mr R Crawford CBE
Admiral Sir Michael Layard KCB CBE
Mr TPA Norman (to November 2004)
Mr MJ Ryan
Mr J Trafford

Director and Accounting Officer

Mr CG Mottram MA(Cantab) C Eng MIM

Results for the year ended 31 March 2005

Total incoming resources for the Group in 2004-2005 amounted to £1,997,433 (2003-2004: £1,713,623). Total resources expended amounted to £2,220,104 (2003-2004: £2,252,325). After adjustment for notional charges and other recognised gains and losses totalling £348,142 (2003-2004: £346,234), the net movement in funds for the year was an increase of £125,471 (2003-2004 - decrease of £192,468).

The Group's net assets as at 31 March 2005 amounted to £8,180,701 (31 March 2004: £8,055,230).

Review of activities

Following the disappointing results from television advertising in 2003-2004, the thrust of 2004-2005 marketing campaign shifted to a more distributed effort, with many short range activities. These bore fruit and visitor numbers rose by 5.5% to 101,139, the first six figure result for five years. Although this result was aided by there being two Easters in one trading year, there was still an underlying upward trend.

Two temporary exhibitions were installed during the spring and summer period. 'The Magic Ear' told the development of radar and had originally been created for DERA/QinetiQ. FAAM staff remodelled some elements of it for the local context and the exhibition was opened by ACNS, Rear Admiral Adrian Johns, in his role as Rear Admiral, Fleet Air Arm. In support of the nationwide project to record memories of the Second World War, the Museum hosted the BBC's 'People's War' exhibition for three months, containing online computers on which visitors could write their stories for permanent retention.

The work begun by Mr Nick Chapman, as Interim Chief Executive, into the possible amalgamation of the Fleet Air Arm Museum Trust and the Fly Navy Heritage Trust resulted in proposals to the Second Sea Lord's Command Secretary. The proposals were not accepted, with the request that a wider range of options be examined. McKinsey and Co. provided pro bono by BAE Systems, concluded that there was no case for amalgamation.

McKinsey's work also confirmed that, for the long term viability of the Fleet Air Arm Museum, a programme of cost cuts already under consideration, should be put into place. This was announced by the Chairman in December, and involved five posts being made redundant, a restructuring of the senior management team, and closing on Mondays and Tuesdays in low visitor winter months.

Changes in fixed assets

Movements in fixed assets are shown in Note 3b to the accounts.

Policy on reserves

The Trustees have a policy of holding sufficient reserves, excluding those held as fixed assets, to meet six months expenditure. At present liquid reserves are in deficit, however the trustees have planned a course of action, which seeks to generate sufficient surpluses from the Museum's general activities to build reserves to a level of £100,000 over the next three years.

Investment policy

At present the Museum does not hold any surplus funds for investment purposes. Where surplus monies do become available as a result of seasonal timings, these are invested in low risk deposit or money market bank accounts. As reserves are increased any surpluses will continue to be invested in low risk investments.

The Museum holds an investment in a subsidiary trading company which is under the control of the Trustees and Museum management and which is closely monitored by them.

Payment of creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming 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 that 41% of bills were paid within the 30 day target or in accordance with suppliers' terms. The average payment time was 35 days.

Policy on the employment of disabled persons

The Museum is committed to managing staff solely on the basis of actual performance in the job, and considering new applicants solely on the basis of their ability to do the job.

Consultation with employees

Senior Management achieves communications with its staff through monthly management meetings, staff forum meetings and a Health and Safety Committee in addition to informal meetings and internal memoranda.

Future developments

The Trustees have determined that the Museum's displays should be redeveloped as the core of a 10 Year Vision to focus more directly on shipborne aviation, and to provide a public focus for the introduction into service of the future carrier CVF and the Joint Strike Fighter.

Post balance sheet events

There have been no post balance sheet events up to and including the date of signature of these accounts, which might affect the reader's understanding of the financial statements.

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.

No non-audit work was carried out by the National Audit Office during the year.

TN Loughran, Chairman
On behalf of the Board of Trustees
26 January 2006

Graham Mottram
Accounting Officer
26 January 2006

The Accounting Officer's and Trustee's responsibilities in the preparation of Financial Statements

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 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

- 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;
- make judgements and estimates that are reasonable and prudent;
- 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
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

Under law applicable to charities in England and Wales, the Board of Trustees is responsible for keeping 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 Secretary of State has appointed the senior full time official, the Director, as the Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of expenditure from Grant in Aid provided by Parliament and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in 'Government Accounting'.

TN Loughran, Chairman
On behalf of the Board of Trustees
26 January 2006

Graham Mottram
Accounting Officer
26 January 2006

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Fleet Air Arm Museum's policies, aims and objectives set by the Board of Trustees, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting, and for ensuring compliance with the requirements of the Fleet Air Arm Museum's Financial Memorandum.

I, as Chairman of the Trustees, on behalf of the Board of Trustees of the Fleet Air Arm Museum, am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks to which the charity 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 Fleet Air Arm 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 Fleet Air Arm Museum for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A comprehensive Risk Register is in use, which identifies the risks relevant to the successful continuation of the Museum's current operations and its future development. In the near future, risk management will be incorporated more fully into the Museum's corporate planning, in the next iteration of the Museum's Corporate Plan with the risk of failure and severity of the failure being applied to key activities.

The risk and control framework

The management of risk is exercised through the Museum's Senior Management who review on a regular basis the Museum's principal activities and events, with associated risks. The Audit Committee, on behalf of the Board of Trustees, receives periodic reports on the principal risks and the steps being taken to manage them effectively.

Consideration is now being given to the best way to involve staff to a greater extent in the identification and general awareness of risk, leading to the production of a definitive risk policy document.

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 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.

Internal Audit is carried out by an external independent auditor, who operates to standards defined in the Government Internal Audit Manual. This internal audit work is informed by an analysis of the risks to which the Fleet Air Arm Museum is exposed, and in consultation with the Museum's external auditors.

The Internal Auditor's reports are reviewed by the Audit Committee, unless the report has highlighted a particular threat which requires immediate management action, in which case senior management are notified at once.

The review of the effectiveness of the system of internal controls is exercised through the Audit Committee of the Board of Trustees, which normally meets annually, comprises two Trustees (normally both elected), one of whom chairs the Committee; the Museum's external auditors; the Director and the Administrator of the Museum. The Audit Committee reports directly to the Chairman of Trustees. This group has visibility across the whole sphere of Museum internal management and is well placed to assess the effectiveness of internal controls and management of risk.

In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the Fleet Air Arm Museum's system of internal control in accordance with Treasury guidance and recommendations.

TN Loughran, Chairman
On behalf of the Board of Trustees
26 January 2006

Graham Mottram
Accounting Officer
26 January 2006

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

I have audited the financial statements on pages 12 to 26 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These financial statements have been prepared in the form directed by the Secretary of State for Defence and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 18.

Respective responsibilities of the Board of Trustees, the Director and the Auditor

As described on page 7, the Board of Trustees and the Director, as Accounting Officer, are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions funded by Parliamentary grant ('Grant in Aid'). The Board of Trustees and the Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute, and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State for Defence thereunder, and whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Museum has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 8 and 9 reflects the Museum's compliance with HM Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Museum's corporate governance procedure or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fleet Air Arm Museum's and the group'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 are free from material misstatement, whether caused by error or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources 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.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Fleet Air Arm Museum and the group as at 31 March 2005 and of the incoming resources and application of resources of the group for the year then ended and have been properly prepared in accordance with the Charities Act 1993, and the directions made by the Secretary of State for Defence; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

31 January 2006

National Audit Office
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London SW1W 9SP

Consolidated Statement of Financial Activities

	Notes	Unrestricted funds 2005 £	Restricted funds 2005 £	Restricted grant in aid 2005 £	Total funds 2005 £	Total funds 2004 £
Incoming resources						
<i>Charitable activities</i>						
Admissions	7	640,026	0	0	640,026	484,286
Other income	7	166,069	0	0	166,069	91,064
<i>Other activities to generate funds</i>						
Trading income	7&19	610,889	0	0	610,889	572,097
Donations	12	16,143	0	0	16,143	10,925
Grant in Aid		0	0	564,306	564,306	555,251
Total incoming resources		1,433,127	0	564,306	1,997,433	1,713,623
Resources expended						
<i>Costs of generating funds</i>						
Trading expenses	7&19	578,160	0	0	578,160	503,135
		578,160	0	0	578,160	503,135
Net incoming resources available for charitable application		854,967	0	564,306	1,419,273	1,210,488
<i>Charitable expenditure</i>						
Museum expenditure	7	698,152	296,356	541,147	1,535,655	1,644,153
Management and administration	7	56,965	0	20,010	76,975	77,103
Notional charges		0	0	29,314	29,314	27,934
Total charitable expenditure		755,117	296,356	590,471	1,641,944	1,749,190
Total resources expended		1,333,277	296,356	590,471	2,220,104	2,252,325
Total incoming/(outgoing) resources before transfers		99,850	(296,356)	(26,165)	(222,671)	(538,702)
Adjustment for the notional cost of capital		0	0	29,314	29,314	27,934
Net incoming/(outgoing) resources for the year	7	99,850	(296,356)	3,149	(193,357)	(510,768)
<i>Unrealised gains/(losses)</i>						
Revaluation of assets	3b	290,408	0	42,200	332,608	359,857
Revaluation of depreciation	3b	(13,030)	0	(750)	(13,780)	(41,557)
Net movement in funds		377,228	(296,356)	44,599	125,471	(192,468)
Fund balances brought forward		3,133,362	4,106,623	815,245	8,055,230	8,247,698
Fund balances carried forward	8,9,10	3,510,590	3,810,267	859,844	8,180,701	8,055,230

All the Museums activities are classed as continuing. All recognised gains and losses are included above.

Consolidated Balance Sheet

	Notes	2005	2004
		£	£
Fixed assets			
Tangible assets	3b	8,344,463	8,297,556
Current assets			
Stock – finished goods		99,805	88,766
Debtors	4	124,907	52,088
Cash at bank and in hand – trustees		8,801	14,950
		233,513	155,804
Creditors: amounts falling due within one year	5	(337,275)	(338,130)
Net current (liabilities)		(103,762)	(182,326)
Total assets less current liabilities		8,240,701	8,115,230
Provisions for liabilities		(60,000)	(60,000)
		8,180,701	(8,055,230)
Reserves			
Unrestricted fund		3,510,590	3,133,362
Restricted funds	8	3,810,267	4,106,623
<i>Grant in Aid funds</i>			
operating account	9	781,486	753,887
purchase of exhibits reserve	9	78,358	61,358
		8,180,701	8,055,230

Approved by the board on 26 January 2006

TN Loughran
Chairman

Graham Mottram
Director

Balance Sheet - Charity Only

	Notes	2005	2004
		£	£
Fixed assets			
Tangible assets	3b	8,344,463	8,297,556
Investments	3a	2	2
Current assets			
Stock – finished goods		0	0
Debtors	4	229,326	119,386
Cash at bank and in hand – trustees		8,082	10,407
		237,408	129,793
Creditors: amounts falling due within one year	5	(323,129)	(290,597)
Net current (liabilities)		(85,721)	(160,804)
Total assets less current liabilities		8,258,744	8,136,754
Provisions for liabilities		(60,000)	(60,000)
		8,198,744	8,076,754
Reserves			
Unrestricted fund		3,528,633	3,154,886
Restricted funds	8	3,810,267	4,106,623
<i>Grant in Aid funds</i>			
Operating account	9	781,486	753,887
Purchase of exhibits reserve	9	78,358	61,358
		8,198,744	8,076,754

Approved by the board on 26 January 2006

TN Loughran
Chairman

Graham Mottram
Director

Consolidated Cashflow Statement

	Notes	Unrestricted funds 2005 £	Restricted funds 2005 £	Restricted grant in aid 2005 £	Total funds 2005 £	Total funds 2004 £
Net cashflow from operating activities	11a	73,547	0	30,279	103,826	42,680
Return on investments and servicing of finance						
Interest received		553	0	0	553	100
Interest paid		(14,442)	0	0	(14,442)	(12,482)
		(13,889)	0	0	(13,889)	(12,382)
Capital expenditure and financial investment						
Purchase of fixed assets		(53,799)	0	(5,737)	(59,536)	(32,358)
Sale of fixed assets		0	0	0	0	40
		(53,799)	0	(5,737)	(59,536)	(32,318)
Financing activities						
Repayment of lease		0	0	0	0	0
		0	0	0	0	0
(Decrease)/increase in cash	11b	5,859	0	24,542	30,401	(2,020)

Notes to the Financial Statements

1 Principal accounting policies

a Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets in accordance with applicable standards, the revised Charities Statement of Recommended Practice (2000) and with the Accounts Direction given by the Secretary of State for Defence with the approval of the Treasury.

b Tangible fixed assets

Land and buildings

No depreciation is provided on freehold land.

Leasehold property is stated at valuation on a depreciated replacement cost basis, and depreciated over the term of the lease. Freehold property is depreciated over 50 years. A professional valuation is obtained at least every five years and indices are used to reflect changes in the value in the intervening years.

Other assets

All other assets, including donated assets where the cost can be reliably ascertained, are capitalised at historic cost and revalued annually using the retail prices indices. The Museum's capitalisation threshold is £250.

Depreciation is calculated at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows

Freehold buildings	50 years
Leasehold buildings	over period of lease
Plant and machinery	3 to 10 years
Fixtures and fittings	3 to 10 years
Exhibitions	10 years

No depreciation is provided on exhibits such as works of art and antiques.

c Stock

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

d Exhibition costs

Exhibition costs are capitalised as fixed assets and depreciated over their expected useful lives in accordance with (b) above.

Temporary exhibition costs are written off as resources expended in the year they are incurred.

e Grants

All grants are credited to income in the period to which they relate.

f Restricted funds

These relate to income which has been received subject to specific conditions imposed by the donor and binding on the Trustees. This income and any related expenditure are shown as a separate restricted fund.

g Unrestricted funds

These relate to general income and expenditure of the Museum together with any non-specific donations.

h Grant in Aid operating account

Grant In Aid grants received and related expenditure in the operating account are taken directly to the Restricted Grant in Aid funds.

i Grant in Aid exhibits reserve (purchase of exhibits)

Grant In Aid grants received for the purchase of exhibits are allocated directly to the Restricted Grant in Aid exhibits reserve. Investment income received on Grant in Aid deposits held are credited to the Grant in Aid exhibits reserve.

j Donated assets and core collection

No value is attributed to donated assets within the financial statements. As the majority of these assets cannot be disposed of, it is not considered appropriate to put a value on these assets. From 1 April 2001 additions to the collection are capitalised where the purchase cost is known or can be reliably ascertained in accordance with note (b) above.

k Pensions

Specific staff of the museum funded by Grant in Aid contribute to the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but The Fleet Air Arm Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year ended 31 March 2005 employer's contributions of £25,149 were paid to the PCSPS (2004: £29,533) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands which for 2004-2005 were as follows

Non-industrial staff		
Band one	£17,500 and under	12.0%
Band two	£17,501 – £36,000	13.5%
Band three	£36,001 – £62,000	16.5%
Band four	£62,001 and over	18.5%

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. In accordance with the review carried out as at 31 March 2003 rates for the year ended 31 March 2006 will be revised as follows

Non-industrial staff		
Band one	£17,500 and under	16.2%
Band two	£17,501 – £36,000	18.6%
Band three	£36,001 – £62,000	22.3%
Band four	£62,001 and over	25.6%

The Charity operates a defined contributions pension scheme for eligible staff who are not members of the Principal Civil Service Pension Scheme.

The assets of the pension scheme are held in an independently administered money purchase fund. The pension cost charge represents contributions payable by the Charity to the fund and amounted to £13,327 (2004: £10,163).

l Cost of capital

In accordance with Treasury guidance, a notional cost of capital is disclosed in respect of the Grant in Aid Fund. This is calculated at 3.5% (2004: 3.5%) on the average capital employed in this fund and is charged to Resources Expended in the Statement of Financial Activities. The charge is reversed before arriving at the Net Movement in Funds.

m Insurance

It is the Museum's policy to have full insurance cover. No notional cost of insurance is therefore provided in these financial statements.

n Finance leases

Where assets are financed by leasing arrangements that give rights approximating to ownership (Finance Leases), the assets are treated as if they were purchased outright. The lease commitments are shown as obligations to the lessor.

All other leases are 'operating leases' and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

o Income recognition

All incoming resources are included in the SOFA when the Museum is legally entitled to the income and the amount can be quantified with reasonable accuracy.

2 Employees

	2005 No.	2004 No.
The average weekly number of persons employed by the Museum during the year was		
Technical	6	8
Administration	7	7
Marketing	2	3
Other	20	16
	35	34

	Grant in Aid £	Trustees £	Total 2005 £	Total 2004 £
Staff costs for the above persons				
Wages and salaries	319,249	360,581	679,830	649,358
Redundancy costs	0	10,000	10,000	0
Social security costs	26,589	28,154	54,743	51,996
Other pension costs	31,247	7,229	38,476	39,696
	377,085	405,964	783,049	741,050

The Director's remuneration during the year was £48,634 (2004: £46,335).

He is an ordinary member of the Principal Civil Service Scheme and Superannuation contributions totalling £8,025 (2004: £7,645) were paid during the year. The director's total accrued pension at 31 March 2005 is £19,643 and this represents a real increase in his pension of £944. His lump sum benefit as at 31 March 2005 is £58,930 representing a real increase of £2,831. The Director's CETV as at 31 March 2005 is £354,000 representing a real increase of £16,000.

No other employee earned more than £40,000 per annum.

None of the Trustees of the Fleet Air Arm Museum received any remuneration or reimbursement of expenses during the year (2004: £Nil).

No members of the Finance and General Purposes Committee, other than the Director, received any remuneration during the year (2004: £Nil).

3a Investments - Charity

	2005	2004
Investment in subsidiary company (see note 19)	<u>2</u>	<u>2</u>

3b Tangible fixed assets - Group and Charity

	Exhibits £	Freehold property £	Exhibition costs £	Short leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Valuation							
At 1 April 2004	20,945	3,930,515	3,779,488	4,241,282	605,726	605,503	13,183,459
Additions	5,253	3,220	34,987	3,708	2,817	9,551	59,536
Revaluation in year	445	148,242	11,956	159,815	14,158	(2,008)	332,608
Disposals	0	0	0	0	(8,170)	0	(8,170)
At 31 March 2005	<u>26,643</u>	<u>4,081,977</u>	<u>3,826,431</u>	<u>4,404,805</u>	<u>614,531</u>	<u>613,046</u>	13,567,433
Depreciation							
At 1 April 2004	2,094	76,543	3,493,446	145,248	576,729	591,843	4,885,903
Charge	2,664	79,519	71,524	144,310	24,340	9,100	331,457
Revaluation of depreciation	36	2,909	6,499	5,393	431	(1,488)	13,780
Disposals	0	0	0	0	(8,170)	0	(8,170)
At 31 March 2005	<u>4,794</u>	<u>158,971</u>	<u>3,571,469</u>	<u>294,951</u>	<u>593,330</u>	<u>599,455</u>	5,222,970
Net book value							
At 31 March 2005	<u>21,849</u>	<u>3,923,006</u>	<u>254,962</u>	<u>4,109,854</u>	<u>21,201</u>	<u>13,591</u>	8,344,463
At 31 March 2004	18,851	3,853,972	286,042	4,096,034	28,997	13,660	8,297,556

Leasehold property as at 31 March 2003 was valued by Richard CG Arthurs BA FRICS IRV, the District Valuer, South West on a depreciated replacement cost basis at £4,070,515 on 16 September 2003. Freehold property as at 31 March 2003 was also valued by the District Valuer, South West on a depreciated replacement cost basis at £3,775,000 on that date.

In accordance with the accounting policy the valuation will be increased in line with the retail price index and the balance is written off over the remaining period of the lease.

4 Debtors*Group*

	Trustee	Grant in Aid	2005	2004
	£	£	£	£
Trade debtors	43,892	0	43,892	21,276
Other debtors	1,772	0	1,772	3,306
Prepayments and accrued income	79,243	0	79,243	27,506
	<u>124,907</u>	<u>0</u>	<u>124,907</u>	<u>52,088</u>

Charity

	Trustee	Grant in Aid	2005	2004
	£	£	£	£
Trade debtors	14,520	0	14,520	6,791
Amounts due from subsidiary	137,726	0	137,726	83,186
Other debtors	1,738	0	1,738	3,273
Prepayments and accrued income	75,342	0	75,342	26,136
	<u>229,326</u>	<u>0</u>	<u>229,326</u>	<u>119,386</u>

Included within amounts due from subsidiary is £69,750 (2004: £72,250), which is repayable after more than one year. This relates to the original transfer of stock to the trading subsidiary and is repayable over the period of the Museum lease.

5 Creditors: amounts falling due within one year*Group*

	Trustee	Grant in Aid	2005	2004
	£	£	£	£
<i>Amounts falling due within one year</i>				
Bank overdrafts	119,091	0	119,091	155,637
Trade creditors	144,997	0	144,997	121,458
Tax and social security costs	17,911	0	17,911	29,362
Other creditors	37,198	0	37,198	13,042
Accruals and deferred income	6,078	12,000	18,078	18,631
	<u>325,275</u>	<u>12,000</u>	<u>337,275</u>	<u>338,130</u>

Charity

	Trustee	Grant in Aid	2005	2004
	£	£	£	£
<i>Amounts falling due within one year</i>				
Bank overdrafts	117,498	0	117,498	155,637
Trade creditors	106,504	0	106,504	84,511
Tax and social security costs	7,221	0	7,221	24,430
Other creditors	33,828	0	33,828	7,388
Accruals and deferred income	46,078	12,000	58,078	18,631
	<u>311,129</u>	<u>12,000</u>	<u>323,129</u>	<u>290,597</u>

6 Connected charity/related parties

Ministry of Defence

The Fleet Air Arm Museum is a registered charity (no 250079). It is also a Non Departmental Public Body, sponsored by the Ministry of Defence. The MOD is regarded as a related party. Grant in Aid Funds from the MOD are separately disclosed in the Statement of Financial Activities.

The Society of Friends of The Fleet Air Arm Museum (SOFFAAM)

Although none of the Trustees of the Museum are also Trustees of The Society of Friends of The Fleet Air Arm Museum, the objectives of the Society are to provide financial aid to the museum and foster interest in the history of the Fleet Air Arm and its museum.

During the year the Society has donated £10,203 toward the Museum's activities.

The Fly Navy Heritage Trust (formerly Swordfish Heritage Trust)

Certain ex-officio Trustees of the Museum are also Trustees of the Fly Navy Heritage Trust. This Trust contains within its objectives powers to support the Fleet Air Arm Museum.

Both Charities can be contacted at the following address

RNAS Yeovilton
Nr Ilchester
Somerset
BA22 8HT

No donations were made to the Museum during the year.

Related Party Transaction

During the year the Museum used the services of Wilsons, Solicitors, a firm in which one of the Trustees, Mr J Trafford, is a partner. A total fee of £476 was paid for professional advice. Under the terms of Wilsons' partnership agreement a partner serving as a Trustee cannot benefit from fees earned from the charity of which he is a Trustee.

7 Income and expenditure

	Unrestricted funds 2005	Restricted funds 2005	Grant in Aid 2005	Total funds 2005	Total funds 2004
Income					
Admissions	640,026	0	0	640,026	484,286
Income from trading subsidiary	610,889	0	0	610,889	572,097
Simulator	31,936	0	0	31,936	29,786
Donations	15,672	0	0	15,672	10,925
Covenants	471	0	0	471	0
Interest	553	0	0	553	100
Research	5,120	0	0	5,120	3,545
Other	21,010	0	0	21,010	7,881
Grant in Aid	0	0	564,306	564,306	555,251
VAT reclaim	47,719	0	0	47,719	0
Gift Aid	59,731	0	0	59,731	49,752
	<u>1,433,127</u>	<u>0</u>	<u>564,306</u>	<u>1,997,433</u>	<u>1,713,623</u>

7 Income and expenditure - Continued

	Unrestricted funds 2005	Restricted funds 2005	Grant in Aid 2005	Total funds 2005	Total funds 2004
Costs of generating funds					
Expenditure of trading subsidiary	578,160	0	0	578,160	503,135
Net incoming resources available for charitable application	<u>854,967</u>	<u>0</u>	<u>564,306</u>	<u>1,419,273</u>	<u>1,210,488</u>
Museum expenditure					
Salaries and wages	405,964	0	377,085	783,049	741,050
Electricity and water	59,750	0	47,033	106,783	79,572
Rent and rates	9,074	0	13,315	22,389	17,038
Insurances	34,345	0	0	34,345	34,504
Stationery	8,002	0	8,478	16,480	13,340
Advertising	78,765	0	6,382	85,147	103,514
Photographs	812	0	2,011	2,823	12,812
Entertaining	4,135	0	0	4,135	1,517
IT and computer	5,249	0	709	5,958	6,804
Transport	0	0	19,776	19,776	9,320
Travel and subsistence	4,918	0	4,724	9,642	13,999
Exhibition costs	0	0	1,640	1,640	3,218
Bank and credit card charges	14,442	0	0	14,442	12,482
Depreciation and amounts written off	13,921	296,356	21,180	331,457	514,242
Profit on sale of fixed assets	0	0	0	0	(40)
Maintenance	40,334	0	38,814	79,148	80,781
Irrecoverable VAT	18,441	0	0	18,441	0
	<u>698,152</u>	<u>296,356</u>	<u>541,147</u>	<u>1,535,655</u>	<u>1,644,153</u>
Management and administration					
Telephone	11,049	0	2,359	13,408	13,452
Bad debts	1,650	0	0	1,650	12
Audit and accountancy	13,040	0	15,331	28,371	22,036
Sundry	5,057	0	2,320	7,377	10,571
Legal and professional	26,169	0	0	26,169	31,032
	<u>56,965</u>	<u>0</u>	<u>20,010</u>	<u>76,975</u>	<u>77,103</u>
Net resources expended	<u>755,117</u>	<u>296,356</u>	<u>561,157</u>	<u>1,612,630</u>	<u>1,721,256</u>
Net incoming/(outgoing) resources for the year	<u>99,850</u>	<u>(296,356)</u>	<u>3,149</u>	<u>(193,357)</u>	<u>(510,768)</u>

8 Restricted funds (Trustees)

	Cobham Hall and Leading Edge £	Carrier £	Restaurant upgrade £	Total £
As at 1 April 2004	3,685,699	416,110	4,814	4,106,623
Utilised in the year - depreciation	(239,427)	(52,115)	(4,814)	(296,356)
As at 31 March 2005	3,446,272	363,995	0	3,810,267

9 Restricted funds – (Grant in Aid)

	Operating account £	Purchase of exhibits reserve £	Total £
As at 1 April 2004	753,887	61,358	815,245
Movement in the year	27,599	17,000	44,599
As at 31 March 2005	781,486	78,358	859,844

10 Analysis of net assets between funds*Group*

	Tangible fixed assets £	Net current liabilities £	Long term liabilities £	Total £
Restricted funds				
Carrier Exhibition	363,995	0	0	363,995
Restaurant		0	0	0
Cobham Hall and Leading Edge	3,446,272	0	0	3,446,272
	3,810,267	0	0	3,810,267
Unrestricted funds	3,736,200	(165,610)	(60,000)	3,510,590
Total Trustee funds	7,546,467	(165,610)	(60,000)	7,320,857
<i>Grant in Aid</i>				
Operating account	776,147	5,339	0	781,486
Purchase of exhibits	21,849	56,509	0	78,358
	8,344,463	(103,762)	(60,000)	8,180,701

11 Notes to the Cash Flow Statement*a Net cashflows from operating activities*

	Unrestricted funds	Restricted funds	Restricted Grant in Aid funds	Total funds 2005	Total funds 2004
	£	£	£	£	£
Surplus/(deficit) for year	99,850	(296,356)	(26,165)	(222,671)	(538,702)
Interest received	(553)	0	0	(553)	(100)
Interest paid	14,442	0	0	14,442	12,482
Operating surplus/(deficit)	113,739	(296,356)	(26,165)	(208,782)	(526,320)
Depreciation and amounts written off	13,921	296,356	21,180	331,457	514,202
Notional cost of capital	0	0	29,314	29,314	27,934
(Increase) in debtors	(72,819)	0	0	(72,819)	(3,433)
(Increase)/decrease in stock	(11,039)	0	0	(11,039)	(14,582)
Increase/(decrease) in creditors	29,745	0	5,950	35,695	44,879
	<u>73,547</u>	<u>0</u>	<u>30,279</u>	<u>103,826</u>	<u>(42,680)</u>

b Reconciliation of cash movements

At 1 April 2004	165,787	(366,170)	59,696	(140,687)	(138,667)
At 31 March 2005	<u>171,646</u>	<u>(366,170)</u>	<u>84,238</u>	<u>(110,286)</u>	<u>(140,687)</u>
Movement in year	<u>5,859</u>	<u>0</u>	<u>24,542</u>	<u>30,401</u>	<u>(2,020)</u>

c Reconciliation of net cashflow to movement in net funds

	Total funds 2005	Total funds 2004
	£	£
Increase/(decrease) in cash	30,401	(2,020)
Cashflow resulting from decrease in debt and finance lease	0	0
Movement in net funds	30,401	(2,020)
Net debt at 1 April 2004	(140,687)	(138,667)
Net debt at 31 March 2005	<u>(110,286)</u>	<u>(140,687)</u>

d Analysis of net debt

	At 31 March 2004	Cashflow	Non-cash changes	At 31 March 2005
	£	£	£	£
Cash at bank	(140,687)	30,401	0	(110,286)
Debt due within one year	0	0	0	0
Finance leases	0	0	0	0
	<u>(140,687)</u>	<u>30,401</u>	<u>0</u>	<u>(110,286)</u>

12 Donations

During the year the following donations were received

	2005 Unrestricted £	2005 Restricted £	2005 Total £	2004 Unrestricted £	2004 Restricted £	2004 Total £
Miscellaneous donations	16,143	0	16,143	10,925	0	10,925
Donations from Trustees	0	0	0	0	0	0
	<u>16,143</u>	<u>0</u>	<u>16,143</u>	<u>10,925</u>	<u>0</u>	<u>10,925</u>

13 Capital commitments

There were no capital commitments as at 31 March 2005.

14 Operating lease commitments

The museum has the following commitments in respect of operating leases

	2005 Motor vehicle £	2005 Other equipment £	2005 Total £	2004 Total £
Expiring within one year	0	0	0	0
Expiring in two to five years	4,948	0	4,948	4,948
	<u>4,948</u>	<u>0</u>	<u>4,948</u>	<u>4,948</u>

15 Auditors remuneration

	2005 £	2004 £
Comptroller and Auditor General – Audit fee	7,000	6,050
	<u>7,000</u>	<u>6,050</u>

16 Performance monitoring

The Museum has agreed various categories for monitoring performance with its Sponsor Department within the Ministry of Defence. The Museum's actual performances in the year are set out below

	2005	2004
Admission numbers	101,139	95,765
Ratio of self generated income to Grant in Aid	2.47	2.08
Grant in Aid subsidy per admission	£5.57	£5.79
Number of pre-booked school parties	307	325
Total school visitors	11,346	9,791
Research enquiries received and answered	715	785
	<u>715</u>	<u>785</u>

17 Taxation

The Museum is a registered charity and there is no liability to taxation.

18 Provisions

Provision has been made for possible costs of final retentions in respect of the Cobham Hall and Heritage Lottery Fund projects.

	2005	2004
	£	£
Retained costs	60,000	60,000

19 Trading subsidiary

As from 1 October 2000 the Museum has carried out its trading activities, comprising the running of the Museum gift shop and restaurant and the hiring of museum facilities, through a wholly owned trading subsidiary, Fleet Air Arm Museum Trading Limited, a UK company incorporated on 20 July 2000 (Company Number 4037763).

It is intended that all profits generated by the trading subsidiary will be donated to the Museum through Gift Aid.

A summary of the trading results for the year to 31 March 2005 is shown below

	2005	2004
	£	£
Turnover	610,889	572,097
Cost of sales	(325,866)	(278,062)
Gross profit	285,023	294,035
Expenses	(281,542)	(289,924)
Profit in the period	3,481	4,111
<i>The assets and liabilities of the subsidiary were</i>		
Current assets		
Stocks	99,805	88,766
Debtors	73,307	15,888
Cash at bank and in hand	719	4,543
	173,831	109,197
Current liabilities	(122,122)	(58,469)
Net current assets/(liabilities)	51,709	50,728
Creditors: amounts falling due after more than one year	(69,750)	(72,250)
	(18,041)	(21,522)
Capital and reserves		
Called up share capital	2	2
Profit and loss account	(18,043)	(21,524)
	(18,401)	(21,522)

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