

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

Royal Air Force Museum Account 2011-12

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Royal Air Force Museum Account 2011-12

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 17 JULY 2012

The National Audit Office scrutinises public spending on behalf of Parliament.

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Administrative information

Address of the charity

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

Registered charity number

244708

Names and addresses of other relevant organisations:

Auditor

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

Solicitors

Mishcon De Reya
21 Southampton Row
London
WC1B 5HS

Bankers

Barclays Bank Plc
PO Box 12820
Whetstone
London
N20 0WE

Foreword

Objects

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

- 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.

History of the museum

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

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 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 John Day KCB OBE. 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 other co-opted Trustees to serve on specific sub-committees to supplement the experience of main 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 two divisional Directors.

The Following Individuals Served as Trustees During 2011-2012. The figure in parenthesis is the number of Full Board meetings attended.

Chairman	Air Chief Marshal Sir John Day KCB OBE (4) (Appt'd 29.09.04)	Chairman and Non-Executive Director and Chairman of Royal Air Force Museum Enterprises Ltd and Royal Air Force Museum Investments Ltd
Members	Viscount Chelsea (0) (Appt'd 15.12.04)	Member Fund Raising Committee, Member Development Committee
	Lord Evans of Watford (0) (Appt'd 5.11.02, Retired 05.11.11)	Non-Executive Director Royal Air Force Museum Enterprises Ltd
	Sir Roger Jackling KCB CBE (1) (Appt'd 5.11.02, Retired 05.11.11)	Chairman Finance Committee Non-Executive Director Royal Air Force Museum Investments Ltd
	Ms Jane Middleton MSc FCCA FRAeS (2) (Appt'd 29.09.04)	Member Audit Committee
	Mr Malcolm White OBE FRAeS (4) (Appt'd 29.09.04)	Member Fundraising Committee, Chairman Development Committee

Mr Brendan Connor (4) (Appt'd 24.08.05)	Chairman Remuneration Committee, Member Fundraising Committee, Member Finance Committee
Mr Gerry Grimstone (4) (Appt'd 09.12.08)	Chairman Audit Committee
Mr John Michaelson (2) (Appt'd 09.12.08)	Member Fundraising Committee
Mr Tom O'Leary (1) (Appt'd 09.12.08)	Chairman Education and Research Committee
Mr Robin Southwell (3) (Appt'd 09.12.08)	Member Development Committee, Member Fundraising Committee
Mr Alan Spence (1) (Appt'd 09.12.08)	Chairman Fundraising Committee
The Rt Hon Lord Hutton of Furness PC (2) (Appt'd 05.07.11)	Member Education Committee
Mr Michael Schindler (3) (Appt'd 05.07.11)	Member Finance Committee, Member Development Committee
Mr Andrew Reid (3) (Appt'd 05.07.11)	Member Audit Committee, Member Development Committee
Mr Richard Holman FCA (2) (Appt'd 05.07.11)	Chairman Finance Committee
Air Chief Marshal Sir Glenn Torpy GCB (1) CBE DSO BSC (Eng) FRAeS FCGI (Appt'd 05.07.11)	

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, Education and Research and Remuneration.

The terms of reference of each of these sub-committees have been approved by the Full Board and, where it is practical, Trustees do not sit on more than two sub-committees. During 2011-12 the Audit Committee met twice, the Finance Committee four times and the Education and Research Committee on three occasions. The Development Committee met more frequently owing to the close relationship of its work with the progress of the HLF bid to support major development of the London site, for which a high-level 'cabinet' chaired by Lord Evans was also established for the purpose of dedicated oversight. The cabinet subsumed the work of the Fundraising Committee which did not meet during the year. There were no separate meetings of the Remuneration Committee (which specifically deals with the salaries of the Museum's Directors) during the period as the Museum was subject to the Government Pay Freeze. Full 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 an independent non-executive Director.

In December 2012, the Board of Trustees (under its new incoming Chairman) will review the effectiveness of these arrangements. The terms of reference of each of these committees have been approved by the Full Board and, where practical, Trustees do not sit on more than two sub-committees.

The 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.

Internal Auditors

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

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 2011-12 the programme covered aspects of collections management, the risk of IT data loss and senior management resilience and the findings contained in the three respective reports are presently being addressed. There were no recorded instances of data loss during the year.

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 future internal audit programme will look at the remaining risks which include the insufficiency of funding in the form of Grant-in-Aid. This risk represents a constant challenge to the Museum and, indeed, could put at risk delivery of the standards expected of the Accounting Officer. 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 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 'Overall the issues identified from our audit work do not enable us to fully provide a positive reasonable assurance on the overall adequacy and effectiveness of the Museum's risk management, control and governance processes during 2011-12. Whilst this is the case, we feel assured that the ongoing risks and issues faced are being appropriately managed with an appropriate reporting mechanism to the Audit Committee.'

External Auditors

The external auditor of the Museum and its trading subsidiary, Royal Air Force Museum Enterprises Ltd, is the National Audit Office. The accounts are consolidated.

Risk Management

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 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. Appropriate mitigation activity is identified and recorded. With risks of an inevitable nature, the Museum has developed contingency plans, some of which are in need of revision. The Audit Committee has requested an updating of the Risk Register itself in 2012 and the continuing applicability of the current risks will be subject of review.

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

Risk	Likelihood of Occurrence	Potential Impact	Notes	Mitigation Action
1 Insufficient Funding	Almost Certain	Major to Severe	Trustees fully apprised	Restructuring, savings programme and development proposals
2 Difficulty of Replacing Key Curatorial Staff	Likely	Major to Severe	Applies to senior postholders, in particular	In-house training programme to be expanded.
3 Inability to Sustain Comprehensive Collection	Likely	Moderate	Trustees fully apprised	Partnering Agreement with RAF and development proposals. Full Audit in 2011-12
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	Bids for additional finance to MoD, steps taken to reduce flood damage in London
5 Loss of Data from Museum's IT systems	Possible	Moderate	Non-specific	Full audit in 2011-12 – recommendations being applied
6 Lack of Senior Management Resilience	Possible	Major	Trustees fully apprised	Restructuring and full audit in 2011-12

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 2011-12 subject of these Financial Statements.

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

9 July 2012

Mr Peter Dye
Director General
Royal Air Force Museum

9 July 2012

Objectives And Activities; Achievements and Performance

Review of the Year

The Museum has had a successful year and its achievements should be set against a background of a falling level of Grant-in Aid (when measured in real terms). Galleries have been re-opened (notably the Art Gallery and Special Exhibitions Gallery) and the opening times of the Battle of Britain Hall and the Grahame-White Factory have been extended. Operating costs have been further reduced and new income streams are being identified and exploited as part of the expanded commercial programme.

Support to the Royal Air Force remains central to the Museum's strategy and this year has seen the opening of the RAF Olympians exhibition through partnership with the RAF Benevolent Fund and the Sports Board. Important new aircraft types have been added to the collection (see below), notwithstanding the difficult logistical and financial problems posed by this inevitable expansion. The Museum has worked hard with the RAF Heritage Branch to realise the aspirations set out in the Partnering Agreement signed with the Royal Air Force in 2011.

On the international stage, the Museum has continued to work through its American Foundation to sustain its relationship with the United States Air Force. An Apprenticeship Exchange programme is now well-established and there have been other work-exchanges (for example, with the Smithsonian Museum). 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.

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 visitors is well over 500,000 and there are ever increasing numbers of virtual visitors and school groups and students. However, the Museum is not complacent and uppermost among the concerns of Trustees is the requirement to develop a business model which will secure this success into the future.

Education

This year saw a rise of over 11,000 in the number of visits by school children, Scouts and other uniformed groups when the accompanying adults are included the annual total was 56,185. The number of visits from Cub and Scout groups is increasing steadily year on year. These groups welcome the opportunity to complete their Air Activities or Air Researcher badges. Their visit often culminates in a badge presentation ceremony alongside the Avro Lancaster.

The activities for schools continue to be developed. The 'Protect and Survive' activity is based on the Government leaflet of the same name that was sent to all households in the UK, in response to the perceived threat of nuclear attacks during the Cold War. The opening of the Grahame White Watch Office has created other new learning opportunities for schools.

Staff continue to be involved with providing special activities for school half terms and also take part in off-site outreach sessions in a variety of places including hospitals, schools and other museums.

A generous donation from the Royal Air Force Charitable Trust has provided new exhibits for the interactive galleries at both sites. These areas are very popular with both schools and general visitors.

Exhibitions

A new gallery for temporary exhibitions has been created at Hendon on the first floor of the Historic Hangars: the first exhibition Brothers in Arms focussed on the part played by Polish and Czech personnel who served in the RAF during the Second World War. Created in association with the Polish Institute of National Remembrance, the exhibition created great interest among the Polish community living in the UK, and has led to the acquisition of documents and other material for the Museum's collections.

It was followed in March by Athletes and Olympians: Sport in the RAF exploring the way in which sport has proved to be central to the maintenance of morale during operations; and how it has enabled the gain of trust and respect amongst foreign communities by RAF personnel, particularly during times of crisis. The exhibition also features a

selection of those RAF personnel who reached the peak of their disciplines and represented Great Britain at previous Summer and Winter Olympics, whilst casting an eye forward to the contribution current and former members of the Royal Air Force will make to the Olympic and Paralympic Games of London 2012.

An art exhibition *The Face of Courage* featured portraits by the war artist Eric Kennington. The works displayed represented all of the Armed Services, the Auxiliary Services, London Transport and some notable civilians. In addition to a substantial number from the Museum's collection, pictures were loaned by a number of other national museums and galleries as well as by the Ministry of Defence, Kennington's family and other private lenders and art dealers.

Changes in the aircraft displays brought the prototype Gloster Meteor from Cosford to the Milestones of Flight building at Hendon; it stands next to the Messerschmitt Me 262, giving visitors the opportunity to compare Britain and Germany's first combat jet aircraft. A full scale model of the F-35 Joint Strike Fighter represents the aircraft currently in flight test and due to enter service with the Royal Air Force and Royal Navy in 2020.

Work continues to enhance the displays in the reconstructed Grahame-White Watch Office, opened in March 2011: the next phase will mark the centenary of the formation of the Royal Flying Corps in 1912. The Sopwith Dolphin was unveiled after a lengthy restoration project on 16 March.

At Cosford the Dominie aircraft acquired in 2011 is now on display, as are the recently-acquired Hercules and a Comper Swift aircraft, designed in 1930 by a former RAF officer and flown by the racing and test pilot Alex Henshaw. The Swift was part of a collection bequeathed to the Museum in 2008 and had required major restoration work.

The 'Millennium Squadron Prints' exhibition, comprising 116 illustrations representing each of the flying units of the Armed Forces extant on 1 January 2000, was also mounted at Cosford, and a display paying tribute to National Service men and women was unveiled in the National Cold War Exhibition in July by the Minister for International Security Strategy, Gerald Howarth MP.

Visitor Numbers

In 2010-11, the Museum reported a decline in visitor numbers across both sites. Royal Air Force Museum Enterprises Limited agreed to increase the marketing budget for both sites by £30,000. This money was used to produce a summer programme of free family events for the museum's London site and to undertake additional advertising for both sites in key publications catering for the 'groups' and domestic tourist markets.

This strategy was a partial success and during those months where the Museum increased its advertising it enjoyed a growth in visitor numbers with London's site enjoying a substantial increase in May, June, July and August 2011.

However, when such advertising campaigns ended the downward trend in visitor numbers continued and for the financial year 2011-12 visitor numbers for London were 259,447 (down 2 per cent) and for Cosford 275,604 (down 12 per cent), though a substantial portion of this fall in numbers at Cosford can be accounted for by a fall in the Airshow attendance.

The Museum's online audience has continued to grow. Total visits to the Museum's main website passed the million mark for the first time (1,013,127, up 10 per cent) with an additional 66,000 people visiting the site during the course of the year. In total 746,242 people (up 9.7 per cent), spent a total of 38,556 hours reading 5,013,936 pages of information (up 4.1 per cent).

As in 2010-2011 social media continued to grow in importance for the Museum. The London site is regularly listed as a Top 10 London Tourist Attraction on Tripadvisor whilst 98 per cent of Cosford's Tripadvisor reviewers (at the time of writing) rated the Museum 'very good' or 'excellent'; the Museum's London Facebook Fan Page, as at end of March, stood at 4,200 subscribers (up 40 per cent) on the previous year; its Twitter Feed at 6,800 (up 94 per cent) whilst video views on the Museum's YouTube Channel now stand at 127,000 (up 69 per cent).

By using and promoting these channels the Museum now regularly enjoys requests from the public pertaining to RAF history and regularly receives offers of donations either in the form of artefacts or cash via Twitter and Facebook. At the same time visitors are regularly using both YouTube and Tripadvisor to act as ambassadors on the Museum's behalf recommending that the public visit both our sites.

The Museum's website will be re-launched in early July 2012.

Information and public access

The number of enquiries handled by the Department of Research and Information Services was 3548, similar to the previous year's figure. Use of the Reading Room for research rose from 599 readers in 2010-11 to 630. Users of the reading room range from students at undergraduate and postgraduate level to local and family historians. The Museum now offers a small bursary for research students working on air power topics at Birmingham University and two prizes for undergraduates in Air Power. A PhD student at Huddersfield University is also receiving limited support and the Museum is involved in supervising his research.

Remote access to the Museum's collections is provided by the Navigator browser; usage rose significantly from 89,402 visits in 2010-11 to 214,007. In April the Museum launched a Flickr group, inviting members of the public to help with the cataloguing of images from the Museum's collection. During the year 1335 images were placed on Flickr and these were viewed 190,802 times, with a number of very useful comments being received from users who had identified places, people and objects.

Members of staff have given a number of talks to groups in the local area, and a lecture on the role of Polish airmen serving in the RAF was given to an audience in the British Embassy in Warsaw. The Museum also took part in the Black History Show at Olympia in October: this was the first opportunity to raise the profile of the Museum among the black community, and the stand was visited by a number of people whose relatives served in the RAF.

Archive film and oral history interviews from the Museum's collection have been used to produce video on the restoration of the Sopwith Dolphin and another will help to interpret the Lockheed Hercules for visitors. Still and moving images, and historical advice were provided for a documentary in the series 'Brick By Brick' which told the story of Claude Grahame-White and showed the reconstruction of the Watch Office: this gained much publicity for the Museum.

Publishing projects include 'RAF Hendon; birthplace of aerial power' to be published in early April, and the Museum collaborated with Cross & Cockade International on 'The Sopwith Dolphin in RFC, RNAS, RAF and Polish Service' published to coincide with the unveiling of the aircraft at Hendon.

Collection and Management of Heritage Assets

Notable acquisitions during the year included:

- British Aerospace Harrier GR 9
- Hawker Siddeley Nimrod R1
- Lockheed Hercules C130
- British Aerospace EAP [Experimental Aircraft Programme] aircraft
- Sopwith Dolphin
- TIALD laser designator
- Order book of No. 74 Squadron RFC, December 1917 – March 1918.
- Letter from Winston Churchill to HM King George V asking him what RAF rank title he would prefer to hold, annotated with the King's response, 13 June 1919.
- Papers of Sir Edward Fennessy, radar pioneer
- Papers of Sgt Roger George Taylor, including material relating to his service in the Falkland Islands, 1982.
- Papers of Brig Gen R.E.T. Hogg; Commander of 9th Brigade during 1918.
- Papers of Gp Capt Aleksander Gabszewicz, including documents issued by No. 84 Group and tactical instructions relating to Operation Overlord.

During the year a further 5,212 records were added to the Museum's computerised Collections Management System, while work continued to build an inventory of the unaccessioned material with 32,589 object records being added. The work is currently scheduled for completion by 2014.

A major project is under way to digitise a collection of fragile casualty records relating to personnel who served in the Royal Flying Corps and RAF during the First World War. The aim is to make them available via the Museum's website in 2014: a total of 54,801 images of Casualty Cards have been produced, and these are being indexed. Work is also proceeding to digitise the RAF Muster Roll, which lists Non-Commissioned Officers and men who transferred to the RAF on 1 April 1918.

Future Plans

The Trustees have recently commissioned a masterplan for Cosford to complement that produced last year for the London site. These documents will provide the foundation for future development at both locations aimed at improving visitor flow, public access, collections care, community outreach, volunteering, education and training opportunities as well as reducing operating costs and enhancing the Museum's business model. These projects will be supported by a proactive fundraising organisation with dedicated resources, a revitalised membership scheme that will address corporate as well as individual needs and an entirely refreshed website. Finally, work continues to refine the Museum's organisational model to improve accountability, deliver greater empowerment and enhance senior management resilience.

Financial Review

Statement of financial activities

Income: The Museum received £7,741,000 of Grant in Aid (2011: £7,552,041). Other income included donations and legacies. The income generated by the trading company on non-charitable activities was £1,992,131 (2011: £1,987,843) (SOFA). Total Incoming Resources amounted to £10,876,158 (2011: £11,841,029) (SOFA).

Resources expended: The total of resources expended amounted to £11,668,602 (2011: £11,190,867 (note 18)). The majority of costs, including the costs of salaries, are in respect of charitable activities.

After adjustment for recognised gains totalling £1,167,747 (2011: £4,229,637), the net movement of funds for the year was an increase of £375,303 (2011: £4,879,799). (SOFA)

Balance Sheet

The value of the group net assets has increased during the year, and now stands at £61,938,108 at the Year End (2011: £61,562,805) (Consolidated Balance Sheet). The increase is affected to some degree by the continuation of the process of heritage assets valuation which commenced last year in line with FRS30. This year's revaluation amounted to £499,286 (2011: £13,327,850)

Income and Costs of generating funds

The Museum has continued to receive funds from the Henshaw family to support the employment of a curator.

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 £1,992,131 (2011: £1,987,843) (Note 4b) and the associated costs of trading were £1,997,992 (2011: £1,793,722) (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 £325,336 (2011: £318,732) being paid to the Museum. There is no outstanding balance this year in respect of the Covenanted Profit (2011: £183,042) (Note 11).

Covenanted Profit was, by resolution of the RAF Museum Enterprises Ltd Board, replaced by Gift Aid during the year. No transfer of profits to the Museum was made in year. (2011: £233,042) (Note 4b).

Donations: During the year, a total of £657,794 (2011: £601,812) (Note 3) was received by way of general donations to the work of the Museum. These were given by members of the public, legacies and amounts provided by companies associated with the aerospace industry. The figure includes a number of heritage assets valued at £307,700 (2011: £362,000) (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 £6,000 (2011: £12,000) (Note 3) was received from the Friends of the RAF Museum.

RAF Museum American Foundation: The American Foundation was incorporated in the United States of America on the 2nd January 2002, and was granted exempt status from Federal income tax under section 501 (c) (3) of the Internal Revenue Codes on the 31 May 2002. This is 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 Policy

As at 31 March 2011, and under the SORP 2005 guidance and analysis of funds, the level of Reserves funded by Unrestricted Funds stood at £2,419,374 (2011: £2,235,939) (Balance Sheet).

The level of charitable unrestricted funds which are readily accessible to the Trustees remains relatively low at £352,134 (2011: £182,178) (Note 13). Nevertheless, the level of funds increased during the year, and exceeded slightly the cash reserves target of £250,000 set by the Trustees. They remain insufficient to meet either the long-term development needs of the Museum or unexpected short-term demands.

Payment of Creditors

The Museum's policy, in accordance with the Government-wide standard on the payment of creditors, is to settle all undisputed bills within 30 days or in accordance with the supplier's terms of business. The Museum's actual payment performance during the year was an average of 37 days (2011: 35 days).

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 2011-12.

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 31/03/12 and related lump sum	CETV at 31/03/11	CETV at 31/03/12	Real increase in CETV *as funded by employer
	£000	£000	£000	£000	(nearest £000)	(nearest £000)	£000
Mr Peter Dye	90-95 (90-95)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Mr John Kitchen	75-80 (80-85)	0-5 (0-5)	N/A	N/A	N/A	N/A	N/A
Mr Keith Ifould	75-80 (70-75)	0-5 (0-5)	0-2.5 Lump Sum 0	10-15 Lump Sum 5-10	221,000	243,000	13,000

Prior year salary figures are shown in brackets.

None of the directors received any benefits in kind. Mr Peter Dye and Mr John Kitchen were not members of the PCSPS and the Museum did not fund any pension contributions for them in 2011-12.

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 4.69 – this represents the pay of the highest paid director as a multiple of the median pay award (the median salary is £19,750). 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 16 members, none of whom were full time employees of the institution and they were paid £2,444 in reimbursed expenses. (2011: £760).

Sickness absence

The Royal Air Force Museum employed 177 members of staff as at 31 March 2012. During the year there were approximately 1,004 full days lost to sick absence. Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 5 days per person. Long term absences have been excluded.

Pension Costs and Benefits

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

For 2011-12, employers' contributions of £206,202 were payable (2010-11 £208,861).

The applicable rates for the pension scheme are shown below:

Scheme	Class of member	2011-12	
		Gross Salary	Rate %
PCSPS	Non-industrial and Industrial Civilians	74,501 and over	24.3
		43,501 – 74,500	21.8
		21,001-43,500	18.8
		Up to 21,000	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-pensions.gov.uk

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in a former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 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.

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 fee for the audit of the Group 2011-12 accounts was £20,000.

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

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

Personal Data Loss

The Museum has not identified any personal data related incidents during 2011-12 or in the previous five 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 John Day KCB OBE
Chairman
on behalf of the Board of Trustees

9 July 2012

Mr Peter Dye
Director General
Royal Air Force Museum

9 July 2012

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:

- 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 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 John Day KCB OBE
Chairman
on behalf of the Board of Trustees

9 July 2012

Mr Peter Dye
Director General
Royal Air Force Museum

9 July 2012

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

I certify that I have audited the financial statements of the Royal Air Force Museum and Group for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. These comprise the Consolidated Statement of Financial Activities, the Consolidated Museum and Group 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 Director General as Accounting Officer 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions 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 Royal Air Force Museum's and the Group's affairs as at 31 March 2012 and of the incoming resources and application of resources of the Group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and directions issued thereunder by the Secretary of State.

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 the Annual Report 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or 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.

Amyas C E Morse
Comptroller and Auditor General

12 July 2012

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

Consolidated Statement of Financial Activities for the year ended 31 March 2012

	Notes	Unrestricted Funds	Grant in Aid Funds	Restricted Funds	Total Funds	Total Funds
		2012	2012	2012	2012	2011
		£	£	£	£	£
Incoming resources						
Incoming resources from generated funds						
Grant in Aid (Operating)		-	7,632,000	-	7,632,000	7,443,000
Grant in Aid (Purchase of exhibits)		-	109,000	-	109,000	109,000
Watchtower Contribution	3			-	-	1,332,000
Other grants and donations	3	187,084	-	470,710	657,794	601,812
Special events		94,663	-	-	94,663	85,711
Other income		367,127	-	-	367,127	274,472
Activities for Generating Funds:						
Commercial trading operations	4b	1,992,131	-	-	1,992,131	1,987,843
Investment income and interest		2,161	72	21,210	23,443	7,191
Total incoming resources		2,643,166	7,741,072	491,920	10,876,158	11,841,029
Resources expended						
Costs of generating funds:						
Fund raising and publicity	5	479,422	138,103	-	617,525	447,270
Commercial trading operations	4b	1,997,992	-	-	1,997,992	1,793,722
Sub total cost of generating funds		2,477,414	138,103	-	2,615,517	2,240,992
Net incoming resources available for charity application		165,752	7,602,969	491,920	8,260,641	9,600,037
Charitable activities:						
Operation of Museum	6a	-	8,453,724	483,200	8,936,924	8,855,523
Purchase of exhibits		-	4,019	-	4,019	2,912
Governance costs	5	-	112,142	-	112,142	91,440
Total resources expended		-	8,569,885	483,200	9,053,085	8,949,875
Net (outgoing)/incoming resources for the year		165,752	(966,916)	8,720	(792,444)	650,162
Gains and losses on revaluations of fixed assets for the charity's own use		11,700	1,085,658	72,200	1,169,558	4,229,801
Gains and losses on revaluations and disposals of investment assets		190	-	(2,001)	(1,811)	(164)
Net movement in funds		177,642	118,742	78,919	375,303	4,879,799
Funds b/fwd at 1 April 2011		2,136,851	41,872,597	17,553,357	61,562,805	56,683,006
Funds c/fwd at 31 March 2012		2,314,493	41,991,339	17,632,276	61,938,108	61,562,805

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

The notes on pages 24 to 42 form part of these financial statements.

Consolidated Balance Sheet for the year ended 31 March 2012

	Notes	Group 2012 £	Group 2011 Restated £	Charity 2012 £	Charity 2011 Restated £
Fixed assets					
Tangible assets (Excl. Heritage Asserts)	9	41,423,476	41,952,386	41,356,109	41,845,732
Heritage Assets	9	18,883,444	18,103,334	18,883,444	18,103,334
Investments	4a	–	–	100,002	100,002
		60,306,920	60,055,720	60,339,555	60,049,068
Current assets					
Stocks	10	159,824	152,261	–	–
Debtors	11	389,275	454,823	435,833	562,061
Investments	12	357,337	2,376	357,337	2,376
Cash at bank	13	1,698,317	1,886,875	1,627,860	1,796,463
		2,604,753	2,496,335	2,421,030	2,360,900
Creditors					
Amounts falling due within one year	14	(973,565)	(938,037)	(717,596)	(740,181)
Net current assets		1,631,188	1,558,298	1,703,434	1,620,719
Total assets less Current liabilities		61,938,108	61,614,018	62,042,989	61,669,787
Creditors					
Amounts falling due after more than one year	15	–	(51,213)	–	(7,894)
		61,938,108	61,562,805	62,042,989	61,661,893
Reserves					
Unrestricted funds	18/19	2,314,493	2,136,851	2,419,374	2,235,939
Grant in Aid operating account		40,442,806	40,429,117	40,442,806	40,429,117
Grant in Aid exhibits reserve		1,548,533	1,443,480	1,548,533	1,443,480
Other restricted funds		17,632,276	17,553,357	17,632,276	17,553,357
		61,938,108	61,562,805	62,042,989	61,661,893

Approved by the Board of Trustees on 9 July 2012 and signed on its behalf by

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

Mr Peter Dye
Director General
Royal Air Force Museum

The notes on pages 24 to 42 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 March 2012

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

	Restricted Funds			Total Funds 2012	Total Funds 2011
	Unrestricted Funds	Grant in Aid Funds	Other Funds		
	2012 £	2012 £	2012 £		
Net Incoming Resources	165,752	(966,916)	8,720	(792,444)	650,162
Interest receivable	(2,062)	(72)	(15,796)	(17,930)	(7,119)
Interest payable	4,212	–	–	4,212	6,502
Dividends received	(99)	–	(5,414)	(5,513)	(72)
Depreciation of tangible assets	97,317	1,084,976	370,603	1,552,896	1,525,976
(Profit)/loss on disposal of assets	(1,358)	–	–	(1,358)	–
(Increase) / decrease in stocks	(7,563)	–	–	(7,563)	24,624
(Increase) / decrease in debtors	(60,680)	126,228	–	65,548	(107,348)
(Decrease) / increase in creditors	(2,431)	45,884	–	43,453	4,807
Net cash flow from operating activities	193,088	290,100	358,113	841,301	2,097,532
The increases and decreases of debtors and creditors in 2011 have been restated to take account of re-allocation of the VAT accrual (See notes 11 and 14)					
Net cash flow from operating activities	193,088	290,100	358,113	841,301	2,097,532
Returns on investments and servicing of finance					
Bank interest received	2,062	72	15,796	17,930	7,119
Finance charges paid	(4,212)	–	–	(4,212)	(6,502)
Dividends received	99	–	5,414	5,513	72
Capital expenditure					
Purchase of tangible fixed assets	–	(228,830)	(405,849)	(634,679)	(779,721)
Proceeds from disposal of tangible fixed assets	1,500	–	–	1,500	–
Management of liquid resources					
Purchase of current asset investments	–	–	(360,000)	(360,000)	–
Proceeds from disposal of current asset investments	–	–	3,228	3,228	–
Financing					
Capital element of finance lease rentals	–	(16,603)	–	(16,603)	(18,309)
Long term loan	(43,319)	–	–	(43,319)	(43,318)
(Decrease)/increase in cash in the period	149,218	44,739	(383,298)	(189,341)	1,256,873

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 42 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2012

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 on a line by line basis. A separate Statement of Financial Activities for the charity itself is not presented as the charity has taken advantage of the exemptions afforded by paragraph 304 of SORP 2005. The Consolidated Balance Sheet includes the net assets of Royal Air Force Museum Enterprises Ltd and Royal Air Force Museum Investments Limited on a gross basis.

The financial statements of Royal Air Force Museum Enterprises Ltd used in consolidation are those for the year to 31 March, 2012.

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 Analytical Services and Advice (DASA). 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	three to five years straight line
Plant and machinery	five years straight line
Simulator	15 years straight line
Motor vehicles	four years straight line
Heritage Assets	Nil

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

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 may be sometimes consulted for advice.

The Museum's response to the introduction of FRS 30 has been to deploy internal specialist resources to the task of valuation in a cost-effective way of those exhibits which were added to the collection before 2001, and which represent materially significant part of the collection.

See note 9b for the detailed analysis of the additional valuation of existing objects during the year amounting to the total of £449,286 (2011: £13,298,344).

It is very difficult to assign valuations across the entire collection primarily owing to the sheer scale of the task and the lack of sufficient resources. It is also challenging to determine a precise value for the majority of objects given the hugely diverse nature of the collection. Much depends on the condition of an item, its historic significance and scarcity. Many items (for example archive documents) are also unique.

Other sources of information are available to aid estimation of value, e.g. auction/dealers' catalogues. However this cannot give an accurate guide for unique items and these values are very susceptible to changing market conditions.

The valuations represent therefore an indicative estimate. The exhibits will not be re-valued in future periods; however impairment reviews will be periodically carried out by the Museum.

As the cost outweighs the benefit of valuing every single object in the collection, and the most significant items from pre 2001 period have been now added to the total value of all exhibits, the Management considers the task required by FRS30 as materially complete.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Those held as current assets are stated at their market value. Term deposits of less than one year are classified as investments within current assets.

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

Leasing

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

Stock

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

Financial Instruments

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

Pensions

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

b Premium Scheme

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

c Classic Plus Scheme

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

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

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

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

2 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. The Corporation Tax liability of the trading subsidiary for the year ended 31 March 2012 was £6,299 (2011: £Nil).

3 Other grants and donations

	Unrestricted Fund	Grant in Aid Operating Funds	Other Restricted Funds	Total Funds 2012	Total Funds 2011
	2012	2012	2012	2012	2011
	£	£	£	£	£
Society of Friends of the RAF Museum	–	–	6,000	6,000	12,000
Exhibits donated	–	–	307,700	307,700	362,000
Other	187,084	–	157,010	344,094	227,812
	<u>187,084</u>	<u>–</u>	<u>470,710</u>	<u>657,794</u>	<u>601,812</u>
Extraordinary Items					
Watchtower contribution from St George, Central London	–	–	–	–	1,332,000
	<u>187,084</u>	<u>–</u>	<u>470,710</u>	<u>657,794</u>	<u>1,933,812</u>

4a Investment in subsidiary undertakings

Of the investment of £100,002 (2011: £100,002), £100,000 represents the charity's interest in 100 per cent of the issued share capital of Royal Air Force Museum Enterprises Limited which is incorporated in England and Wales and operates souvenir shops and other trading activities at Hendon and Cosford. The company's aggregate capital and reserves were as follows:

	2012	2011
	£	£
The assets and liabilities of the subsidiary were:		
Fixed assets	67,366	106,653
Current assets	417,845	388,304
Creditors: amounts falling due within one year	(490,092)	(450,726)
Creditors: amounts falling due after more than one year	–	(43,319)
	<u>(4,881)</u>	<u>912</u>
	2012	2011
	£	£
At 1 April, 2011	912	(28,544)
Revaluation Reserve	–	68,266
Profit/(Loss) retained in subsidiary	(5,793)	(38,810)
At 31 March, 2012	<u>(4,881)</u>	<u>912</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 technical insolvency represented as negative shareholders' funds does not reflect underlying unprofitability. It is the accumulated result of historical implementation of the Deed of Covenant whereby all the company's taxable profits were transferred across to the RAF Museum for the benefit of the Charity. These frequently exceeded the accounting profits, primarily due to the impact of capital allowances and the application of a particular depreciation policy within the company.

In order to avoid a similar effect of the Deed of Covenant on the profits in future years, the Deed was terminated and replaced in 2011-12 by Gift Aid to allow better control of the level of profit transfers and improve the cash-flow flexibility. The management will also undertake a revision of the depreciation policy in the next financial year.

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

	2012	2011
	£	£
Turnover	1,992,131	1,987,843
Cost of sales, administrative expenses and taxation	(1,996,386)	(1,791,122)
	(4,255)	196,721
Interest receivable	68	111
Interest paid	(1,606)	(2,600)
Net Profit/(Loss)	(5,793)	194,232
Charitable contribution under Deed of Covenant	-	(233,042)
Deficit in subsidiary	(5,793)	(38,810)

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	Museum Operation	Fund Raising Governance and Publicity	2012 Total	2011 Total	
	£	£	£	£	
Staff Costs	652,102	48,745	219,725	920,572	981,565
Premises Costs	675	1,521	1,122	3,318	3,546
Motor Expenses	12,996	–	–	12,996	14,086
Travel, Subsistence and Hospitality	10,585	14,425	12,412	37,422	32,560
Administration Expenses	–	490	4,251	4,741	5,090
Legal, Professional and Consultancy	23,354	44,455	–	67,809	39,561
Fundraising and Publicity	–	–	378,166	378,166	202,391
Repairs and Maintenance	985	875	646	2,506	2,086
Depreciation	1,837	1,631	1,203	4,671	4,559
Financial	21,948	–	–	21,948	23,943
Sundry	155,080	–	–	155,080	95,611
Total	879,562	112,142	617,525	1,609,229	1,404,998

* Included in Legal, Professional and Consultancy is the audit fee payable to National Audit Office amounting to £14,000.

6a Analysis of charitable expenditure

	Education	Access and Exhibition Programmes	Information and Public Services	Management of Heritage Assets	2012 Total	2011 Total
	£	£	£	£	£	£
School programmes and curriculum development	27,771	-	-	-	27,771	30,602
Events and exhibitions	-	160,793	14,432	-	175,225	180,277
Department of Research Information Services	-	-	-	13,160	13,160	8,466
M B Conservation Centre	-	-	-	79,314	79,314	107,701
Department of Collection Management	-	-	-	23,784	23,784	15,512
Visual Arts	-	-	-	29,280	29,280	27,110
Salaries	342,867	594,180	2,025,726	847,857	3,810,630	3,809,366
Central premises costs	92,392	1,599,871	5,670	505,898	2,203,831	2,164,572
Depreciation	62,897	1,089,123	3,154	344,393	1,499,567	1,463,504
Travel, Subsistence and Hospitality	19,575	19,179	176	8,368	47,298	41,534
Administration expenses	14,714	16,022	59,675	21,908	112,319	129,701
Sundry expenses	-	-	34,237	946	35,183	10,890
Support costs	61,155	379,795	233,943	204,670	879,562	866,288
Total	621,371	3,858,962	2,377,013	2,079,578	8,936,924	8,855,523

6b Allocation of other operating costs by fund

	Unrestricted	GIA	Restricted	2012 Total	2011 Total
	£	£	£	£	£
Total per the SOFA					
Fund raising and publicity	479,422	138,103	-	617,525	447,270
Operation of Museum	-	8,453,724	483,200	8,936,924	8,855,523
Governance	-	112,142	-	112,142	91,440
	479,422	8,703,969	483,200	9,666,591	9,394,233
Less: staff costs (Note 8)	(5,281)	(4,706,763)	(20,000)	(4,732,044)	(4,790,931)
Less: depreciation (Note 5 and Note 6a)	(48,659)	(1,084,976)	(370,603)	(1,504,238)	(1,468,063)
	425,482	2,912,230	92,597	3,430,309	3,135,239

7 Analysis of support for charitable activities

This table shows the cost of the main charitable activities and the sources of revenue directly to support those activities.

	Education	Access and Exhibition Programmes	Information and Public Services	Management of Heritage Assets	2012 Total	2011 Total
	£	£	£	£	£	£
Costs	621,371	3,858,962	2,377,013	2,079,578	8,936,924	8,855,523
Donations	(25,000)	(29,495)	(37,416)	(378,799)	(470,710)	(211,363)
Watchtower contribution (Extraordinary Item)	-	-	-	-	-	(1,332,000)
Other direct revenue	(45,655)	-	(15,156)	-	(60,811)	(52,509)
Net Cost funded from other income	<u>550,716</u>	<u>3,829,467</u>	<u>2,324,441</u>	<u>1,700,779</u>	<u>8,405,403</u>	<u>7,259,651</u>

8 Staff costs and numbers

	Unrestricted Fund	Grant in Aid Operating Funds	Other Restricted Funds	Total Funds	Total Funds
	2012	2012	2012	2012	2011
	£	£	£	£	£
Salaries and wages	-	4,106,757	20,000	4,126,757	4,180,992
Temporary agency staff	5,281	-	-	5,281	3,265
Social security costs	-	393,804	-	393,804	397,813
Pension costs	-	206,202	-	206,202	208,861
	<u>5,281</u>	<u>4,706,763</u>	<u>20,000</u>	<u>4,732,044</u>	<u>4,790,931</u>

The above costs exclude the trading subsidiary.

Note (a)

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

Note (b)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the RAF Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

9a Tangible fixed assets – group

	Freehold property	Leasehold Property	Fixtures, Fittings and Equipment	Plant, Machinery and Vehicles	Assets under Construction	Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April, 2011	33,299,210	9,447,903	3,404,043	471,019	–	18,103,334	64,725,509
Additions	92,967	38,309	135,913	36,666	–	330,824	634,679
Disposals	–	–	–	(7,052)	–	–	(7,052)
Revaluations	669,629	52,755	8,594	1,845	–	449,286	1,182,109
At 31 March, 2012	<u>34,061,806</u>	<u>9,538,967</u>	<u>3,548,550</u>	<u>502,478</u>	<u>–</u>	<u>18,883,444</u>	<u>66,535,245</u>
Depreciation							
At 1 April, 2011	964,940	342,053	2,995,535	367,261	–	–	4,669,789
Charged in the year	973,823	347,798	198,735	32,540	–	–	1,552,896
Disposals	–	–	–	(6,910)	–	–	(6,910)
Revaluations	5,388	1,910	3,988	1,264	–	–	12,550
At 31 March, 2012	<u>1,944,151</u>	<u>691,761</u>	<u>3,198,258</u>	<u>394,155</u>	<u>–</u>	<u>–</u>	<u>6,228,325</u>
Net Book Values							
At 31 March, 2012	<u>32,117,655</u>	<u>8,847,206</u>	<u>350,292</u>	<u>108,323</u>	<u>–</u>	<u>18,883,444</u>	<u>60,306,920</u>
At 1 April, 2011	<u>32,334,270</u>	<u>9,105,850</u>	<u>408,508</u>	<u>103,758</u>	<u>–</u>	<u>18,103,334</u>	<u>60,055,720</u>

9b Tangible fixed assets – charity

	Freehold property	Leasehold Property	Fixtures, Fittings and Equipment	Plant, Assets Under Construction and Machinery and Vehicles		Heritage Assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April, 2011	33,299,210	9,447,903	2,781,751	217,478	–	18,103,334	63,849,676
Additions	92,967	38,309	126,541	36,666	–	330,824	625,307
Disposals	–	–	–	(7,052)	–	–	(7,052)
Revaluations	669,629	52,755	8,594	1,845	–	449,286	1,182,109
At 31 March, 2012	<u>34,061,806</u>	<u>9,538,967</u>	<u>2,916,886</u>	<u>248,937</u>	<u>–</u>	<u>18,883,444</u>	<u>65,650,040</u>
Depreciation							
At 1 April, 2011	964,940	342,053	2,420,163	173,454	–	–	3,900,610
Charged in the year	973,823	347,798	158,608	24,009	–	–	1,504,238
Disposals	–	–	–	(6,911)	–	–	(6,911)
Revaluations	5,388	1,910	3,988	1,264	–	–	12,550
At 31 March, 2012	<u>1,944,151</u>	<u>691,761</u>	<u>2,582,759</u>	<u>191,816</u>	<u>–</u>	<u>–</u>	<u>5,410,487</u>
Net book values							
At 31 March, 2012	<u>32,117,655</u>	<u>8,847,206</u>	<u>334,127</u>	<u>57,121</u>	<u>–</u>	<u>18,883,444</u>	<u>60,239,553</u>
At 1 April, 2011	<u>32,334,270</u>	<u>9,105,850</u>	<u>361,588</u>	<u>44,024</u>	<u>–</u>	<u>18,103,334</u>	<u>59,949,066</u>

Group tangible fixed assets as at 31 March 2012 include the tangible fixed assets of Royal Air Force Museum Enterprises Limited with a net book value of £67,366 (2011: £106,653). 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.

The Net Book Value and Depreciation related to Tangible Fixed Assets held by the Royal Air Force Museum under Finance Leases are Charity fixtures, fittings and equipment – NBV of £10,374 (2011: £17,068) and depreciation charge of £6,694 (2011: £10,178). Charity Plant and Machinery – NBV of £2,415 (2011: £7,440) and depreciation charge of £5,025 (2011: £4,960). There are no Charity Motor Vehicles held under Finance Leases this financial year.

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

Following the introduction of FRS 30 the museum carried out a second valuation of its Exhibits, and reclassified them as Heritage Assets. This resulted in an addition of £449,286 to the total value of tangible assets in the Museum Balance Sheet. The classification of the newly valued Heritage assets is shown below:

	2012	2011
	£	£
Aircraft	35,809	13,288,500
Aircraft Parts	49,500	2,000
Bombs and Missiles	55,000	–
Medals	161,932	9,750
Vehicles	1,000	–
Clothing	4,400	–
Items of a Commemorative Nature	28,888	–
Archive Documents and Photographs	34,657	22,600
Artworks	78,100	5,000
Total Revaluation	<u>449,286</u>	<u>13,327,850</u>

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 2012 the book value comprised:

	2012	2011
	£	£
Heritage Assets recorded at Cost	1,408,938	1,386,310
Heritage Assets recorded at Valuation	17,474,506	16,717,024
Total book value of Heritage Assets	<u>18,883,444</u>	<u>18,103,334</u>

Summary of Heritage Asset Acquisitions and Disposals over the last five years (from April 2006 to March 2012)

Year ended	31.03.2007	31.03.2008	31.03.2009	31.03.2010	31.03.2011	31.03.2012
Book value brought forward	2,378,549	2,781,819	3,612,935	4,089,738	4,349,240	18,103,334
Add Acquisitions						
Purchased at cost	86,770	103,616	254,449	182,302	93,750	23,124
Donated at valuation	316,500	727,500	222,354	77,200	362,000	307,700
Total acquisitions	403,270	831,116	476,803	259,502	455,750	330,824
Revaluations					13,298,344	449,286
Book value carried forward	<u>2,781,819</u>	<u>3,612,935</u>	<u>4,089,738</u>	<u>4,349,240</u>	<u>18,103,334</u>	<u>18,883,444</u>

There were no disposals of Heritage Assets in this period.

10 Stocks

	Group		Charity	
	2012	2011	2012	2011
	£	£	£	£
Goods for resale	159,824	152,261	–	–

11 Debtors

	Group		Charity	
	2012	2011 Restated	2012	2011 Restated
	£	£	£	£
Trade debtors	112,047	154,154	5,698	53,518
Amounts due from subsidiary undertaking	–	–	226,859	69,827
Other debtors	108,883	69,210	108,883	69,210
Prepayments and accrued income	168,345	231,459	94,393	186,464
Charitable Deed of Covenant	–	–	–	183,042
	389,275	454,823	435,833	562,061

Other debtors in 2011 have been restated to exclude the VAT accrual, now listed as a separate item under creditors.

12 Investments – group and charity

	2012	2011
	£	£
Quoted investments:		
Market value on 1 April, 2011	2,376	2,540
Additions	360,000	–
Disposal of investments	(3,228)	–
Net unrealised investment (losses) / gains	(1,811)	(164)
Market value at 31 March, 2012	357,337	2,376
Historical cost at 31 March, 2012	358,889	2,117

13 Cash at bank and in hand

	Group		Charity	
	2012	2011	2012	2011
	£	£	£	£
Unrestricted funds	422,591	272,590	352,134	182,178
Grant in Aid (Operational) Funds	63,622	86,930	63,622	86,930
Grant in Aid (Purchase Grant) Funds	145,993	77,946	145,993	77,946
Other restricted funds	1,066,111	1,449,409	1,066,111	1,449,409
	1,698,317	1,886,875	1,627,860	1,796,463

All Cash is held at Commercial Bank Accounts apart from £ 12,841 which is held in petty cash 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	
	2012	2011 Restated	2012	2011 Restated
	£	£	£	£
Bank loans and overdrafts	56,614	55,831	14,060	12,624
Obligations under finance leases	7,894	16,602	7,894	16,602
Amounts owed to subsidiary undertakings	–	–	2	2
Trade creditors	423,190	466,008	353,440	435,000
Taxation and social security	100,311	114,292	82,250	99,950
Other creditors	36,021	45,829	534	–
VAT Accrual	145,000	42,500	100,000	42,500
Accruals and deferred income	204,535	196,975	159,416	133,503
	973,565	938,037	717,596	740,181

Other creditors in 2011 have been restated to exclude the VAT accrual, now listed as a separate item

Obligations under finance leases are secured on the underlying assets.

15 Creditors – Amounts falling due after more than one year

	Group		Charity	
	2012	2011	2012	2011
	£	£	£	£
Obligation under finance leases	–	7,894	–	7,894
Bank loan	–	43,319	–	–
	–	51,213	–	7,894

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	149,218	44,739	(383,298)	(189,341)
Cash outflow from decrease in financing	16,602	–	–	16,602
Cash outflow from purchase of liquid resources	–	–	356,772	356,772
Change in net funds resulting from cash flow	<u>165,820</u>	<u>44,739</u>	<u>(26,526)</u>	<u>184,033</u>
Repayment of bank loan	43,319	–	–	43,319
Change in market value of liquid resources	190	–	(2,001)	(1,811)
	<u>43,509</u>	<u>–</u>	<u>(2,001)</u>	<u>41,508</u>
Net funds at 1 April, 2011	133,011	183,185	1,449,409	1,765,605
Net funds at 31 March, 2012	<u>342,340</u>	<u>227,924</u>	<u>1,420,882</u>	<u>1,991,146</u>

17 Analysis of net funds

	1 April 2011	Cash flow	Other changes	31 March 2012
	£	£	£	£
Cash at bank and in hand (See note 13)	1,886,875	(188,558)	–	1,698,317
Bank loans and overdrafts	(55,831)	(783)	–	(56,614)
Obligations under finance leases within 1 year	(16,602)	16,602	(7,894)	(7,894)
Obligations under finance leases after 1 year	(7,894)	–	7,894	–
Long term loans	(43,319)	43,319	–	–
Current asset investments	2,376	356,772	(1,811)	357,337
	<u>1,765,605</u>	<u>227,352</u>	<u>(1,811)</u>	<u>1,991,146</u>

18 Movement of funds

	Grant in Aid			Other Restricted Funds	Total Funds	Total Funds
	Unrestricted Funds	Operating Funds	Purchase Grant Funds			
	2012	2012	2012			
	£	£	£	£	£	£
Incoming resources						
Grant in Aid	–	7,632,000	109,000	–	7,741,000	7,552,000
Watchtower Contribution (Extraordinary Item)				–	–	1,332,000
Other grants and donations	187,084	–	–	470,710	657,794	601,812
Special events	94,663	–	–	–	94,663	85,711
Interest on deposits	2,062	–	72	15,796	17,930	7,119
Other income	367,127	–	–	–	367,127	274,472
Dividends Received	99	–	–	5,414	5,513	72
Commercial trading operations	1,992,131	–	–	–	1,992,131	1,987,843
Total incoming resources	2,643,166	7,632,000	109,072	491,920	10,876,158	11,841,029
Resources expended						
Staff costs (Note 8)	5,281	4,706,763	–	20,000	4,732,044	4,790,931
Purchase of exhibits	–	–	4,019	–	4,019	2,912
Other operating costs (Note 6)	425,482	2,912,230	–	92,597	3,430,309	3,135,239
Depreciation (Note 5 and Note 6)	48,659	1,084,976	–	370,603	1,504,238	1,468,063
Commercial trading operation	1,997,992	–	–	–	1,997,992	1,793,722
Total resources expended	2,477,414	8,703,969	4,019	483,200	11,668,602	11,190,867
Net (outgoing)/incoming resources for the year	165,752	(1,071,969)	105,053	8,720	(792,444)	650,162
Gains and losses on revaluations of fixed assets	11,700	1,085,658	–	72,200	1,169,558	4,229,801
Gains and losses on revaluations and disposals of investments	190	–	–	(2,001)	(1,811)	(164)
Net movement in funds for the year	177,642	13,689	105,053	78,919	375,303	4,879,799
Funds b/fwd at 1 April 2011	2,136,851	40,429,117	1,443,480	17,553,357	61,562,805	56,683,006
Funds c/fwd at 31 March 2012	2,314,493	40,442,806	1,548,533	17,632,276	61,938,108	61,562,805

Reconciliation of total resources expended to the SOFA

Resources expended per the SOFA	Unrestricted	Grant in Aid		Total Funds 2012	Total Funds 2011
	Funds 2012	Funds 2012	Other Funds 2012		
	£	£	£	£	£
Costs of generating funds:					
Fund raising and publicity	479,422	138,103	-	617,525	447,270
Commercial trading operations	1,997,992	-	-	1,997,992	1,793,722
	<u>2,477,414</u>	<u>138,103</u>	<u>-</u>	<u>2,615,517</u>	<u>2,240,992</u>
Charitable activities:					
Operation of Museum	-	8,453,724	483,200	8,936,924	8,855,523
Purchase of exhibits	-	4,019	-	4,019	2,912
Governance costs	-	112,142	-	112,142	91,440
	<u>-</u>	<u>8,569,885</u>	<u>483,200</u>	<u>9,053,085</u>	<u>8,949,875</u>
Total resources expended	<u>2,477,414</u>	<u>8,707,988</u>	<u>483,200</u>	<u>11,668,602</u>	<u>11,190,867</u>

19 Analysis of group net assets between funds

	Unrestricted funds 2012 £	Grant in Aid		Other Restricted funds 2012 £	Total Funds 2012 £	Total Funds 2011 £
		Operating funds 2012 £	Purchase Grant funds 2012 £			
Tangible fixed assets	1,778,533	40,914,453	1,402,540	16,211,394	60,306,920	60,055,720
Cash at bank and in hand	422,591	63,622	145,993	1,066,111	1,698,317	1,886,875
Other net current assets	113,369	(535,269)	-	354,771	(67,129)	(328,577)
Total assets less current liabilities	<u>2,314,493</u>	<u>40,442,806</u>	<u>1,548,533</u>	<u>17,632,276</u>	<u>61,938,108</u>	<u>61,614,018</u>
Creditors due after one year	-	-	-	-	-	(51,213)
Net assets	<u>2,314,493</u>	<u>40,442,806</u>	<u>1,548,533</u>	<u>17,632,276</u>	<u>61,938,108</u>	<u>61,562,805</u>

Analysis of other restricted funds	2012
	£
Fixed Assets purchased from restricted funds	16,211,394
Cash Balances (arising from cash donated for specific projects)	
Watchtower Funds	1,197,660
RAFM Cosford strategic planning fund	32,978
Test Pilot Project	7,700
Apprentice Development Fund	25,000
Bomber Command Hall Refurbishment Fund	102,133
RAF Charitable Trust (RAFM Interactive Display)	25,654
Cosford Collections Project	2,100
Nimrod Rebuild Project	22,010
Other projects	5,647
Total restricted assets	<u>17,632,276</u>

Included within unrestated funds are the following designated funds:

- Bomber Command Hall £23,000;
- A1 Projects £97,000, and
- Lighting Cold War £21,000.

20 Commitments

	Group	Group	Charity	Charity
	2012	2011	2012	2011
	£	£	£	£
Lease commitments:				
Net obligations under finance leases payable:				
Within one year	7,894	16,602	7,894	16,602
Between one and five years	–	7,894	–	7,894
	<u>7,894</u>	<u>24,496</u>	<u>7,894</u>	<u>24,496</u>
Gross obligations under finance leases:				
Within one year	8,048	17,953	8,048	17,953
Between one and five years	–	8,048	–	8,048
	<u>8,048</u>	<u>26,001</u>	<u>8,048</u>	<u>26,001</u>
Total gross obligations				
	<u>8,048</u>	<u>26,001</u>	<u>8,048</u>	<u>26,001</u>
Finance charges and interest allocated to future accounting periods	(154)	(1,983)	(154)	(1,983)
	<u>7,894</u>	<u>24,018</u>	<u>7,894</u>	<u>24,018</u>

Net obligations under finance lease contracts are secured by fixed charges on the assets concerned. The interest charges incurred in the year on finance leases amounted to £1,769 (2011: £3,484).

During the year, the Museum made operating lease payments amounting to £547,524 (2011: £546,932). At the 31 March 2012, the Museum had annual commitments under non-cancellable operating leases as follows:

	Group and charity	
	2012	2011
Operating leases expiring:	£	£
Plant and machinery:		
within one year	–	1,017
in the second to fifth years	16,667	15,426
Land and buildings:		
after five years	530,150	530,150
	546,817	546,593

Capital Commitments

There were no other Capital Commitments at 31 March 2012.

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 3.

22 Contingent liabilities

There were no contingent liabilities as at 31 March 2012 (2011: Nil).

23 Post balance sheet events

There were no post balance sheet events.

The accounts were authorised for issue by the Accounting Officer on 12 July 2012.

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